

**CITY OF CLEVELAND  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2004**



**Auditor of State  
Betty Montgomery**



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, 2004**

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 2004	10.559		\$ 137,427
<b>Subtotal</b>			<u>137,427</u>
<b>Total Department of Agriculture</b>			<u><u>137,427</u></u>
<b>Department of Energy</b>			
Pass Through Programs:			
Ohio Department of Development:			
Weatherization Assistance for Low-Income Persons 2003	81.042		141,169
Weatherization Assistance for Low-Income Persons 2004	81.042		1,063,117
<b>Subtotal</b>			<u>1,204,286</u>
<b>Total Department of Energy</b>			<u><u>1,204,286</u></u>
<b>Department of Health and Human Services</b>			
Direct Programs:			
Healthy Start Initiative Yr 4	93.926		1,190,586
Healthy Start Initiative Yr 5	93.926		863,912
<b>Subtotal</b>			<u>2,054,498</u>
Centers for Disease Control-Investigations and Technical Assistance:			
NACCHO	93.283		1,631
Steps To A Healthier U.S.	93.283		9,802
City Readiness Initiative 04-05	93.283		50,000
<b>Subtotal</b>			<u>61,433</u>
Pass Through Programs:			
Cuyahoga County Board of Health:			
Immunization Grants 2003	93.268		3,243
Immunization Grants 2004	93.268		86,259
<b>Subtotal</b>			<u>89,502</u>
Cuyahoga County Board of Health:			
Preventive Health and Health Services Block Grant:			
Cardiovascular Health	93.991		1,674
Cardiovascular Health 2004	93.991		60,275
<b>Subtotal</b>			<u>61,949</u>
Centers for Disease Control-Investigations and Technical Assistance:			
Regional Medical Response System 2004	93.283		80,390
<b>Subtotal</b>			<u>80,390</u>
Ohio Department of Health:			
Childhood Lead Poisoning Prevention 2003	93.197	18-2-01-1-BD-03	1,727
Childhood Lead Poisoning Prevention 2003	93.197	18-2-01-1-BE-03	(6,301)
Childhood Lead Poisoning Prevention 2004	93.197	18-2-001-1-BD-04	319,524
Childhood Lead Poisoning Prevention 2005	93.197	18-2-001-1-BD-05	220,074
<b>Subtotal</b>			<u>535,024</u>
Centers for Disease Control-Investigations and Technical Assistance:			
Regional Metropolitan Response System	93.283		9,074
<b>Subtotal</b>			<u>9,074</u>

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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>			
Preventive Health Services--Sexually Transmitted Diseases: Sexually Transmitted Diseases Diagnosis & Treatment 2003	93.977	18-2-001-2-BX-04	14,549
Sexually Transmitted Diseases Diagnosis & Treatment 2004	93.977	18-2-001-2-BX-05	126,167
<b>Subtotal</b>			<u>140,716</u>
Federal AIDS Prevention 2004	93.944	18-2-001-1-DM-04	147,201
<b>Subtotal</b>			<u>147,201</u>
Acquired Immunodeficiency Syndrome (AIDS) Activity 2003	93.118	18-2-001-AS-04	76,145
Acquired Immunodeficiency Syndrome (AIDS) Activity 2004	93.118	18-2-001-2-AS-05	684,331
<b>Subtotal</b>			<u>760,476</u>
Maternal and Child Health Services Block Grant: Infant Mortality Reduction Initiative	93.994	18-2-001-1-DM-01	2,358
<b>Subtotal</b>			<u>2,358</u>
Community Access Program 2004	93.252	18-2-001-1-EJ-04	150,746
<b>Subtotal</b>			<u>150,746</u>
Ohio Department of Alcohol and Drug Addiction Services: Block Grants for Prevention and Treatment of Substance Abuse: Centerpoint/Reward 2004	93.959		134,522
Centerpoint/Reward 2005	93.959		103,720
Student Assistance 2004	93.959		35,912
Student Assistance 2005	93.959		36,069
<b>Subtotal</b>			<u>310,223</u>
Ohio Department of Development: Low-Income Home Energy Assistance 2003	93.568		638,958
Low-Income Home Energy Assistance 2004	93.568		684,927
<b>Subtotal</b>			<u>1,323,885</u>
Supplemental Empowerment Zone - Title XX	93.585	G-98-01-244	256,834
<b>Subtotal</b>			<u>256,834</u>
<b>Total Department of Health and Human Services</b>			<u><u>5,984,309</u></u>
<b>Department of Housing &amp; Urban Development</b>			
Direct Programs:			
Community Development Block Grants:			
CDBG XXI	14.218		(2,322)
CDBG XXII	14.218		
CDBG XXIII	14.218		
CDBG XXIV	14.218		5,949
CDBG XXV	14.218		109,335
CDBG XXVI	14.218		135,000
CDBG Yr 27	14.218		4,225,524
CDBG Yr 28	14.218		3,697,329
CDBG Yr 29	14.218		14,791,057
CDBG Yr 30	14.218		10,870,096
CDBG Float Loan	14.218		8,939,825
CDBG - Home Ownership Zone - Sec 108LN	14.218	<b>CDBG Funded</b>	
<b>Subtotal</b>			<u>42,771,793</u>
Yr 29 Fair Housing Grant	14.218	<b>CDBG Funded</b>	63,743
Yr 30 Fair Housing Grant	14.218	<b>CDBG Funded</b>	33,888
SHAP/CHORE 2003-2004	14.218	<b>CDBG Funded</b>	101,702
SHAP/CHORE 2004-2005	14.218	<b>CDBG Funded</b>	64,275

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
<b>Department of Housing &amp; Urban Development--continued</b>			
School Safety Initiative	14.218	<b>CDBG Funded</b>	150,000
6th District Night Out Against Crime	14.218	<b>CDBG Funded</b>	4,500
CDBG AIDS Yr 28	14.218	<b>CDBG Funded</b>	41,303
CDBG AIDS Yr 29	14.218	<b>CDBG Funded</b>	430,051
CDBG AIDS Yr 30	14.218	<b>CDBG Funded</b>	214,375
Project Clean yr30 CDBG	14.218	<b>CDBG Funded</b>	947,475
Direct Programs:			
Demolition and Board Up yr 29	14.218	<b>CDBG Funded</b>	1,361,754
Code Enforcement yr 29	14.218	<b>CDBG Funded</b>	
Code Enforcement yr 30	14.218	<b>CDBG Funded</b>	1,099,381
Demolition yr 30	14.218	<b>CDBG Funded</b>	668,528
<b>Subtotal</b>			5,180,975
Multifamily Property Disposition	14.199		5,694,868
<b>Subtotal</b>			5,694,868
HOME Investment Partnerships Program 1992	14.239		1,377,200
HOME Investment Partnerships Program 1993	14.239		
HOME Investment Partnerships Program 1995	14.239		19,146
HOME Investment Partnerships Program 1996	14.239		(12,622)
HOME Investment Partnerships Program 1997	14.239		(58,427)
HOME Investment Partnerships Program 1998	14.239		(234,757)
HOME Investment Partnerships Program 1999	14.239		115,677
HOME Investment Partnerships Program 2001	14.239		1,835,246
HOME Investment Partnerships Program 2002	14.239		2,274,542
HOME Investment Partnerships Program 2003	14.239		3,330,683
HOME Investment Partnerships Program 2004	14.239		150,000
<b>Subtotal</b>			8,796,688
Emergency Shelter Grants Program 1999	14.231		6,197
Emergency Shelter Grants Program 2000	14.231		21,706
Emergency Shelter Grants Program 2001	14.231		18,300
Emergency Shelter Grants Program 2002	14.231		105,374
Emergency Shelter Grants Program 2003	14.231		979,879
Emergency Shelter Grants Program 2004	14.231		95,250
<b>Subtotal</b>			1,226,706
Housing Opportunities for Persons With Aids 1998	14.241	<b>CDBG Funded</b>	31,151
Housing Opportunities for Persons With Aids 2001	14.241	<b>CDBG Funded</b>	280,275
Housing Opportunities for Persons With Aids 2002	14.241	<b>CDBG Funded</b>	169,016
Housing Opportunities for Persons With Aids 2003	14.241	<b>CDBG Funded</b>	669,367
Housing Opportunities for Persons With Aids 2004	14.241	<b>CDBG Funded</b>	594,541
Housing Opportunities for Persons With Aids 2005	14.241	<b>CDBG Funded</b>	281,063
<b>Subtotal</b>			2,025,413
Lead - Based Paint Hazard Control in Privately - Owned Housing 2001	14.900		1,055,885
<b>Subtotal</b>			1,055,885
Lead Reduction 2003-2007	14.905		350,272
<b>Subtotal</b>			350,272
Empowerment Zones Program	14.244		14,647,589
<b>Subtotal</b>			14,647,589
<b>Total Department of Housing and Urban Development</b>			81,750,189

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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 01	16.592		12,021
Local Law Enforcement Block Grants Program 02	16.592		561,126
Local Law Enforcement Block Grants Program 03	16.592		798,098
<b>Subtotal</b>			1,371,245
Public Safety Partnership and Community Policing Grants:			
Creating a Culture of Integrity	16.710		9,139
<b>Subtotal</b>			9,139
Pass Through Programs:			
Office of Criminal Justice Services:			
Byrne Formula Grant Program 2003:			
2003 Caribbean Gang Task Force	16.579		11,318
Homeland Security 2003	16.579		93,951
Police MDC	16.579		137,176
<b>Subtotal</b>			242,445
Byrne Formula Grant Program 2004:			
2004 Caribbean Gang Task Force	16.579		7,808
Cleveland Team Approach To Domestic Violence	16.579		16,266
Homeland Security 2004	16.579		29,022
Mobile Data Center II	16.579		226,212
<b>Subtotal</b>			279,308
Violence Against Women Formula Grants 2003:			
VAWA Team Approach 2003	16.588		30,858
TEAM Approach to VAWA	16.588		10,975
<b>Subtotal</b>			41,833
Violence Against Women Formula Grants 2004			
	16.588		7,368
<b>Subtotal</b>			7,368
Juvenile Accountability Incentive Block Grants 2003			
	16.523		175,053
Juvenile Accountability Incentive Block Grants 2004			
	16.523		304,973
<b>Subtotal</b>			480,026
Public Safety Partnership and Community Policing Grants:			
Cops in School	16.710		893,961
<b>Subtotal</b>			893,961
Law Enforcement Trust Fund			
	16.XXX		472,202
<b>Subtotal</b>			472,202
<b>Total Department of Justice</b>			3,797,527
<b>Department of Treasury</b>			
Direct Programs:			
G.R.E.A.T. 1998	21.053		164,347
G.R.E.A.T. 1999	21.053		164,261
G.R.E.A.T. 2000	21.053	ATC000066	142,813
G.R.E.A.T. 2001	21.053	ATC010045	184,857
G.R.E.A.T. 2002	21.053	ATC020121	78,277
G.R.E.A.T. 2003	21.053		66,536
<b>Subtotal</b>			801,091
<b>Total Department of Treasury</b>			801,091



**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
<b>Department of Labor</b>			
Pass Through Programs:			
Ohio Department of Jobs and Family Services:			
WIA Adult Program	17.258		6,482,395
WIA Youth Program	17.259		5,132,847
WIA Dislocated Worker Program	17.260		2,676,924
<b>Subtotal</b>			<u>14,292,166</u>
<b>Total Department of Labor</b>			<u><u>14,292,166</u></u>
<b>Department of Transportation</b>			
Direct Programs:			
Airport Improvement Program	20.106		17,838,013
<b>Subtotal</b>			<u>17,838,013</u>
Highway Planning and Construction:			
Federal Grant - Memphis Ave. Brooklyn	20.205		65,237
Federal Highway Administration	20.205		57,474
Federal- Memphis Ave	20.205		3,210,759
<b>Subtotal</b>			<u>3,333,470</u>
Pass Through Programs:			
Ohio Department of Transportation			
Highway Planning and Construction:			
Brookpark Road Relocation	20.205		33,924
UPARR Bisbee Park	20.205		265,093
Bessemer Ave	20.205		752,882
Transportation Enhance TEA 21	20.205		125,790
<b>Subtotal</b>			<u>1,177,689</u>
<b>Total Department of Transportation</b>			<u><u>22,349,172</u></u>
<b>Environmental Protection Agency</b>			
Direct Programs:			
Air Pollution Control Program Support 2002	66.001		22,103
Air Pollution Control Program Support 2003	66.001		(57,207)
Air Pollution Control Program Support 2004	66.001		1,646,743
Air Pollution Control Program Support 2005	66.001		696,340
<b>Subtotal</b>			<u>2,307,979</u>
Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach:			
US EPA Lead Poison Prev	66.716		35,800
<b>Subtotal</b>			<u>35,800</u>
Pass Through Programs:			
Ohio Environmental Protection Agency:			
Air Pollution Control Program Support 1999	66.001		10,898
<b>Subtotal</b>			<u>10,898</u>
Chemical Emergency Preparedness and Prevention:			
Bio-Watch Program 2003	66.810		134,678
Bio-Watch Program 2004	66.810		236,449
Bio-Watch Program 2005	66.810		1,905
<b>Subtotal</b>			<u>373,032</u>
<b>Total Environmental Protection Agency</b>			<u><u>2,727,709</u></u>

**CITY OF CLEVELAND  
 CUYAHOGA COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
<b>Department of Homeland Security</b>			
Direct Programs:			
FEMA- Fire 2003	97.044		342,796
<b>Subtotal</b>			<u>342,796</u>
FEMA- Federal	97.036		125,791
<b>Subtotal</b>			<u>125,791</u>
Metropolitan Medical Response System 2003	97.071		53,051
Metropolitan Medical Response System 2004	97.071		10,024
<b>Subtotal</b>			<u>63,075</u>
Urban Area Security Initiative	97.007		1,237,259
2003 Homeland Security	97.007		86,730
<b>Subtotal</b>			<u>1,323,989</u>
TSA Cooperative Agreement	97.072		630,081
<b>Subtotal</b>			<u>630,081</u>
Pass Through Programs:			
Ohio Emergency Management Agency			
State Homeland Security Part 1	97.007		19,990
State Homeland Security 2003	97.007		8,000
<b>Subtotal</b>			<u>27,990</u>
<b>Department of Homeland Security</b>			<u>2,513,722</u>
<b>Grand Total</b>			<u>\$ 135,557,598</u>

**CITY OF CLEVELAND  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Basis of Presentation**

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

**Longwood Grant**

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

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

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

**Park Village**

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

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

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

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**Auditor of State  
Betty Montgomery**

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

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

To the Honorable Jane L. Campbell, 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, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the City's management dated May 31, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the City's management dated May 31, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

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

**Betty Montgomery**  
Auditor of State

May 31, 2005



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT OF COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND 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 Jane L. Campbell, 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, 2004. 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, 2004. In a separate letter to the City's management dated May 31, 2005, we reported another matter related to federal noncompliance not requiring inclusion in this report.

### **Internal Control Over Compliance**

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cleveland as of and for the year ended December 31, 2004, and have issued our report thereon dated May 31, 2005. 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 intend this report solely for the information and use of the audit committee, management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

May 31, 2005



**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED DECEMBER 31, 2004  
SCHEDULE OF FINDINGS**

<b>SUMMARY OF AUDITOR'S RESULTS</b>		
<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA# 14.199, Multifamily Property Disposition CFDA# 14.218, Community Development Block Grants CFDA# 14.239, Home Investment Partnerships Program CFDA# 14.244, Empowerment Zones Program CFDA# 20.106, Airport Improvement Program CFDA# 20.205, Highway Planning and Construction CFDA# 93.926, Healthy Start Initiative
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 3,000,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED DECEMBER 31, 2004  
SCHEDULE OF FINDINGS**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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The comment with an asterisk (\*) denotes a comment that was previously reported to management in the December 31, 2003 audit report for which corrective action has not been taken.

<b>Finding Number</b>	<b>2004-001</b>
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**DIVISION OF INTERNAL AUDIT’S ORGANIZATIONAL STRUCTURE AND THE HEALTH CARE COVERAGE AUDIT**

**Organizational Structure \***

The City has an internal audit function within the organization which is formulated in accordance with the Standards for Professional Practice of Internal Auditing. However, this function is not complying with the first standard as its internal auditors are not independent from the organization. The Standards state “The internal audit activity should be independent, and internal auditors should be objective in performing their work. The internal audit activity should be free from interference in determining the scope of internal auditing, performing work, and communicating results.” The use of the word “should” in the Standards represents a mandatory obligation.

In accordance with these standards, the determination of the objectivity of the internal audit division is based on the level within the organization to which the department reports. This includes direct access to all levels of the organization and the level that oversees employment decisions related to the internal auditor. Currently, all reports issued by the Division of Internal Audit (DIA) are submitted to the Mayor’s Office, City Council and the Audit Committee. However, the DIA is within the Department of Finance and the Manager of Internal Audit reports directly to the Finance Director and Assistant Finance Director. In fact, the Manager must obtain the Finance Director’s approval prior to the issuance of any report. This type of organizational structure could affect the DIA’s ability to audit all areas of the City objectively.

We recommend the internal audit function be restructured in order to comply with the Standards for Professional Practice of Internal Auditing and require the Director of Internal Audit to report directly to the Mayor. This reporting change will create true independence in Internal Audit and remove them from the Director of the financial functions they will audit. Furthermore, we recommend that the scope and activities of the DIA be approved by the Audit Committee and all subsequent reports be reviewed by the Audit Committee.

Independence of the Division of Internal Audit was originally discussed in a report from the Auditor of State to the City, dated May 30, 2002. The importance of this recommendation is magnified by the events of the following internal control weakness.

**Health Care Coverage Audit**

For 2004, the City paid over \$51 million for medical coverage and \$3.9 million for dental coverage. These numbers reflect both the City’s and employees’ share; with the City paying approximately 90% of the premium for health care and 100% for dental coverage.

On October 30, 2003, the Manager of the DIA mailed a “Verification Form for City Employee’s Dependents” to all City employees requiring completion of the form and the submission of official documentation as proof of dependent status for each of their dependents. The information was being requested in connection with the City’s new payroll and human resource system and was being compared to the Department of Personnel and Human Resources database.

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED DECEMBER 31, 2004  
SCHEDULE OF FINDINGS**

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

<b>Finding Number</b>	<b>2004-001</b>
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**DIVISION OF INTERNAL AUDIT'S ORGANIZATIONAL STRUCTURE AND HEALTH CARE COVERAGE AUDIT (Continued)**

On May 18, 2005, the City's DIA issued an audit report on whether the dependents of the City's employees met the eligibility requirements for health care coverage. The conclusion states, "Based on the audit analysis, we concluded that internal controls within the Department of Personnel and Human Resources related to maintaining health care benefit information and documentation were not adequate or effective for the period of September 1, 2001 through April 30, 2004."

The report identifies 226 and 248 employees respectively, whose medical coverage and dental coverage was changed from family to single coverage. This was due to those employees who had claimed single coverage in the survey being unable to claim family coverage because they did not present supporting documentation to justify claiming their dependents. In addition, the report also states that another 105 employees with family coverage either did not complete the survey or provide support for their dependents despite being warned that the failure to respond could result in a change in their benefits status. The 105 employees in question are not included in the number of employees who had their coverage changed as their status has yet to be determined.

Based on the test results, the internal audit report states, "The City potentially overpaid Providers up to a maximum of \$2,842,565 during the audit period of September 1, 2001 through April 30, 2004 due to incomplete health insurance data within the Department of Personnel and Human Resources database." This projection was based on the employees only being entitled to single coverage during the period. Also, the City estimated they have saved approximately \$1.1 million in health and dental insurance premiums since removing the ineligible dependents.

The internal audit report was forwarded to the City's Law Department in order to determine whether legal action was necessary.

On May 18, 2005, Teresa M. Beasley, Director, and Richard F. Horvath, Chief Counsel for the City's Law department issued their opinion which states the following:

"The Audit Report does not establish that City funds were misspent and, thus, the City has no basis under Ohio Revised Code Section 117.28 to make a claim for recovery of funds against any City employee. Even if the Audit Report established that City funds were misspent, employees have numerous persuasive defenses to any claim for recovery. Conducting an internal investigation of the facts relating to each employee whose coverage changed as a result of the Audit Report would be time-consuming, expensive, detrimental to union/management relations and employer/employee relations, and might impose significant new liabilities on the City".

The opinion further states that City officials gave assurances to union leaders and other City employees that the purpose of the audit was not punitive and that employees who cooperated would not be penalized other than having their benefit status changed.

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED DECEMBER 31, 2004  
SCHEDULE OF FINDINGS**

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

<b>Finding Number</b>	<b>2004-001</b>
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**DIVISION OF INTERNAL AUDIT'S ORGANIZATIONAL STRUCTURE AND HEALTH CARE  
COVERAGE AUDIT (Continued)**

Based on this opinion, the Division of Internal Audit is not investigating whether the City overpaid medical and dental providers or whether these reporting errors were due to City deficiencies in reporting and other internal control weaknesses.

Since public funds were reported as potentially misspent by the City's own Division of Internal Audit, we recommend the City investigate further as to whether the reported weaknesses in the employees' medical and dental coverage were operational in nature or a deliberate attempt by employees to defraud the medical system. In order to accomplish this goal, the City should document the support received from all of its employees for any dependents the employees are claiming and the City is paying for.

**CITY OF CLEVELAND**  
**CUYAHOGA COUNTY**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
**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
2003-000	Over reimbursement of Council member expenses.	Yes	Finding no longer valid
2003-002	Daily Duty Assignment reports for police officers were not approved by the Officer-in Charge.	No	Partially corrected as the finding is being reported in the 2004 management letter due to improvements in the approval process.



# CITY OF CLEVELAND, OHIO



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For the Fiscal Year Ended December 31, 2004*





To the Citizens of the City of Cleveland:

Although we have been faced with hard economic times, we are making remarkable progress. We remain steadfast in our commitment to create wealth, create opportunity, increase our tax base, and maximize our resources to make Cleveland a stronger, smarter, and safer place in which to live, work, play and grow.

Our deficit reduction plan continues to stay on track. We have accomplished many of our goals with a smaller more efficient government. The 2005 budget is \$3.6 million less than what the City spent in 2001.




We are moving forward and the City is stronger economically. Last year for the first time since 2000, Clevelanders earned more money than the previous year, while unemployment continues to drop. We continue to create and retain jobs, more than 6,600 of them since 2001. In 2004, our Workforce investment Board oversaw work resulting in over 940 job placements, and over \$15.7 million in new wages earned. Job opportunities for Clevelanders are also being created within our own City projects. Seventy-nine projects totaling more than \$240 million are underway where the Fannie M. Lewis Resident Employment Law is applicable. Nearly 700 Cleveland residents have performed work on projects subject to the Fannie Lewis Law.

Development in the City is on the move. I am pleased to say that the Steelyard Commons project will become a reality. The \$120 million retail development shows that developers want to invest in the City. Steelyard Commons will create 1,800 jobs and generate \$5.6 million in revenue. Major redevelopment of the Flats East Bank to the tune of \$225 million is also on the way. The project will include more than 150 for-sale residential units and 255,174 square feet of entertainment and retail space. When complete, the redevelopment will provide a healthy boost to revenue received by the Cleveland Municipal School District.

The City ranked 36<sup>th</sup> in new housing starts in the 8 county region in 1990. In 2004, we exceeded our 1,500 housing unit goal by creating 1,538 new housing units, ranking us first in the region.

The future that I see for Cleveland is a bright one—one filled with hope. The work we are doing is just the beginning. Our plan is to continue to build upon the firm foundation we have laid.

Sincerely,

  
Jane L. Campbell  
Mayor  
City of Cleveland

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***CITY OF CLEVELAND***



***Comprehensive Annual Financial Report***

***For the year ended December 31, 2004***

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Issued by the  
Department of Finance

Robert H. Baker  
Director

James E. Gentile, CPA  
City Controller

# CITY OF CLEVELAND, OHIO

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# **INTRODUCTORY SECTION**

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May 31, 2005

Honorable Mayor Jane L. Campbell  
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, 2004. 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 2004 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, 2004, 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, 2004 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 1995 through 2004.

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 16<sup>th</sup> largest of 280 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. Jane L. Campbell was elected as Mayor of the City in November 2001 and began her first term on January 7, 2002. Prior to assuming office as Mayor, Ms. Campbell served as a member of the Ohio House of Representatives and as a Commissioner of Cuyahoga County. 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, 2005. 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. Frank G. Jackson was elected as President of Council in January 2002. 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 (a) 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, is 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.

As of the year ended December 31, 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*. Accordingly, government-wide financial statements, which include all governmental and business-type activities, are presented on the full accrual basis of accounting. As part of the implementation of GASB Statement No. 34, the City has opted to fully implement retroactive infrastructure reporting. In doing so, the historical cost of infrastructure assets (retroactive to 1980) is included as part of the governmental capital assets. Thus, the depreciated value of construction costs for the roadway network including streets, sidewalks, curbs and gutters, guard rails, traffic lights, signals, parking meters and the bridge network is reported in the government-wide statement of net assets. In conjunction with the implementation of GASB 34, the City has also adopted GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, which rescinds some and modifies other financial statement disclosure requirements.

### *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 her 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 52 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 98.

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

In 2004, within the 8 county Cleveland market areas, the City was ranked first in single family residential housing starts with 498 units, a 13.7 percent increase over 2003.

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 2004 was \$558.3 million, which represents an increase of over \$61.7 million from 2003.

### *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 income tax collections increased approximately 1 percent in 2004.

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 reveals 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 2004 Accomplishments*

The 2004 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 2004 programmatic goals without an income or property tax increase:

- The Department of Community Development exceeded the goal of creating 1,500 new housing units. Certificates of occupancy were issued for 1,538 new homes for Clevelanders at every income level.
- Assisted in the financing of the rehabilitation of the vacant Park Lane Villa apartment building, located at 10510 Park Lane, into a 93 unit residential housing complex. The total project investment will be \$24.9 million with the City providing a \$2.1 million Core City loan.
- Environmental cleanup and redevelopment of the former Joseph & Feiss/Hugo Boss Clothing Factory was completed and construction is now underway for a \$19 million project, know as the Ashbury Towers, that will develop a mix of 150 residential townhouses and loft-style flats.
- Repaired or improved 2,369 homes through various programs that will continue to strengthen Cleveland's neighborhoods.
- Rehabilitated 302 vacant houses that were sold to new homeowners through the Afford-A-Home Program.
- Provided over \$3 million of community development funds to support social service activities and an additional \$631,000 for homeless services.
- The Department of Building and Housing provided on-line plumbing, heating, and electrical permits through the internet.
- Issued 9,850 Notices of Building Code Violations. Also boarded up 2,548 condemned structures which represents a 30 percent increase from the previous year.
- Performed 44,943 building inspections in 2004.
- The Department of Economic Development provided financial assistance to 18 companies which will create 1,381 permanent jobs. Six of the 18 companies will provide 500 permanent jobs to the downtown area.

- Project “Advance Cleveland Trade” (ACT) was initiated and over 500 local companies were contacted and visited by the Department of Economic Development’s and Cleveland Industrial Retention Initiative (CIRI) staff to discuss the economic development needs of the businesses.
- The City created a downtown entertainment district, anchored by the House of Blues, and development continues along this corridor.
- The International Children’s Games, attended by over 3,000 athletes, coaches, and parents, were hosted in Cleveland for four days of competition and collaboration and provided a significant local economic infusion. This marked the first time the event was held in the United States.
- The Department of Health received a five year, \$5 million “Steps to a Healthier U.S.” grant. This grant will allow the department to address problems relating to diabetes, obesity, and asthma in Cleveland.
- The Department of Health continued a West Nile Virus Response Plan, including larviciding 20,300 catch basins and trapping and testing 10,566 mosquitoes for the virus.
- The Department of Health protected the citizens from the effects of lead poisoning by doubling the lead abatement grant dollars to the City.
- The Department of Health administered nearly 10,000 flu shots.
- The Department of Aging provided supportive services to more than 2,000 seniors, provided 1,457 benefit checkups to seniors, and helped over 2,500 seniors secure prescription savings through the greater Cleveland Access to Benefits coalition. The Department also secured over \$285,000 of external grants which included such services as assisting Cleveland grandparents or other aging relatives raising children.
- The Office of Equal Opportunity aggressively monitored and enforced the Resident Employment Law (“Fannie Lewis Law”) and the inclusion of minority and female owned businesses in City contracts totaling \$148 million.
- The Department of Public Service completed or started 38 road and bridge projects totaling \$135 million. The Department implemented the 50/50 Hazardous Sidewalk Program to repair damaged sidewalks at 500 locations with a cost totaling \$800,000.
- Resurfaced 116 residential streets and collected 342,417 tons of waste in 2004.

In 2004, the Division of Police maintained a stable crime rate with a flexible deployment plan that allowed the division to address crime aggressively, responded to nearly 50,000 more calls for service than the previous year, and used SWAT personnel to conduct patrols to address street-level crimes. The Division also completed the installation of mobile data computers in all 219 front-line police cars.

The goal to reduce police overtime was also achieved. The regular monitoring of police overtime coupled with changes in policy led to a \$4.8 million reduction in overtime.

The City received over \$4.3 million of Homeland Security related grants that will be used by the City’s Homeland Security/Office of Domestic Preparedness. Major uses of these grants include the purchase of first responder equipment and costs associated with planning, training, and exercise needed to protect the public in case of a national emergency.

Citizen’s public safety has been dramatically improved with the opening of Ohio’s first state-of-the-art emergency operations facility located at 205 St. Clair Avenue.

The Division of Fire improved its fire-fighting capability by replacing more than 40 percent of its suppression fleet with new apparatus, including 21 frontline apparatus.

The Division of Emergency Medical Services continued to provide the citizens of Cleveland with superior service. The Division maintained a response time of less than seven minutes for the highest-priority calls which is below the national average of eight minutes.

The Department of Parks, Recreation and Properties initiated and completed several construction projects during 2004. The Department completed and dedicated the Kenneth L. Johnson Aquatic Playground, Bisbee/Carol McClendon Park neighborhood playground, Tremont’s Lincoln Park and the premier six-baseball diamond facility at the Maplewood Athletic Complex. The total cost of these projects exceeded \$3,770,000 and will provide Cleveland’s youth with a safe and secure environment to enjoy these activities.

In addition, the Department of Parks, Recreation and Properties obtained over \$3.4 million of grant funding for the improvements at the Canal Basin Park and worked closely with the Port Authority to end dredge deposits on Dike 14 and reuse its 88 acres as a natural area.

The City also offered many summer programs to its citizens in 2004. These summer programs allowed over 161,000 youths to utilize the summer pool facilities, served over 70,000 healthy meals to youths through the summer lunch program and had approximately 850 attendees at Camp Forbes.

In addition, the Convention Center, which is managed by the Department of Parks, Recreation and Properties, held events on 267 days which were attended by over 287,000 people.

The Division of Water Pollution Control invested over \$5 million in capital sewer replacements, repairs and improvements. The 2004 major initiatives were the Ostend and Larchwood Avenue sewer replacements, the East 4<sup>th</sup> street sewer repairs, and the Archmere Avenue and East 71<sup>st</sup> street sewer system projects.

The Division of Cleveland Public Power invested over \$15.6 million in capital improvements to better serve its 80,000 residential, commercial, and industrial customers. Improvements included investing in the dielectric integrity of the 69 KV high pressure cable to improve black-start capacity. New computer technology was added to three 16 MW turbine units that will allow the units to operate on isochronous control to help ensure they operate at the proper frequency. Also, construction began on the Ridge Road substation.

In 2004, the Division of Water invested over \$89 million of capital improvements at the Morgan Water Plant, Baldwin Water Plant, and Nottingham Water Plant to ensure the future operation of the eighth largest public water supply system in the United States. Other major initiatives included repairing and updating the Crown Water Treatment Plant's residual handling system and the Euclid Avenue water main replacement project.

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 14 major neighborhood school renovations underway. This will help provide the business community with the needed educated Cleveland job market of the future.
- A state-of-the-art \$350 million Cleveland Clinic Heart Center will begin construction in 2005.
- The Euclid Corridor Transportation Project will improve transit service, as well as increase development along Euclid Avenue. The project will provide shorter travel times along Euclid Avenue and linkages with other Regional Transit Authority (RTA) services. The total project cost is expected to be \$246 million and is anticipated to be finished in 2006.
- Current projects underway will allow the City to meet the goal of creating 1,500 new housing units again in 2005. The City is committed to restoring the new housing stock in Cleveland to ensure job creation, a sound school system, and retaining Cleveland residents.
- The completion of the rehabilitation of the former West Tech high school into affordable loft apartments in the Cudell neighborhood which created 189 housing units.
- The new construction of scattered site housing for homeownership in the Central Neighborhood. This \$82 million project will consist of 465 mixed new single family home units.
- In 2004, Key Bank, Fifth Third Bank, U.S. Bank and FirstMerit Bank renewed their Neighborhood Reinvestment Agreements. The new agreements further commit these entities in assisting the City in recovering bank-owned City property, supporting wealth-creating opportunities, procuring products and services from small, minority- and female-owned businesses, as well as the hiring, training, and promotion of minorities and females.
- The environmental remediation at the Hemisphere Industrial and the Midtown Technology parks will be completed at an approximate cost of \$6 million. The City is actively pursuing new companies to utilize these parks and add to the job base of Cleveland.



- The City has taken steps to establish an Industrial Land Bank for the purpose of assembling and consolidating existing targeted properties into industrial park sites for economic development.
- On October 1, 2004, the City signed a Memorandum of Understanding with Continental Airlines to extend its lease agreement for an additional ten years at Cleveland Hopkins International Airport. The agreement pledges Continental Airlines to continue its hub activities at Cleveland Hopkins International Airport through 2015. The new 9,000 foot runway was completed and will increase airport capacity. In the summer of 2005, construction will begin on the uncoupling and extension of Runway 6R-24L which, when completed, will allow for unrestricted direct international service from Cleveland to any world-wide destination.

The City Planning Commission completed the first Lakefront Plan in over 50 years and will begin implementing this historic plan in 2005. Also the completion of a comprehensive plan, Connecting Cleveland 2020 Citywide, will be presented to the citizens of Cleveland in 2005.

*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 sizable 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 and several area banks to offer creative home financing, consumer credit, small business loans, and various financing options to residents with low or moderate incomes.

The following amounts were committed from 1991 through 2004:

	<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	53
Fannie Mae and Freddie Mac	<u>1,100</u>
Total	<u><u>\$ 6,721</u></u>

As the economy in the region stagnates, the City has maintained its commitment to prudent fiscal policies. The City of Cleveland 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. The City responsibly reduced its General Fund operating budget in 2004 in compliance with reduced anticipated revenue by laying off approximately 10% of its General Fund workforce.

## *2005 Budget*

In preparing its 2005 budget, the City assumed a slight increase in income tax collection and the steady collections of other core revenues. During 2002 and 2003, the City utilized various one-time revenue and expenditure reductions to balance its General Fund operations and layoffs were necessary to balance the 2004 budget. Total 2005 estimated available General Fund revenues, including other financing sources, are \$475,001,505 which represents a modest 3.4% increase as compared to the 2004 actual General Fund revenues. The City also considered several anticipated expenditure increases including:

- The renegotiation of all union contracts, including the safety forces.
- Increased overtime and uniform allowance expenditures in 2005 as compared to 2004.
- An increase in the cost of health care benefits by 14% at a cost of \$4,300,000.
- Substantial increases in rates for gasoline, natural gas, electricity and steam.

The City does not anticipate a 2005 year-end operating deficit or a need for additional permanent staffing level reductions which was required in 2004. 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 2005, 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 2005 budget are:

- The implementation of the CitiStat program that will allow the City to effectively monitor and evaluate the delivery of major City services.
- The continued enhancement of Homeland Security readiness through the funding of equipment purchases and training of the safety forces.
- The continuing revitalization of the City's neighborhood housing stock with an anticipated 1,500 new housing unit start-ups.
- The completion of the design and construction of the City's Printing division's operations facility.
- The continuing funding of the City's Emergency Operations Center and Information Technology center.
- The recall of 30 police officers to deal with quality of life issues.

## **Cash Management**

Currently, the City's policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, \$90,402,000 of bank deposits are either insured by federal depository insurance or collateralized by securities held by the City or by its agent in the City's name. The remaining balance of \$17,138,000 of deposits is uninsured and uncollateralized. Of the \$458,136,000 of classified investments, \$439,899,000 is classified in the category of lowest collateral risk established by the Governmental Accounting Standards Board. The remaining \$18,237,000 represents investments held in the City's name by the counterparty's trust department or agent.

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 2004, the Division of Treasury acquired and implemented Treasury Management Solution software application to monitor, analyze and report the City's investments. The software enables the City to improve investment forecasting and planning with an emphasis on increasing interest income.

## Risk Management

The City has developed a risk management program in its Department of Finance assisted by Law Department personnel. The risk management program serves to implement qualitative controls, programs and safeguards in the delivery of basic City services for the protection of both the public and City employees. In addition, the program identifies and controls exposure the City may have to financial loss. Periodic review of the City's funding arrangements with respect to general liability and employee benefit costs maintains the City's assumption of risk at a reasonable and affordable level. In January of 2003, the City exercised the option of retrospective rating as the premium rating mechanism for its workers' compensation program. This change was implemented to reduce the City's overall worker compensation expenditures. During 2004, the City created the Workers Compensation Reserve Internal Service Fund to accumulate needed resources to fund future workers' compensation claims.

## Awards and Acknowledgements

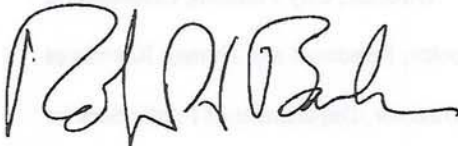
*The Independent Audit:* The City Charter requires an annual audit of the financial statements of all accounts of the City by an independent Certified Public Accountant. Accordingly, this year's audit was completed by the Auditor of the State of Ohio. The year ended December 31, 2004 represents the 24<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, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

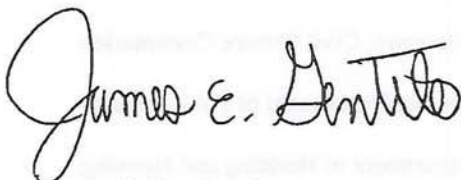
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. Such CAFRs must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 20 years (years ended 1984 – 2003). 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, her 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,



Robert H. Baker, Director  
Department of Finance



James E. Gentile, CPA  
City Controller

# CITY OF CLEVELAND, OHIO

## City Officials

**Jane L. Campbell, Mayor**

### EXECUTIVE STAFF

Christopher S. Ronayne..... Chief of Staff, Chief Development Officer  
Darnell Brown..... Chief Operating Officer  
Craig Tame..... Chief Health and Public Safety Officer  
Lorna Wisham..... Chief Public Affairs Officer

### ADMINISTRATION

Jane E. Fumich..... Director, Department of Aging  
Collette Appolito..... Director, Office of Equal Opportunity  
Robert H. Baker..... Director, Department of Finance, Chief Financial Officer  
Teresa M. Beasley..... Director, Department of Law  
Jeffrey D. Johnson..... Director, Community Relations Board  
Sanford E. Watson..... Director, Department of Public Safety  
Michael C. McGrath..... Police Chief  
Paul Stubbs..... Fire Chief  
Daryl Rush..... Director, Department of Community Development  
Natalie A. Ronayne..... Director, Department of Parks, Recreation and Properties  
Julius Ciaccia..... Director, Department of Public Utilities  
Kenya Taylor..... Director, Department of Consumer Affairs  
Robert N. Brown..... Director, City Planning Commission  
Gina L. Routen..... Director, Personnel and Human Resources  
Mark Ricchiuto..... Director, Department of Public Service  
John C. Mok..... Director, Department of Port Control  
Greg Huth..... Director, Economic Development  
Jonalyn M. Krupka..... Secretary, Civil Service Commission  
Matthew Carroll..... Director, Department of Public Health  
James G. Williams..... Director, Department of Building and Housing

# CITY OF CLEVELAND, OHIO

## City Council

Frank G. Jackson.....	President of Council /Ward 5
Valarie J. McCall.....	Clerk of Council
Joseph T. Jones.....	Ward 1
Robert J. White.....	Ward 2
Zachary Reed.....	Ward 3
Kenneth L. Johnson.....	Ward 4
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
Nelson Cintron, Jr. ....	Ward 14
Emily Lipovan Holan .....	Ward 15
Kevin J. Kelly.....	Ward 16
Matthew Zone .....	Ward 17
Jay Westbrook.....	Ward 18
Dona Brady .....	Ward 19
Martin J. Sweeney .....	Ward 20
Michael A. Dolan .....	Ward 21

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cleveland,  
Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2003

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.



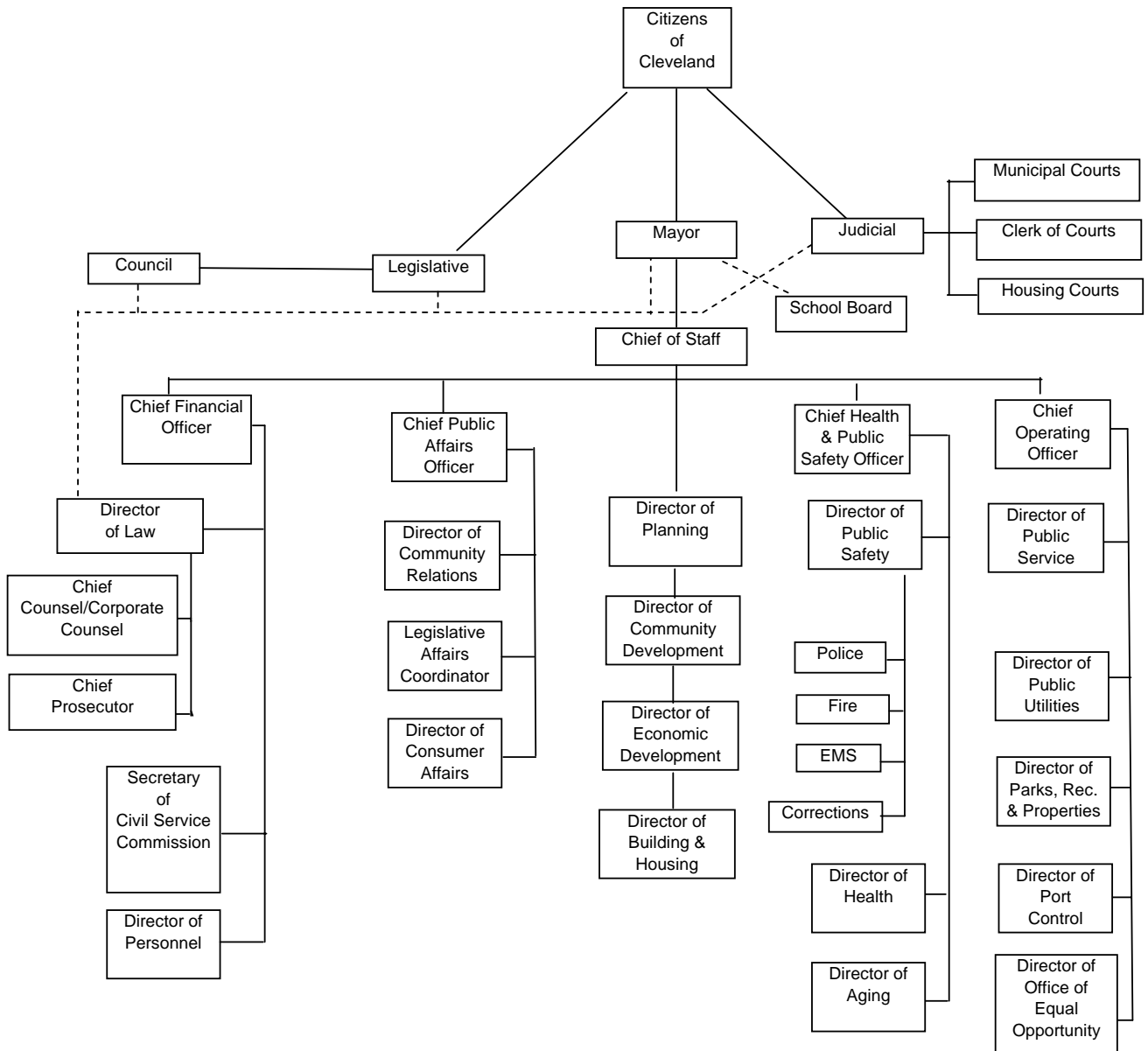
*Nancy L. Zielle*

President

*Jeffrey R. Emer*

Executive Director

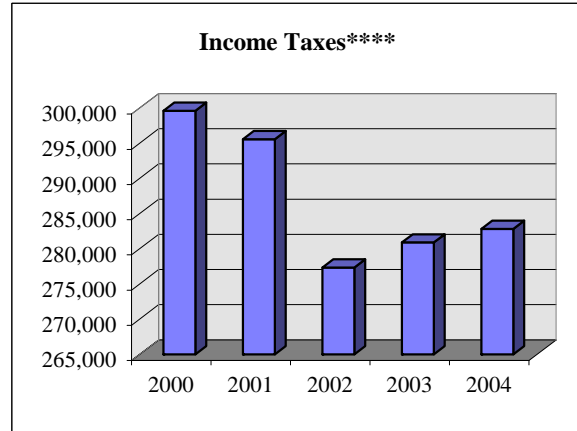
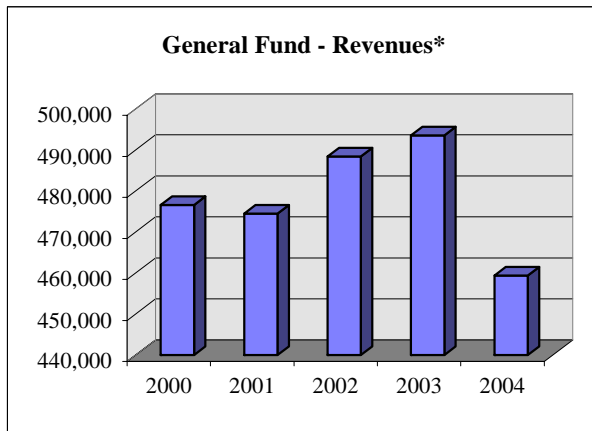
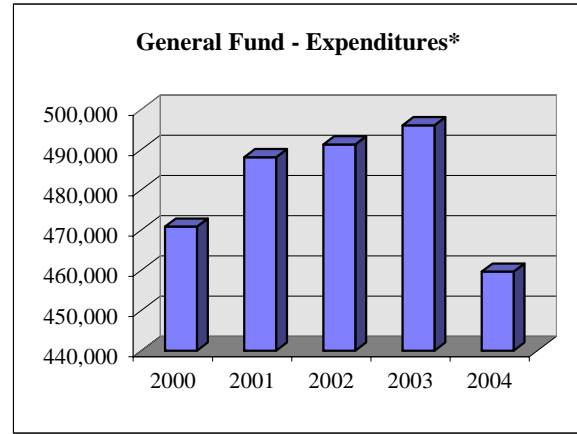
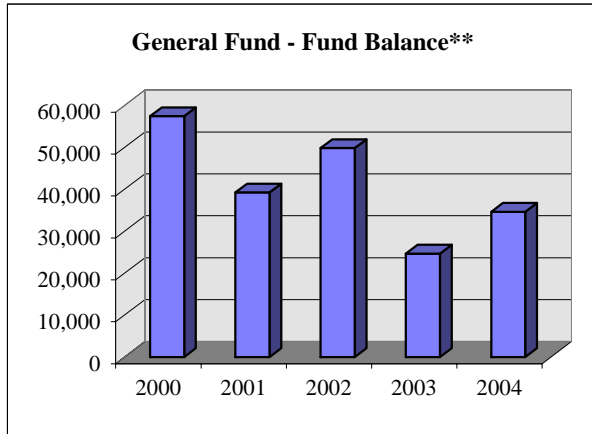
# CITY OF CLEVELAND, OHIO ADMINISTRATIVE ORGANIZATION CHART



# CITY OF CLEVELAND, OHIO

## FINANCIAL HIGHLIGHTS

(in thousands of dollars)



For Year Ended***	General Fund Fund Balance**	General Fund Revenues*	General Fund Expenditures*	Income Taxes****
2000	57,459	476,608	470,825	299,592
2001	39,250	474,442	488,102	295,559
2002	49,837	488,415	491,258	277,321
2003	24,651	493,569	496,010	280,890
2004	34,634	459,374	459,647	282,824

\* *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.



# **FINANCIAL SECTION**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Honorable Jane L. Campbell, 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, 2004, 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 that 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, 2004, and the respective changes in financial position and cash flows, where applicable, 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 May 31, 2005, on our consideration of the City's internal control over financial reporting and our test 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.

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Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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



**Betty Montgomery**  
Auditor of State

May 31, 2005

# 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, 2004. Please read this information in conjunction with the City's financial statements and footnotes that begin on page 46.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at December 31, 2004 by approximately \$2.061 billion (net assets). Of this amount, \$425 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Of the approximately \$2.061 billion of net assets, business-type activities accounted for approximately \$1.544 billion of net assets, while governmental activities net assets were approximately \$517 million.
- The City's net assets increased by \$58.1 million as compared to 2003. The governmental net assets increased by \$8.2 million and the business activities net assets increased by \$49.9 million.

The contributing factors for the net increase of \$8.2 million of governmental activities on the government wide statement can be explained by an increase of \$16.5 million, which is associated with the conversion of the modified accrual financial statements to the full accrual financial statements. This increase was offset by a decrease of \$8.3 million in fund balance on the governmental fund financial statement.

The primary components of the \$16.5 million increase in net assets are as follows: an increase of net capital assets of \$34.8 million; an increase in net assets relating to a decrease of expenditures for compensated absences and claims of \$6.3 million and \$2.0 million, respectively. These increases were offset by a decrease in net assets of \$26.2 million primarily resulting from the issuance of \$53.2 million of general obligation bonds and other debt instruments, loan proceeds of \$11.3 million mainly due to HUD 108 borrowings, offset by principal repayments of general obligation debt and other obligations in the amount of \$41.1 million.

The primary components of the \$8.3 million decrease in governmental fund balance are as follows: the General Fund had a change in fund balance of approximately \$10.0 million. This increase is directly related to the Citywide work force reduction causing a decrease to salaries and wages. The decrease in fund balance of \$18.3 million in Other Governmental Funds is as follows: Core City fund balance increased by \$18.8 million due to proceeds from the 2004 Core City bonds. These increases were offset by decreases in the following: Capital Projects funds had a net asset decrease of \$30.6 million relating to the building purchase and renovation of 205 St. Clair, American Disability Act curb and ramp projects, West 3<sup>rd</sup> Street lift bridge renovation, rehabilitation of Memphis Road, and resurfacing of Kinsman Road; Economic Development funds decreased fund balance by \$2.0 million due to funding of projects; Rental Car Transportation Fund decreased fund balance by \$2.0 million due to costs to operate the transportation shuttle buses at the Airport; Certificates of Participation/Capital Leases Fund decreased fund balance by \$2.6 million because of an inception of capital lease utilized to purchase Public Safety and Public Service Equipment.

The contributing factors for the net assets increase of \$49.8 million in business-type activities were significant increases in the following departments: Cleveland Public Power's total net assets increased by \$5.3 million which was attributed to increases in charges for services. The Water Division's overall net assets increased by \$26.9 million and was mainly due to an increase in customer rates. Airport Facilities total net assets increased by \$16.7 million due to an increase in landing fees, terminal rental rates and concession revenue offset by an increase in depreciation and interest expense.

- At the end of the current year, unreserved fund balance for the general fund was \$21.4 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 2004, the City's total long-term debt net of unamortized loss on debt refunding decreased by \$29.4 million. The decrease was primarily attributed to the retirement and defeasance of \$210.2 million of Waterworks Improvement Revenue Bonds offset by an issuance of \$175 million of new Waterworks Improvement Revenue Bonds. Also, the City retired \$10 million of Non-Tax Revenue bonds related to the stadium and issued \$14.8 million of new Non-Tax Revenue bonds relating to the stadium.

## 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 47 - 48 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 39 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 38 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 49 - 52 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, cemetery, 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 City uses 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 53 - 57 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 58 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 59 - 96 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, 2004 and 2003

	Governmental Activities		Business-Type Activities		Total	
	(Amounts in 000's)					
	2004	2003	2004	2003	2004	2003
Assets:						
Current and other assets	\$726,505	\$721,598	\$1,322,834	\$1,478,599	2,049,339	\$2,200,197
Capital assets	<u>808,839</u>	<u>773,612</u>	<u>2,479,077</u>	<u>2,336,537</u>	<u>3,287,916</u>	<u>3,110,149</u>
Total assets	1,535,344	1,495,210	3,801,911	3,815,136	5,337,255	5,310,346
Liabilities:						
Long-term obligations	785,933	766,228	2,100,278	2,148,954	2,886,211	2,915,182
Other liabilities	<u>232,053</u>	<u>219,837</u>	<u>157,712</u>	<u>172,101</u>	<u>389,765</u>	<u>391,938</u>
Total liabilities	1,017,986	986,065	2,257,990	2,321,055	3,275,976	3,307,120
Net assets:						
Invested in capital assets, net of related debt	274,854	237,353	385,563	196,393	660,417	433,746
Restricted	295,785	322,465	680,129	811,221	975,914	1,133,686
Unrestricted	<u>(53,281)</u>	<u>(50,673)</u>	<u>478,229</u>	<u>486,467</u>	<u>424,948</u>	<u>435,794</u>
Total net assets	<u>\$517,358</u>	<u>\$509,145</u>	<u>\$1,543,921</u>	<u>\$1,494,081</u>	<u>\$2,061,279</u>	<u>\$2,003,226</u>

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$2.061 billion at the close of the most recent fiscal year.

Of the City's net assets, 32% reflects its investment in capital assets (e.g., land, land improvements, buildings, utility plant, 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.

A significant portion of the City's net assets (47%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$425 million, or 21%, may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total assets increased by \$26.9 million in 2004. This increase is primarily attributed to an increase in loans receivable and net capital asset additions of \$15.6 million and \$177.8 million, respectively. These increases were offset by a decrease in total cash and cash equivalents of \$151.3 million used to acquire capital assets, make scheduled debt payments, and to fund City operations. In addition, there was an increase in the allowance for doubtful accounts of \$4.4 million.

The City's total liabilities decreased by \$31.1 million in 2004. This decrease was primarily attributed to the retirement and defeasance of \$210.2 million of Waterworks Improvement Revenue Bonds offset by an issuance of \$175 million of new



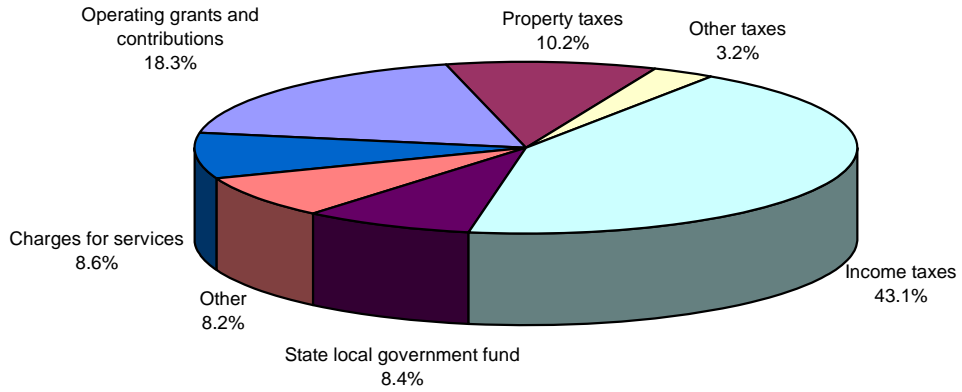
Waterworks Improvement Revenue Bonds. In addition, the City retired \$10 million of Non-Tax Revenue bonds related to the stadium and issued \$14.8 million of Non-Tax Revenue bonds related to the stadium.

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 Year Ended December 31, 2004 and 2003**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u> (Amounts in 000's)		<u>Total</u>	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 58,239	\$ 72,533	\$ 496,726	\$ 466,994	\$ 554,965	\$ 539,527
Operating grants and contributions	124,867	126,684	48	790	124,915	127,474
Capital grants and contributions	14,870	13,269	61,602	66,800	76,472	80,069
General revenues:						
Income taxes	293,387	277,086			293,387	277,086
Property taxes	69,483	63,498			69,483	63,498
Other taxes	22,011	23,266			22,011	23,266
Shared revenues	20,470	20,799			20,470	20,799
Other grants and contributions	94	101			94	101
State local government fund	57,072	56,792			57,072	56,792
Unrestricted investment earnings	1,273	1,443	1,215	717	2,488	2,160
Miscellaneous	18,855	8,855	93	4,212	18,948	13,067
<b>Total revenues</b>	<u>680,621</u>	<u>664,326</u>	<u>559,684</u>	<u>539,513</u>	<u>1,240,305</u>	<u>1,203,839</u>
Expenses:						
General government	77,077	82,560			77,077	82,560
Public service	78,634	80,698			78,634	80,698
Public safety	281,140	315,811			281,140	315,811
Community development	65,603	62,543			65,603	62,543
Building and housing	10,703	12,932			10,703	12,932
Public health	22,537	22,750			22,537	22,750
Parks, recreation and properties	42,734	47,725			42,734	47,725
Economic development	49,372	38,850			49,372	38,850
Other	11,510	14,197			11,510	14,197
Interest on debt	30,815	29,065			30,815	29,065
Water			188,118	173,179	188,118	173,179
Electricity			136,927	134,120	136,927	134,120
Airport facilities			145,749	143,147	145,749	143,147
Non-major activities			41,333	42,606	41,333	42,606
<b>Total expenses</b>	<u>670,125</u>	<u>707,131</u>	<u>512,127</u>	<u>493,052</u>	<u>1,182,252</u>	<u>1,200,183</u>
Changes in net assets before transfers	10,496	(42,805)	47,557	46,461	58,053	3,656
Transfers	(2,283)	3,733	2,283	(3,733)		
<b>Changes in net assets</b>	<u>8,213</u>	<u>(39,072)</u>	<u>49,840</u>	<u>42,728</u>	<u>58,053</u>	<u>3,656</u>
Net assets at beginning of year	<u>509,145</u>	<u>548,217</u>	<u>1,494,081</u>	<u>1,451,353</u>	<u>2,003,226</u>	<u>1,999,570</u>
<b>Net assets at end of year</b>	<u>\$ 517,358</u>	<u>\$ 509,145</u>	<u>\$ 1,543,921</u>	<u>\$ 1,494,081</u>	<u>\$ 2,061,279</u>	<u>\$ 2,003,226</u>

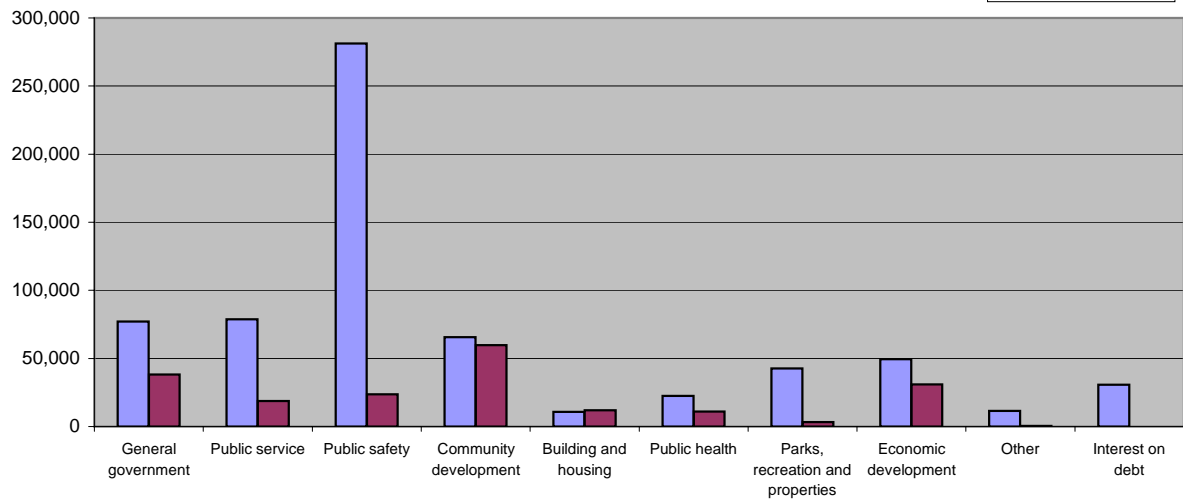
## Revenues by Sources - Governmental Activities



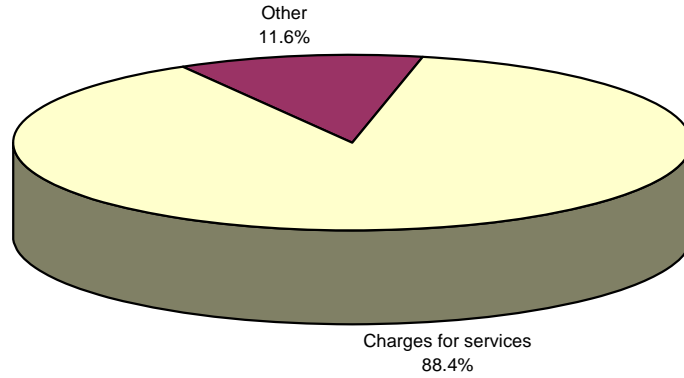
Other includes capital grants and contributions, shared revenues, other grants and contributions, unrestricted investment earnings and miscellaneous revenue.

## Expenses and Program Revenues - Governmental Activities

(in thousands)

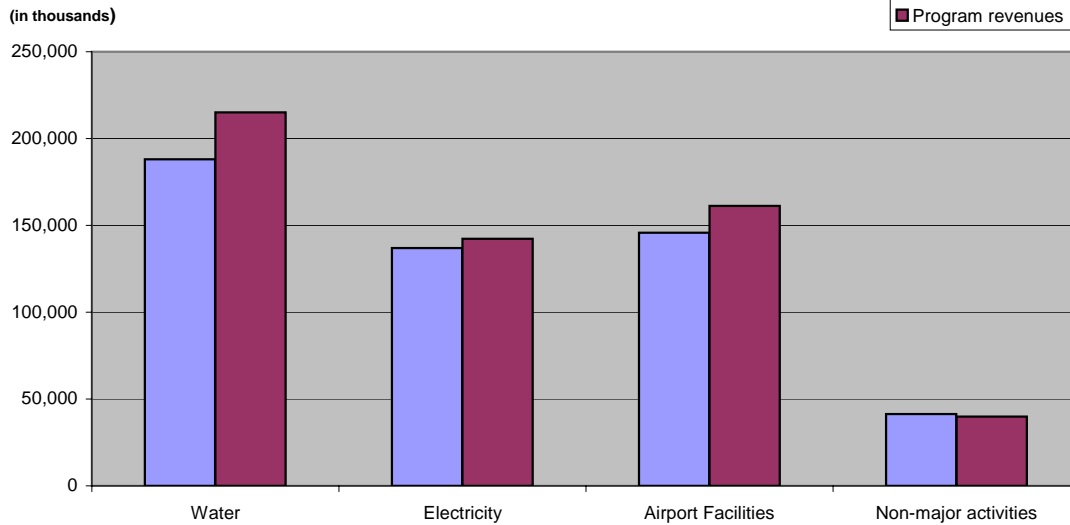


## Revenues by Source - Business-type Activities



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

## Expense and Program Revenues - Business-type Activities



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 electrical plant. 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 400 individuals in administration, airfield and building maintenance, vehicle maintenance, and aircraft rescue and fire fighting. Currently, 27 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 2004 amounted to \$110.9 million. This represents a 23.4% increase from 2003 operating revenues of \$89.9 million. This increase was primarily due to increases in landing fees and terminal rental rates as well as a full year of the new concession program. Cleveland Hopkins International Airport served 11,265,000 passengers in 2004. This reflects a 6.7% increase from the number of passengers served in 2003. This increase is attributed to the returning public confidence in the airlines ability to provide safe and secure service based on security steps taken since the tragic events of September 11, 2001.

**Division of Water:** The Division operates a major public water supply system, the eighth largest in the United States that serves not only the City, but also 70 suburban municipalities in Cuyahoga, Medina, Summit and Geauga counties. The Division is an emergency standby provider for systems in 3 other counties. The present service area covers over 640 square miles and serves over 1.5 million people. In 2004, the aggregate metered consumption of water in the City constituted 35% of the total metered consumption in the service area, while consumption in the direct service communities and master meter communities constituted 54% and 11%, respectively.

Operating revenue in 2004 increased approximately 2.8% to \$209.6 million from \$203.8 million in 2003. This increase was mainly attributed to a 3.4 % rate increase in 2004. Operating expenses, exclusive of depreciation, increased 2.8% to \$127.0 million compared to \$123.6 million in 2003.

**Division of Cleveland Public Power:** The Division supplies electrical service to over 80,000 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 2004 operating revenue increased 1.1% to \$141.1 million from \$139.6 million in 2003. Purchased power expense increased 6.6% to \$74.6 million in 2004 from \$70.0 million in 2003, primarily due to the increase in kilowatt hour sales. Operating expenses, exclusive of depreciation and purchased power decreased slightly to \$34.7 million compared to \$34.9 million a year ago.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

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

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$441.6 million, a decrease of \$8.3 million in comparison with the prior year. The total governmental unreserved fund balance is \$156.2 million of which \$101.2 million is undesignated. The components of the total undesignated governmental fund balance include \$21.4 million in the General Fund which is available for spending at the City's discretion; an additional \$76.4 million of undesignated Special Revenue Funds available for expenditures that are legally restricted for a particular purpose; and the Capital Project Fund has \$3.4 million of undesignated fund balance to be used for the acquisition or construction of major capital projects. An additional \$55.0 million is designated for future Special Revenue capital improvements and Capital Fund projects. The remaining \$285.4 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 (\$95.4 million), 2) to make future loans (\$169.0 million), 3) to pay debt service (\$19.1 million), and 4) for a variety of other restricted purposes (\$1.9 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 \$21.4 million while the total fund balance was \$34.6 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 7.6% 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**  
**2004 and 2003**  
**(Amounts in thousands)**

	<u>2004</u>	<u>2003</u>
Revenues:		
Income taxes	\$261,511	\$247,748
Property taxes	44,708	41,134
State local government funds	55,808	55,462
Other shared revenues	38,170	38,706
Licenses and permits	12,858	10,575
Charges for services	16,544	16,081
Fines, forfeits and settlements	15,528	18,321
Investment earnings	963	1,511
Grants	2,389	4,493
Miscellaneous	11,996	9,714
Total revenues	<u>460,475</u>	<u>443,745</u>
Expenses:		
General government	62,894	64,205
Public service	32,701	34,448
Public safety	265,723	295,180
Community development	2,405	2,204
Building and housing	10,497	11,935
Public health	11,835	12,818
Parks, recreation and properties	31,895	36,762
Economic development	959	1,134
Other	11,510	14,197
Total expenses	<u>430,419</u>	<u>472,883</u>
Excess (deficiency) of revenues over expenditures	30,056	(29,138)
Other Financing Sources (Uses)		
Transfers in	2,007	11,724
Transfers out	(22,080)	(11,171)
Premium on interest rate swap agreement		3,400
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	9,983	(25,185)
Fund balance at beginning of year	<u>24,651</u>	<u>49,836</u>
Fund balance at end of year	<u>\$34,634</u>	<u>\$24,651</u>

## *Analysis of General Fund Revenues*

General Fund revenues and other sources totaled \$462.5 million in 2004, an increase of approximately \$3.6 million from 2003. 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 2004, approximately 81% 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 \$13.8 million in 2004 over the comparable amount in 2003 primarily as a result of a moderate upturn in local economic conditions.

### *Property Taxes*

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

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

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

<u>Tax Collection Year</u>	<u>Real Property</u>	<u>Tangible Personal (Other Than Public Utility) (in thousands)</u>	<u>Public Utility Tangible Personal</u>	<u>Total Assessed Valuation</u>
2003	4,592,623	853,282	358,143	5,804,048
2004	4,898,754	722,499	355,889	5,977,142

Property tax revenues increased by \$3.6 million in 2004 principally due to a slightly higher assessed valuation and a decrease in delinquencies relating to real property taxes in 2004.

#### *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 Fund and other shared revenues have decreased in total by approximately \$.2 million in 2004.

Since 1993, the State Local Government Fund (“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 increased \$2.3 million. The City fully benefited in 2004 from a revenue enhancement package adopted by Cleveland City Council Ordinance #2393-02 in 2003 enabling the City to increase fines, fees, forfeitures and charges for services. Major fee increases included emergency medical services, waste collection fees, birth and death certificates, parking place licenses, truck permits, street permits, engineering and construction fees. Other increases included traffic fines, building and housing fees and right-of-way permits.

*Analysis of General Fund Expenditures*

General Fund expenditures and other financing uses totaled \$452.5 million in 2004, a decrease of 6.5% from 2003. 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 Uses</u>	<u>Actual</u> <u>2004</u>	<u>% of</u> <u>Total</u>	<u>Actual</u> <u>2003</u>	<u>% of</u> <u>Total</u>	<u>Increase</u> <u>(Decrease)</u> <u>Over 2003</u>	<u>%</u> <u>Change</u>
(Amounts in 000's)						
Current:						
General Government	\$ 62,894	13.90	\$ 64,205	13.26	\$ (1,311)	(2.04)
Public Service	32,701	7.23	34,448	7.12	(1,747)	(5.07)
Public Safety	265,723	58.72	295,180	60.98	(29,457)	(9.98)
Community Development	2,405	0.53	2,204	0.46	201	9.12
Building and Housing	10,497	2.32	11,935	2.47	(1,438)	(12.05)
Public Health	11,835	2.62	12,818	2.65	(983)	(7.67)
Parks, Recreation and Properties	31,895	7.05	36,762	7.59	(4,867)	(13.24)
Economic Development	959	0.21	1,134	0.23	(175)	(15.43)
Other	11,510	2.54	14,197	2.93	(2,687)	(18.93)
Operating Transfers Out	<u>22,080</u>	4.88	<u>11,171</u>	2.31	<u>10,909</u>	97.65
Total expenditures and other financing uses	<u>\$ 452,499</u>		<u>\$ 484,054</u>		<u>\$ (31,555)</u>	

The total expenditures and other financing uses decreased by \$31.6 million. The primary factors for the decrease were a reduction of 600 General Fund employees through a work force reduction plan in January 2004 and a negotiated citywide wage freeze effective April 1, 2004.

In General Government, the Council and the Clerk of Council, Office of the Mayor and the Law Department had significant decreases in total expenses. Public Service, Public Safety, Building and Housing and Parks, Recreation and Properties had decreases directly attributed to the work force reduction in January 2004. The increase in transfers out was primarily related to a \$2.2 million transfer to the Cemeteries Fund and a \$8.9 million transfer to the Cleveland Stadium Operations Fund. The decrease in Other was primarily due to \$3 million of layoff separation expenditures reflected in 2003 which did not occur in 2004. Also, Auditor Fees and the Board of Election expenses increased by a total of \$360,000.

**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 Department of Port Control funds amounted to \$248.5 million, \$84.7 million and \$110.1 million, respectively, at December 31, 2004. The change in net assets for each of the respective funds amounted to an increase of \$26.9 million, an increase of \$5.3 million and an increase of \$16.7 million, during 2004. 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, 2004 and 2003, the City had approximately 8,160 and 8,743 full-time employees, respectively. During January 2004, the City reduced the General Fund employment level by approximately 600 employees through a work force reduction and by transferring employees to various non-General Fund departments. Of the 8,160 full-time employees, approximately 6,367 full-time employees are represented by 35 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 100-1,702; Cleveland Police Patrolmen’s Association-1,705; the Association of Cleveland Firefighters-976; Municipal Foreman and Laborers Union, Local 1099-640; Teamsters, and Local 244-422.

There have been no significant labor disputes or work stoppages in the City within the last 21 years. The City is currently negotiating a three-year agreement with the vast majority of its labor unions which will be effective April 2004 through March 2007.

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>
2004	\$ 415,725
2003	\$ 442,813

The decrease in salaries and wages in 2004 is primarily due to the work force reduction of approximately 600 General Fund full-time employees.

*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 fund indicates membership of 369,885 actively contributing members as of December 31, 2004. At December 31, 2004, assets of this pension fund approximated \$64.5 billion. More data on this pension fund are shown in Notes 13 and 14 of this report.
- Ohio Police and Fire Pension Fund (OP&F), created in 1966, represents sworn personnel, not civilians, employed in police and fire divisions of Ohio's local governments. Management of the fund indicates membership of approximately 28,268 active members. Per the latest information available, assets of this pension fund approximated \$9.3 billion. All of the City's police and fire officers are members of this pension fund. More data on this pension fund are shown in Notes 13 and 14 of this report.

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

	<u>2004</u>	<u>2003</u>
	(in thousands)	
Paid by City to:		
OPERS	\$ 35,480	\$ 36,361
OP&F	<u>31,159</u>	<u>34,270</u>
Total paid by City	<u>66,639</u>	<u>70,631</u>
Paid by employees to:		
OPERS	22,273	23,092
OP&F	<u>14,531</u>	<u>16,361</u>
Total paid by employees	<u>36,804</u>	<u>39,453</u>
Total	<u>\$ 103,443</u>	<u>\$ 110,084</u>

The decrease in amounts paid to OPERS and OP&F during 2004 is primarily due to the work force reduction of approximately 600 General Fund full-time employees.

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 2004, there was no difference between the original and the final amended budget at a total revenue and expenditure level, including transfers out (see page 52). This was primarily due to the January 2004 work force reduction and the regular monitoring of safety force overtime which led to a decrease in anticipated expenses.

## 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, 2004, amounts to \$3.3 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 5.7 percent (a 4.6 percent increase for governmental activities and a 6.1 percent increase for business-type activities). A summary of the City's capital assets at December 31, 2004 is as follows:

	<u>Capital Assets, Net of Accumulated Depreciation</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u> (in thousands)	<u>Total</u>
Land	\$ 61,511	\$ 169,180	\$ 230,691
Land improvements	33,369	380,796	414,165
Utility plant		1,239,943	1,239,943
Buildings, structures and improvements	378,720	362,406	741,126
Furniture, fixtures, equipment and vehicles	61,183	69,848	131,031
Infrastructure	174,382		174,382
Construction in progress	<u>99,674</u>	<u>256,904</u>	<u>356,578</u>
Total	<u>\$ 808,839</u>	<u>\$ 2,479,077</u>	<u>\$ 3,287,916</u>

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

- Cleveland Public Power incurred \$15.6 million of capital expenditures related to pole replacement, motor vehicles and distribution feeders that were capitalized.
- During 2004, the Division of Water had expenditures for capital improvements totaling \$98.1 million. The principal capital expenditures during the year were for renovations to 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 \$111.0 million. Major components were the completion of the extension to Runway 6L-24R which includes the relocation of several NASA facilities, the culverting of Abram Creek and the purchasing of land south of the Airport.
- Water Pollution Control had capital expenditures of approximately \$6.5 million. Major projects included the East 71<sup>st</sup> Street sewer replacement project, East 4<sup>th</sup> Street sewer project, water basin improvement at the Kerruish Park Facility and purchases of technology equipment.
- Governmental activities major capital projects included \$9.3 million for capital lease equipment relating to Public Safety and Public Service, \$8.5 million for the building purchase and renovation at 205 St. Clair Avenue, \$6.0 million for American Disability Act curb and ramp projects, \$4.6 million related to the West 3<sup>rd</sup> Street lift bridge renovation, \$4.2 million for the Memphis Road rehabilitation project and \$1.8 million for the Kinsman Road resurfacing project.

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 lease, 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 Cleveland'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 starting on page 90.

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

The activity in the City's debt obligations outstanding during the year ended December 31, 2004 is summarized below (excluding unamortized discounts, premiums and losses on debt refundings).

	<b>Balance January 1, <u>2004</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>2004</u></b>
Governmental Activities:					
General Obligation Bonds & Notes	\$ 356,900	\$ 16,760	\$	\$ (26,960)	\$ 346,700
Urban Renewal Bonds/Notes	12,555			(340)	12,215
Subordinated Income Tax Bonds	65,500			(1,500)	64,000
Non-tax Revenue Bonds	45,600	35,115	(10,000)		70,715
Certificates of Participation	150,550			(2,065)	148,485
Gateway Note Payable	3,250			(250)	3,000
Capital Lease Obligations	<u>6,254</u>	<u>6,628</u>	<u></u>	<u>(1,132)</u>	<u>11,750</u>
Total Governmental Activities	<u>640,609</u>	<u>58,503</u>	<u>(10,000)</u>	<u>(32,247)</u>	<u>656,865</u>
Business –Type Activities:					
Revenue Bonds and Notes	2,160,842	175,000	(185,007)	(47,849)	2,102,986
Ohio Water Development Loans	33,045	20,625		(1,054)	52,616
Deferred Payment Obligation	<u>23,659</u>	<u></u>	<u></u>	<u>(1,612)</u>	<u>22,047</u>
Total Business-Type Activities	<u>2,217,546</u>	<u>195,625</u>	<u>(185,007)</u>	<u>(50,515)</u>	<u>2,177,649</u>
Total	<u>\$ 2,858,155</u>	<u>\$ 254,128</u>	<u>\$ (195,007)</u>	<u>\$ (82,762)</u>	<u>\$ 2,834,514</u>

Funds used to meet the debt service requirements of the City's general obligation bonds are from certain ad valorem taxes, restricted income taxes and interest earnings. Ad valorem taxes, the primary source of funds, amounted to \$25.9 million in 2004 which represents 59% 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 41% of debt service requirements is retired from a portion of the City's restricted income tax proceeds, interest earnings and other miscellaneous revenue sources generated within the debt service funds.

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

The City's bond ratings for general obligation and revenue bonds and notes are as follows as of December 31, 2004:

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

The ratio of net general bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens and investors. Net general bonded debt is total general bonded debt supported by taxes less amounts available in the Debt Service Funds. This data at December 31, 2004 was:

Net General Bonded Debt:	\$339,209,000
Ratio of Net Bonded Debt to Assessed Valuation:	5.68%
Net General Bonded Debt Per Capita:	\$709.04

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 \$627,599,936 and unvoted debt limit (5.5%) is \$328,742,823. At December 31, 2004, the City had the capacity, under the indirect debt limitation calculation per the Ohio Revised Code, to issue approximately \$74 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 on pages 72 - 83.

## **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.

The City has seen significant reductions in funding from the Federal and State governments. We are combating these reductions by stimulating economic and community development throughout our core business districts and neighborhoods.

On March 28, 2005, City Council passed the 2005 budget for the City, which reflected a \$10.8 million increase of General Fund appropriations as compared to the fiscal year 2004 final budget. The City will continue to monitor expenses and revenues in 2005 and deliver the needed services to Cleveland residents.

The City has finalized negotiations for a three year wage agreement with 12 of the 35 labor union and bargaining units which includes wage increases of 0%, 0% and 3% effective April 2004 through March 2007. As part of the wage agreement certain union and non-union employees were paid a one-time \$500 separate payment as compensation in May of 2005.

The Department of Community Development applied for and received \$27.4 million for CDBG year thirty-one (31) funding. Also, the Department received a \$6.9 million Federal Home grant and a \$1.1 million grant for the Emergency Shelter program.

The Department of Economic Development applied for and received \$3.3 million for the Year five (5) Youth Opportunity Program grant from the U.S. Department of Labor. This program will continue to train and educate the City's youth for job and career opportunities.

The Airport is currently renegotiating its Master Lease and Use Agreement with its signatory carriers, which expires on December 31, 2005. On October 1, 2004, the City signed a Memorandum of Understanding with Continental Airlines to extend its lease agreement for 10 additional years at Cleveland Hopkins International Airport.

Legislation was passed on February 28, 2005 authorizing the issuance and sale of Various Purpose General Obligation Refunding Bonds in an amount not to exceed \$85,000,000 for the purpose of refunding certain outstanding general obligation bonds from the time period of 1994-2004. Effective April 12, 2005, the City issued \$84,470,000 Various Purpose General Obligation Refunding Bonds, Series 2005. As a result of this refunding, the City realized net present value savings of debt service of \$3,376,208.

On May 9, 2005 legislation was passed which authorizes the issuance of up to \$100 million of Water Revenue Refunding Bonds. On the same day, City Council passed legislation authorizing the City to enter into a lease for heavy duty equipment. The cost of the equipment is not to exceed \$8.4 million.

Legislation was approved on May 9, 2005 and May 16, 2005 for the issuance of up to \$38 million of Various Purpose General Obligation Bonds. These bonds will fund various public improvement projects in the areas of parks and recreation, bridges and roads, neighborhood development and public facilities.

**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.

# **BASIC FINANCIAL STATEMENTS**



**CITY OF CLEVELAND, OHIO**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2004  
(Amounts in 000's)**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 257,250	\$ 99,803	\$ 357,053
Investments	17,997	254,814	272,811
Receivables:			
Taxes	124,777		124,777
Accounts	10,673	102,807	113,480
Grants	1,845		1,845
Loans	240,063		240,063
Unbilled revenue		33,263	33,263
Accrued interest	331	1,760	2,091
Assessments	2,751		2,751
Less: Allowance for doubtful accounts	<u>(4,262)</u>	<u>(9,783)</u>	<u>(14,045)</u>
Receivables, net	<u>376,178</u>	<u>128,047</u>	<u>504,225</u>
Internal balances	(158)	158	
Due from other governments	69,561	2,712	72,273
Inventory of supplies	2,261	11,912	14,173
Prepaid expenses and other assets		1,424	1,424
Restricted assets:			
Cash and cash equivalents		655,566	655,566
Investments		139,428	139,428
Accrued interest receivable		2,725	2,725
Bond retirement reserve		53	53
Accrued passenger facility charge		<u>3,153</u>	<u>3,153</u>
Total restricted assets		<u>800,925</u>	<u>800,925</u>
Unamortized bond issuance costs	3,416	23,039	26,455
Capital assets:			
Land and construction in progress	161,185	426,084	587,269
Other capital assets, net of accumulated depreciation	<u>647,654</u>	<u>2,052,993</u>	<u>2,700,647</u>
Total capital assets	<u>808,839</u>	<u>2,479,077</u>	<u>3,287,916</u>
Total assets	<u>1,535,344</u>	<u>3,801,911</u>	<u>5,337,255</u>
<b>LIABILITIES</b>			
Accounts payable	14,223	25,318	39,541
Accrued wages and benefits	34,679	12,045	46,724
Due to other governments	82,357	54,381	136,738
Accrued interest payable	13,221	45,148	58,369
Deferred revenue	72,040		72,040
Unearned revenue	4,168		4,168
Liabilities payable from restricted assets		20,820	20,820
Loans payable	11,365		11,365
Long-term obligations:			
Due within one year	65,552	51,265	116,817
Due in more than one year	<u>720,381</u>	<u>2,049,013</u>	<u>2,769,394</u>
Total liabilities	<u>1,017,986</u>	<u>2,257,990</u>	<u>3,275,976</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	274,854	385,563	660,417
Restricted for:			
Debt service	5,003	218,959	223,962
Capital projects	96,747	394,873	491,620
Loans	169,024		169,024
Other purposes	25,011	66,297	91,308
Unrestricted	<u>(53,281)</u>	<u>478,229</u>	<u>424,948</u>
Total net assets	<u>\$ 517,358</u>	<u>\$ 1,543,921</u>	<u>\$ 2,061,279</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, 2004  
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	\$ 77,077	\$ 1,865	\$ 14,745	\$ (38,811)	\$	\$ (38,811)
Public service	78,634	13,798		(59,806)		(59,806)
Public safety	281,140	7,561		(257,533)		(257,533)
Community development	65,603	59,734		(5,869)		(5,869)
Building and housing	10,703			1,245		1,245
Public health	22,537	8,778		(11,497)		(11,497)
Parks, recreation and properties	42,734	2,427	125	(39,490)		(39,490)
Economic development	49,372	30,704		(18,550)		(18,550)
Other	11,510	487		(11,023)		(11,023)
Interest on debt	30,815			(30,815)		(30,815)
Total governmental activities	670,125	124,867	14,870	(472,149)		(472,149)
<b>Business-type activities:</b>						
Water	188,118	209,622	5,448		26,952	26,952
Electricity	136,927	141,143	1,079		5,295	5,295
Airport facilities	145,749	110,882	50,377		15,510	15,510
Non-major activities	41,333	35,079	4,698		(1,508)	(1,508)
Total business-type activities	512,127	496,726	61,602		46,249	46,249
<b>Total</b>	<b>\$ 1,182,252</b>	<b>\$ 124,915</b>	<b>\$ 76,472</b>	<b>(472,149)</b>	<b>46,249</b>	<b>(425,900)</b>
<b>General revenues:</b>						
Income taxes				293,387		293,387
Property taxes				69,483		69,483
Other taxes				22,011		22,011
Shared revenues				20,470		20,470
Grants and contributions not restricted to specific programs				94		94
State local government fund				57,072		57,072
Unrestricted investment earnings				1,273	1,215	2,488
Other				18,855	93	18,948
Transfers				(2,283)	2,283	
Total general revenues, special items and transfers				480,362	3,591	483,953
Change in net assets				8,213	49,840	58,053
Net assets at beginning of year				509,145	1,494,081	2,003,226
Net assets at end of year				\$ 517,358	\$ 1,543,921	\$ 2,061,279

**CITY OF CLEVELAND, OHIO**

**BALANCE SHEET-GOVERNMENTAL FUNDS**

**DECEMBER 31, 2004**

(Amounts in 000's)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 24,058	\$ 224,615	\$ 248,673
Investments		17,997	17,997
Receivables:			
Taxes	94,318	30,459	124,777
Accounts	10,417	251	10,668
Grants		1,845	1,845
Loans		240,063	240,063
Accrued interest		315	315
Assessments		2,751	2,751
Less: Allowance for doubtful accounts	(4,248)	(14)	(4,262)
Receivables, net	<u>100,487</u>	<u>275,670</u>	<u>376,157</u>
Due from other funds	5,984	10,736	16,720
Due from other governments	38,195	31,366	69,561
Inventory of supplies	<u>102</u>	<u>748</u>	<u>850</u>
<b>TOTAL ASSETS</b>	<b>\$ 168,826</b>	<b>\$ 561,132</b>	<b>\$ 729,958</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 943	\$ 11,452	\$ 12,395
Accrued wages and benefits	31,161	2,565	33,726
Due to other governments	280	81,507	81,787
Deferred revenue	90,703	38,701	129,404
Unearned revenue		4,168	4,168
Due to other funds	<u>11,105</u>	<u>15,770</u>	<u>26,875</u>
Total liabilities	<u>134,192</u>	<u>154,163</u>	<u>288,355</u>
<b>FUND BALANCES</b>			
Reserved for:			
Loans		169,024	169,024
Inventory	102	748	850
Debt service		19,107	19,107
Encumbrances	12,175	83,243	95,418
Rainy day reserve fund	981		981
Unreserved, reported in:			
General fund	21,376		21,376
Special revenue funds:			
Designated for future capital improvements		12,941	12,941
Undesignated		76,384	76,384
Capital projects funds			
Designated for future capital improvements		42,036	42,036
Undesignated		3,486	3,486
Total fund balances	<u>34,634</u>	<u>406,969</u>	<u>441,603</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 168,826</b>	<b>\$ 561,132</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.	805,966
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	57,364
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	(795,020)
The assets and liabilities of most of the internal service funds are included in the governmental activities in the statement of net assets	<u>7,445</u>

Net assets of governmental activities \$ 517,358

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, 2004**

(Amounts in 000's)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Income taxes	\$ 261,511	\$ 32,689	\$ 294,200
Property taxes	44,708	23,291	67,999
State local government funds	55,808		55,808
Other shared revenues	38,170	19,043	57,213
Licenses and permits	12,858	3,175	16,033
Charges for services	16,544	2,163	18,707
Fines, forfeits and settlements	15,528	4,083	19,611
Investment earnings	963	2,795	3,758
Grants	2,389	115,839	118,228
Contributions		6,131	6,131
Miscellaneous	<u>11,996</u>	<u>9,466</u>	<u>21,462</u>
Total revenues	<u>460,475</u>	<u>218,675</u>	<u>679,150</u>
<b>EXPENDITURES:</b>			
Current:			
General government	62,894	8,397	71,291
Public service	32,701	23,343	56,044
Public safety	265,723	7,029	272,752
Community development	2,405	62,629	65,034
Building and housing	10,497		10,497
Public health	11,835	10,027	21,862
Parks, recreation and properties	31,895	1,039	32,934
Economic development	959	46,007	46,966
Other	11,510		11,510
Capital outlay		82,780	82,780
Inception of capital lease		9,271	9,271
Debt service:			
Principal retirement		40,865	40,865
Interest		32,002	32,002
Other		<u>1,778</u>	<u>1,778</u>
Total expenditures	<u>430,419</u>	<u>325,167</u>	<u>755,586</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>30,056</u>	<u>(106,492)</u>	<u>(76,436)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	2,007	45,249	47,256
Transfers out	(22,080)	(28,191)	(50,271)
Proceeds from the sale of debt		35,115	35,115
Premium on bonds and notes		1,504	1,504
Discount on bonds and notes		(200)	(200)
Proceeds from sale of general obligations bonds and notes		16,760	16,760
Loan proceeds		11,365	11,365
Proceeds from capital lease		<u>6,628</u>	<u>6,628</u>
Total other financing sources (uses)	<u>(20,073)</u>	<u>88,230</u>	<u>68,157</u>
<b>NET CHANGE IN FUND BALANCES</b>	9,983	(18,262)	(8,279)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>24,651</u>	<u>425,231</u>	<u>449,882</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 34,634</u>	<u>\$ 406,969</u>	<u>\$ 441,603</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, 2004

(Amounts in 000's)

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Amounts reported for governmental activities in the statement of activities (page 48) are different because:

Net change in fund balances - total governmental funds (page 50)	\$ (8,279)
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	34,778
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(162)
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.	(26,282)
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.	8,340
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(182)</u>
Change in net assets of governmental activities (page 48)	<u>\$ 8,213</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, 2004**

(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	\$ 251,500	\$ 251,500	\$ 251,399	\$ (101)
Property taxes	43,699	43,700	44,707	1,007
State local government fund	55,743	55,743	55,789	46
Other shared revenues	38,290	38,517	38,010	(507)
Licenses and permits	10,829	13,047	13,001	(46)
Charges for services	16,156	16,729	17,190	461
Fines, forfeits and settlements	17,893	15,609	15,532	(77)
Investment earnings	1,000	1,000	1,007	7
Grant revenue	1,280	2,340	2,389	49
Miscellaneous	28,065	26,270	20,341	(5,929)
Total revenues	<u>464,455</u>	<u>464,455</u>	<u>459,365</u>	<u>(5,090)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	64,886	65,365	63,540	1,825
Public service	34,338	34,428	34,005	423
Public safety	268,224	267,333	263,617	3,716
Community development	2,325	2,265	2,263	2
Building and housing	10,432	10,527	10,409	118
Public health	11,786	12,261	11,953	308
Parks, recreation and properties	35,269	34,943	33,900	1,043
Economic development	1,127	965	938	27
Other	<u>17,074</u>	<u>17,374</u>	<u>17,339</u>	<u>35</u>
Total expenditures	445,461	445,461	437,964	7,497
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,994	18,994	21,401	2,407
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in			9	9
Transfers out	<u>(21,684)</u>	<u>(21,684)</u>	<u>(21,683)</u>	<u>1</u>
Total other financing sources (uses)	<u>(21,684)</u>	<u>(21,684)</u>	<u>(21,674)</u>	<u>10</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(2,690)	(2,690)	(273)	2,417
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES	<u>          </u>	<u>          </u>	447	447
NET CHANGE IN FUND BALANCES	<u>(2,690)</u>	<u>(2,690)</u>	<u>174</u>	<u>2,864</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>2,824</u>	<u>2,824</u>	<u>2,824</u>	<u>          </u>
FUND BALANCES AT END OF YEAR	<u>\$ 134</u>	<u>\$ 134</u>	<u>\$ 2,998</u>	<u>\$ 2,864</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, 2004**

(Amounts in 000's)

	Business Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds	Total Enterprise Funds	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 67,941	\$ 4,756	\$ 11,511	\$ 14,616	\$ 98,824	\$ 9,556
Restricted cash and cash equivalents	8,578	505	11,736		20,819	
Investments	143,610	38,780	53,053	19,371	254,814	
Receivables:						
Accounts	33,507	18,933	7,337	43,030	102,807	4
Unbilled revenue	24,672	1,964	4,399	2,228	33,263	
Accrued interest	999	331	306	121	1,757	31
Less: Allowance for doubtful accounts	(8,247)	(757)	(202)	(577)	(9,783)	
Receivables, net	50,931	20,471	11,840	44,802	128,044	35
Due from other funds	4,056	5,100	542	3,480	13,178	11,821
Due from other governments			2,712		2,712	
Inventory of supplies	4,905	6,073	235	699	11,912	1,411
Prepaid expenses and other assets	717	54	653		1,424	
Total current assets	280,738	75,739	92,282	82,968	531,727	22,823
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	308,427	12,376	294,368	19,576	634,747	
Investments	4,540	24,882	104,104	5,902	139,428	
Accrued interest receivable	1,340	24	1,199	162	2,725	
Bond retirement reserve			53		53	
Accrued passenger facility charges			3,153		3,153	
Total restricted assets	314,307	37,282	402,877	25,640	780,106	
Unamortized bond issuance costs	6,694	1,952	13,523	870	23,039	
Capital assets:						
Land	5,463	4,863	140,296	18,558	169,180	663
Land improvements	16,406	2,519	642,095	5,383	666,403	146
Utility plant	977,332	361,901		111,112	1,450,345	
Buildings, structures and improvements	205,307	41,752	409,509	144,072	800,640	2,074
Furniture, fixtures, equipment and vehicles	109,826	41,025	39,287	12,903	203,041	3,909
Construction in progress	200,583	28,176	19,026	9,119	256,904	212
Less: Accumulated depreciation	(403,062)	(184,142)	(331,915)	(148,344)	(1,067,463)	(4,105)
Total capital assets, net	1,111,855	296,094	918,298	152,803	2,479,050	2,899
Total noncurrent assets	1,432,856	335,328	1,334,698	179,313	3,282,195	2,899
<b>TOTAL ASSETS</b>	<b>\$ 1,713,594</b>	<b>\$ 411,067</b>	<b>\$ 1,426,980</b>	<b>\$ 262,281</b>	<b>\$ 3,813,922</b>	<b>\$ 25,722</b>

(Continued)

**CITY OF CLEVELAND, OHIO**

**BALANCE SHEET - PROPRIETARY FUNDS**

**DECEMBER 31, 2004**

(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	\$ 6,551	\$ 9,630	\$ 7,982	\$ 1,123	\$ 25,286	\$ 1,859
Accrued wages and benefits	9,846	3,211	2,617	2,077	17,751	5,773
Due to other funds	6,965	976	1,483	3,556	12,980	1,864
Due to other governments			6,780	47,602	54,382	580
Accrued interest payable	10,025	1,242	32,754	1,127	45,148	
Current payable from restricted assets	8,578	505	11,736		20,819	
Current portion of long-term obligations	21,557	9,710	11,114	2,697	45,078	
Total current liabilities	63,522	25,274	74,466	58,182	221,444	10,076
Long-term liabilities:						
Construction loans	45,921			5,494	51,415	
Deferred payment obligation			20,307		20,307	
Revenue bonds payable	764,134	204,861	942,249	60,995	1,972,239	
Accrued wages and benefits	2,487	951	809	556	4,803	7,994
Total liabilities	876,064	231,086	1,037,831	125,227	2,270,208	18,070
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	277,756	80,572	(56,180)	83,388	385,536	2,899
Restricted for capital projects	229,791	8,816	151,886	4,380	394,873	
Restricted for debt service	81,486	5,877	117,005	14,591	218,959	
Restricted for passenger facility charges			66,297		66,297	
Unrestricted	248,497	84,716	110,141	34,695	478,049	4,753
Total net assets	837,530	179,981	389,149	137,054	1,543,714	7,652
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,713,594</b>	<b>\$ 411,067</b>	<b>\$ 1,426,980</b>	<b>\$ 262,281</b>		<b>\$ 25,722</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					207	
<b>NET ASSETS OF BUSINESS-TYPE ACTIVITIES</b>					<b>\$ 1,543,921</b>	

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, 2004**

(Amounts in 000's)

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds		
<b>OPERATING REVENUES:</b>						
Charges for services	\$ 209,593	\$ 141,143	\$ 110,852	\$ 35,028	\$ 496,616	\$ 45,416
Total operating revenue	<u>209,593</u>	<u>141,143</u>	<u>110,852</u>	<u>35,028</u>	<u>496,616</u>	<u>45,416</u>
<b>OPERATING EXPENSES:</b>						
Operations	78,650	15,020	55,019	20,611	169,300	44,610
Maintenance	48,371	19,647	3,628	8,489	80,135	2,388
Purchased power		74,608			74,608	
Depreciation	34,605	15,287	40,018	7,441	97,351	299
Total operating expenses	<u>161,626</u>	<u>124,562</u>	<u>98,665</u>	<u>36,541</u>	<u>421,394</u>	<u>47,297</u>
OPERATING INCOME (LOSS)	<u>47,967</u>	<u>16,581</u>	<u>12,187</u>	<u>(1,513)</u>	<u>75,222</u>	<u>(1,881)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>						
Investment income	5,420	1,005	7,009	1,039	14,473	132
Interest expense	(26,276)	(10,915)	(29,483)	(4,707)	(71,381)	
Passenger facility charges			22,587		22,587	
Sound insulation program			(4,689)		(4,689)	
Gain(Loss) on disposal of capital assets	28	6	(68)	(2)	(36)	137
Hotel tax				3,597	3,597	
Other revenues (expenses)	(199)	(1,432)	(12,844)	10	(14,465)	
Total non-operating revenues (expenses)	<u>(21,027)</u>	<u>(11,336)</u>	<u>(17,488)</u>	<u>(63)</u>	<u>(49,914)</u>	<u>269</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	26,940	5,245	(5,301)	(1,576)	25,308	(1,612)
Capital contributions		68	21,981	110	22,159	787
Transfers in				2,283	2,283	732
Change in net assets	<u>26,940</u>	<u>5,313</u>	<u>16,680</u>	<u>817</u>	<u>49,750</u>	<u>(93)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>810,590</u>	<u>174,668</u>	<u>372,469</u>	<u>136,237</u>		<u>7,745</u>
NET ASSETS AT END OF YEAR	<u>\$ 837,530</u>	<u>\$ 179,981</u>	<u>\$ 389,149</u>	<u>\$ 137,054</u>		<u>\$ 7,652</u>
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds					<u>90</u>	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES					<u>\$ 49,840</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, 2004**

(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	\$ 206,739	\$ 145,036	\$ 113,605	\$ 33,387	\$ 498,767	\$ 33,920
Cash payments to suppliers for goods or services	(55,473)	(9,169)	(40,338)	(11,943)	(116,923)	(17,885)
Cash payments to employees for services	(73,626)	(20,658)	(21,383)	(16,762)	(132,429)	(16,554)
Cash payments for purchased power		(74,384)			(74,384)	
Agency activity on behalf of NEORS				728	728	
Other		(5,213)			(5,213)	
Net cash provided by (used for) operating activities	<u>77,640</u>	<u>35,612</u>	<u>51,884</u>	<u>5,410</u>	<u>170,546</u>	<u>(519)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Advance (repayment) from/to General Fund				(1,958)	(1,958)	
Cash payments for sound insulation of homes			(5,043)		(5,043)	
Cash received (paid) through transfers from/to other funds				2,283	2,283	732
Cash received from hotel tax				3,597	3,597	
Cash receipts (payments) from/ to other governments	<u>6</u>	<u>80</u>	<u>(939)</u>	<u>90</u>	<u>(763)</u>	
Net cash provided by (used for) noncapital financing activities	<u>6</u>	<u>80</u>	<u>(5,982)</u>	<u>4,012</u>	<u>(1,884)</u>	<u>732</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Cash receipts for passenger facility charges			22,435		22,435	
Proceeds from sale of revenue bonds, loans and notes	201,797				201,797	
Acquisition and construction of capital assets	(103,111)	(21,554)	(133,370)	(5,882)	(263,917)	(27)
Principal paid on long-term debt	(25,848)	(9,410)	(9,373)	(2,541)	(47,172)	
Interest paid on long-term debt	(40,584)	(10,447)	(36,162)	(4,231)	(91,424)	
Cash paid to escrow agent for refunding	(204,130)				(204,130)	
Capital grant proceeds			19,621		19,621	
Net cash provided by (used for) capital and related financing activities	<u>(171,876)</u>	<u>(41,411)</u>	<u>(136,849)</u>	<u>(12,654)</u>	<u>(362,790)</u>	<u>(27)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Purchase of investment securities	(84,176)	(28,410)	(83,513)	(19,380)	(215,479)	
Proceeds from sale and maturity of investment securities	111,264	31,162	89,301	10,831	242,558	
Interest received on investments	<u>12,194</u>	<u>1,144</u>	<u>17,423</u>	<u>1,081</u>	<u>31,842</u>	<u>310</u>
Net cash provided by (used for) investing activities	<u>39,282</u>	<u>3,896</u>	<u>23,211</u>	<u>(7,468)</u>	<u>58,921</u>	<u>310</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(54,948)</b>	<b>(1,823)</b>	<b>(67,736)</b>	<b>(10,700)</b>	<b>(135,207)</b>	<b>496</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>439,894</u></b>	<b><u>19,460</u></b>	<b><u>385,351</u></b>	<b><u>44,892</u></b>	<b><u>889,597</u></b>	<b><u>9,060</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 384,946</u></b>	<b><u>\$ 17,637</u></b>	<b><u>\$ 317,615</u></b>	<b><u>\$ 34,192</u></b>	<b><u>\$ 754,390</u></b>	<b><u>\$ 9,556</u></b>

(Continued)

**CITY OF CLEVELAND, OHIO**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

(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)	\$ 47,967	\$ 16,581	\$ 12,187	\$ (1,513)	\$ 75,222	\$ (1,881)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	34,605	15,287	40,018	7,441	97,351	299
Non-cash rental income			(3,389)		(3,389)	
Changes in assets and liabilities:						
Receivables, net	(3,299)	2,177	(1,138)	(4,922)	(7,182)	(2)
Due from other funds	(520)	(261)	2	(577)	(1,356)	(9,555)
Due from other governments						2
Inventory of supplies	(963)	901	(16)	(136)	(214)	288
Prepaid expenses and other assets	(524)		(19)		(543)	
Accounts payable	(1,461)	507	3,601	(298)	2,349	907
Accrued wages and benefits	(1,243)	(416)	296	(263)	(1,626)	11,296
Due to other funds	2,056	627	(154)	1,097	3,626	(1,775)
Due to other governments			496	4,581	5,077	(98)
Accrued expenses and other liabilities	<u>1,022</u>	<u>209</u>			<u>1,231</u>	
Total adjustments	<u>29,673</u>	<u>19,031</u>	<u>39,697</u>	<u>6,923</u>	<u>95,324</u>	<u>1,362</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 77,640</u>	<u>\$ 35,612</u>	<u>\$ 51,884</u>	<u>\$ 5,410</u>	<u>\$ 170,546</u>	<u>\$ (519)</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, 2004**

**(Amounts in 000's)**

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	<b><u>Agency Funds</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 29,398
Taxes receivable	32,054
Due from other governments	<u>979</u>
Total assets	<u>62,431</u>
<b>LIABILITIES</b>	
Due to other governments	41,606
Due to others	<u>20,825</u>
Total liabilities	<u>62,431</u>
<b>NET ASSETS</b>	<u><u>\$ -</u></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, 2004 and for the year then ended have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to local governments. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB’s Codification of Governmental Accounting and Financial Reporting Standards (“GASB Codification”).

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

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

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

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

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

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

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

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

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Significant Accounting Policies:*

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

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

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

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

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

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

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

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

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

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.

## 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. For accounting measurement purposes, the agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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 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, Reserve, Rainy Day Reserve, Schools Recreation and Cultural Activities and Cleveland Stadium Operations Funds) and Debt Service Funds (except for Urban Renewal and Urban Renewal Reserve 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 4 appropriation amendments during 2004 which reallocated appropriations, but did not increase appropriations 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 2004 reported on the budget basis versus the GAAP basis is as follows:

	(Amounts in 000's)
Deficiency of revenues and other financing sources under expenditures and other financing uses (budget basis)	\$ (273)
Adjustments:	
Revenue accruals	3,108
Expenditure accruals	(2,167)
Encumbrances and pre-encumbrances	<u>9,315</u>
Net change in fund balances	<u>\$ 9,983</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, 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 1 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 bases for proprietary fund capital assets are the same as those used for the general capital assets. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capitalized interest is amortized on the straight-line basis over the estimated useful lives of such assets. The City applies Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, for its Waterworks Improvement First Mortgage Revenue Bonds, its Public Power Improvement First Mortgage Revenue Bonds and its Airport Revenue Bonds. This Statement requires capitalization of the interest cost of the borrowings less interest earned on investment of the bond proceeds from the date of the borrowing until the assets constructed from the bond proceeds are ready for their intended use.

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

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

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

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

Normally, all vacation time is to be taken in the year available. The City allows employees to carryover up to 80 hours of vacation time from one year to the next with proper approval. Sick days not taken may be accumulated until retirement. An employee is paid one-third of accumulated sick leave upon retirement, calculated at the three year average base salary rate, with the balance being forfeited.

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

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

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

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

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

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

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

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

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

**Statement of Cash Flows:** The City utilizes the direct method of reporting cash flows from operating activities in the Statement of Cash Flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*. In the statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital financing, capital and related financing, and investing activities.

**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 \$795 million difference are as follows:

	(Amounts in 000's)
Bonds payable	\$ 645,115
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(3,416)
Unamortized bond premium	6,317
Accrued interest payable	13,221
Capital leases payable	11,750
Loans payable	11,365
Claims and adjustments	3,472
Compensated absences	<u>107,196</u>
 Net adjustments to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 <u>\$795,020</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$34.8 million difference are as follows:

	(Amounts in 000's)
Capital outlay	\$ 75,243
Depreciation expense	(38,624)
Capital asset disposal	<u>(1,841)</u>
 Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ 34,778</u>

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

	(Amounts in 000's)
Reversal of prior year deferred revenue	\$ (57,526)
Current year deferred revenues	<u>57,364</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>\$ (162)</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 \$26.3 million which is detailed as follows:

	(Amounts in 000's)
Debt issued or incurred:	
Capital lease financing	\$ (6,628)
Issuance of general obligation bonds and other obligations	(53,179)
Loan proceeds	(11,365)
Accrued interest	1,188
Principal repayments:	
General obligation debt and other obligations	41,115
Payment on capital lease	1,132
Amortization of debt issuance cost	<u>1,455</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>\$26,282</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 \$8.3 million difference are as follows:

	(Amounts in 000's)
Compensated absences	\$6,312
Claims judgements	<u>2,028</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>\$8,340</u>

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

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

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

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

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

**Deposits:** Ohio law requires that deposits be placed in eligible banks or building and loan associations 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.

GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements*, requires the City to categorize its deposits into one of three categories:

- Category 1: Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2: Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name.
- Category 3: Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name).

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 \$80,715,000 and the actual bank balance totaled \$107,540,000. The difference represents outstanding warrants payable and normal reconciling items. Based on the criteria described in GASB Statement No. 3, \$90,402,000 of the bank balance was insured or collateralized with securities held by the City or by its agent in the City's name. The remaining balance of \$17,138,000 is comprised of two Bank Investment Contracts (BIC's). Since these BIC's are secured by securities held by the pledging financial institution's trust department, but not in the City's name, they are considered uninsured and uncollateralized, as defined by the GASB, (which includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department but not in the City's name).

**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.

GASB Statement No. 3 requires the City to categorize its investments into one of three categories:

- Category 1: includes insured or registered, or securities held by the City or its agent in the City’s name;
- Category 2: includes uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the City’s name; and
- Category 3: includes uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the City’s name.

The categorized 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>Category</u>	<u>Fair Value</u>	<u>Cost</u>
		(Amounts in 000’s)	
U.S. Agency Obligations	1	\$ 439,899	\$ 444,462
U.S. Treasury Bills	2	18,237	18,203
STAROhio	n/a	91,057	91,057
Investments in Mutual Funds	n/a	283,985	283,985
Guaranteed Investment Contracts	n/a	383,291	383,291
Manuscript Debt	n/a	8,200	8,200
Other	n/a	<u>148,872</u>	<u>148,872</u>
Total Investments		1,373,541	1,378,070
Total Deposits		<u>80,715</u>	<u>80,715</u>
Total Deposits and Investments		<u>\$ 1,454,256</u>	<u>\$ 1,458,785</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. Amounts invested with STAROhio, mutual funds, in a collective pool and in guaranteed investment contracts are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 3. 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.



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

*Government-Wide Financial Statements*

(Amounts in 000's)

Unrestricted:	
Cash and cash equivalents	\$ 357,053
Investments	272,811
Restricted:	
Cash and cash equivalents	655,566
Investments	<u>139,428</u>
Total	<u>\$ 1,424,858</u>

*Fund Financial Statements*

(Amounts in 000's)

Balance Sheet – Governmental Funds:	
Unrestricted:	
Cash and cash equivalents	\$ 248,673
Investments	17,997
Restricted:	
Cash and cash equivalents	
Investments	
Balance Sheet – Proprietary Funds:	
Enterprise Funds:	
Unrestricted:	
Cash and cash equivalents	98,824
Investments	254,814
Restricted:	
Cash and cash equivalents	655,566
Investments	139,428
Internal Service Funds:	
Unrestricted:	
Cash and cash equivalents	<u>9,556</u>
Subtotal	1,424,858
Statement of Fiduciary Net Assets:	
Unrestricted:	
Cash and cash equivalents	<u>29,398</u>
Total	<u>\$ 1,454,256</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, 2004, is as follows:

	Balance January 1, <u>2004</u>	<u>Additions</u>	<u>(Reductions)</u>	Balance December 31, <u>2004</u>	Due Within One <u>Year</u>
	(Amounts in 000's)				
<b>Governmental Activities</b>					
General Obligation Bonds due through 2027, 2.0% to 9.875%	\$ 356,900	\$ 16,760	\$ (26,960)	\$ 346,700	\$ 29,185
<i>Other Obligations:</i>					
Urban Renewal Bonds due through 2018, 6.10% to 6.75%	8,255		(340)	7,915	360
Taxable Urban Renewal Notes due 2005, 2.48%	4,300			4,300	4,300
Subordinated Income Tax Refunding Bonds due through 2024, 4.88%	65,500		(1,500)	64,000	1,600
Non-Tax Revenue (Bonds):					
Stadium due through 2020, 5.75%	10,000		(10,000)		
Stadium due through 2020, 2.75%-5.125%		14,835		14,835	
Taxable Economic and Community Dev. (Core City Bonds)					
Series 2003 and 2004 due through 2033, 1.07% to 5.4%	27,400	19,280		46,680	585
Lower Euclid Avenue TIF 2003A&B due through 2032, 0% to 5%	8,200	1,000		9,200	45
Certificates of Participation - Stadium due 2027, 4.9% to 6.0%	150,550		(2,065)	148,485	2,260
Capital Lease Obligations, due through 2011	6,254	6,628	(1,132)	11,750	1,864
Gateway Note Payable	3,250		(250)	3,000	250
Accrued wages and benefits	51,483	12,610	(7,219)	56,874	23,836
Police and fire overtime	61,534	2,183	(2,996)	60,721	544
Fire deferred vacation	1,608	153	(77)	1,684	51
Estimated claims payable	5,500	3,472	(5,500)	3,472	672
	<u>760,734</u>	<u>76,921</u>	<u>(58,039)</u>	<u>779,616</u>	<u>65,552</u>
Plus: Unamortized (discount) premium - net	5,494	1,304	(481)	6,317	
Total Governmental Activities, Net	<u>766,228</u>	<u>78,225</u>	<u>(58,520)</u>	<u>785,933</u>	<u>65,552</u>
<b>Business-Type Activities (Enterprise Funds)</b>					
Airport System Revenue Bonds:					
Series 1990 due through 2006, 7.15% to 7.25%	8,487		(3,044)	5,443	2,818
Series 1994 due through 2004, 5.40% to 7.95%	2,045		(2,045)		
Series 1997 due through 2027, 0.88% to 7.00%	253,570		(6,015)	247,555	6,555
Series 2000 due through 2031, 0.85% to 5.50%	573,190			573,190	
Series 2003 due through 2033, Variable	140,600			140,600	
Public Power System Revenue Bonds:					
Series 1994 due through 2013, 6.20% to 7.00%	54,285		(5,950)	48,335	
Series 1996 due through 2024, 5.00% to 6.00%	121,685		(730)	120,955	765
Series 1998 due through 2017, 4.00% to 5.25%	44,760			44,760	6,105
Series 2001 due through 2016, 3.55% to 5.50%	39,035		(2,730)	36,305	2,840
Waterworks Improvement Revenue Bonds:					
Series G 1993 due through 2021, 5.25% to 5.50%	172,310		(22,768)	149,542	6,497
Series H 1996 due through 2026, 5.20% to 5.75%	68,970		(37,002)	31,968	5,313
Series I 1998 due through 2028, 4.20% to 5.25%	299,690		(75,937)	223,753	1,593
Series J 2001 due through 2016, 4.00% to 5.375%	82,685		(6,135)	76,550	6,440
Series K 2002 due through 2021, 3.50% to 5.25%	138,050		(68,325)	69,725	
Series L 2002 due through 2033, Variable	90,000			90,000	
Series M 2004 due through 2033, 3.533%		175,000		175,000	905
Ohio Water Development Authority and Public Works					
Commission Loans due through 2025, 0.00% to 4.18%	33,045	20,625	(1,054)	52,616	1,201
Parking Facilities Revenue Bonds					
due through 2022, 5.375% to 6.00%	71,480		(2,175)	69,305	2,305
Deferred Payment Obligation	23,659		(1,612)	22,047	1,741
Accrued wages and benefits	13,426	722	(2,908)	11,240	6,187
	<u>2,230,972</u>	<u>196,347</u>	<u>(238,430)</u>	<u>2,188,889</u>	<u>51,265</u>
Less: Unamortized (discount) premium-net	(24,074)		(1,294)	(25,368)	
Unamortized loss on debt refunding	(57,944)	(9,883)	4,584	(63,243)	
Total Business-Type Activities, Net	<u>2,148,954</u>	<u>186,464</u>	<u>(235,140)</u>	<u>2,100,278</u>	<u>51,265</u>
Total Debt and Other Long-Term Obligations	<u>\$ 2,915,182</u>	<u>\$ 264,689</u>	<u>\$ (293,660)</u>	<u>\$ 2,886,211</u>	<u>\$ 116,817</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, 2004, \$1,215,976 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, 2004, \$487,366 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 2004:

	<u>Original Issue Amount</u>	<u>Balance January 1, 2004</u>	<u>Additions</u> (Amounts in 000's)	<u>(Reductions)</u>	<u>Balance December 31, 2004</u>
<b>Governmental Activities Obligations:</b>					
<b>General Obligation Bonds</b>					
Public Facilities	\$ 77,475	\$ 59,165	\$	\$ (2,770)	\$ 56,395
Convention Center	2,010	1,475		(90)	1,385
Residential Redevelopment	20,150	17,120		(710)	16,410
Bridges and Roadways	164,930	109,200	13,735	(7,310)	115,625
Public Safety	840	545		(80)	465
Parks & Recreation	56,300	41,575	3,025	(1,970)	42,630
Refunding Bonds	162,460	121,500		(13,975)	107,525
Judgments/Settlements	6,375	6,320		(55)	6,265
	<u>490,540</u>	<u>356,900</u>	<u>16,760</u>	<u>(26,960)</u>	<u>346,700</u>
Total Governmental Activities	<u>\$ 490,540</u>	<u>\$ 356,900</u>	<u>\$ 16,760</u>	<u>\$ (26,960)</u>	<u>\$ 346,700</u>
<b>Business-Type Activities Obligations:</b>					
<b>Revenue Bonds</b>					
Airports	\$ 1,151,456	\$ 977,892	\$	\$ (11,104)	\$ 966,788
Public Power	429,590	259,765		(9,410)	250,355
Waterworks	1,234,350	851,705	175,000	(210,167)	816,538
Parking Facilities	81,105	71,480		(2,175)	69,305
<b>Loans</b>					
Waterworks	76,467	26,793	20,625	(688)	46,730
Water Pollution Control	8,378	6,252		(366)	5,886
	<u>2,981,346</u>	<u>2,193,887</u>	<u>195,625</u>	<u>(233,910)</u>	<u>2,155,602</u>
Total Business-Type Activities	<u>\$ 2,981,346</u>	<u>\$ 2,193,887</u>	<u>\$ 195,625</u>	<u>\$ (233,910)</u>	<u>\$ 2,155,602</u>

The following is a summary of the City's future debt service requirements as of December 31, 2004:

Year Ending December 31	Governmental Activities					
	General Obligation Bonds		Urban Renewal Bonds/Notes		Subordinated Income Tax Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	(Amounts in 000's)					
2005	\$ 29,185	\$ 17,276	\$ 4,660	\$ 624	\$ 1,600	\$ 3,270
2006	28,840	15,928	385	494	1,700	3,184
2007	29,905	14,620	410	467	1,800	3,094
2008	30,075	13,214	435	440	2,000	2,995
2009	28,620	11,756	465	410	2,100	2,888
2010-2014	104,215	39,876	2,830	1,523	12,700	12,607
2015-2019	67,820	17,465	3,030	426	17,600	8,698
2020-2024	25,290	4,016			24,500	3,272
2025-2029	2,750	293				
2030-2034						
	<u>\$ 346,700</u>	<u>\$ 134,444</u>	<u>\$ 12,215</u>	<u>\$ 4,384</u>	<u>\$ 64,000</u>	<u>\$ 40,008</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)					
2005	\$ 630	\$ 2,862	\$ 2,260	\$ 6,824	\$ 1,864	\$ 342
2006	732	3,057	2,275	6,712	1,924	283
2007	1,262	3,135	5,826	8,372	1,985	221
2008	1,734	3,110	10,765	8,458	2,049	158
2009	2,661	3,038	10,934	8,206	2,114	92
2010-2014	14,743	13,565	49,600	33,940	1,814	34
2015-2019	16,795	10,237	20,590	15,535		
2020-2024	14,691	6,168	26,650	9,481		
2025-2029	8,374	3,304	19,585	2,092		
2030-2034	9,093	1,037				
	<u>\$ 70,715</u>	<u>\$ 49,513</u>	<u>\$ 148,485</u>	<u>\$ 99,620</u>	<u>\$ 11,750</u>	<u>\$ 1,130</u>

Year Ending December 31	Gateway Note Payable		Governmental Activities Total	
	Principal	Interest	Principal	Interest
	(Amounts in 000's)			
2005	\$ 250	\$	\$ 40,449	\$ 31,198
2006	250		36,106	29,658
2007	250		41,438	29,909
2008	250		47,308	28,375
2009	250		47,144	26,390
2010-2014	1,250		187,152	101,545
2015-2019	500		126,335	52,361
2020-2024			91,131	22,937
2025-2029			30,709	5,689
2030-2034			9,093	1,037
	<u>\$ 3,000</u>	<u>\$</u>	<u>\$ 656,865</u>	<u>\$ 329,099</u>

<b>Business-Type Activities</b>				
<b>Year Ending December 31</b>	<b>Revenue Notes and Bonds</b>		<b>Construction Loans</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
(Amounts in 000's)				
2005	\$ 42,136	\$ 98,802	\$ 1,201	\$ 915
2006	39,850	104,869	3,260	2,868
2007	61,610	96,484	3,224	2,748
2008	65,665	93,713	3,343	2,629
2009	75,100	90,253	3,468	2,505
2010-2014	414,525	395,351	19,368	10,494
2015-2019	427,505	290,648	21,401	6,711
2020-2024	427,760	184,312	21,591	2,799
2025-2029	363,505	88,058	3,914	104
2030-2034	185,330	11,756		
	<u>\$ 2,102,986</u>	<u>\$ 1,454,246</u>	<u>\$ 80,770</u>	<u>\$ 31,773</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>
(Amounts in 000's)				
2005	\$ 1,741	\$ 1,648	\$ 45,078	\$ 101,365
2006	1,881	1,508	44,991	109,245
2007	2,032	1,357	66,866	100,589
2008	2,195	1,194	71,203	97,536
2009	2,371	1,018	80,939	93,776
2010-2014	11,827	2,007	445,720	407,852
2015-2019			448,906	297,359
2020-2024			449,351	187,111
2025-2029			367,419	88,162
2030-2034			185,330	11,756
	<u>\$ 22,047</u>	<u>\$ 8,732</u>	<u>\$ 2,205,803</u>	<u>\$ 1,494,751</u>

The schedule of minimum principal and interest payments for construction loans includes the amortization on five 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 has received all the loan proceeds. Therefore, at December 31, 2004 the amount financed on these five OWDA loan projects less the principal payments made to date, which is reflected in the amortization schedule, exceeds the actual loan balances shown on the schedule of long-term debt outstanding and changes in long-term debt obligations by \$28,154,000.

## **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 \$328,742,823 of additional unvoted debt at December 31, 2004.

Effective November 10, 2004, the City issued \$16,760,000 Series 2004 Various Purpose General Obligation Bonds. These bonds were issued to pay the costs of permanent improvements in the areas of parks and recreation facilities and bridges and roadways. 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 \$64,000,000 on December 31, 2004. The fair value of the swap at December 31, 2004, as reported by AMBAC Financial Services was \$6,525,831 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 \$64,000,000 at December 31, 2004, at a rate equal to the weekly Bond Market Association index (BMA). If the option is exercised, the stated termination date under the swap agreement with JPM will be May 15, 2024. The obligation of the City under the swap agreement to make periodic floating rate payments (but not any termination payment) is secured by a subordinate pledge of the income tax receipts, subordinate to the pledge of the income tax receipts made under the General Bond Ordinance securing the City’s General Obligation Bonds. The payment of any termination payment is subordinate to the payment of debt service on the Series 1994 Subordinated Income Tax Bonds and the periodic floating rate payments under the swap agreement.

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

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

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

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

Fair Value: The fair value of the swap at December 31, 2004 as reported by JPM was \$1,548,865 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, 2004. Under the swap agreement, the City will be the fixed rate payor, paying fixed rates of interest (initially 4.77%) that equate the estimated periodic swap payments plus amortizing principal of the 2007 Bonds to the debt service currently being paid on the Series 1997 Certificates of Participation (Cleveland Stadium Project), and UBS will be the floating rate payor, paying at a rate equivalent to 67% of one month LIBOR. If the option is exercised, the stated termination date under the swap agreement with UBS will be November 15, 2027. The obligation of the City to make periodic fixed rate payments or any termination payment is subject to annual appropriation and certification by the City.

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

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



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

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

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

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

**Fair Value:** The fair value of the swap at December 31, 2004, as reported by UBS was \$8,733,886 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 the next seven years.

In April 2004, the City entered into a second equipment lease agreement with Minority Alliance Capital, LLC which will result 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. The assets recorded by the City under capital leases were as follows as of December 31, 2004:

	<u>Activities</u> (Amounts in 000's)
Furniture, fixtures and equipment	\$ 13,605
Less – accumulated depreciation	(2,689)
Net book value	<u>\$ 10,916</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. 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, 2004, 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	2,001	\$ 55,049		
Fire	217	5,671	62	\$ 1,684
Total	<u>2,218</u>	<u>\$ 60,720</u>	<u>62</u>	<u>\$ 1,684</u>

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

**Taxable Urban Renewal Notes:** Effective October 24, 2003, the City issued \$4,300,000 of Taxable Urban Renewal Notes (Notes), Series 2003. The Notes, which carry an interest rate of 2.48%, were issued to refund \$4,250,000 in Notes issued in 2002 which matured October 30, 2003. The Notes are special obligations of the City and unless paid from other sources, are payable from non-tax revenues of the City. The Notes will mature November 1, 2005.

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

**Airport System Revenue Bonds:** These bonds are secured by the pledge of all airport revenues, as defined in the revenue bond indenture. Further, the City has assigned to the trustee all its interests in and rights to the airline use agreements under the revenue bond indenture.

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

**Interest Rate Swap Transactions:**

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

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

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

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

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

**Fair Value:** The fair value of the swaps at December 31, 2004 as reported by JPMorgan Chase Bank was \$1,135,552 for the Series 2003A and \$3,134,043 for the Series 2003B which would be payable by the City.

Of the Airport System Revenue Bonds issued in 1990, \$15,276,000 were issued in the form of Capital Appreciation Bonds. Interest on the Capital Appreciation Bonds is payable only as a component of their appreciated principal amount at maturity or redemption. Interest on the Capital Appreciation Bonds is compounded semiannually on each interest payment date beginning July 1990. As of December 31, 2004, the Department of Port Control has recorded a liability in the amount of \$9,914,127 for compounded interest payable on the Capital Appreciation Bonds.

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

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

On August 10, 2004, the City issued \$175,000,000 of Water Revenue Bonds, Series M, 2004. The Bonds were issued to advance refund a portion of the outstanding Series H, Series I, and Series K Water Revenue Bonds. Proceeds were used to fund an escrow deposit that, together with other available funds of the Water System, will refund the bonds and to pay costs of issuance. Net proceeds of \$174,907,022 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 2004 Bonds was \$163,305,000. The City completed the refunding to reduce its total debt service payments by \$13,490,000 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$11,300,000. The Series M Bonds were issued as variable rate demand bonds and were immediately swapped to a fixed rate. In addition, the Division of Water utilized cash on hand to defease outstanding Series G, Series H and Series I bonds. The Division placed \$29,222,759 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 \$21,701,667.

*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 additions 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 event of a rating downgrade of the Water System.

**Fair Value:** The fair value of the swaps at December 31, 2004 as reported by Bear Stearns and Morgan Stanley totaled \$6,613,834, 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 2004, Water received an OWDA loan of \$4,785,788 out of an expected \$25,117,194 to fund improvements to the Nottingham Facility. This is a 20 year, 3.50% loan with payments beginning in 2006. In addition, the outstanding balance on the Division of Water's OWDA loan for the Baldwin Chemical Plant increased by \$15,622,673. Payments on this 20 year, 3.53% loan, begin in 2006.

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

*Interest Rate Swap Transactions:*

**Terms.** On February 13, 2003, the City sold an option to UBS AG ("UBS") giving UBS the right, at its discretion, to enter into an interest rate swap transaction on September 15, 2006 on a declining notional amount equal to the outstanding principal amount of the City's to be issued Parking Facilities Improvement Revenue Bonds, Series 2006. The notional amount upon which the swap agreement was based equaled \$58,525,000 at December 31, 2004. Under the swap agreement, the City will be the fixed rate payor, paying fixed rates of interest (initially 4.91%) that equate the estimated periodic swap payments plus amortizing principal of the 2006 Bonds to the debt service currently being paid on the Parking Facilities Improvement Revenue Bonds, Series 1996, 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 September 15, 2022. The obligation of the City to make periodic fixed rate payments (but not any termination payment) is secured by a pledge of the Parking Revenues and Additional Pledged Revenues.

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

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

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

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

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

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

**Fair Value:** The fair value of the swap at December 31, 2004 as reported by UBS was \$5,647,187 which would be payable by the City.

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

**Defeasance of Debt**

The City has defeased certain debt by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and defeased bonds are not recorded in the City's financial statements.

The aggregate amount of defeased debt outstanding at December 31, 2004 is as follows:

<u>Bond/Note Issue</u>	<u>(Amounts in 000's)</u>
Waterworks Improvement Bonds:	
Series G, 1993	\$ 13,513
Series H, 1996	131,832
Series I, 1998	73,677
Series K, 2002	63,325

**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 \$30.0 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 2004, of which \$1,777,000 was offset against interest expense and \$1,612,000 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, 2004 and 2003 were as follows:

	<u>2004</u>	<u>2003</u>
	(Amounts in 000's)	
Estimated claims payable, January 1	\$ 6,500	\$ 1,303
Current year claims (including IBNRs) and changes in estimates	(2,995)	7,250
Claim payments	<u>(1,433)</u>	<u>(2,053)</u>
Estimated claims payable, December 31	<u>\$ 2,072</u>	<u>\$ 6,500</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 2004. There was no significant decrease in any insurance coverages in 2004. 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, 2004 was \$14,548,560. Of this amount, \$4,602,300 was reduced by a 20% discount from the Bureau of Workers Compensation to \$3,681,840 which was recorded as a fund liability and is payable during 2004. The remaining \$10,866,720 is due in future years and is recorded as a liability in the Workers Compensation 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, 2004, the amount of claims against the City for which an unfavorable outcome is deemed to be reasonably possible, including condemnation proceedings, aggregated \$607,000.

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. The audits questioned costs made by these two programs. The City is gathering additional support for these questioned costs. The City believes that the ultimate resolution of these questioned costs will not have a material effect on the financial position of the City. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The City believes that disallowed costs on other grants, if any, would not be material.

#### **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, 2004, 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>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
(Amounts in 000's)							
Governmental Funds:							
General	\$ 22,080	\$	\$19,065	\$19,065	\$ 2,283	\$ 2,283	\$ 732
Other governmental	<u>28,191</u>	<u>2,007</u>	<u>26,184</u>	<u>28,191</u>			
Total Governmental Funds	<u>50,271</u>	<u>2,007</u>	<u>45,249</u>	<u>47,256</u>	<u>2,283</u>	<u>2,283</u>	<u>732</u>
Total	<u>\$ 50,271</u>	<u>\$ 2,007</u>	<u>\$45,249</u>	<u>\$47,256</u>	<u>\$ 2,283</u>	<u>\$ 2,283</u>	<u>\$ 732</u>

**Interfund Balances:** Interfund balances at December 31, 2004 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, 2004 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	\$ 11,105	\$ 190	\$ 458	\$ 648	\$ 281	\$ 2,443	\$ 70	\$ 325	\$ 3,119	\$ 7,338
Other governmental	<u>15,770</u>	<u>4,077</u>	<u>10,244</u>	<u>14,321</u>	<u>387</u>	<u>17</u>		<u>239</u>	<u>643</u>	<u>806</u>
Total governmental	<u>\$ 26,875</u>									
Enterprise Funds:										
Division of Water	6,965	12		12		2,099		2,784	4,883	2,070
Cleveland Public Power	976	5	23	28	238			7	245	703
Department of Port Control	1,483	1,027		1,027		44		65	109	347
Other Enterprise	<u>3,556</u>	<u>127</u>		<u>127</u>	<u>2,695</u>	<u>255</u>		<u>28</u>	<u>2,978</u>	<u>451</u>
Total enterprise	<u>12,980</u>									
Internal Service Funds	<u>1,864</u>	<u>546</u>	<u>11</u>	<u>557</u>	<u>455</u>	<u>242</u>	<u>472</u>	<u>32</u>	<u>1,201</u>	<u>106</u>
Total Due To/Due From	<u>\$ 41,719</u>	<u>\$ 5,984</u>	<u>\$ 10,736</u>	<u>\$ 16,720</u>	<u>\$ 4,056</u>	<u>\$ 5,100</u>	<u>\$ 542</u>	<u>\$ 3,480</u>	<u>\$ 13,178</u>	<u>\$ 11,821</u>



## **NOTE 10 - INCOME TAXES**

During 2004, 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 2004 levy was based upon an assessed valuation of approximately \$5.977 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 2003. 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 2004, 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, 2004, 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	\$ 17,766	\$	\$ 17,766
Property taxes receivable	47,150		47,150
Local government receivable	19,157		19,157
Estate tax receivable	252		252
Homestead rollback	5,004		5,004
Emergency medical service receivable	1,174		1,174
Indigent defense	200		200
Total General Fund	90,703		90,703
Other Governmental Funds:			
Income taxes receivable	2,221		2,221
Special assessments receivable	2,553		2,553
Property taxes receivable	24,563		24,563
Advances received under grants		4,168	4,168
Motor vehicle taxes receivable	1,340		1,340
Municipal gas tax receivable	1,375		1,375
State gasoline tax receivable	1,627		1,627
Homestead rollback	2,607		2,607
Grant receivable	2,172		2,172
Due from other governments	243		243
Total other governmental funds	38,701	4,168	42,869
Total Deferred and Unearned Revenue	\$ 129,404	\$ 4,168	\$ 133,572

**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 Plan 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. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. Member and employer contribution rates were consistent across all three plans (TP, MD and CO). Member contribution rates were 8.5% and employer contribution rates were 13.55% of covered payroll. The City's required employer contributions to OPERS for all plans for the years ending December 31, 2004, 2003 and 2002 were approximately \$35,479,602, \$36,360,569 and \$33,585,503 each year, respectively. The required payments due in 2004, 2003 and 2002 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 were \$18,501,751 and \$12,657,101 for the year ended December 31, 2004, \$20,986,943 and \$13,282,773 for the year ended December 31, 2003, and \$20,507,698 and \$12,990,154 for the year ended December 31, 2002, respectively. The required payments due in 2004, 2003, and 2002 have been made.

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

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

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The City's contribution rate was 13.55% of covered payroll, and 4.00% was used to fund health care for the year. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2003. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2003 was 8.00%. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (and beyond) health care costs were assumed to increase at 4% (the projected inflation rate). OPEBs are advance-funded on an actuarially determined basis. At year-end 2004, the number of active contributing participants in the Traditional and Combined Plans totaled 369,885. The employer contribution rates are the actuarially determined contribution requirements for OPERS. The City's actual contributions for 2004 which were to fund postemployment benefits were approximately \$10,473,579. \$10.5 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2003. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**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 2004. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2003, the date of the last actuarial valuation available, are 13,662 for Police and 10,474 for Firefighters. The City's actual contributions for 2004 that were used to fund post employment benefits were \$7,345,195 for police and \$4,088,244 for firefighters. OP&F total health care expense for the year ending December 31, 2003, the date of the last actuarial valuation available, was \$150,853,148 which was net of member contributions of \$17,207,506.

**NOTE 15 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004 was as follows:

	<b>Balance January 1, 2004</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2004</b>
		(Amount in 000's)		
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 60,914	\$ 597	\$	\$ 61,511
Construction in progress	79,407	52,003	(31,736)	99,674
Total capital assets, not being depreciated	<u>140,321</u>	<u>52,600</u>	<u>(31,736)</u>	<u>161,185</u>
Capital assets, being depreciated:				
Land improvements	88,972	6,690		95,662
Buildings, structures and improvements	541,045	17,652		558,697
Furniture, fixtures, equipment and vehicles	160,074	16,877	(12,606)	164,345
Infrastructure	276,985	13,787	(440)	290,332
Total capital assets, being depreciated	<u>1,067,076</u>	<u>55,006</u>	<u>(13,046)</u>	<u>1,109,036</u>
Less accumulated depreciation for:				
Land improvements	(58,202)	(4,091)		(62,293)
Buildings, structures and improvements	(166,456)	(13,521)		(179,977)
Furniture, fixtures, equipment and vehicles	(103,633)	(10,419)	10,890	(103,162)
Infrastructure	(105,494)	(10,884)	428	(115,950)
Total accumulated depreciation	<u>(433,785)</u>	<u>(38,915)</u>	<u>11,318</u>	<u>(461,382)</u>
Total capital assets being depreciated, net	<u>633,291</u>	<u>16,091</u>	<u>(1,728)</u>	<u>647,654</u>
Governmental activities capital assets, net	<u>\$ 773,612</u>	<u>\$ 68,691</u>	<u>\$ (33,464)</u>	<u>\$ 808,839</u>

	<b>Balance January 1, 2004</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2004</b>
		<b>(Amount in 000's)</b>		
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 159,207	\$ 9,973	\$	\$ 169,180
Construction in progress	434,235	236,587	(413,918)	256,904
Total capital assets, not being depreciated	<u>593,442</u>	<u>246,560</u>	<u>(413,918)</u>	<u>426,084</u>
Capital assets, being depreciated:				
Land improvements	383,409	283,032	(38)	666,403
Utility plant	1,362,121	93,132	(4,908)	1,450,345
Buildings, structures and improvements	776,757	21,959	1,924	800,640
Furniture, fixtures, equipment and vehicles	193,249	10,864	(997)	203,116
Total capital assets, being depreciated	<u>2,715,536</u>	<u>408,987</u>	<u>(4,019)</u>	<u>3,120,504</u>
Less accumulated depreciation for:				
Land improvements	(144,167)	(23,471)	(117,969)	(285,607)
Utility plant	(434,369)	(36,329)	260,296	(210,402)
Buildings, structures and improvements	(319,434)	(24,496)	(94,304)	(438,234)
Furniture, fixtures, equipment and vehicles	(74,471)	(13,063)	(45,734)	(133,268)
Total accumulated depreciation	<u>(972,441)</u>	<u>(97,359)</u>	<u>2,289</u>	<u>(1,067,511)</u>
Total capital assets being depreciated, net	<u>1,743,095</u>	<u>311,628</u>	<u>(1,730)</u>	<u>2,052,993</u>
Business-Type activities capital assets, net	<u>\$2,336,537</u>	<u>\$ 558,188</u>	<u>\$ (415,648)</u>	<u>\$2,479,077</u>

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

	<b>(Amounts in 000's)</b>
<b>Governmental Activities:</b>	
General government	\$ 7,608
Public service	15,732
Public safety	8,584
Building and housing	153
Community development	386
Public health	555
Parks, recreation and properties	5,502
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>291</u>
Total depreciation expense charged to governmental activities	<u>\$ 38,915</u>
<b>Business-Type Activities:</b>	
Division of Water	\$ 34,605
Cleveland Public Power	15,287
Department of Port Control	40,018
Nonmajor business-type activities	<u>7,449</u>
Total depreciation expense charged to business-type activities	<u>\$ 97,359</u>

**Construction Commitments:** Significant commitments of the City as of December 31, 2004 are composed of the following:

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
	(Amounts in 000's)	
Governmental Activities:		
West 3rd St. Lift Bridge Renovation	\$ 4,598	\$ 13
Purchase/Renovation of 205 St. Clair	11,403	5,423
Memphis Ave (Ridge - Pearl)	5,649	111
Noise Walls-Landscaping-Fence	6,448	1,728
East 79th (Chester-St. Clair)	5,941	1,192
State Road: Brookpark to Pearl	4,610	850
Central Ave. (E. 22 to E. 55)	4,039	1,533
Kinsman Road	2,456	7,874
East 93rd St.	69	5,574
Euclid Avenue	377	4,995

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
	(Amounts in 000's)	
Business-Type Activities:		
Plant Enhancement Program	\$ 34,169	\$ 17,384
Morgan Pump Station Improvements	39,029	9,310
Baldwin Plant Filter Improv. & Turbidime	34,125	91
Baldwin Chemical Project	23,059	8,168
Nottingham Flocculation	3,836	20,924
Nottingham Chemical Project	20,523	826
East 71st (Harvard to Broadway)	1,751	949
Euclid Corridor Sewer Repairs		1,800
Fairway Drive Area-Sewer Replacement	818	168
Pump Station Telemetry	685	165
Defective Pole Replacement	12,075	10,038
Ridge Road Substation	2,355	7,403
Distribution Feeders Rehab	642	658
Euclid Corridor Electrical Repairs		1,265
New Transformers	1,401	798
Construct New Runway 5L/23R	131,158	9,913
Sound Insulation of Homes	71,210	29,404
Design & Construct NASA-Glenn Fac Relocation	103,016	1,720
Centralized Deicing Facility		53,827
Runway 6R/24L Extension		38,423
Wetlands & Stream Mitigation	15,798	19,583
Concourse C Overlay	10,486	22,156
North Terminal Expansion	14,045	132

**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, 2004, the State funded \$95,095,000 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 2004, interest expense incurred for the Enterprise Funds was \$98,114,000 which was net of \$13,833,000 of interest expense capitalized. For 2004, total interest income earned by the Enterprise Funds was \$14,473,000 which was net of \$12,900,000 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	\$ 78,639	\$ 601
Restricted assets	542	19,150
Other noncurrent assets		870
Capital assets	<u>65,049</u>	<u>62,424</u>
Total assets	<u>\$ 144,230</u>	<u>\$ 83,045</u>
Liabilities:		
Current liabilities	\$ 52,907	\$ 3,876
Long-term liabilities	<u>5,723</u>	<u>61,062</u>
Total liabilities	<u>58,630</u>	<u>64,938</u>
Net Assets:		
Invested in capital assets, net of related debt	58,934	(876)
Restricted for debt service		14,591
Restricted for capital projects		4,380
Unrestricted	<u>26,666</u>	<u>12</u>
Total net assets	<u>85,600</u>	<u>18,107</u>
Total liabilities and net assets	<u>\$ 144,230</u>	<u>\$ 83,045</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	\$ 19,902	\$ 8,000
Depreciation (expense)	(4,479)	(1,745)
Other operating (expenses)	<u>(15,852)</u>	<u>(2,088)</u>
Operating income (loss)	(429)	4,167
Nonoperating revenues (expenses):		
Investment income	372	494
Interest expense	(235)	(4,472)
Other revenue (expenses)	2	(83)
Capital contributions		<u>57</u>
Change in net assets	(290)	163
Net assets at beginning of year	<u>85,890</u>	<u>17,944</u>
Net assets at end of year	<u>\$ 85,600</u>	<u>\$ 18,107</u>



Condensed Statement of Cash Flows Information

	<b>Water Pollution Control</b>	<b>Municipal Parking Lots</b>
	(Amounts in 000's)	
Net cash provided by (used for):		
Operating activities	\$ 4,092	\$ 5,898
Capital and related financing activities	(6,336)	(6,293)
Investing activities	<u>(2,235)</u>	<u>494</u>
Net increase (decrease) in cash and cash equivalents	(4,479)	99
Beginning cash and cash equivalents	<u>16,620</u>	<u>19,231</u>
Ending cash and cash equivalents	<u>\$ 12,141</u>	<u>\$ 19,330</u>

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

<u>Purpose</u>	<u>Division of Water</u>	<u>Cleveland Public Power</u>	<u>Department of Port Control</u>	<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Water Pollution Control</u>
	(Amounts in 000's)					
Construction activities	\$ 229,791	\$ 8,816	\$ 151,886	\$ 4,380	\$	\$
Debt retirement	81,486	5,877	117,005	14,591		
Accrued passenger facility charges			69,450			
Other	<u>11,608</u>	<u>23,094</u>	<u>76,272</u>	<u>179</u>	<u>5,948</u>	<u>542</u>
Total	<u>\$ 322,885</u>	<u>\$ 37,787</u>	<u>\$ 414,613</u>	<u>\$ 19,150</u>	<u>\$ 5,948</u>	<u>\$ 542</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 of Cleveland. To enhance the security of the bonds, the City has agreed to pledge annually a percentage of admissions taxes on Cleveland Cavaliers games 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, 2004, the City pledged \$1,960,000.

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

In accordance with an agreement with Gateway, Gateway is required to reimburse the City for the excess of the debt service requirements of the Parking Facility Improvement Revenue Bonds attributed to the two Gateway garages over the net revenues generated by the two Gateway garages. In 2004, net revenues generated by the two Gateway garages were less than the debt service payments attributed to those garages by \$2,714,000. Cumulative debt service payments funded by the City that are due from Gateway totaled \$27,920,000 at December 31, 2004. 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, 2004, the following funds had fund balance deficiencies:

<u>Fund Name</u>	<u>Total Deficiency</u> (Amounts in 000's)
Division of Streets	\$ 830
Cleveland Stadium Operations	128

The above deficiency in the Division of Streets will be eliminated through other shared revenue receipts and operating transfers in. The deficiency in the Cleveland Stadium Operations Fund will be eliminated by a transfer from the Cleveland Stadium Construction Fund or the General Fund.

**NOTE 19 – SUBSEQUENT EVENTS**

The City has finalized negotiations for a three year wage agreement with 12 of the 35 labor union and bargaining units which includes wage increases of 0%, 0% and 3% effective April 2004, 2005 and 2006. As part of the wage agreement certain union and non-union employees were paid a one-time \$500 separate payment as compensation in May of 2005.

Legislation was passed on February 28, 2005 authorizing the issuance and sale of Various Purpose General Obligation Refunding Bonds in an amount not to exceed \$85,000,000 for the purpose of refunding certain outstanding general obligation bonds from the time period of 1994-2004. Effective April 12, 2005, the City issued \$84,470,000 various purpose General Obligation Refunding Bonds, Series 2005. As a result of this refunding, the City realized a net present value savings of debt service of \$3,376,208.

On May 9, 2005 legislation was passed which authorizes the issuance of up to \$100 million of Water Revenue Refunding Bonds. On the same day, City Council passed legislation authorizing the City to enter into a lease for heavy duty equipment. The cost of the equipment is not to exceed \$8.4 million.

Legislation was approved on May 9, 2005 and May 16, 2005 for the issuance of up to \$38 million of Various Purpose General Obligation Bonds. These bonds will fund various public improvement projects in the areas of parks and recreation, bridges and roads, neighborhood development and public facilities.

# **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, 2004

(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	\$ 251,500	\$ 251,500	\$ 251,399	\$ (101)
Property taxes	43,699	43,700	44,707	1,007
State local government fund	55,743	55,743	55,789	46
Other shared revenues	38,290	38,517	38,010	(507)
Licenses and permits	10,829	13,047	13,001	(46)
Charges for services	16,156	16,729	17,190	461
Fines, forfeits and settlements	17,893	15,609	15,532	(77)
Investment earnings	1,000	1,000	1,007	7
Grant revenue	1,280	2,340	2,389	49
Miscellaneous	<u>28,065</u>	<u>26,270</u>	<u>20,341</u>	<u>(5,929)</u>
Total revenues	<u>464,455</u>	<u>464,455</u>	<u>459,365</u>	<u>(5,090)</u>
<b>EXPENDITURES:</b>				
Current:				
General government:				
Council and clerk of council:				
Personnel	4,300	4,300	4,184	116
Other	<u>1,279</u>	<u>1,279</u>	<u>1,243</u>	<u>36</u>
Total council and clerk of council	<u>5,579</u>	<u>5,579</u>	<u>5,427</u>	<u>152</u>
Office of the mayor:				
Personnel	1,958	1,958	1,922	36
Other	<u>250</u>	<u>250</u>	<u>162</u>	<u>88</u>
Total office of the mayor	<u>2,208</u>	<u>2,208</u>	<u>2,084</u>	<u>124</u>
Office of consumer affairs:				
Personnel	230	230	196	34
Other	<u>85</u>	<u>85</u>	<u>42</u>	<u>43</u>
Total office of consumer affairs	<u>315</u>	<u>315</u>	<u>238</u>	<u>77</u>
Office of personnel:				
Personnel	1,273	1,288	1,280	8
Other	<u>258</u>	<u>388</u>	<u>340</u>	<u>48</u>
Total office of personnel	<u>1,531</u>	<u>1,676</u>	<u>1,620</u>	<u>56</u>
Landmarks commission:				
Personnel	163	163	159	4
Other	<u>7</u>	<u>7</u>	<u>6</u>	<u>1</u>
Total landmarks commission	<u>170</u>	<u>170</u>	<u>165</u>	<u>5</u>
Board of building standards and appeals:				
Personnel	93	93	88	5
Other	<u>13</u>	<u>13</u>	<u>10</u>	<u>3</u>
Total board of building standards and appeals	<u>106</u>	<u>106</u>	<u>98</u>	<u>8</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, 2004

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Board of zoning appeals:				
Personnel	270	270	256	14
Other	15	15	14	1
Total board of zoning appeals	<u>285</u>	<u>285</u>	<u>270</u>	<u>15</u>
Civil service commission:				
Personnel	585	585	585	
Other	173	173	124	49
Total civil service commission	<u>758</u>	<u>758</u>	<u>709</u>	<u>49</u>
Community relations board:				
Personnel	814	834	821	13
Other	99	99	74	25
Total community relations board	<u>913</u>	<u>933</u>	<u>895</u>	<u>38</u>
City planning commission:				
Personnel	1,430	1,430	1,428	2
Other	62	67	63	4
Total city planning commission	<u>1,492</u>	<u>1,497</u>	<u>1,491</u>	<u>6</u>
Office of equal opportunity:				
Personnel	866	746	660	86
Other	35	95	93	2
Total office of equal opportunity	<u>901</u>	<u>841</u>	<u>753</u>	<u>88</u>
Municipal court-judicial division:				
Personnel	17,290	17,340	17,227	113
Other	2,305	2,305	2,223	82
Total municipal court-judicial division	<u>19,595</u>	<u>19,645</u>	<u>19,450</u>	<u>195</u>
Municipal court-housing division:				
Personnel	2,651	2,651	2,603	48
Other	134	134	119	15
Total municipal court-housing division	<u>2,785</u>	<u>2,785</u>	<u>2,722</u>	<u>63</u>
Municipal court-clerks division:				
Personnel	7,928	7,728	7,503	225
Other	1,927	1,927	1,914	13
Total municipal court-clerks division	<u>9,855</u>	<u>9,655</u>	<u>9,417</u>	<u>238</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, 2004**

(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	\$ 574	\$ 574	\$ 567	\$ 7
Other	<u>12</u>	<u>17</u>	<u>16</u>	<u>1</u>
Total office of budget and management	<u>586</u>	<u>591</u>	<u>583</u>	<u>8</u>
Department of aging:				
Personnel	355	355	350	5
Other	<u>69</u>	<u>69</u>	<u>61</u>	<u>8</u>
Total department of aging	<u>424</u>	<u>424</u>	<u>411</u>	<u>13</u>
Department of law:				
Personnel	6,100	6,000	5,992	8
Other	<u>1,585</u>	<u>2,185</u>	<u>2,156</u>	<u>29</u>
Total department of law	<u>7,685</u>	<u>8,185</u>	<u>8,148</u>	<u>37</u>
Finance administration:				
Personnel	653	653	651	2
Other	<u>52</u>	<u>52</u>	<u>51</u>	<u>1</u>
Total finance administration	<u>705</u>	<u>705</u>	<u>702</u>	<u>3</u>
Division of accounts:				
Personnel	983	983	956	27
Other	<u>412</u>	<u>412</u>	<u>387</u>	<u>25</u>
Total division of accounts	<u>1,395</u>	<u>1,395</u>	<u>1,343</u>	<u>52</u>
Division of assessments and licenses:				
Personnel	1,258	1,208	1,172	36
Other	<u>172</u>	<u>172</u>	<u>151</u>	<u>21</u>
Total division of assessments and licenses	<u>1,430</u>	<u>1,380</u>	<u>1,323</u>	<u>57</u>
Division of treasury:				
Personnel	445	454	435	19
Other	<u>66</u>	<u>66</u>	<u>58</u>	<u>8</u>
Total division of treasury	<u>511</u>	<u>520</u>	<u>493</u>	<u>27</u>
Division of purchases and supplies:				
Personnel	508	508	440	68
Other	<u>99</u>	<u>99</u>	<u>86</u>	<u>13</u>
Total division of purchases and supplies	<u>607</u>	<u>607</u>	<u>526</u>	<u>81</u>
Bureau of internal audit:				
Personnel	396	416	400	16
Other	<u>257</u>	<u>327</u>	<u>298</u>	<u>29</u>
Total bureau of internal audit	<u>653</u>	<u>743</u>	<u>698</u>	<u>45</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, 2004**

(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	\$ 1,106	\$ 1,106	\$ 1,075	\$ 31
Other	<u>218</u>	<u>183</u>	<u>42</u>	<u>141</u>
Total division of financial reporting and control	<u>1,324</u>	<u>1,289</u>	<u>1,117</u>	<u>172</u>
Office of IT planning:				
Personnel	222	222	210	12
Other				
Total office of IT planning	<u>222</u>	<u>222</u>	<u>210</u>	<u>12</u>
Division of information system services:				
Personnel	2,000	2,000	1,874	126
Other	<u>851</u>	<u>851</u>	<u>773</u>	<u>78</u>
Total division of information system services	<u>2,851</u>	<u>2,851</u>	<u>2,647</u>	<u>204</u>
TOTAL GENERAL GOVERNMENT	<u>64,886</u>	<u>65,365</u>	<u>63,540</u>	<u>1,825</u>
Public Service:				
Public service administration:				
Personnel	504	504	494	10
Other	<u>13</u>	<u>13</u>	<u>12</u>	<u>1</u>
Total public service administration	<u>517</u>	<u>517</u>	<u>506</u>	<u>11</u>
Division of architecture:				
Personnel	654	654	654	
Other	<u>27</u>	<u>27</u>	<u>26</u>	<u>1</u>
Total division of architecture	<u>681</u>	<u>681</u>	<u>680</u>	<u>1</u>
Division of waste collection and disposal:				
Personnel	14,716	14,391	14,264	127
Other	<u>10,054</u>	<u>10,454</u>	<u>10,293</u>	<u>161</u>
Total division of waste collection and disposal	<u>24,770</u>	<u>24,845</u>	<u>24,557</u>	<u>288</u>
Division of engineering and construction:				
Personnel	4,532	4,532	4,519	13
Other	<u>297</u>	<u>297</u>	<u>267</u>	<u>30</u>
Total division of engineering and construction	<u>4,829</u>	<u>4,829</u>	<u>4,786</u>	<u>43</u>
Division of traffic engineering:				
Personnel	2,586	2,601	2,539	62
Other	<u>955</u>	<u>955</u>	<u>937</u>	<u>18</u>
Total division of traffic engineering	<u>3,541</u>	<u>3,556</u>	<u>3,476</u>	<u>80</u>
TOTAL PUBLIC SERVICE	<u>34,338</u>	<u>34,428</u>	<u>34,005</u>	<u>423</u>
Public Safety:				
Public safety administration:				
Personnel	2,577	2,427	2,408	19
Other	<u>346</u>	<u>346</u>	<u>323</u>	<u>23</u>
Total public safety administration	<u>2,923</u>	<u>2,773</u>	<u>2,731</u>	<u>42</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, 2004**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Division of police:				
Personnel	\$ 157,657	\$ 155,532	\$ 152,727	\$ 2,805
Other	<u>10,494</u>	<u>9,864</u>	<u>9,854</u>	<u>10</u>
Total division of police	<u>168,151</u>	<u>165,396</u>	<u>162,581</u>	<u>2,815</u>
Division of fire:				
Personnel	73,372	75,152	74,629	523
Other	<u>2,758</u>	<u>2,683</u>	<u>2,661</u>	<u>22</u>
Total division of fire	<u>76,130</u>	<u>77,835</u>	<u>77,290</u>	<u>545</u>
Division of emergency medical services:				
Personnel	18,579	18,904	18,755	149
Other	<u>1,583</u>	<u>1,567</u>	<u>1,455</u>	<u>112</u>
Total division of emergency medical services	<u>20,162</u>	<u>20,471</u>	<u>20,210</u>	<u>261</u>
Division of dog pound:				
Personnel	730	730	704	26
Other	<u>128</u>	<u>128</u>	<u>101</u>	<u>27</u>
Total division of dog pound	<u>858</u>	<u>858</u>	<u>805</u>	<u>53</u>
TOTAL PUBLIC SAFETY	<u>268,224</u>	<u>267,333</u>	<u>263,617</u>	<u>3,716</u>
Community Development:				
Division of administration services:				
Personnel	697	697	697	
Other	<u>105</u>	<u>105</u>	<u>104</u>	<u>1</u>
Total division of administration services	<u>802</u>	<u>802</u>	<u>801</u>	<u>1</u>
Division of neighborhood services:				
Personnel	421	421	421	
Other				
Total division of neighborhood services	<u>421</u>	<u>421</u>	<u>421</u>	
Division of neighborhood development:				
Personnel	662	662	662	
Other	<u>200</u>	<u>200</u>	<u>200</u>	
Total division of neighborhood development	<u>862</u>	<u>862</u>	<u>862</u>	
Director's office:				
Personnel	240	180	179	1
Other				
Total director's office	<u>240</u>	<u>180</u>	<u>179</u>	<u>1</u>
TOTAL COMMUNITY DEVELOPMENT	<u>2,325</u>	<u>2,265</u>	<u>2,263</u>	<u>2</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, 2004

(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	1,701	1,701	1,679	22
Other	397	367	341	26
Total director's office	<u>2,098</u>	<u>2,068</u>	<u>2,020</u>	<u>48</u>
Division of code enforcement:				
Personnel	6,482	6,607	6,571	36
Other	232	232	223	9
Total division of code enforcement	<u>6,714</u>	<u>6,839</u>	<u>6,794</u>	<u>45</u>
Division of construction permitting:				
Personnel	1,598	1,598	1,576	22
Other	22	22	19	3
Total division of construction permitting	<u>1,620</u>	<u>1,620</u>	<u>1,595</u>	<u>25</u>
TOTAL BUILDING AND HOUSING	<u>10,432</u>	<u>10,527</u>	<u>10,409</u>	<u>118</u>
Public Health:				
Public health administration:				
Personnel	632	662	655	7
Other	101	101	69	32
Total public health administration	<u>733</u>	<u>763</u>	<u>724</u>	<u>39</u>
Division of correction:				
Personnel	4,912	4,967	4,965	2
Other	1,344	1,464	1,445	19
Total division of correction	<u>6,256</u>	<u>6,431</u>	<u>6,410</u>	<u>21</u>
Division of health:				
Personnel	2,431	2,476	2,472	4
Other	811	836	799	37
Total division of health	<u>3,242</u>	<u>3,312</u>	<u>3,271</u>	<u>41</u>
Division of environment:				
Personnel	902	1,102	943	159
Other	223	223	187	36
Total division of environment	<u>1,125</u>	<u>1,325</u>	<u>1,130</u>	<u>195</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, 2004  
(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	\$ 107	\$ 107	\$ 104	\$ 3
Other	<u>323</u>	<u>323</u>	<u>314</u>	<u>9</u>
Total division of air quality	<u>430</u>	<u>430</u>	<u>418</u>	<u>12</u>
TOTAL PUBLIC HEALTH	<u>11,786</u>	<u>12,261</u>	<u>11,953</u>	<u>308</u>
Parks, Recreation and Properties:				
Parks, recreation and properties administration:				
Personnel	566	567	567	
Other	<u>155</u>	<u>165</u>	<u>153</u>	<u>12</u>
Total parks, recreation and properties administration	<u>721</u>	<u>732</u>	<u>720</u>	<u>12</u>
Division of research, planning and development:				
Personnel	668	668	664	4
Other	<u>54</u>	<u>79</u>	<u>69</u>	<u>10</u>
Total division of research, planning and development	<u>722</u>	<u>747</u>	<u>733</u>	<u>14</u>
Division of recreation:				
Personnel	8,435	7,975	7,773	202
Other	<u>3,141</u>	<u>3,361</u>	<u>3,355</u>	<u>6</u>
Total division of recreation	<u>11,576</u>	<u>11,336</u>	<u>11,128</u>	<u>208</u>
Division of parking facilities:				
Personnel	1,086	1,036	978	58
Other	<u>32</u>	<u>52</u>	<u>37</u>	<u>15</u>
Total division of parking facilities	<u>1,118</u>	<u>1,088</u>	<u>1,015</u>	<u>73</u>
Division of park maintenance and properties:				
Personnel	8,747	8,567	8,409	158
Other	<u>4,246</u>	<u>4,434</u>	<u>4,197</u>	<u>237</u>
Total division of park maintenance and properties	<u>12,993</u>	<u>13,001</u>	<u>12,606</u>	<u>395</u>
Division of property management:				
Personnel	6,011	5,911	5,850	61
Other	<u>2,128</u>	<u>2,128</u>	<u>1,848</u>	<u>280</u>
Total division of property management	<u>8,139</u>	<u>8,039</u>	<u>7,698</u>	<u>341</u>
TOTAL PARKS, RECREATION AND PROPERTIES	<u>35,269</u>	<u>34,943</u>	<u>33,900</u>	<u>1,043</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, 2004  
(Amounts in 000's)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Economic Development:				
Economic development administration:				
Personnel	\$ 1,069	\$ 907	\$ 889	\$ 18
Other	<u>58</u>	<u>58</u>	<u>49</u>	<u>9</u>
Total economic development administration	<u>1,127</u>	<u>965</u>	<u>938</u>	<u>27</u>
TOTAL ECONOMIC DEVELOPMENT	<u>1,127</u>	<u>965</u>	<u>938</u>	<u>27</u>
Non-Departmental Expenditures:				
Other	<u>17,074</u>	<u>17,374</u>	<u>17,339</u>	<u>35</u>
TOTAL NON-DEPARTMENTAL EXPENDITURES	<u>17,074</u>	<u>17,374</u>	<u>17,339</u>	<u>35</u>
TOTAL EXPENDITURES	<u>445,461</u>	<u>445,461</u>	<u>437,964</u>	<u>7,497</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,994	18,994	21,401	2,407
OTHER FINANCING SOURCES (USES):				
Transfers in			9	9
Transfers out	<u>(21,684)</u>	<u>(21,684)</u>	<u>(21,683)</u>	<u>1</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(21,684)</u>	<u>(21,684)</u>	<u>(21,674)</u>	<u>10</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES	<u>          </u>	<u>          </u>	<u>447</u>	<u>447</u>
NET CHANGE IN FUND BALANCES	(2,690)	(2,690)	174	2,864
FUND BALANCES AT BEGINNING OF YEAR	<u>2,824</u>	<u>2,824</u>	<u>2,824</u>	<u>          </u>
FUND BALANCES AT END OF YEAR	<u>\$ 134</u>	<u>\$ 134</u>	<u>\$ 2,998</u>	<u>\$ 2,864</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.
Reserve Fund	To account for revenue which is to be used during significant periods of economic downturn, as permitted by the State of Ohio.
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.

**SPECIAL REVENUE FUNDS (Continued)**

Job Training Partnership Act (JTPA) Grants	To account for revenue from the State of Ohio and expenditures under the Job Training Partnership Act 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.
Public Service Funds	To account for revenue earmarked for the Litter Control and Recycling Program.
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 Gund 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.
Rental Car Transportation Fees	To account for revenues from vehicle rentals at Cleveland Hopkins International Airport earmarked for providing airport shuttle services.

**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.
--	--

**DEBT SERVICE FUNDS (Continued)**

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.
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, 2004**

(Amounts in 000's)

	Special Revenue Funds - Budgeted						
	<u>Division of Streets</u>	<u>Restricted Income Tax</u>	<u>Reserve Fund</u>	<u>Rainy Day Reserve Fund</u>	<u>Schools Recreation and Cultural Activities Fund</u>	<u>Cleveland Stadium Operations</u>	<u>Total Budgeted Funds</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 280	\$ 5,475	\$	\$ 981	\$ 4	\$ 297	\$ 7,037
Investments							
Receivables:							
Taxes		5,896					5,896
Accounts	70						70
Grants							
Loans							
Accrued interest	1	34		3			38
Assessments							
Less: Allowance for doubtful accounts	(14)						(14)
Receivables, net	<u>57</u>	<u>5,930</u>		<u>3</u>			<u>5,990</u>
Due from other funds	13	9,017					9,030
Due from other governments	6,535						6,535
Inventory of supplies	<u>748</u>						<u>748</u>
<b>TOTAL ASSETS</b>	<u>\$ 7,633</u>	<u>\$ 20,422</u>	<u>\$</u>	<u>\$ 984</u>	<u>\$ 4</u>	<u>\$ 297</u>	<u>\$ 29,340</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 1,440	\$ 307	\$	\$	\$	\$	\$ 1,747
Accrued wages and benefits	1,500						1,500
Due to other governments						425	425
Deferred revenue	4,342	2,221					6,563
Unearned revenue							
Due to other funds	<u>1,181</u>			<u>984</u>			<u>2,165</u>
Total liabilities	<u>8,463</u>	<u>2,528</u>		<u>984</u>		<u>425</u>	<u>12,400</u>
<b>FUND BALANCES</b>							
Reserves for:							
Loans							
Inventory	748						748
Debt service							
Encumbrances	147	7,300				1	7,448
Unreserved:							
Designated for future capital improvements		5,991					5,991
Undesignated	(1,725)	4,603			4	(129)	2,753
Total fund balances	<u>(830)</u>	<u>17,894</u>			<u>4</u>	<u>(128)</u>	<u>16,940</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 7,633</u>	<u>\$ 20,422</u>	<u>\$</u>	<u>\$ 984</u>	<u>\$ 4</u>	<u>\$ 297</u>	<u>\$ 29,340</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>Job Training Partnership Act (JTPA) Grants</b>	<b>WIA Grants</b>	<b>General Government Funds</b>
\$	\$ 3,339	\$	\$ 8,710	\$ 15,237 6,050	\$	\$ 3,790	\$	\$ 17,346
23,693	15,159		110,832 30	14,545 25				40
2,751								
<u>26,444</u>	<u>15,159</u>	<u>          </u>	<u>110,862</u>	<u>14,570</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>40</u>
13		549					121	701
2,446	1,349			76	249		3,558	720
<u>\$ 28,903</u>	<u>\$ 19,847</u>	<u>\$ 549</u>	<u>\$ 119,572</u>	<u>\$ 35,933</u>	<u>\$ 249</u>	<u>\$ 3,790</u>	<u>\$ 3,679</u>	<u>\$ 18,807</u>
\$ 413	\$ 821	\$ 218	\$ 19	\$ 75	\$	\$	\$ 460	\$ 306
354	9			7			216	64
15,468	7,150			4,605		3,449	73	317
2,554				19				162
0	872						225	129
1,888	53	331			249	341	2,705	1,183
<u>20,677</u>	<u>8,905</u>	<u>549</u>	<u>19</u>	<u>4,706</u>	<u>249</u>	<u>3,790</u>	<u>3,679</u>	<u>2,161</u>
8,226	9,278		110,832	9,940				
			1,558					
	1,650		6,174	3,215				2,887
			314	2,793				3,629
	14		675	15,279				10,130
<u>8,226</u>	<u>10,942</u>	<u>          </u>	<u>119,553</u>	<u>31,227</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>16,646</u>
<u>\$ 28,903</u>	<u>\$ 19,847</u>	<u>\$ 549</u>	<u>\$ 119,572</u>	<u>\$ 35,933</u>	<u>\$ 249</u>	<u>\$ 3,790</u>	<u>\$ 3,679</u>	<u>\$ 18,807</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2004  
(Amounts in 000's)**

	<b>Special Revenue Funds - Non-Budgeted</b>				
	<b>Public Service Funds</b>	<b>Public Safety Funds</b>	<b>Public Health Funds</b>	<b>Parks, Recreation and Properties Funds</b>	<b>Gateway Shared Income Tax Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,276	\$ 2,407	\$ 424	\$ 3,118	\$ 1,832
Investments		2,519			
Receivables:					
Taxes					
Accounts		33	1	6	
Grants					
Loans				200	
Accrued interest	3	5	1	7	
Assessments					
Less: Allowance for doubtful accounts					
Receivables, net	<u>3</u>	<u>38</u>	<u>2</u>	<u>213</u>	
Due from other funds		149	171	2	
Due from other governments	1	2,193	2,680	356	240
Inventory of supplies					
<b>TOTAL ASSETS</b>	<b><u>\$ 1,280</u></b>	<b><u>\$ 7,306</u></b>	<b><u>\$ 3,277</u></b>	<b><u>\$ 3,689</u></b>	<b><u>\$ 2,072</u></b>
<b>LIABILITIES</b>					
Accounts payable	\$ 118	\$ 196	\$ 130	\$ 56	\$
Accrued wages and benefits	1	53	308		
Due to other governments	37	1,152	1,667	155	897
Deferred revenue					61
Unearned revenue	35	2,367	488	51	
Due to other funds		896	58		1,114
Total liabilities	<u>191</u>	<u>4,664</u>	<u>2,651</u>	<u>262</u>	<u>2,072</u>
<b>FUND BALANCE</b>					
Reserves for:					
Loans					
Inventory					
Debt service					
Encumbrances	72	894	2	145	
Unreserved:					
Designated for future capital improvements				180	
Undesignated	1,017	1,748	624	3,102	
Total fund balances	<u>1,089</u>	<u>2,642</u>	<u>626</u>	<u>3,427</u>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,280</u></b>	<b><u>\$ 7,306</u></b>	<b><u>\$ 3,277</u></b>	<b><u>\$ 3,689</u></b>	<b><u>\$ 2,072</u></b>

Special Revenue Funds - Non-Budgeted					Debt Service Funds - Budgeted				
Neighborhood Development Investment Fund	Core City Program	Supplemental Empowerment Zone	Rental Car Transportation Fees	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
\$ 8,125	\$ 42,060	\$ 247	\$	\$ 107,911	\$ 114,948	\$ 2,152	\$ 1	\$ 1,016	\$ 2
				8,569	8,569	5,321	1,269		
					5,896	24,563			
	141			181	251	1,845			
30,748		44,886		240,063	240,063				
3				114	152	18	1	1	
				2,751	2,751				
					(14)				
<u>30,751</u>	<u>141</u>	<u>44,886</u>		<u>243,109</u>	<u>249,099</u>	<u>26,426</u>	<u>1</u>	<u>1</u>	
				1,706	10,736				
		3,346		17,214	23,749	2,607			
					748				
<u>\$ 38,876</u>	<u>\$ 42,201</u>	<u>\$ 48,479</u>	<u>\$</u>	<u>\$ 378,509</u>	<u>\$ 407,849</u>	<u>\$ 36,506</u>	<u>\$ 1,271</u>	<u>\$ 1,017</u>	<u>\$ 2</u>
\$	\$	\$ 15	\$	\$ 2,827	\$ 4,574	\$	\$	\$	\$
		53		1,065	2,565				
		46,112		81,082	81,507				
				2,796	9,359	29,015			
		1		4,168	4,168				
		88		8,906	11,071				
		<u>46,269</u>		<u>100,844</u>	<u>113,244</u>	<u>29,015</u>			
30,748				169,024	169,024				
				748	748				
		1,932		3,490	3,490	7,491	1,271	1,017	2
5,639	3,892			24,570	32,018				
34				6,950	12,941				
2,455	38,309	278		73,631	76,384				
<u>38,876</u>	<u>42,201</u>	<u>2,210</u>		<u>277,665</u>	<u>294,605</u>	<u>7,491</u>	<u>1,271</u>	<u>1,017</u>	<u>2</u>
<u>\$ 38,876</u>	<u>\$ 42,201</u>	<u>\$ 48,479</u>	<u>\$</u>	<u>\$ 378,509</u>	<u>\$ 407,849</u>	<u>\$ 36,506</u>	<u>\$ 1,271</u>	<u>\$ 1,017</u>	<u>\$ 2</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS**

**DECEMBER 31, 2004**

(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	
<b>ASSETS</b>								
Cash and cash equivalents	\$ 3	\$ 14	\$ 2,920	\$ 6,108	\$ 51	\$ 1	\$ 52	\$ 6,160
Investments			134	6,724	867	1,827	2,694	9,418
Receivables:								
Taxes				24,563				24,563
Accounts								
Grants				1,845				1,845
Loans								
Accrued interest			4	24	5	10	15	39
Assessments								
Less: Allowance for doubtful accounts								
Receivables, net			4	26,432	5	10	15	26,447
Due from other funds								
Due from other governments				2,607				2,607
Inventory of supplies								
<b>TOTAL ASSETS</b>	<b>\$ 3</b>	<b>\$ 14</b>	<b>\$ 3,058</b>	<b>\$ 41,871</b>	<b>\$ 923</b>	<b>\$ 1,838</b>	<b>\$ 2,761</b>	<b>\$ 44,632</b>
<b>LIABILITIES</b>								
Accounts payable	\$	\$	\$	\$	\$	\$	\$	\$
Accrued wages and benefits								
Due to other governments								
Deferred revenue				29,015				29,015
Unearned revenue								
Due to other funds								
Total liabilities				29,015				29,015
<b>FUND BALANCE</b>								
Reserve for:								
Loans								
Inventory								
Debt service	3	14	3,058	12,856	923	1,838	2,761	15,617
Encumbrances								
Unreserved:								
Designated for future capital improvements								
Undesignated								
Total fund balances	3	14	3,058	12,856	923	1,838	2,761	15,617
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3</b>	<b>\$ 14</b>	<b>\$ 3,058</b>	<b>\$ 41,871</b>	<b>\$ 923</b>	<b>\$ 1,838</b>	<b>\$ 2,761</b>	<b>\$ 44,632</b>

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
\$ 89,304 10		\$ 3,440	\$ 3,129	\$ 7,634	\$ 103,507 10	\$ 224,615 17,997
						30,459
						251
						1,845
						240,063
114				10	124	315
						2,751
						(14)
<u>114</u>				<u>10</u>	<u>124</u>	<u>275,670</u>
						10,736
	5,010				5,010	31,366
						748
<u>\$ 89,428</u>	<u>\$ 5,010</u>	<u>\$ 3,440</u>	<u>\$ 3,129</u>	<u>\$ 7,644</u>	<u>\$ 108,651</u>	<u>\$ 561,132</u>
\$ 3,569		\$ 3,309			\$ 6,878	\$ 11,452
						2,565
						81,507
	327				327	38,701
	4,683			16	4,699	4,168
<u>3,569</u>	<u>5,010</u>	<u>3,309</u>		<u>16</u>	<u>11,904</u>	<u>154,163</u>
						169,024
						748
						19,107
48,872			2,353		51,225	83,243
33,718			690	7,628	42,036	54,977
3,269		131	86		3,486	79,870
<u>85,859</u>		<u>131</u>	<u>3,129</u>	<u>7,628</u>	<u>96,747</u>	<u>406,969</u>
<u>\$ 89,428</u>	<u>\$ 5,010</u>	<u>\$ 3,440</u>	<u>\$ 3,129</u>	<u>\$ 7,644</u>	<u>\$ 108,651</u>	<u>\$ 561,132</u>

(Concluded)

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2004**

(Amounts in 000's)

	Special Revenue Funds - Budgeted						Total Budgeted Funds
	Division of Streets	Restricted Income Tax	Reserve Fund	Rainy Day Reserve Fund	Schools Recreation and Cultural Activities Fund	Cleveland Stadium Operations Fund	
<b>REVENUES:</b>							
Income taxes	\$	\$ 32,689	\$	\$	\$	\$	\$ 32,689
Property taxes							
Other shared revenues	13,542						13,542
Licenses and permits	2,091						2,091
Charges for services						250	250
Fines, forfeits and settlements							
Investment earnings	1	203	2	5		33	244
Grants	23						23
Contributions							
Miscellaneous	34						34
Total revenues	<u>15,691</u>	<u>32,892</u>	<u>2</u>	<u>5</u>		<u>283</u>	<u>48,873</u>
<b>EXPENDITURES:</b>							
Current:							
General government							0
Public service	21,239				2,000		23,239
Public safety							
Building and housing							
Community development							
Public health							
Parks, recreation and properties						575	575
Economic development							
Capital outlay		14,004					14,004
Inception of capital lease							
Debt service:							
Principal retirement						2,065	2,065
Interest						6,925	6,925
Other							
Total expenditures	<u>21,239</u>	<u>14,004</u>			<u>2,000</u>	<u>9,565</u>	<u>46,808</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>							
	<u>(5,548)</u>	<u>18,888</u>	<u>2</u>	<u>5</u>	<u>(2,000)</u>	<u>(9,282)</u>	<u>2,065</u>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	3,774		168	857	2,000	9,015	15,814
Transfers out		(20,000)	(170)	(862)			(21,032)
Proceeds from the sale of debt							
Premium on bonds and notes							
Discount on bonds and notes							
Proceeds from sale of general obligations bonds							
Loan proceeds							
Proceeds from capital lease							
Total other financing sources (uses)	<u>3,774</u>	<u>(20,000)</u>	<u>(2)</u>	<u>(5)</u>	<u>2,000</u>	<u>9,015</u>	<u>(5,218)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(1,774)</u>	<u>(1,112)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(267)</u>	<u>(3,153)</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>944</u>	<u>19,006</u>			<u>4</u>	<u>139</u>	<u>20,093</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ (830)</u>	<u>\$ 17,894</u>	<u>\$</u>	<u>\$</u>	<u>\$ 4</u>	<u>\$ (128)</u>	<u>\$ 16,940</u>

<u>Community Development Block Grants</u>	<u>Community Development Funds</u>	<u>Building and Housing Funds</u>	<u>Urban Development Action Funds</u>	<u>Economic Development Funds</u>	<u>Home Weatherization Grants</u>	<u>Job Training Partnership Act (JTPA) Grants</u>	<u>WIA Grants</u>	<u>General Government Funds</u>
\$	\$	\$	\$	\$	\$	\$	\$	\$
				709				116
			105					772
	15		77	349				2,521
40,483	15,098			421	2,267		14,169	274
	4,000							488
	276		1,678	475				2
<u>40,483</u>	<u>19,389</u>		<u>1,860</u>	<u>1,954</u>	<u>2,267</u>		<u>14,169</u>	<u>4,178</u>
								2,848
41,422	18,940				2,267			
			2,826	2,852			14,169	
46			175	2,114				2,626
<u>41,468</u>	<u>18,940</u>		<u>3,001</u>	<u>4,966</u>	<u>2,267</u>		<u>14,169</u>	<u>5,474</u>
(985)	449		(1,141)	(3,012)				(1,296)
	54		67					1,722
			(135)	1,000				(1,266)
	<u>54</u>		<u>(68)</u>	<u>1,000</u>				<u>456</u>
(985)	503		(1,209)	(2,012)				(840)
<u>9,211</u>	<u>10,439</u>		<u>120,762</u>	<u>33,239</u>				<u>17,486</u>
<u>\$ 8,226</u>	<u>\$ 10,942</u>	<u>\$</u>	<u>\$ 119,553</u>	<u>\$ 31,227</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 16,646</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2004**

(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					2,011
Licenses and permits		1	1,069	14	
Charges for services	338			31	
Fines, forfeits and settlements		1,562			
Investment earnings	19	41	11	52	
Grants	93	5,174	8,767	206	
Contributions		4		2,125	
Miscellaneous	315	607	257	3	
Total revenues	<u>765</u>	<u>7,389</u>	<u>10,104</u>	<u>2,431</u>	<u>2,011</u>
EXPENDITURES:					
Current:					
General government					2,011
Public service	104				
Public safety		7,029			
Building and housing					
Community development					
Public health			10,027		
Parks, recreation and properties				464	
Economic development					
Capital outlay	412	5		179	
Inception of capital lease					
Debt service:					
Principal retirement					
Interest					
Other					
Total expenditures	<u>516</u>	<u>7,034</u>	<u>10,027</u>	<u>643</u>	<u>2,011</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>249</u>	<u>355</u>	<u>77</u>	<u>1,788</u>	
OTHER FINANCING SOURCES (USES):					
Transfers in					
Transfers out					
Proceeds from the sale of debt					
Premium on bonds and notes					
Discount on bonds and notes					
Proceeds from sale of general obligations bonds					
Loan proceeds					
Proceeds from capital lease					
Total other financing sources (uses)					
NET CHANGE IN FUND BALANCES	249	355	77	1,788	
FUND BALANCES AT BEGINNING OF YEAR	<u>840</u>	<u>2,287</u>	<u>549</u>	<u>1,639</u>	
FUND BALANCES AT END OF YEAR	<u>\$ 1,089</u>	<u>\$ 2,642</u>	<u>\$ 626</u>	<u>\$ 3,427</u>	<u>\$</u>



Neighborhood Development Investment Fund	Special Revenue Funds - Non-Budgeted				Total Non- Budgeted Funds	Total Special Revenue Funds	Debt Service Funds - Budgeted			
	Core City Funds	Supplemental Empowerment Zone	Rental Car Transportation Fees				Unvoted Tax Supported Obligations Fund	Stadium Bond Fund	Subordinated Income Tax Fund	Subordinated Income Tax Reserve Fund
\$	\$	\$	\$	\$	\$ 32,689	\$	\$	\$	\$	
						23,291				
				2,836	16,378	2,665				
				1,084	3,175					
		13	654	1,913	2,163					
				4,083	4,083					
103	207	32		1,180	1,424	193	2	10	7	
		15,346		102,512	102,535					
				6,131	6,131					
536	197	1,997		6,346	6,380					
<u>639</u>	<u>404</u>	<u>17,388</u>	<u>654</u>	<u>126,085</u>	<u>174,958</u>	<u>26,149</u>	<u>2</u>	<u>10</u>	<u>7</u>	
			2,695	7,554	7,554					
				104	23,343					
				7,029	7,029					
				62,629	62,629					
				10,027	10,027					
				464	1,039					
1,107	586	24,467		46,007	46,007					
				5,557	19,561					
					2,065	26,960		1,500		
					6,925	17,084		3,150		
<u>1,107</u>	<u>586</u>	<u>24,467</u>	<u>2,695</u>	<u>139,371</u>	<u>186,179</u>	<u>44,044</u>	<u>2</u>	<u>4,650</u>	<u>119</u>	
<u>(468)</u>	<u>(182)</u>	<u>(7,079)</u>	<u>(2,041)</u>	<u>(13,286)</u>	<u>(11,221)</u>	<u>(17,895)</u>	<u>2</u>	<u>(4,640)</u>	<u>(112)</u>	
				1,843	17,657	21,055	1,269	4,944		
	(78)			(1,479)	(22,511)				(3,325)	
	19,280			20,280	20,280					
	(150)			(150)	(150)					
		8,400		8,400	8,400					
	<u>19,052</u>	<u>8,400</u>		<u>28,894</u>	<u>23,676</u>	<u>21,055</u>	<u>1,269</u>	<u>4,944</u>	<u>(3,325)</u>	
(468)	18,870	1,321	(2,041)	15,608	12,455	3,160	1,271	304	(3,437)	
<u>39,344</u>	<u>23,331</u>	<u>889</u>	<u>2,041</u>	<u>262,057</u>	<u>282,150</u>	<u>4,331</u>		<u>713</u>	<u>3,439</u>	
\$ <u>38,876</u>	\$ <u>42,201</u>	\$ <u>2,210</u>	\$ <u>        </u>	\$ <u>277,665</u>	\$ <u>294,605</u>	\$ <u>7,491</u>	\$ <u>1,271</u>	\$ <u>1,017</u>	\$ <u>2</u>	

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2004**

(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				23,291				23,291
Other shared revenues				2,665				2,665
Licenses and permits								
Charges for services								
Fines, forfeits and settlements								
Investment earnings			29	241	11	27	38	279
Grants								
Contributions								
Miscellaneous					1,368		1,368	1,368
Total revenues			29	26,197	1,379	27	1,406	27,603
EXPENDITURES:								
Current:								
General government								
Public service								
Public safety								
Building and housing								
Community development								
Public health								
Parks, recreation and properties								
Economic development								
Capital outlay								
Inception of capital lease								
Debt service:								
Principal retirement				28,460	340		340	28,800
Interest	109		397	20,740	539		539	21,279
Other	23		73	215	441		441	656
Total expenditures	132		470	49,415	1,320		1,320	50,735
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(132)		(441)	(23,218)	59	27	86	(23,132)
OTHER FINANCING SOURCES (USES):								
Transfers in	91	14	213	27,586		6	6	27,592
Transfers out				(3,325)	(6)		(6)	(3,331)
Proceeds from the sale of debt								
Premium on bonds and notes								
Discount on bonds and notes								
Proceeds from sale of general obligations bonds								
Loan proceeds								
Proceeds from capital lease								
Total other financing sources (uses)	91	14	213	24,261	(6)	6		24,261
NET CHANGE IN FUND BALANCES	(41)	14	(228)	1,043	53	33	86	1,129
FUND BALANCES AT BEGINNING OF YEAR	44		3,286	11,813	870	1,805	2,675	14,488
FUND BALANCES AT END OF YEAR	\$ 3	\$ 14	\$ 3,058	\$ 12,856	\$ 923	\$ 1,838	\$ 2,761	\$ 15,617

Capital Projects Funds						
Non-Budgeted						
Capital/ Urban Renewal Bond Construction	Grant Improvement	Capital Improvement	Certificates of Participation/ Capital Leases	Cleveland Stadium Construction	Total Capital Projects Funds	Total Nonmajor Governmental Funds
\$	\$	\$	\$	\$	\$	32,689
						23,291
						19,043
						3,175
						2,163
						4,083
944		2	54	92	1,092	2,795
	13,304				13,304	115,839
						6,131
						9,466
<u>944</u>	<u>13,304</u>	<u>2</u>	<u>54</u>	<u>1,718</u>	<u>1,718</u>	<u>218,675</u>
376				467	843	8,397
						23,343
						7,029
						62,629
						10,027
						1,039
						46,007
49,913	13,304		2		63,219	82,780
			9,271		9,271	9,271
				10,000	10,000	40,865
27				3,771	3,798	32,002
783			16	323	1,122	1,778
<u>51,099</u>	<u>13,304</u>		<u>9,289</u>	<u>14,561</u>	<u>88,253</u>	<u>325,167</u>
(50,155)	0	2	(9,235)	(12,751)	(72,139)	(106,492)
						45,249
(1,056)				(1,293)	(2,349)	(28,191)
				14,835	14,835	35,115
906				598	1,504	1,504
(20)				(30)	(50)	(200)
16,760					16,760	16,760
2,965					2,965	11,365
			6,628		6,628	6,628
<u>19,555</u>			<u>6,628</u>	<u>14,110</u>	<u>40,293</u>	<u>88,230</u>
(30,600)	0	2	(2,607)	1,359	(31,846)	(18,262)
<u>116,459</u>		<u>129</u>	<u>5,736</u>	<u>6,269</u>	<u>128,593</u>	<u>425,231</u>
<u>\$ 85,859</u>	<u>\$</u>	<u>\$ 131</u>	<u>\$ 3,129</u>	<u>\$ 7,628</u>	<u>\$ 96,747</u>	<u>\$ 406,969</u>

(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, 2004**

(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	\$	\$	\$	\$	\$ 31,437	\$ 31,437	\$ 31,425	\$ (12)
Other shared revenues	13,300	13,150	13,065	(85)				
Licenses and permits	2,234	2,058	2,072	14				
Charges for services	3,000	2,762	2,742	(20)				
Investment earnings	2	1	1		150	150	198	48
Miscellaneous	5	10	54	44				
Total revenues	<u>18,541</u>	<u>17,981</u>	<u>17,934</u>	<u>(47)</u>	<u>31,587</u>	<u>31,587</u>	<u>31,623</u>	<u>36</u>
EXPENDITURES:								
Public Service:								
Personnel	15,152	14,952	14,618	334				
Other	7,132	7,332	7,120	212				
Parks, Recreation and Properties								
Other								
Capital outlay					12,760	12,760	12,760	
Principal retirement								
Interest								
Total expenditures	<u>22,284</u>	<u>22,284</u>	<u>21,738</u>	<u>546</u>	<u>12,760</u>	<u>12,760</u>	<u>12,760</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,743)</u>	<u>(4,303)</u>	<u>(3,804)</u>	<u>499</u>	<u>18,827</u>	<u>18,827</u>	<u>18,863</u>	<u>36</u>
OTHER FINANCING SOURCES (USES):								
Transfers in	3,663	4,223	3,774	(449)				
Transfers out					(20,000)	(20,000)	(20,000)	
Total other financing sources (uses)	<u>3,663</u>	<u>4,223</u>	<u>3,774</u>	<u>(449)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(80)</u>	<u>(80)</u>	<u>(30)</u>	<u>50</u>	<u>(1,173)</u>	<u>(1,173)</u>	<u>(1,137)</u>	<u>36</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES		14	14				164	164
FUND BALANCES AT BEGINNING OF YEAR	<u>80</u>	<u>80</u>	<u>80</u>		<u>1,173</u>	<u>1,173</u>	<u>1,173</u>	
FUND BALANCES AT END OF YEAR	<u>\$</u>	<u>\$ 14</u>	<u>\$ 64</u>	<u>\$ 50</u>	<u>\$</u>	<u>\$</u>	<u>\$ 200</u>	<u>\$ 200</u>

Reserve Fund				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)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	2	2				2	2				
	<u>2</u>	<u>2</u>				<u>2</u>	<u>2</u>				
								2,000	2,000	2,000	
								<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	
	<u>2</u>	<u>2</u>				<u>2</u>	<u>2</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	
				687	687	857	170	2,000	2,000	2,000	
	<u>(170)</u>	<u>(170)</u>		<u>687</u>	<u>687</u>	<u>857</u>	<u>170</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	
	(168)	(168)		687	687	859	172				
<u>168</u>	<u>168</u>	<u>168</u>		<u>122</u>	<u>122</u>	<u>122</u>		<u>4</u>	<u>4</u>	<u>4</u>	
<u>\$ 168</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 809</u>	<u>\$ 809</u>	<u>\$ 981</u>	<u>\$ 172</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, 2004**

(Amounts in 000's)

	Cleveland Stadium Operations				Totals			Variance- Positive (Negative)
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	
REVENUES:								
Income taxes	\$	\$	\$	\$	\$ 31,437	\$ 31,437	\$ 31,425	\$ (12)
Other shared revenues					13,300	13,150	13,065	(85)
Licenses and permits					2,234	2,058	2,072	14
Charges for services			250	250	3,000	2,762	2,992	230
Investment earnings			33	33	152	153	236	83
Miscellaneous					5	10	54	44
Total revenues			<u>283</u>	<u>283</u>	<u>50,128</u>	<u>49,570</u>	<u>49,844</u>	<u>274</u>
EXPENDITURES:								
Public Service:								
Personnel					15,152	14,952	14,618	334
Other					7,132	7,332	7,120	212
Parks, Recreation and Properties								
Other	770	770	578	192	2,770	2,770	2,578	192
Capital outlay					12,760	12,760	12,760	
Principal retirement	2,039	2,039	2,065	(26)	2,039	2,039	2,065	(26)
Interest	<u>7,691</u>	<u>7,691</u>	<u>6,925</u>	<u>766</u>	<u>7,691</u>	<u>7,691</u>	<u>6,925</u>	<u>766</u>
Total expenditures	<u>10,500</u>	<u>10,500</u>	<u>9,568</u>	<u>932</u>	<u>47,544</u>	<u>47,544</u>	<u>46,066</u>	<u>1,478</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(10,500)</u>	<u>(10,500)</u>	<u>(9,285)</u>	<u>1,215</u>	<u>2,584</u>	<u>2,026</u>	<u>3,778</u>	<u>1,752</u>
OTHER FINANCING SOURCES (USES):								
Transfers in	10,500	10,500	9,015	(1,485)	16,850	17,410	15,646	(1,764)
Transfers out					(20,000)	(20,170)	(20,170)	
Total other financing sources (uses)	<u>10,500</u>	<u>10,500</u>	<u>9,015</u>	<u>(1,485)</u>	<u>(3,150)</u>	<u>(2,760)</u>	<u>(4,524)</u>	<u>(1,764)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES			(270)	(270)	(566)	(734)	(746)	(12)
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES						14	178	164
FUND BALANCES AT BEGINNING OF YEAR	<u>498</u>	<u>498</u>	<u>498</u>		<u>2,045</u>	<u>2,045</u>	<u>2,045</u>	
FUND BALANCES AT END OF YEAR	<u>\$ 498</u>	<u>\$ 498</u>	<u>\$ 228</u>	<u>\$ (270)</u>	<u>\$ 1,479</u>	<u>\$ 1,325</u>	<u>\$ 1,477</u>	<u>\$ 152</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, 2004**

(Amounts in 000's)

	Unvoted Tax Supported Obligations Fund				Subordinated Income Tax Fund			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:								
Property taxes	\$ 22,245	\$22,245	\$23,291	\$ 1,046	\$	\$	\$	\$
Other shared revenue	2,500	2,500	2,665	165				
Investment earnings	95	95	162	67	5	5	9	4
Grants	957	957		(957)				
Miscellaneous								
Total revenues	<u>25,797</u>	<u>25,797</u>	<u>26,118</u>	<u>321</u>	<u>5</u>	<u>5</u>	<u>9</u>	<u>4</u>
EXPENDITURES:								
General government								
Principal retirement	26,960	26,960	26,960		1,500	1,500	1,500	
Interest	17,484	17,380	17,084	296	3,200	3,200	3,150	50
Total expenditures	<u>44,444</u>	<u>44,340</u>	<u>44,044</u>	<u>296</u>	<u>4,700</u>	<u>4,700</u>	<u>4,650</u>	<u>50</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(18,647)</u>	<u>(18,543)</u>	<u>(17,926)</u>	<u>617</u>	<u>(4,695)</u>	<u>(4,695)</u>	<u>(4,641)</u>	<u>54</u>
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds			1,055	1,055	4,700	4,700	4,944	244
Restricted Income Tax Fund	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>					
Transfers out:								
To other subfunds								
Total other financing sources	<u>20,000</u>	<u>20,000</u>	<u>21,055</u>	<u>1,055</u>	<u>4,700</u>	<u>4,700</u>	<u>4,944</u>	<u>244</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>1,353</u>	<u>1,457</u>	<u>3,129</u>	<u>1,672</u>	<u>5</u>	<u>5</u>	<u>303</u>	<u>298</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES								
FUND BALANCES AT BEGINNING OF YEAR	<u>4,329</u>	<u>4,329</u>	<u>4,329</u>		<u>713</u>	<u>713</u>	<u>713</u>	
FUND BALANCES AT END OF YEAR	<u>\$ 5,682</u>	<u>\$ 5,786</u>	<u>\$ 7,458</u>	<u>\$ 1,672</u>	<u>\$ 718</u>	<u>\$ 718</u>	<u>\$1,016</u>	<u>\$ 298</u>



Subordinated Income Tax Reserve Fund				Stadium Bond 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)
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
7	7	9	2								
<u>7</u>	<u>7</u>	<u>9</u>	<u>2</u>								
	119	119						40	40	24	16
	<u>119</u>	<u>119</u>						<u>109</u>	<u>109</u>	<u>109</u>	
								<u>149</u>	<u>149</u>	<u>133</u>	<u>16</u>
<u>7</u>	<u>(112)</u>	<u>(110)</u>	<u>2</u>					<u>(149)</u>	<u>(149)</u>	<u>(133)</u>	<u>16</u>
						1,269	1,269	109	109	91	(18)
<u>(3,340)</u>	<u>(3,325)</u>	<u>(3,325)</u>									
<u>(3,340)</u>	<u>(3,325)</u>	<u>(3,325)</u>				<u>1,269</u>	<u>1,269</u>	<u>109</u>	<u>109</u>	<u>91</u>	<u>(18)</u>
(3,333)	(3,437)	(3,435)	2			1,269	1,269	(40)	(40)	(42)	(2)
<u>3,437</u>	<u>3,437</u>	<u>3,437</u>						<u>45</u>	<u>45</u>	<u>45</u>	
<u>\$ 104</u>	<u>\$</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,269</u>	<u>\$ 1,269</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 3</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, 2004**

(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					8	8	26	18
Grants								
Miscellaneous								
Total revenues					<u>8</u>	<u>8</u>	<u>26</u>	<u>18</u>
EXPENDITURES:								
General government					120	120	73	47
Principal retirement								
Interest					<u>1,102</u>	<u>1,102</u>	<u>397</u>	<u>705</u>
Total expenditures					<u>1,222</u>	<u>1,222</u>	<u>470</u>	<u>752</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					<u>(1,214)</u>	<u>(1,214)</u>	<u>(444)</u>	<u>770</u>
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds			14	14	1,102	1,102	213	(889)
Restricted Income Tax Fund								
Transfers out:								
To other subfunds								
Total other financing sources			<u>14</u>	<u>14</u>	<u>1,102</u>	<u>1,102</u>	<u>213</u>	<u>(889)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES			14	14	(112)	(112)	(231)	(119)
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES								
FUND BALANCES AT BEGINNING OF YEAR					<u>3,285</u>	<u>3,285</u>	<u>3,285</u>	
FUND BALANCES AT END OF YEAR	\$	\$	\$ 14	\$ 14	<u>\$3,173</u>	<u>\$3,173</u>	<u>\$3,054</u>	<u>\$ (119)</u>

Totals			
Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
\$22,245	\$22,245	\$23,291	\$ 1,046
2,500	2,500	2,665	165
115	115	206	91
957	957		(957)
<u>25,817</u>	<u>25,817</u>	<u>26,162</u>	<u>345</u>
160	279	216	63
28,460	28,460	28,460	
<u>21,895</u>	<u>21,791</u>	<u>20,740</u>	<u>1,051</u>
<u>50,515</u>	<u>50,530</u>	<u>49,416</u>	<u>1,114</u>
<u>(24,698)</u>	<u>(24,713)</u>	<u>(23,254)</u>	<u>1,459</u>
5,911	5,911	7,586	1,675
<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>        </u>
<u>(3,340)</u>	<u>(3,325)</u>	<u>(3,325)</u>	<u>        </u>
<u>22,571</u>	<u>22,586</u>	<u>24,261</u>	<u>1,675</u>
(2,127)	(2,127)	1,007	3,134
<u>11,809</u>	<u>11,809</u>	<u>11,809</u>	<u>        </u>
<u>\$ 9,682</u>	<u>\$ 9,682</u>	<u>\$12,816</u>	<u>\$ 3,134</u>

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# CITY OF CLEVELAND, OHIO

## NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are established 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, 2004

(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	\$ 11,599	\$ 935	\$ 427	\$ 257
Investments	19,371			
Receivables:				
Accounts	42,180	670	3	
Unbilled revenue	2,228			
Accrued interest	118	2	1	
Less: Allowance for doubtful accounts	<u>(521)</u>	<u>(53)</u>	<u>      </u>	<u>      </u>
Receivables, net	<u>44,005</u>	<u>619</u>	<u>4</u>	<u>      </u>
Due from other funds	3,303	111	3	
Inventory of supplies	<u>361</u>			
Total current assets	<u>78,639</u>	<u>1,665</u>	<u>434</u>	<u>257</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	542			
Investments				
Accrued interest receivable				
Total restricted assets	<u>542</u>			
Unamortized bond issuance costs				
Capital assets:				
Land	297	4,261	198	413
Land improvements				484
Utility plant	111,112			
Buildings, structures and improvements	2,567	59,103	6,890	2,400
Furniture, fixtures, equipment and vehicles	8,177	1,467	28	450
Construction in progress	3,995	32	5,033	
Less: Accumulated depreciation	<u>(61,099)</u>	<u>(57,863)</u>	<u>(3,818)</u>	<u>(1,859)</u>
Total capital assets, net	<u>65,049</u>	<u>7,000</u>	<u>8,331</u>	<u>1,888</u>
Total noncurrent assets	<u>65,591</u>	<u>7,000</u>	<u>8,331</u>	<u>1,888</u>
<b>TOTAL ASSETS</b>	<u>\$ 144,230</u>	<u>\$ 8,665</u>	<u>\$ 8,765</u>	<u>\$ 2,145</u>

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 342	\$ 36	\$ 1,020	\$ 14,616
			19,371
142	35		43,030
			2,228
			121
	(3)		(577)
<u>142</u>	<u>32</u>	<u></u>	<u>44,802</u>
61		2	3,480
<u>56</u>	<u>217</u>	<u>65</u>	<u>699</u>
<u>601</u>	<u>285</u>	<u>1,087</u>	<u>82,968</u>
18,988	46		19,576
	5,902		5,902
<u>162</u>	<u></u>	<u></u>	<u>162</u>
<u>19,150</u>	<u>5,948</u>	<u></u>	<u>25,640</u>
870			870
12,929	252	208	18,558
1,256	340	3,303	5,383
			111,112
65,200	6,096	1,816	144,072
568	1,031	1,182	12,903
	59		9,119
(17,529)	(2,316)	(3,860)	(148,344)
<u>62,424</u>	<u>5,462</u>	<u>2,649</u>	<u>152,803</u>
<u>82,444</u>	<u>11,410</u>	<u>2,649</u>	<u>179,313</u>
<u>\$ 83,045</u>	<u>\$ 11,695</u>	<u>\$ 3,736</u>	<u>\$ 262,281</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING BALANCE SHEET - NONMAJOR ENTERPRISE FUNDS**

**DECEMBER 31, 2004**

(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	\$ 873	\$ 110	\$ 97	\$
Accrued wages and benefits	1,179	400	69	5
Due to other funds	3,029	261	86	6
Due to other governments	47,434			
Accrued interest payable				
Current portion of long-term obligations	<u>392</u>			
Total current liabilities	<u>52,907</u>	<u>771</u>	<u>252</u>	<u>11</u>
Long-term liabilities:				
Accrued wages and benefits	229	135	30	3
Construction loans payable	5,494			
Revenue bonds payable				
Total liabilities	<u>58,630</u>	<u>906</u>	<u>282</u>	<u>14</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	58,934	7,000	8,331	1,888
Restricted for capital projects				
Restricted for debt service				
Unrestricted	<u>26,666</u>	<u>759</u>	<u>152</u>	<u>243</u>
Total net assets	<u>85,600</u>	<u>7,759</u>	<u>8,483</u>	<u>2,131</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 144,230</u>	<u>\$ 8,665</u>	<u>\$ 8,765</u>	<u>\$ 2,145</u>



<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 30	\$ 1	\$ 12	\$ 1,123
132	189	103	2,077
114	55	5	3,556
168			47,602
1,127			1,127
<u>2,305</u>			<u>2,697</u>
3,876	<u>245</u>	<u>120</u>	58,182
67	41	51	556
<u>60,995</u>			<u>5,494</u>
<u>64,938</u>	<u>286</u>	<u>171</u>	<u>60,995</u>
(876)	5,462	2,649	83,388
4,380			4,380
14,591			14,591
<u>12</u>	<u>5,947</u>	<u>916</u>	<u>34,695</u>
<u>18,107</u>	<u>11,409</u>	<u>3,565</u>	<u>137,054</u>
<u>\$ 83,045</u>	<u>\$ 11,695</u>	<u>\$ 3,736</u>	<u>\$ 262,281</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, 2004**

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
OPERATING REVENUES:				
Charges for services	\$ 19,902	\$ 2,704	\$ 1,073	\$ 65
Total operating revenue	<u>19,902</u>	<u>2,704</u>	<u>1,073</u>	<u>65</u>
OPERATING EXPENSES:				
Operations	7,629	6,183	951	56
Maintenance	8,223	50	36	20
Depreciation	4,479	466	191	92
Total operating expenses	<u>20,331</u>	<u>6,699</u>	<u>1,178</u>	<u>168</u>
OPERATING INCOME (LOSS)	<u>(429)</u>	<u>(3,995)</u>	<u>(105)</u>	<u>(103)</u>
NON-OPERATING REVENUE (EXPENSES):				
Investment income	372	18	7	4
Interest expense	(235)			
Gain (loss) on disposal of capital assets				
Hotel tax		3,597		
Other revenues (expenses)	<u>2</u>			
Total non-operating revenues (expenses)	<u>139</u>	<u>3,615</u>	<u>7</u>	<u>4</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(290)	(380)	(98)	(99)
Capital contributions		33	20	
Transfers in		<u>105</u>		
CHANGE IN NET ASSETS	(290)	(242)	(78)	(99)
NET ASSETS AT BEGINNING OF YEAR	<u>85,890</u>	<u>8,001</u>	<u>8,561</u>	<u>2,230</u>
NET ASSETS AT END OF YEAR	<u>\$ 85,600</u>	<u>\$ 7,759</u>	<u>\$ 8,483</u>	<u>\$ 2,131</u>

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
<u>\$ 8,000</u>	<u>\$ 1,600</u>	<u>\$ 1,684</u>	<u>\$ 35,028</u>
<u>8,000</u>	<u>1,600</u>	<u>1,684</u>	<u>35,028</u>
2,021	1,914	1,857	20,611
67	31	62	8,489
<u>1,745</u>	<u>247</u>	<u>221</u>	<u>7,441</u>
<u>3,833</u>	<u>2,192</u>	<u>2,140</u>	<u>36,541</u>
<u>4,167</u>	<u>(592)</u>	<u>(456)</u>	<u>(1,513)</u>
494	129	15	1,039
(4,472)			(4,707)
	(2)		(2)
			3,597
<u>(83)</u>	<u>91</u>	<u>          </u>	<u>10</u>
<u>(4,061)</u>	<u>218</u>	<u>15</u>	<u>(63)</u>
106	(374)	(441)	(1,576)
57			110
<u>          </u>	<u>2,178</u>	<u>          </u>	<u>2,283</u>
163	1,804	(441)	817
<u>17,944</u>	<u>9,605</u>	<u>4,006</u>	<u>136,237</u>
<u>\$ 18,107</u>	<u>\$ 11,409</u>	<u>\$ 3,565</u>	<u>\$ 137,054</u>

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

(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	\$ 18,202	\$ 2,476	\$ 1,076	\$ 65
Cash payments to suppliers for goods or services	(6,332)	(2,694)	(515)	(17)
Cash payments to employees for services	(8,506)	(3,873)	(475)	(55)
Agency activity on behalf of NEORSD	728			
Net cash provided by (used for) operating activities	<u>4,092</u>	<u>(4,091)</u>	<u>86</u>	<u>(7)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Advance (repayment) from/ to General Fund				
Cash received through transfers from other funds		105		
Cash received from hotel tax		3,597		
Cash receipts (payments) from/ to other governments	_____	_____	_____	_____
Net cash provided by (used for) noncapital financing activities		<u>3,702</u>		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and construction of capital assets	(5,734)			
Principal paid on long-term debt	(366)			
Interest paid on long-term debt	(236)			
Net cash provided by (used for) capital and related financing activities	<u>(6,336)</u>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of investment securities	(12,007)			
Proceeds from sale and maturity of investment securities	9,360			
Interest received on investments	412	18	6	4
Net cash provided by (used for) investing activities	<u>(2,235)</u>	<u>18</u>	<u>6</u>	<u>4</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(4,479)</b>	<b>(371)</b>	<b>92</b>	<b>(3)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>16,620</u></b>	<b><u>1,306</u></b>	<b><u>335</u></b>	<b><u>260</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 12,141</u></b>	<b><u>\$ 935</u></b>	<b><u>\$ 427</u></b>	<b><u>\$ 257</u></b>

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 8,298	\$ 1,586	\$ 1,684	\$ 33,387
(1,129)	(361)	(895)	(11,943)
(1,271)	(1,563)	(1,019)	(16,762)
<u>5,898</u>	<u>(338)</u>	<u>(230)</u>	<u>728</u>
			<u>5,410</u>
	(1,958)		(1,958)
	2,178		2,283
			3,597
	<u>90</u>		<u>90</u>
	<u>310</u>		<u>4,012</u>
(123)		(25)	(5,882)
(2,175)			(2,541)
<u>(3,995)</u>			<u>(4,231)</u>
<u>(6,293)</u>		<u>(25)</u>	<u>(12,654)</u>
	(7,373)		(19,380)
	1,471		10,831
494	<u>132</u>	<u>15</u>	<u>1,081</u>
<u>494</u>	<u>(5,770)</u>	<u>15</u>	<u>(7,468)</u>
99	(5,798)	(240)	(10,700)
<u>19,231</u>	<u>5,880</u>	<u>1,260</u>	<u>44,892</u>
<u>\$ 19,330</u>	<u>\$ 82</u>	<u>\$ 1,020</u>	<u>\$ 34,192</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

(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)	\$ (429)	\$ (3,995)	\$ (105)	\$ (103)
Adjustments to reconcile operating income (loss) to				
net cash provided by (used for) operating activities:				
Depreciation	4,479	466	191	92
Changes in assets and liabilities:				
Receivables, net	(4,569)	(210)	3	
Due from other funds	(600)	(10)	(3)	
Inventory of supplies	(120)			
Accounts payable	(102)	(168)	(9)	
Accrued wages and benefits	(125)	(221)	16	1
Due to other funds	977	47	(7)	3
Due to other governments	4,581			
Total adjustments	<u>4,521</u>	<u>(96)</u>	<u>191</u>	<u>96</u>
NET CASH PROVIDED BY (USED FOR)				
OPERATING ACTIVITIES	<u>\$ 4,092</u>	<u>\$ (4,091)</u>	<u>\$ 86</u>	<u>\$ (7)</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>
\$ 4,167	\$ (592)	\$ (456)	\$ (1,513)
1,745	247	221	7,441
(132)	(14)		(4,922)
38		(2)	(577)
13	(7)	(22)	(136)
4	(8)	(15)	(298)
21	(1)	46	(263)
42	37	(2)	1,097
			4,581
<u>1,731</u>	<u>254</u>	<u>226</u>	<u>6,923</u>
<u>\$ 5,898</u>	<u>\$ (338)</u>	<u>\$ (230)</u>	<u>\$ 5,410</u>

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## INTERNAL SERVICE FUNDS

Internal service funds are established 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 is providing 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, 2004**

(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	\$ 2,097	\$ 518	\$ 25	\$ 979
Receivables:				
Accounts	2	2		
Accrued interest	<u>5</u>	<u>1</u>		<u>3</u>
Receivables, net	7	3		3
Due from other funds	1,134	55	61	4
Inventory of supplies	<u>1,289</u>	<u>122</u>		
Total current assets	<u>4,527</u>	<u>698</u>	<u>86</u>	<u>986</u>
Capital assets:				
Land	663			
Land improvements	146			
Buildings, structures and improvements	2,074			
Furniture, fixtures, equipment and vehicles	2,945	740		75
Construction in progress	212			
Less: Accumulated depreciation	<u>(3,618)</u>	<u>(350)</u>		<u>(48)</u>
Total capital assets, net	<u>2,422</u>	<u>390</u>		<u>27</u>
Total noncurrent assets	<u>2,422</u>	<u>390</u>		<u>27</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,949</u>	<u>\$ 1,088</u>	<u>\$ 86</u>	<u>\$ 1,013</u>

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<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>
\$ 62	\$ 1,649	\$ 1,271	\$ 955	\$ 2,000	\$ 9,556
	16	3	3		4
	16	3	3		31
					35
51		586	155	9,775	11,821
					1,411
<u>113</u>	<u>1,665</u>	<u>1,860</u>	<u>1,113</u>	<u>11,775</u>	<u>22,823</u>
					663
					146
					2,074
		128	21		3,909
					212
		(74)	(15)		(4,105)
		54	6		2,899
					2,899
		54	6		2,899
<u>\$ 113</u>	<u>\$ 1,665</u>	<u>\$ 1,914</u>	<u>\$ 1,119</u>	<u>\$ 11,775</u>	<u>\$ 25,722</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

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

**DECEMBER 31, 2004**

(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	\$ 542	\$ 63	\$ 1	\$ 31
Accrued wages and benefits	789	71	5	477
Due to other funds	73	189		44
Due to other governments				
Total current liabilities	<u>1,404</u>	<u>323</u>	<u>6</u>	<u>552</u>
Long-term liabilities				
Accrued wages and benefits	<u>313</u>	<u>27</u>	<u>2</u>	<u>254</u>
Total liabilities	<u>1,717</u>	<u>350</u>	<u>8</u>	<u>806</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,422	390		27
Unrestricted	<u>2,810</u>	<u>348</u>	<u>78</u>	<u>180</u>
Total net assets	<u>5,232</u>	<u>738</u>	<u>78</u>	<u>207</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,949</u>	<u>\$ 1,088</u>	<u>\$ 86</u>	<u>\$ 1,013</u>

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<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>
\$	\$ 316	\$ 766	\$ 140	\$	\$ 1,859
26	731	99	15	3,560	5,773
	38	457	155	908	1,864
	580				580
<u>26</u>	<u>1,665</u>	<u>1,322</u>	<u>310</u>	<u>4,468</u>	<u>10,076</u>
<u>30</u>		<u>53</u>	<u>8</u>	<u>7,307</u>	<u>7,994</u>
<u>56</u>	<u>1,665</u>	<u>1,375</u>	<u>318</u>	<u>11,775</u>	<u>18,070</u>
		54	6		2,899
<u>57</u>		<u>485</u>	<u>795</u>		<u>4,753</u>
<u>57</u>		<u>539</u>	<u>801</u>		<u>7,652</u>
<u>\$ 113</u>	<u>\$ 1,665</u>	<u>\$ 1,914</u>	<u>\$ 1,119</u>	<u>\$ 11,775</u>	<u>\$ 25,722</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, 2004**

(Amounts in 000's)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>	<u>Utilities Administration</u>
OPERATING REVENUES:				
Charges for services	\$ 12,622	\$ 1,318	\$ 823	\$ 4,413
Total operating revenue	<u>12,622</u>	<u>1,318</u>	<u>823</u>	<u>4,413</u>
OPERATING EXPENSES:				
Operations	13,196	1,194	806	4,280
Maintenance	1,165	19	5	72
Depreciation	213	52		8
Total operating expenses	<u>14,574</u>	<u>1,265</u>	<u>811</u>	<u>4,360</u>
OPERATING INCOME (LOSS)	<u>(1,952)</u>	<u>53</u>	<u>12</u>	<u>53</u>
NON-OPERATING REVENUES:				
Investment income	78	10		15
Gain (Loss) on disposal of capital assets	<u>(55)</u>			
Total non-operating revenues (expenses)	<u>23</u>	<u>10</u>		<u>15</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,929)	63	12	68
Capital contributions	766			21
Transfers in				
CHANGE IN NET ASSETS	(1,163)	63	12	89
NET ASSETS AT BEGINNING OF YEAR	<u>6,395</u>	<u>675</u>	<u>66</u>	<u>118</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,232</u>	<u>\$ 738</u>	<u>\$ 78</u>	<u>\$ 207</u>

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<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>
\$ 231	\$ 7,901	\$ 5,010	\$ 2,231	\$ 10,867	\$ 45,416
<u>231</u>	<u>7,901</u>	<u>5,010</u>	<u>2,231</u>	<u>10,867</u>	<u>45,416</u>
622	8,046	4,918	681	10,867	44,610
	47	2	1,078		2,388
		22	4		299
<u>622</u>	<u>8,093</u>	<u>4,942</u>	<u>1,763</u>	<u>10,867</u>	<u>47,297</u>
<u>(391)</u>	<u>(192)</u>	<u>68</u>	<u>468</u>		<u>(1,881)</u>
		16	13		132
	<u>192</u>				<u>137</u>
	<u>192</u>	<u>16</u>	<u>13</u>		<u>269</u>
(391)		84	481		(1,612)
					787
<u>373</u>		<u>359</u>			<u>732</u>
(18)		443	481		(93)
<u>75</u>		<u>96</u>	<u>320</u>		<u>7,745</u>
<u>\$ 57</u>	<u>\$</u>	<u>\$ 539</u>	<u>\$ 801</u>	<u>\$</u>	<u>\$ 7,652</u>

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

(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	\$ 11,037	\$ 1,102	\$ 815
Cash payments to suppliers for goods or services	(7,929)	(556)	(749)
Cash payments to employees for services	<u>(5,999)</u>	<u>(667)</u>	<u>(63)</u>
Net cash provided by (used for) operating activities	<u>(2,891)</u>	<u>(121)</u>	<u>3</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Advance (repayment) from/to General Fund			
Cash received through transfers from other funds	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided by (used for) noncapital financing activities	<u>          </u>	<u>          </u>	<u>          </u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	<u>(10)</u>	<u>(17)</u>	<u>          </u>
Net cash provided by (used for) capital and related financing activities	<u>(10)</u>	<u>(17)</u>	<u>          </u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received on investments	<u>82</u>	<u>10</u>	<u>          </u>
Net cash provided by investing activities	<u>82</u>	<u>10</u>	<u>          </u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,819)</b>	<b>(128)</b>	<b>3</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>4,916</u></b>	<b><u>646</u></b>	<b><u>22</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,097</u></b>	<b><u>\$ 518</u></b>	<b><u>\$ 25</u></b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (1,952)	\$ 53	\$ 12
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	213	52	
Change in assets and liabilities:			
Receivables, net	(2)		
Due from other funds	262	30	(11)
Due from other governments			
Inventory of supplies	314	(26)	
Accounts payable	(22)	12	
Accrued wages and benefits	90	3	2
Due to other funds	(1,794)	(245)	
Due to other governments			
Total adjustments	<u>(939)</u>	<u>(174)</u>	<u>(9)</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b><u>\$ (2,891)</u></b>	<b><u>\$ (121)</u></b>	<b><u>\$ 3</u></b>



<u>Utilities Administration</u>	<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Workers Compensation Reserve</u>	<u>Total</u>
\$ 4,045	\$ 180	\$ 7,805	\$ 5,018	\$ 1,918	\$ 2,000	\$ 33,920
(513)	(473)	(2,652)	(3,491)	(1,522)		(17,885)
<u>(3,637)</u>	<u>(149)</u>	<u>(5,121)</u>	<u>(818)</u>	<u>(100)</u>		<u>(16,554)</u>
<u>(105)</u>	<u>(442)</u>	<u>32</u>	<u>709</u>	<u>296</u>	<u>2,000</u>	<u>(519)</u>
	373		359			732
	<u>373</u>		<u>359</u>			<u>732</u>
						(27)
						<u>(27)</u>
<u>15</u>		<u>178</u>	<u>13</u>	<u>12</u>		<u>310</u>
<u>15</u>		<u>178</u>	<u>13</u>	<u>12</u>		<u>310</u>
(90)	(69)	210	1,081	308	2,000	496
<u>1,069</u>	<u>131</u>	<u>1,439</u>	<u>190</u>	<u>647</u>		<u>9,060</u>
<u>\$ 979</u>	<u>\$ 62</u>	<u>\$ 1,649</u>	<u>\$ 1,271</u>	<u>\$ 955</u>	<u>\$ 2,000</u>	<u>\$ 9,556</u>
\$ 53	\$ (391)	\$ (192)	\$ 68	\$ 468	\$	\$ (1,881)
8			22	4		299
						(2)
(4)	(51)		8	(14)	(9,775)	(9,555)
		2				2
						288
5		224	568	120		907
203		77	43	11	10,867	11,296
(370)		19		(293)	908	(1,775)
		(98)				(98)
<u>(158)</u>	<u>(51)</u>	<u>224</u>	<u>641</u>	<u>(172)</u>	<u>2,000</u>	<u>1,362</u>
<u>\$ (105)</u>	<u>\$ (442)</u>	<u>\$ 32</u>	<u>\$ 709</u>	<u>\$ 296</u>	<u>\$ 2,000</u>	<u>\$ (519)</u>

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# CITY OF CLEVELAND, OHIO

## AGENCY FUNDS

Agency Funds are established 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, 2004

(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>MUNICIPAL COURTS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,729	\$ 52,042	\$ 51,381	\$ 8,390
Total assets	<u>\$ 7,729</u>	<u>\$ 52,042</u>	<u>\$ 51,381</u>	<u>\$ 8,390</u>
<b>LIABILITIES</b>				
Due to others	\$ 7,729	\$ 52,042	\$ 51,381	\$ 8,390
Total liabilities	<u>7,729</u>	<u>52,042</u>	<u>51,381</u>	<u>8,390</u>
<b>NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 <b>CENTRAL COLLECTION AGENCY</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,228	\$ 8,573	\$ 7,228	\$ 8,573
Taxes receivable	29,243	32,054	29,243	32,054
Due from other governments	1,044	979	1,044	979
Total assets	<u>\$ 37,515</u>	<u>\$ 41,606</u>	<u>\$ 37,515</u>	<u>\$ 41,606</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 37,515	\$ 41,606	\$ 37,515	\$ 41,606
Total liabilities	<u>37,515</u>	<u>41,606</u>	<u>37,515</u>	<u>41,606</u>
<b>NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

(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>OTHER AGENCIES</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,954	\$ 116,599	\$ 114,118	\$ 12,435
Total assets	<u>\$ 9,954</u>	<u>\$ 116,599</u>	<u>\$ 114,118</u>	<u>\$ 12,435</u>
<b>LIABILITIES</b>				
Due to others	\$ 9,954	\$ 116,599	\$ 114,118	\$ 12,435
Total liabilities	<u>9,954</u>	<u>116,599</u>	<u>114,118</u>	<u>12,435</u>
<b>NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 <b>TOTALS-ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 24,911	\$ 177,214	\$ 172,727	\$ 29,398
Taxes receivable	29,243	32,054	29,243	32,054
Due from other governments	<u>1,044</u>	<u>979</u>	<u>1,044</u>	<u>979</u>
Total assets	<u>\$ 55,198</u>	<u>\$ 210,247</u>	<u>\$ 203,014</u>	<u>\$ 62,431</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 37,515	\$ 41,606	\$ 37,515	\$ 41,606
Due to others	<u>17,683</u>	<u>168,641</u>	<u>165,499</u>	<u>20,825</u>
Total liabilities	<u>55,198</u>	<u>210,247</u>	<u>203,014</u>	<u>62,431</u>
<b>NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Concluded)

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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, 2004

(Amounts in 000's)

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Governmental Funds Capital Assets:	
Land	\$ 60,848
Land improvements	95,516
Buildings, structures and improvements	556,623
Furniture, fixtures, equipment and vehicles	160,511
Infrastructure	290,332
Construction in progress	<u>99,462</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 <u>\$ 1,263,292</u>
 Investment in Governmental Funds Capital Assets by Source:	
General obligation bonds	\$ 549,979
General Fund and other revenues	343,485
Special Revenue Fund revenues:	
Restricted income taxes	142,519
Federal grants	178,784
Certificates of participation	25,651
Gifts	<u>22,874</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 <u>\$ 1,263,292</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, 2004**

**(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	\$ 333,187	\$ 208	\$	\$ 308,277	\$ 11,876	\$ 1,068	\$ 11,758
City Hall	3,475	877		2,598			
Justice Center	29,768			28,922	846		
Charles V. Carr Municipal Center	647		15	632			
Total general government	<u>367,077</u>	<u>1,085</u>	<u>15</u>	<u>340,429</u>	<u>12,722</u>	<u>1,068</u>	<u>11,758</u>
<b>Public Service:</b>							
Waste collection	33,308	499		8,259	22,240	1,460	850
Engineering and construction	261,404		11,885		2,806	203,894	42,819
Streets	130,453	1,540	11,495	14,205	21,459	66,693	15,061
Traffic engineering	7,403			3,666	2,371	112	1,254
Other	<u>34,802</u>	<u>2,609</u>		<u>27,843</u>	<u>491</u>		<u>3,859</u>
Total public service	<u>467,370</u>	<u>4,648</u>	<u>23,380</u>	<u>53,973</u>	<u>49,367</u>	<u>272,159</u>	<u>63,843</u>
<b>Public Safety:</b>							
Police	91,149	4,805	317	53,898	32,129		
Fire	70,455	1,670		25,511	39,946		3,328
Emergency medical service	13,175			78	6,951	5,614	532
Dog pound	<u>878</u>			<u>662</u>	<u>216</u>		
Total public safety	<u>175,657</u>	<u>6,475</u>	<u>317</u>	<u>80,149</u>	<u>79,242</u>	<u>5,614</u>	<u>3,860</u>
<b>Public Health:</b>							
Correction	7,390	287		6,554	549		
Health and environment	<u>11,374</u>	<u>1,112</u>	<u>36</u>	<u>9,290</u>	<u>936</u>		
Total public health	<u>18,764</u>	<u>1,399</u>	<u>36</u>	<u>15,844</u>	<u>1,485</u>		
<b>Parks, Recreation and Properties:</b>							
Park maintenance and properties	87,948	37,190	22,484	9,659	14,315	234	4,066
Research, planning and development	33,283	880	16,770	1,258	243	2,997	11,135
Recreation	<u>81,329</u>	<u>976</u>	<u>30,708</u>	<u>47,118</u>	<u>1,500</u>		<u>1,027</u>
Total parks, recreation and properties	<u>202,560</u>	<u>39,046</u>	<u>69,962</u>	<u>58,035</u>	<u>16,058</u>	<u>3,231</u>	<u>16,228</u>
<b>Community Development:</b>							
Community development	<u>25,673</u>	<u>8,195</u>	<u>1,531</u>	<u>6,672</u>	<u>1,239</u>	<u>4,350</u>	<u>3,686</u>
Total community development	<u>25,673</u>	<u>8,195</u>	<u>1,531</u>	<u>6,672</u>	<u>1,239</u>	<u>4,350</u>	<u>3,686</u>
<b>Economic Development:</b>							
Economic development	<u>2,226</u>		<u>275</u>	<u>1,521</u>	<u>14</u>	<u>329</u>	<u>87</u>
Total economic development	<u>2,226</u>		<u>275</u>	<u>1,521</u>	<u>14</u>	<u>329</u>	<u>87</u>
<b>Building &amp; Housing:</b>							
Building & Housing	<u>3,965</u>				<u>384</u>	<u>3,581</u>	
Total building & housing	<u>3,965</u>				<u>384</u>	<u>3,581</u>	
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</b>	<u>\$ 1,263,292</u>	<u>\$ 60,848</u>	<u>\$ 95,516</u>	<u>\$ 556,623</u>	<u>\$ 160,511</u>	<u>\$ 290,332</u>	<u>\$ 99,462</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, 2004**

(Amounts in 000's)

	<b>Balance January 1, 2004</b>	<b>Additions</b>	<b>Deductions</b>	<b>Transfers</b>	<b>Balance December 31, 2004</b>
<b>General Government:</b>					
General government	\$ 321,178	\$ 7,537	\$ (100)	\$ 4,572	\$ 333,187
City Hall	4,417			(942)	3,475
Justice Center	32,204			(2,436)	29,768
Charles V. Carr Municipal Center	654			(7)	647
Total general government	<u>358,453</u>	<u>7,537</u>	<u>(100)</u>	<u>1,187</u>	<u>367,077</u>
<b>Public Service:</b>					
Waste collection	31,770	3,201	(1,508)	(155)	33,308
Engineering and construction	234,073	36,891	(1,476)	(8,084)	261,404
Streets	124,318	7,482	(1,264)	(83)	130,453
Traffic engineering	3,666	2,064	(463)	2,136	7,403
Other	37,260	3,308	(1,527)	(4,239)	34,802
Total public service	<u>431,087</u>	<u>52,946</u>	<u>(6,238)</u>	<u>(10,425)</u>	<u>467,370</u>
<b>Public Safety:</b>					
Police	86,020	10,358	(1,661)	(3,568)	91,149
Fire	66,113	7,901	(2,609)	(950)	70,455
Emergency medical service	18,208	888	(263)	(5,658)	13,175
Dog pound	872	6			878
Total public safety	<u>171,213</u>	<u>19,153</u>	<u>(4,533)</u>	<u>(10,176)</u>	<u>175,657</u>
<b>Public Health:</b>					
Correction	7,365	30		(5)	7,390
Health and environment	11,323	1,250	(164)	(1,035)	11,374
Total public health	<u>18,688</u>	<u>1,280</u>	<u>(164)</u>	<u>(1,040)</u>	<u>18,764</u>
<b>Parks, Recreation and Properties:</b>					
Park maintenance and properties	84,981	2,991	(1,798)	1,774	87,948
Research, planning and development	30,460	11,067	(24)	(8,220)	33,283
Recreation	81,595	4,015	(801)	(3,480)	81,329
Total parks, recreation and properties	<u>197,036</u>	<u>18,073</u>	<u>(2,623)</u>	<u>(9,926)</u>	<u>202,560</u>
<b>Community Development:</b>					
Community development	18,046	7,395	(34)	266	25,673
Total community development	<u>18,046</u>	<u>7,395</u>	<u>(34)</u>	<u>266</u>	<u>25,673</u>
<b>Economic Development:</b>					
Economic development	2,238	2		(14)	2,226
Total economic development	<u>2,238</u>	<u>2</u>		<u>(14)</u>	<u>2,226</u>
<b>Building &amp; Housing:</b>					
Building & Housing	3,885	110	(37)	7	3,965
Total building & housing	<u>3,885</u>	<u>110</u>	<u>(37)</u>	<u>7</u>	<u>3,965</u>
<b>TOTAL GOVERNMENTAL FUNDS</b>					
CAPITAL ASSETS	<u>\$ 1,200,646</u>	<u>\$ 106,496</u>	<u>\$ (13,729)</u>	<u>\$ (30,121)</u>	<u>\$ 1,263,292</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

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

(Amounts in 000's)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>REVENUES</b>										
Income taxes	\$ 209,154	\$ 215,876	\$ 222,745	\$ 230,863	\$ 245,844	\$ 268,786	\$ 262,721	\$ 246,519	\$ 249,680	\$ 251,399
Property taxes (1)	40,145	40,844	40,844	43,026	45,964	45,131	47,842	47,925	41,133	44,707
State local government funds	46,407	48,689	50,762	54,255	56,923	59,488	59,265	56,211	55,459	55,789
Other shared revenues (1)	17,879	24,820	26,122	26,581	31,187	32,871	31,590	31,491	38,554	38,010
Licenses and permits	6,964	8,403	8,886	10,303	8,731	9,339	8,887	7,807	10,367	13,001
Charges for services	12,160	13,191	13,570	14,975	13,671	16,177	16,030	16,359	15,547	17,190
Fines, forfeits and settlements	13,360	14,422	15,375	15,914	16,611	17,843	16,768	17,778	18,297	15,532
Investment earnings	2,060	1,384	2,159	4,241	4,435	2,526	1,604	1,072	1,534	1,007
Workers comp refund	0	0	0	0	0	0	0	5,142	0	0
Grants	0	0	0	0	0	0	0	4,344	4,806	2,389
Miscellaneous	16,901	19,475	17,315	9,508	8,759	24,447	29,735	25,589	20,398	20,341
Premium on interest rate swap agreement	0	0	0	0	0	0	0	0	3,400	0
Transfers in	0	0	0	0	0	0	0	28,178	34,394	9
	<u>\$ 365,030</u>	<u>\$ 387,104</u>	<u>\$ 397,778</u>	<u>\$ 409,666</u>	<u>\$ 432,125</u>	<u>\$ 476,608</u>	<u>\$ 474,442</u>	<u>\$ 488,415</u>	<u>\$ 493,569</u>	<u>\$ 459,374</u>
<b>EXPENDITURES AND OTHER USES</b>										
General government	\$ 39,189	\$ 41,623	\$ 42,352	\$ 45,902	\$ 49,837	\$ 55,922	\$ 54,786	\$ 58,839	\$ 64,663	\$ 63,540
Public service	30,357	29,537	30,208	30,669	31,222	33,580	33,550	36,645	36,785	34,005
Public safety	217,825	225,669	234,064	240,717	252,723	261,480	272,436	292,140	294,118	263,617
Community development	6,461	5,920	5,943	6,461	6,581	12,583	16,655	11,142	2,700	2,263
Building and Housing	0	0	0	0	0	0	0	0	11,589	10,409
Public health	10,261	10,037	10,274	10,418	11,984	12,465	11,884	11,538	12,620	11,953
Parks, recreation, and properties	31,121	33,263	34,952	34,385	36,150	37,574	39,131	39,116	38,706	33,900
Economic development	1,017	1,103	1,039	1,067	1,128	1,014	1,098	1,057	1,120	938
Other	12,843	14,071	14,575	14,963	16,553	16,742	16,882	18,027	22,555	17,339
Transfers out	16,392	26,208	24,776	23,650	24,778	39,465	41,680	22,754	11,154	21,683
	<u>\$ 365,466</u>	<u>\$ 387,431</u>	<u>\$ 398,183</u>	<u>\$ 408,232</u>	<u>\$ 430,956</u>	<u>\$ 470,825</u>	<u>\$ 488,102</u>	<u>\$ 491,258</u>	<u>\$ 496,010</u>	<u>\$ 459,647</u>

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

**CITY OF CLEVELAND, OHIO**

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

(Amounts in 000's)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Income taxes	\$ 237,081	\$ 243,213	\$ 255,925	\$ 272,309
Property taxes (1)	62,630	63,968	64,354	66,662
State local government funds	52,625	50,865	50,217	53,998
Other shared revenues (1)	29,098	34,590	37,561	37,393
Licenses and permits	7,466	8,714	9,252	10,574
Charges for services	13,056	13,744	16,326	16,648
Fines, forfeits and settlements	13,402	14,771	15,572	14,766
Investment earnings	10,276	9,963	10,492	23,890
Grants	97,841	90,412	92,276	100,255
Assessments and contributions	152	120	168	115
Workers compensation settlement and refunds	916	2,095	0	0
Enterprise reimbursements	2,878	1,342	116	0
Miscellaneous	25,552	38,374	36,064	66,890
Transfers in	28,769	47,568	41,580	42,673
Proceeds from capitalized lease	3,891	0	0	0
Premium on interest rate swap agreement	0	0	0	0
Premium on bonds and notes	0	0	0	0
Proceeds from loans	0	0	0	0
Proceeds from sale of bonds and notes	0	58,491	214,166	48,736
Proceeds from sale of certificates of participation	19,171	0	0	0
	<u>\$ 604,804</u>	<u>\$ 678,230</u>	<u>\$ 844,069</u>	<u>\$ 754,909</u>
<b>EXPENDITURES AND OTHER USES</b>				
Current:				
General government	\$ 39,901	\$ 44,268	\$ 44,568	\$ 54,789
Public service	50,619	50,246	47,975	53,898
Public safety	223,488	227,572	236,426	241,632
Human resources	8,919	9,494	9,549	9,920
Community development	58,502	57,509	56,754	52,178
Building and housing	0	0	0	0
Public health	20,981	22,560	22,343	19,814
Parks, recreation and properties	32,889	34,528	36,858	42,645
Economic development	13,242	22,285	18,439	13,368
Other	14,523	12,980	19,546	14,876
Capital outlay	63,457	42,314	81,222	184,528
Inception of capital lease	0	0	0	0
Debt service:				
Principal retirement	18,824	21,935	25,003	26,511
Interest	26,439	23,444	26,488	30,293
Other	2,810	2,602	352	0
Transfers out	30,455	48,497	40,981	42,074
Discount on bonds and notes	0	0	0	0
Payments to refund notes, bonds and certificates of participation	19,171	16,644	47,665	24,823
	<u>\$ 624,220</u>	<u>\$ 636,878</u>	<u>\$ 714,169</u>	<u>\$ 811,349</u>

Note: Includes all Governmental Fund Types

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

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<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
\$ 285,947	\$ 291,514	\$ 277,687	\$ 279,186	\$ 278,719	\$ 294,200
70,937	66,642	71,610	72,683	63,353	67,999
59,413	60,015	59,252	56,436	55,462	55,808
43,121	43,626	43,341	44,664	55,030	57,213
9,099	9,255	8,967	10,656	13,727	16,033
17,850	18,370	18,798	21,672	21,345	18,707
19,070	20,990	13,096	24,946	25,689	19,611
14,621	14,327	10,425	4,762	3,634	3,758
107,455	83,334	106,965	139,953	120,379	118,228
0	84	0	2,500	101	6,131
0	0	0	0	0	0
0	0	0	0	0	0
109,565	54,495	54,249	19,099	17,013	21,462
66,270	57,049	69,156	96,056	59,368	47,256
0	0	0	0	6,254	6,628
0	0	0	0	5,100	0
0	0	0	2,648	3,156	1,504
0	0	0	0	0	11,365
35,778	26,335	4,060	76,675	104,000	51,875
20,000	0	0	0	0	0
<u>\$ 859,126</u>	<u>\$ 746,036</u>	<u>\$ 737,606</u>	<u>\$ 851,936</u>	<u>\$ 832,330</u>	<u>\$ 797,778</u>

\$ 63,476	\$ 69,397	\$ 74,752	\$ 71,551	\$ 74,128	\$ 71,291
52,792	63,698	50,209	55,939	56,761	56,044
249,160	279,540	273,951	283,172	302,707	272,752
7,520	8,471	13,425	21,545	0	0
50,750	53,125	82,194	86,641	61,227	65,034
0	0	0	0	11,935	10,497
21,071	21,852	19,796	21,176	21,870	21,862
41,738	39,941	39,951	36,088	37,829	32,934
18,754	16,071	41,466	27,245	33,728	46,966
15,031	19,425	16,373	12,973	14,197	11,510
133,490	51,586	74,329	63,171	64,738	82,780
0	0	0	0	419	9,271
48,442	30,646	31,463	62,347	32,949	40,865
29,304	28,825	28,312	26,748	27,628	32,002
0	0	0	1,662	1,537	1,778
67,679	57,823	68,346	100,365	59,773	50,271
0	0	0	0	0	200
0	0	0	0	0	0
<u>\$ 799,207</u>	<u>\$ 740,400</u>	<u>\$ 814,567</u>	<u>\$ 870,623</u>	<u>\$ 801,426</u>	<u>\$ 806,057</u>

# CITY OF CLEVELAND, OHIO

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

<u>Tax Year/ Collection Year</u>	<u>Current Levy</u>	<u>Delinquent Levy (1)</u>	<u>Total Levy</u>	<u>Current Collection</u>	<u>Current Levy Collected</u>	<u>Delinquent Collection</u>	<u>Total Collections</u>	<u>Total Collections As Percent of Current Levy</u>	<u>Cumulative Delinquencies</u>
1994/1995	\$ 63,537,979	\$ 11,399,864	\$ 74,937,843	\$ 58,758,206	92.5%	\$ 2,403,005	\$ 61,161,211	96.3%	\$ 10,975,479
1995/1996	64,041,017	12,339,642	76,380,659	59,133,403	92.3%	2,850,250	61,983,653	96.8%	12,752,255
1996/1997	65,060,514	14,986,362	80,046,876	59,733,751	91.8%	3,023,595	62,757,346	96.5%	14,222,919
1997/1998	68,518,965	13,796,053	82,315,018	62,883,792	91.8%	2,785,155	65,668,947	95.8%	14,128,110
1998/1999	69,516,994	14,138,999	83,655,993	63,427,067	91.2%	4,219,704	67,646,771	97.3%	13,869,371
1999/2000	69,830,697	14,601,538	84,432,235	62,471,564	89.5%	4,214,775	66,686,339	95.5%	16,484,006
2000/2001	76,121,582	17,631,916	93,753,498	66,447,200	87.3%	4,253,228	70,700,428	92.9%	21,498,001
2001/2002	74,682,276	21,767,423	96,449,699	64,376,023	86.2%	6,680,368	71,056,391	95.1%	21,966,674
2002/2003	73,483,514	22,436,554	95,920,068	65,058,362	88.5%	5,052,595	70,110,957	95.4%	25,151,032
2003/2004	76,856,612	25,539,455	102,396,067	67,571,431	87.9%	7,055,068	74,626,499	97.1%	24,928,208

Source: Cuyahoga County Auditor's Office

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



# CITY OF CLEVELAND, OHIO

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

Tax Year/ Collection Year	Real Property (1)		Personal Property (2)		Public Utilities (3)		Total	Ratio of Total Assessed Value To Total Estimated Actual Value	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		Assessed Value	Estimated Actual Value
1994/1995	\$ 3,666,719	\$ 10,476,340	\$ 816,921	\$ 3,267,684	\$ 517,663	\$ 588,253	\$ 5,001,303	\$ 14,332,277	34.9%
1995/1996	3,700,852	10,573,863	820,959	3,283,836	484,244	550,277	5,006,055	14,407,976	34.7%
1996/1997	3,767,013	10,762,894	856,832	3,427,327	476,677	541,678	5,100,522	14,731,899	34.6%
1997/1998	4,015,815	11,473,757	885,245	3,540,980	474,182	538,843	5,375,242	15,553,580	34.6%
1998/1999	4,085,338	11,672,394	913,154	3,652,616	478,752	544,036	5,477,244	15,869,046	34.5%
1999/2000	4,100,737	11,716,391	952,829	3,811,316	444,315	504,903	5,497,881	16,032,610	34.3%
2000/2001	4,618,340	13,195,257	988,532	3,954,128	451,775	513,380	6,058,647	17,662,765	34.3%
2001/2002	4,673,268	13,352,194	980,928	4,087,202	377,364	428,823	6,031,560	17,868,219	33.8%
2002/2003	4,592,623	13,121,780	853,282	3,709,921	358,143	406,980	5,804,048	17,238,681	33.7%
2003/2004	4,898,754	13,996,440	722,499	3,141,300	355,889	404,419	5,977,142	17,542,159	34.1%

Source: Cuyahoga County Auditor's Office

(1) The assessed valuation level for real property in Cuyahoga County is 35% of appraised market value, except for certain agricultural land and public utility property.  
 (2) Beginning in 2002 the assessed valuation of personal property constituting "inventory" was reduced from 25% of true value by 1% of true value per year in 2002 and 2003. The percentage is scheduled to decrease by 1% or 2% a year provided that certain factors are met until it reaches zero. In 2004, these factors were not met; therefore, the assessed valuation was not changed. The rate for non-inventory personal property remained at 25%.

(3) Electric deregulation took place January 1, 2001. Under prior law, an electric company's taxable production equipment was assessed at 100% of true value, while all of its other taxable property was assessed at 88% of true value. Effective in 2002, the valuation on electric utility production equipment was reduced from 100% to 25% of true value, with makeup payments in varying amounts to be made through 2016 to taxing subdivisions by the State from State resources. All taxable property remained at 88% true value.

# CITY OF CLEVELAND, OHIO

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

<b>Tax Year/ Collection Year</b>	<b>City of Cleveland</b>					<b>Total City Rate</b>	<b>County</b>	<b>Library and School</b>	<b>Total</b>
	<b>General Fund</b>	<b>Bond Retirement</b>	<b>Police Pension</b>	<b>Fire Pension</b>					
1994/1995	7.75	4.35	0.30	0.30	12.70	16.80	51.10	80.60	
1995/1996	7.75	4.35	0.30	0.30	12.70	16.60	51.10	80.40	
1996/1997	7.75	4.35	0.30	0.30	12.70	16.60	64.00	93.30	
1997/1998	7.75	4.35	0.30	0.30	12.70	16.60	64.00	93.30	
1998/1999	7.75	4.35	0.30	0.30	12.70	15.30	65.00	93.00	
1999/2000	7.75	4.35	0.30	0.30	12.70	15.30	64.80	92.80	
2000/2001	7.75	4.35	0.30	0.30	12.70	16.20	64.60	93.50	
2001/2002	7.75	4.35	0.30	0.30	12.70	16.20	68.80	97.70	
2002/2003	7.75	4.35	0.30	0.30	12.70	16.20	68.80	97.70	
2003/2004	7.75	4.35	0.30	0.30	12.70	18.00	71.60	102.30	

Source: Cuyahoga County Auditor's Office

## CITY OF CLEVELAND, OHIO

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

<u>Year</u>	<u>Population(1)</u>	<u>Assessed Value (2) (Amounts in 000's)</u>	<u>Gross General Bonded Debt (3)</u>	<u>Less Balance in Debt Service Fund (4)</u>	<u>Net General Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1995	505,616	\$ 5,001,303	\$ 280,650,000	\$ 9,729,000	\$ 270,921,000	5.42%	\$ 535.82
1996	505,616	5,006,055	291,665,000	8,460,000	283,205,000	5.66%	560.12
1997	505,616	5,100,522	299,100,000	5,408,000	293,692,000	5.76%	580.86
1998	505,616	5,375,242	306,165,000	6,083,000	300,082,000	5.58%	593.50
1999	505,616	5,477,244	312,225,000	7,575,000	304,650,000	5.56%	602.53
2000	478,403	5,497,881	316,950,000	6,580,000	310,370,000	5.65%	648.76
2001	478,403	6,058,647	293,380,000	772,000	292,608,000	4.83%	611.63
2002	478,403	6,031,560	319,085,000	2,865,000	316,220,000	5.24%	660.99
2003	478,403	5,804,048	356,900,000	4,331,000	352,569,000	6.07%	736.97
2004	478,403	5,977,142	346,700,000	7,491,000	339,209,000	5.68%	709.04

(1) Bureau of Census.

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

(3) General Obligation Debt Outstanding December 31.

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

# CITY OF CLEVELAND, OHIO

## COMPUTATION OF LEGAL DEBT MARGIN (1) DIRECT DEBT CALCULATION DECEMBER 31, 2004

Total of all City Debt Outstanding		\$ 2,649,232,000
Debt Exempt From Direct Debt Limitation:		
Tax Supporting:	\$ 346,700,000	
Self-Supporting:		
Revenue Bonds and Notes	2,102,986,000	
Ohio Water Development Authority Loans	52,616,000	
Urban Renewal Bonds and Notes	12,215,000	
Subordinated Income Tax Refunding Bonds	64,000,000	
Non-tax Revenue Bonds	70,715,000	
Total Exempt Debt	2,649,232,000	
Net Indebtedness (Voted and Unvoted) Subject to 10.50% Debt Limitation		-
Less: Applicable Debt Service Fund		7,491,000
Net Indebtedness Subject to 10.50% Limitation		\$ -
Net Indebtedness (Unvoted) Subject to 5.50% Legal Debt Limitation		
Less: Applicable Debt Service Fund		\$ 7,491,000
Net Indebtedness Subject to 5.50% Limitation		\$ -
Assessed Valuation of City (2003 for 2004 Collection)		\$ 5,977,142,243
10.50% of Valuation (Maximum Voted and Unvoted General Obligation Debt Allowed)	\$ 627,599,936	
Net Indebtedness Subject to 10.50% Debt Limitation	\$ -	
Legal 10.50% Margin	\$ 627,599,936	
5.50% of Valuation (Maximum Unvoted Non-exempt General Obligation Debt Allowed)	\$ 328,742,823	
Net Indebtedness Subject to 5.50% Debt Limitation	\$ -	
Legal 5.50% Margin	\$ 328,742,823	

(1) Computation of Legal Debt Margin (Direct Debt Calculation) based on Section 133, the Uniform Bond Act of the Ohio Revised Code. Under the indirect debt limitation calculation per the Ohio Revised Code the City has the ability to issue approximately \$74 million of additional unvoted debt.

## CITY OF CLEVELAND, OHIO

### COMPUTATION OF DIRECT AND OVERLAPPING DEBT DECEMBER 31, 2004

	<u>Gross Debt</u>	<u>Debt Service Fund</u>		<u>Net Debt</u>	<u>Percent Applicable (1)</u>	<u>City's Share</u>
City of Cleveland	\$ 346,700,000	\$ 7,491,000	(2)	\$ 339,209,000	100.00%	\$ 339,209,000
Cleveland Municipal School District (3)	246,640,000	48,272,957		198,367,043	97.35%	193,110,316
Shaker Heights School District (3)	16,259,223	2,008,957		14,250,266	5.53%	788,040
Berea School District (3)	20,405,000	1,546,727		18,858,273	5.49%	1,035,319
Cuyahoga County (3)	249,645,029	56,064,657		193,580,372	19.60%	<u>37,941,753</u>
<b>TOTAL OVERLAPPING DEBT</b>						<u>232,875,428</u>
<b>TOTAL NET DIRECT AND OVERLAPPING DEBT</b>						<u><u>\$ 572,084,428</u></u>

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

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

(3) Cuyahoga County Budget Commission.

**CITY OF CLEVELAND, OHIO**

**SCHEDULE OF DIRECT DEBT (1)  
DECEMBER 31, 2004**

**DIRECT DEBT**

Long-Term Debt:			
General Obligation Bonds and Notes:			
Various Purpose	\$	346,700,000	
Revenue Bonds:			
Airport		966,788,000	
Waterworks		816,538,000	
Public Power System Improvement		250,355,000	
Parking Facilities		69,305,000	
Urban Renewal Bonds		12,215,000	
Subordinated Income Tax Refunding Bonds		64,000,000	
Non-tax Revenue Bonds		70,715,000	
Ohio Water Development Authority Loans		52,616,000	
Total Long-Term Debt		2,649,232,000	\$ 2,649,232,000
Gross Direct Debt			2,649,232,000
Deduct:			
General Obligation Debt Service Fund		7,491,000	(2)
Exempt Tax-Supporting General Obligations:			
General Obligation Bonds Issued after 1980		346,700,000	
Revenue Bonds:			
Airport	\$	966,788,000	
Waterworks Improvement		816,538,000	
Public Power System Improvement		250,355,000	
Parking Facilities		69,305,000	
Total Revenue Bonds		2,102,986,000	
Urban Renewal Bonds and Notes		12,215,000	
Subordinated Income Tax Refunding Bonds		64,000,000	
Non-tax Revenue Bonds		70,715,000	
Ohio Water Development Authority Loans		52,616,000	
Total Deductions			2,656,723,000
Net Direct Debt			\$ 0

(1) Statement of Direct Debt is based on Section 133 of the Uniform Bond Act of the Ohio Revised Code.

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

## CITY OF CLEVELAND, OHIO

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

<u>Year</u>	<u>Debt Service on General Tax Supported Debt</u>	<u>Debt Service on Self-Supporting Debt</u>	<u>General Fund Expenditures (1)</u>	<u>Ratio of Tax Supported Debt Service to General Fund Expenditures</u>	<u>Ratio of Self-Supporting Debt Service to General Fund Expenditures</u>
1995	\$33,960,155	\$2,810,246	\$366,659,000	9.26%	0.77%
1996	34,890,298	2,601,657	387,431,000	9.01%	0.67%
1997	35,157,587	352,168	398,183,000	8.83%	0.09%
1998	35,603,010	0	408,232,000	8.72%	0.00%
1999	36,590,983	0	430,956,000	8.49%	0.00%
2000	38,584,776	0	470,825,000	8.20%	0.00%
2001	39,958,441	0	488,102,000	8.19%	0.00%
2002	39,478,519	0	491,258,000	8.04%	0.00%
2003	42,759,353	0	496,010,000	8.62%	0.00%
2004	44,043,822	0	459,647,000	9.58%	0.00%

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

# CITY OF CLEVELAND, OHIO

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

<u>Year</u>	<u>Gross Revenue (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Annual Debt Service Requirement (3)</u>	<u>Coverage</u>
1995	\$56,876,000	\$29,992,000	\$26,884,000	\$15,626,785	1.72
1996	61,778,000	34,050,000	27,728,000	16,771,815	1.65
1997	56,335,000	31,864,000	24,471,000	16,411,660	1.49
1998	68,259,000	34,263,000	33,996,000	19,133,000	1.78
1999	77,943,000	40,252,000	37,691,000	27,127,792	1.39
2000	90,205,000	47,381,000	42,824,000	32,431,700	1.32
2001	103,498,000	56,795,000	46,703,000	32,534,400	1.44
2002	101,081,000	59,025,000	42,056,000	31,594,000	1.33
2003	107,758,000	57,845,000	49,913,000	36,232,000	1.38
2004	135,117,000	58,647,000	76,470,000	45,190,000	1.69

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



**CITY OF CLEVELAND, OHIO**

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

<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Annual Debt Service Requirement (3)</u>	<u>Coverage</u>
1995	\$165,654,000	\$96,719,000	\$68,935,000	\$42,606,553	1.62
1996	176,968,000	100,882,000	76,086,000	43,107,346	1.77
1997	187,151,000	100,286,000	86,865,000	50,927,000	1.71
1998	204,021,000	102,462,000	101,559,000	49,796,000	2.04
1999	213,777,000	99,700,000	114,077,000	57,666,000	1.98
2000	225,060,000	109,159,000	115,901,000	59,131,675	1.96
2001	229,827,000	116,841,000	112,986,000	52,998,449	2.13
2002	226,394,000	119,736,000	106,658,000	57,490,816	1.86
2003	210,352,000	123,640,000	86,712,000	58,348,434	1.49
2004	215,012,000	127,021,000	87,991,000	50,932,915	1.73

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

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

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

**CITY OF CLEVELAND, OHIO**

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

<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Annual Debt Service Requirement (3)</u>	<u>Coverage</u>
1995	\$92,073,000	\$71,315,000	\$20,758,000	\$17,471,701	1.19
1996	99,881,000	68,566,000	31,315,000	17,033,000	1.84
1997	111,663,000	77,015,000	34,648,000	20,561,000	1.69
1998	121,896,000	87,658,000	34,238,000	20,797,000	1.65
1999	132,651,000	99,436,000	33,215,000	19,240,000	1.73
2000	137,407,000	104,889,000	32,518,000	19,445,000	1.67
2001	134,632,000	97,834,000	36,798,000	18,045,161	2.04
2002	143,383,000	103,050,000	40,333,000	18,313,085	2.20
2003	141,190,000	104,940,000	36,250,000	18,751,836	1.93
2004	142,148,000	109,275,000	32,873,000	19,857,476	1.66

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

**CITY OF CLEVELAND, OHIO**

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

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<b><u>Year</u></b>	<b><u>Gross Revenues (1)</u></b>	<b><u>Direct Operating Expenses (2)</u></b>	<b><u>Net Revenue Available for Debt Service</u></b>	<b><u>Annual Debt Service Requirement</u></b>	<b><u>Coverage</u></b>
1995	\$16,844,000	\$11,071,000	\$5,773,000	\$2,251,648	2.56
1996	17,556,000	11,998,000	5,558,000	2,087,048	2.66
1997	18,423,000	13,303,000	5,120,000	906,000	5.65
1998	19,835,000	12,735,000	7,100,000	1,109,000	6.40
1999	20,087,000	12,931,000	7,156,000	850,000	8.42
2000	20,452,000	13,529,000	6,923,000	749,000	9.24
2001	20,576,000	13,727,000	6,849,000	846,000	8.10
2002	20,103,000	14,282,000	5,821,000	879,000	6.62
2003	19,568,000	14,646,000	4,922,000	747,804	6.58
2004	20,274,000	15,852,000	4,422,000	601,250	7.35

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

# CITY OF CLEVELAND, OHIO

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

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<u>Year</u>	<u>Total Estimated Actual Value (1)</u>	<u>Bank Deposits at December 31 (2)</u>	<u>Building Permits Issued (3)</u>
1995	\$ 14,332,277	\$ 22,458,573	6,850
1996	14,407,976	27,068,211	8,077
1997	14,731,899	53,941,971	9,728
1998	15,553,580	58,904,596	9,216
1999	15,869,046	57,816,942	8,882
2000	16,032,910	61,943,764	9,194
2001	17,662,765	63,893,769	9,853
2002	17,868,219	95,761,917	10,427
2003	17,238,681	97,238,973	9,471
2004	17,542,159	101,838,959	10,020

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

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

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

# CITY OF CLEVELAND, OHIO

## PRINCIPAL PROPERTY TAXPAYERS

DECEMBER 31, 2004

The largest property taxpayers with respect to property located in the City, based on assessed valuation of property for the 2004 tax collection year are as follows:

Name of Taxpayer	Nature of Business	Assessed Valuation	Percentage of Assessed Valuation by Category
<b>Real Property</b>			
City of Cleveland, Ohio	Government	\$ 138,004,710	2.82%
ZML - Cleveland Public Square LLC	Commercial Real Estate Holdings	47,232,500	0.96%
NPW LTD Partnership	Commercial Real Estate Holdings	35,560,000	0.73%
ISG Cleveland Inc.	Steel Manufacturing	34,267,430	0.70%
Cleveland Clinic Foundation	Hospital System	29,700,590	0.61%
Ohio Bell Telephone	Communications	28,464,420	0.58%
National City Center LLC	Commercial Real Estate Holdings	28,000,000	0.57%
Bishop James Hickey	Commercial Real Estate Holdings	22,366,800	0.46%
600 Superior Part LLC	Commercial Real Estate Holdings	16,275,000	0.33%
CG Erievue	Commercial Real Estate Holdings	10,500,010	0.21%
<b>TOTAL</b>		390,371,460	7.97%
<b>Total Assessed Valuation-Real<sup>(1)</sup></b>		\$ 4,898,753,740	81.96%
<b>Tangible Personal Property (other than Public Utilities)</b>			
PPG Ohio, Inc.	Automotive Finishes, Coating	9,758,320	1.35%
B.F. Goodrich Company	Automotive Products	9,356,290	1.30%
Sherwin Williams	Paint Products	8,191,070	1.13%
Cargill, Inc.	Salt Mining	7,653,590	1.06%
Adelphia	Mass Media	6,962,980	0.96%
Mid West Forge Corp.	Metal Forging	5,882,230	0.81%
Louis Berkman Co.	Steel Manufacturing	5,334,000	0.74%
Ferry Cap & Set Screw Co.	Precision Fasteners Manufacturing	5,264,750	0.73%
Key Corporation Capital Inc.	Finance	5,173,150	0.72%
Continental Airlines Inc.	Airline	5,010,680	0.69%
<b>TOTAL</b>		68,587,060	9.49%
<b>Total Assessed Valuation-Tangible</b>		\$ 722,499,273	12.09%
<b>Public Utilities (Real and Tangible Personal Property)</b>			
Cleveland Electric Illuminating Co.	Utilities-Electric	\$ 143,327,100	40.27%
Ameritech	Communication	81,740,330	22.97%
American Transmission System	Power Transmission	23,349,450	6.56%
Dominion East Ohio	Utilities-Natural Gas	17,544,430	4.93%
<b>TOTAL</b>		265,961,310	74.73%
<b>Total Assessed Valuation- Public Utilities</b>		355,889,230	5.95%
<b>Total Assessed Valuation-All Categories</b>		\$ 5,977,142,243	100.00%

Source: Cuyahoga County Auditor's Office

(1) Includes Public Utilities Real Property.

**CITY OF CLEVELAND, OHIO**

**SCHEDULE OF INSURANCE COVERAGE**

**DECEMBER 31, 2004**

<u>Type of Coverage/ Name of Carrier</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Annual Premium</u>
<b>AIRPORTS:</b>			
1) COMPREHENSIVE GENERAL LIABILITY INSURANCE -			
A) Old Republic Insurance Co. Primary Airport General Liability Insurance	PR174706	11/09/04-11/09/05	\$270,710
B) Subscribing insurers at Lloyd's of London Excess Airport Liability Insurance	JDDNX09803506	11/09/04-11/09/05	\$144,000
2) PROPERTY DAMAGE AND EARNINGS INSURANCE			
A) Arkwright Mutual Insurance Co.	NB881	03/06/04-03/06/05	\$384,204
3) VEHICLE LIABILITY INSURANCE			
A) St. Paul Fire and Marine Insurance Company	GA06300129	09/13/04-09/13/05	\$302,239
4) MOBILE EQUIPMENT LIABILITY INSURANCE			
A) St. Paul Fire and Marine Insurance Company	70 APN 26 34 10	09/13/04-09/13/05	\$13,427
<b>CLEVELAND PUBLIC POWER:</b>			
1) PROPERTY COVERAGE:			
A) Lloyd's of London Property Insurance Coverage	PL191204	12/22/04 - 12/22/05	\$325,000
B) Lloyd's of London Property Insurance Coverage	PL191204	12/22/04-12/22/05	(included above)

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

**CITY OF CLEVELAND, OHIO**

**SCHEDULE OF INSURANCE COVERAGE - Continued**

**DECEMBER 31, 2004**

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<b><u>Type of Coverage/ Name of Carrier</u></b>	<b><u>Policy Number</u></b>	<b><u>Policy Period</u></b>	<b><u>Annual Premium</u></b>
<b>NEW CLEVELAND BROWNS' STADIUM CONSTRUCTION</b>			
1) COMPREHENSIVE GENERAL LIABILITY INSURANCE -			
A) Pinkney Perry Insurance Agency (Zurich Global)			
General liability coverage	ERP3589292	05/12/04-05/12/05	\$130,796



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<u>Details of Coverage</u>	<u>Liability Limit</u>
All Coverages Combined, subject to applicable sub-limits of liability in the policy	\$290,000,000 per occurrence.
Earthmovement	
Earthquake	\$75,000 per occurrence.
Flood	
Outside 500 year Flood Plain or foreign equivalent	\$50,000 per occurrence.
Aggregate policy year limit	\$50,000 per occurrence.
Debris Removal, excluding pollutants, or removal required by the enforcement of law, etc. * or 25% of the loss, whichever is greater	\$5,000,000* per occurrence.
Machinery Breakdown	\$50,000 per occurrence.
Water Damage	\$100,000 per occurrence.
Ammonia Contamination	\$100,000 per occurrence.
Service Interruption	\$100,000 per occurrence.
Hazardous Substances	\$100,000 per occurrence.
Consequential Damage	\$100,000 per occurrence.



## CITY OF CLEVELAND, OHIO

### DEMOGRAPHIC STATISTICS - Continued DECEMBER 31, 2004

#### Employment

The following table indicates the distribution of employees among major industrial classifications in the Cleveland-Elyria-Mentor MSA<sup>(3)</sup> for the year 2004 and the Cleveland-Lorain Elyria PMSA<sup>(2)</sup> for the years 2000 through 2003:

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

	<u>2004<sup>(1)</sup></u>	<u>2003<sup>(1)</sup></u>	<u>2002<sup>(1)</sup></u>	<u>2001<sup>(1)</sup></u>	<u>2000<sup>(1)</sup></u>
<b>Good Producing Industries:</b>					
Natural Resources, Mining & Construction	44.6	44.9	44.7	45.2	44.9
Primary Metals	11.2	12.0	12.0	17.0	18.9
Fabricated Metal Products	31.4	31.9	32.4	35.9	38.6
Industrial Machinery	0.0	0.0	0.0	30.5	34.9
Electrical Equipment	0.0	7.6	8.7	14.6	15.1
Transportation Equipment	21.2	23.0	24.5	21.5	21.5
Printing & Publishing	0.0	0.0	0.0	15.2	17.0
Non-Durable Goods	42.4	47.5	50.2	0.0	0.0
Chemical Products	0.0	0.0	0.0	16.1	17.8
Rubber & Plastic Products	0.0	0.0	0.0	13.6	14.4
Other Durable Goods	45.7	41.5	44.6	38.9	41.1
<b>Total Goods Producing Industries</b>	196.5	208.4	217.1	248.5	264.2
<b>Service Producing Industries:</b>					
Transportation, Warehousing & Utilities	31.9	33.6	31.5	47.5	47.6
Wholesale Trade	54.6	54.6	56.5	70.4	76.0
Retail Trade	113.6	119.5	118.9	199.8	209.1
Financial Activities	81.1	81.2	80.9	82.5	80.5
Health Services	137.1	143.0	141.0	116.5	113.4
Other Services	317.0	321.2	324.5	241.5	245.4
Federal Government	18.5	18.8	19.0	19.7	20.5
State Government	8.2	8.5	8.9	9.2	9.2
Local Government	114.9	121.4	121.9	122.8	120.3
<b>Total Goods Producing Industries</b>	876.9	901.8	903.1	909.9	922.0
<b>Grand Total</b>	1,073.4	1,110.2	1,120.2	1,158.4	1,186.2
Goods Producing Percentage	18.3%	18.8%	19.4%	21.5%	22.3%
Service Producing Percentage	81.7%	81.2%	80.6%	78.5%	77.7%

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

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

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

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

## CITY OF CLEVELAND, OHIO

### DEMOGRAPHIC STATISTICS - Continued DECEMBER 31, 2004

#### Employment

The following table compares estimated employment statistics for Cuyahoga County and the Cleveland-Lorain-Elyria PMSA<sup>(2)</sup> (1995 - 2003) and the Cleveland-Elyria-Mentor, OH MSA<sup>(3)</sup> (2004) including comparisons with unemployment rates for the State of Ohio and the United States:

<u>Years<sup>(1)</sup></u>	<u>Employed</u>		<u>Unemployed</u>		<u>Unemployment Rate</u>			
	<u>County</u>	<u>PMSA/MSA</u>	<u>County</u>	<u>PMSA/MSA</u>	<u>County</u>	<u>PMSA/ MSA</u>	<u>Ohio</u>	<u>U.S.</u>
1995	644,100	1,037,000	31,800	55,400	4.7%	5.1%	4.8%	5.6%
1996	655,700	1,046,100	34,300	57,100	5.0%	5.2%	4.9%	5.4%
1997	651,900	1,061,600	33,000	53,500	4.8%	4.8%	4.6%	4.9%
1998	644,400	1,088,700	30,000	49,400	4.4%	4.3%	4.3%	4.5%
1999	649,900	1,093,400	31,300	49,100	4.6%	4.3%	4.3%	4.2%
2000	646,300	1,070,500	31,100	49,800	4.6%	4.4%	4.1%	4.0%
2001	643,400	1,071,100	30,800	51,700	4.6%	4.6%	4.2%	4.7%
2002	624,900	1,040,300	44,800	72,700	6.7%	6.5%	5.7%	5.8%
2003 <sup>(2)</sup>	631,800	1,055,300	43,500	72,400	6.4%	6.4%	6.2%	5.7%
2004 <sup>(3)</sup>	626,800	1,018,600	37,600	58,300	5.7%	5.4%	6.1%	5.4%

Source: Bureau of Labor Market Information

- (1) Effective January 1, 1994, the Cleveland PMSA was modified to include Lorain and Ashtabula Counties.
- (2) Office of Research Assessments & Accountability, Bureau of Labor Market Information, 2003 <http://lmi.state.oh.us/ASP/LAUS/vbLAUS.ASP>.
- (3) Effective 2003, the metropolitan statistical areas were modified. The 2003 classification is the Cleveland-Elyria-Mentor, OH MSA. Ashtabula County is no longer included in this MSA.

# CITY OF CLEVELAND, OHIO

## DEMOGRAPHIC STATISTICS - Continued DECEMBER 31, 2004

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### Corporate Headquarters

The following table shows the corporations among Fortune magazine's listing of the five hundred largest corporations in the United States which are located in the Cleveland-Elyria-Mentor, OH: MSA <sup>(1)</sup>:

#### The 500 Largest Industrial and Service Corporations Ranked by Revenues<sup>(A)</sup>

<u>Rank</u>	<u>Company</u>	<u>Worldwide Revenues (\$ millions)</u>	<u>Worldwide Assets (\$ millions)</u>	<u>Major Product or Services</u>
155	Progressive	\$ 13,782.1	\$ 17,184.3	Insurance
211	National City Corporation	10,559.9	139,280.4	Commercial Banking
227	Eaton	9,817.0	9,075.0	Automotive and Electronics
298	Parker Hannifin Corporation	7,106.9	6,256.9	Hydraulic Components
331	Sherwin Williams	6,113.8	4,274.2	Paints
355	Key Corp	5,564.0	90,739.0	Commercial Banking

Source: (A) [www.fortune.com/fortune500/snapshot/html](http://www.fortune.com/fortune500/snapshot/html)

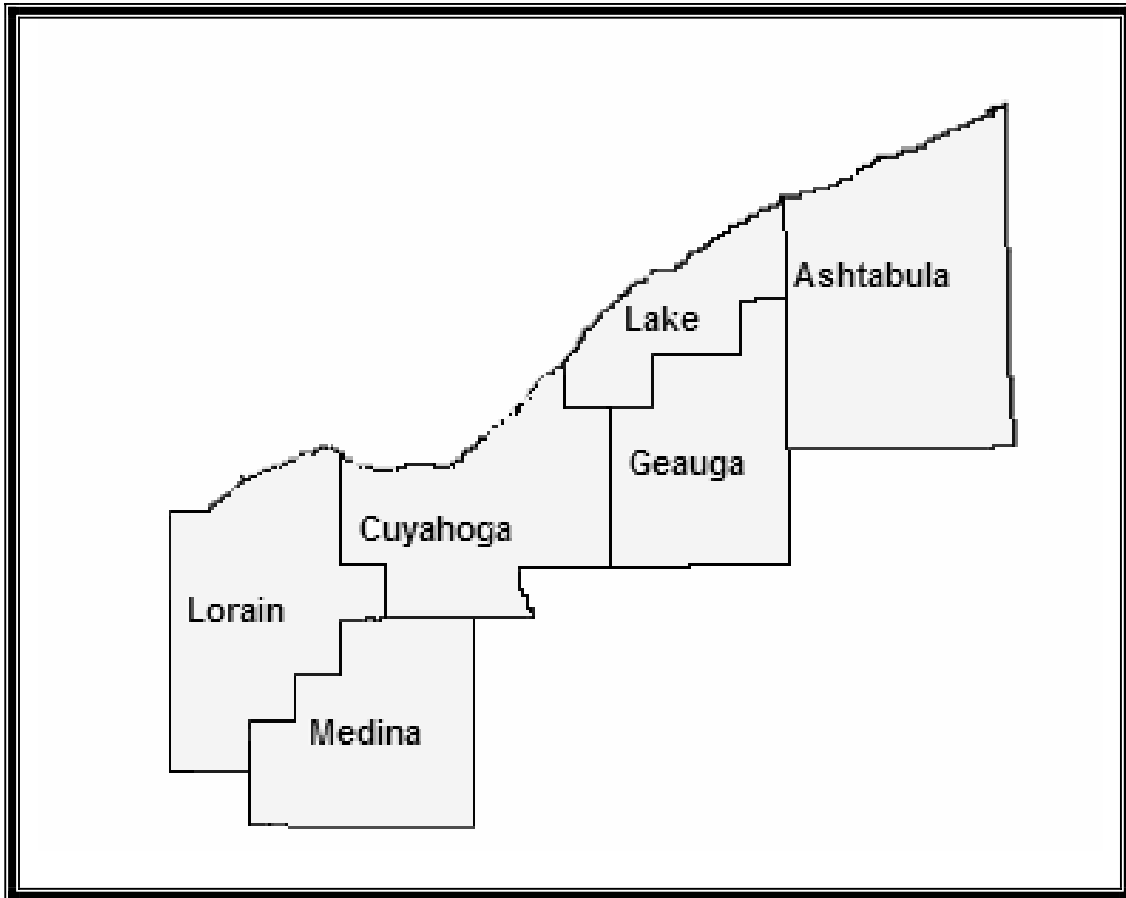
(1) Effective 2003, the metropolitan statistical area is classified as the Cleveland-Elyria-Mentor, OH MSA

## CITY OF CLEVELAND, OHIO

### DEMOGRAPHIC STATISTICS – *Continued*

DECEMBER 31, 2004

#### METROPOLITAN CLEVELAND<sup>(1)</sup>



- 2,223,300 people
- 6 counties
- Largest Metropolitan area in Ohio
- 1,081,700 employed labor force<sup>(2)</sup>

Source: Bureau of Labor Market Information

(1) Effective January 1, 1994, the Cleveland PMSA was modified to include Lorain and Ashtabula Counties. Effective 2003, the metropolitan statistical areas were again modified. The 2003 classification is the Cleveland-Elyria-Mentor, OH MSA. Although Ashtabula County is no longer included in this MSA, it is considered part of the Cleveland metropolitan area and is presented here for informational purposes.

(2) Office of Research, Assessment & Accountability, Bureau of Labor Market Information, 2005; <http://www.lmi.state.oh.us/ASP/LAUS/vbLAUS.ASP>.

**CITY OF CLEVELAND, OHIO**  
**DEMOGRAPHIC STATISTICS – Continued**  
**DECEMBER 31, 2004**

DATE OF INCORPORATION .....	MARCH 5, 1836
DATE OF ADOPTION OF ORIGINAL CITY CHARTER .....	JULY 1, 1913
FORM OF GOVERNMENT .....	MAYOR AND TWENTY-ONE COUNCILMEMBERS
AREA-SQUARE MILES .....	76
MILES OF SHORELINE ON CUYAHOGA RIVER .....	17
MILES OF SHORELINE ON LAKE ERIE .....	14

**ELECTION OF NOVEMBER 2001 (Mayoral)**

Number of Registered Voters-Last General Election .....	220,782
Number of Ballots Cast-Last General Election .....	109,770
Percentage of Registered Votes Cast .....	49.72

**AIRPORTS**

Cleveland Hopkins International Airport	
Enplaned Passengers .....	5,613,255
Total Airport Landing Weight (1,000 lbs) .....	8,074,843
Number of Scheduled Aircraft Departures per day (Average at Hopkins) .....	361
Miles from City Hall to Cleveland Hopkins International Airport .....	13
Miles from City Hall to Burke Lakefront Airport .....	1/4

**WATER SYSTEM**

Number of Customer Billings .....	1,660,054
Daily Average Pumpage-Gallon .....	234,500,000
Greatest Pumpage for a Single Day... (07/21/2004) .....	285,600,000
Maximum-Filtration Plant Capacity .....	529,000,000
Maximum-Intake Capacity per day .....	740,000,000
Number of Miles of Watermains Owned by City .....	1,749
Number of Miles of Watermains Owned by Suburb .....	3,555
Population Served .....	1,500,000

**FIRE DEPARTMENT**

Number of Stations .....	26
Number of Employees (uniformed) .....	902

**POLICE DEPARTMENT**

Number of Districts .....	6
Number of Employees (uniformed) .....	1,565

**BUILDINGS**

Permits Issued .....	10,020
Estimated Cost of Construction .....	\$558,278,403
Inspections under Ohio Basic Building Code .....	44,943

**PARKS AND RECREATION**

Number of Parks (district, neighborhood, and urban) .....	146
Number of Ball Diamonds (at 71 sites) .....	141
Total Playgrounds .....	111
Recreation Centers .....	19
Basketball Courts (at 67 sites):	
Full .....	123
Half .....	18
Pools:	
Indoor .....	18
Outdoor .....	22
Aquatic Play Areas .....	6
Golf Courses (2-18 hole courses at each) .....	2
Halloran Park Ice Rink .....	1
Zelma Watson George Roller Rink (indoor) .....	1
Tennis Courts (at 31 sites) .....	131
Soccer Fields .....	12
Cudell Fine Arts Center .....	1
Rockefeller Park Public Greenhouse .....	1
Camp George L. Forbes .....	1
Total Park Acreage (not including golf courses) .....	1,440

# CITY OF CLEVELAND, OHIO

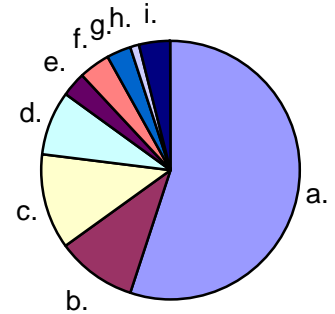
## SCHEDULE OF STATISTICS-GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2004

### OPERATING RATIOS: GENERAL FUND-BUDGET BASIS

#### REVENUE DOLLAR BY SOURCE

Where the money came from

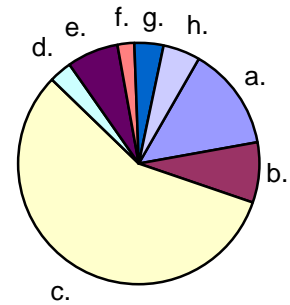
a. Income taxes	a.	\$0.55
b. Property taxes	b.	0.10
c. State local government fund	c.	0.12
d. Other shared revenues	d.	0.08
e. Licenses and permits	e.	0.03
f. Charges for services	f.	0.04
g. Fines, forfeits and settlements	g.	0.03
h. Grants	h.	0.01
i. Miscellaneous	i.	0.04
		\$1.00



#### EXPENDITURE DOLLAR BY FUNCTION

Where the money was spent

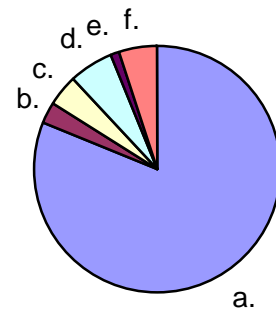
a. General government	a.	\$0.14
b. Public service	b.	0.08
c. Public safety	c.	0.57
d. Public health	d.	0.03
e. Parks, recreation and properties	e.	0.07
f. Building and Housing	f.	0.02
g. Economic and Community Development and other	g.	0.04
h. Transfers out	h.	0.05
		\$ 1.00



#### EXPENDITURE DOLLAR BY OBJECT

What the money was spent on

a. Salaries, wages, and related benefits	a.	\$0.81
b. Interdepartmental charges	b.	0.03
c. Utilities	c.	0.04
d. Contractual services	d.	0.06
e. Materials and supplies	e.	0.01
f. Transfers out	f.	0.05
		\$1.00





# **SPECIAL THANKS TO:**

The Division of Financial Reporting and Control

---

## **Accounting and Administrative**

Shelfie Carter  
Celina Chaves  
Greg Cordek  
Michael Gehlmann  
Michael Klein  
Peter Klepak

Ray Pring  
Dan Rehor  
Karen Schuster  
Va'Kedia Stiggers  
Sharon Teter  
Gary Walker

## **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





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**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  
JULY 14, 2005**