

Financial Report

Comprehensive Annual



For the Fiscal Year ending
December 31, 2007



CITY OF CLEVELAND
Mayor Frank G. Jackson

Americans will remember 2007 as the year when the subprime lending crisis began wreaking havoc on the nation's economy. In Cleveland, the crisis was felt earlier and more severely than in many American cities and presented the challenge of keeping up with the rapid growth in foreclosed and abandoned properties. But, Cleveland has always been a city that accepts challenges, and a city that runs to—and not away from—the fight.



We need more help from the federal government in this fight: that is why I presented to the major presidential candidates an Urban Agenda that identifies policy and funding priorities. I, however, am not waiting for federal assistance to arrive. I am focused on self-help strategies to address challenges. For example, to fight the challenge of abandoned property, I increased the demolition budget and took down nearly 1,000 structures, an increase of more than 400%.

The Operations Efficiency Task Force (OETF), a public-private task force, was put in place two years ago as a self-help measure to improve operations, realize efficiencies, save money and provide better service to residents. We achieved significant outcomes in 2007, including:

- An increase in Assessment and Licenses billings by 150%; and,
- An increase in the clean-up rate of vacant/abandoned properties by nearly 80% over 2005 levels.

In 2007, the Department of Economic Development approved \$22 million in economic development deals that will retain 2,791 jobs and create a projected 1,965 jobs. I have challenged Cleveland corporations to procure more of their goods and services from local suppliers and have instructed my City directors to improve the City of Cleveland's current rate of 61% for local procurement.

At Cleveland Hopkins International Airport, which is served by a Continental Airlines hub, we recently awarded a ten-year food and retail contract to BAA USA. We project the contract will double sales at Hopkins to \$620 million over 10 years, double the number of concession jobs, and increase to 30% the participation rate of local and minority-owned companies.

Through self-help, Cleveland, a \$1.1 billion corporation that includes the nation's eighth largest water system, two airports and Cleveland Public Power, is setting new standards for municipal efficiency; working to secure its future and to grow the regional economy.

Sincerely,

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

Frank G. Jackson, Mayor

CITY OF CLEVELAND, OHIO



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2007

CITY OF CLEVELAND



Comprehensive Annual Financial Report

For the year ended December 31, 2007

Issued by the
Department of Finance

Sharon Dumas
Director

James E. Gentile, CPA
City Controller

CITY OF CLEVELAND, OHIO

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INTRODUCTORY SECTION

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June 24, 2008

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

Introduction

We are pleased to submit the Comprehensive Annual Financial Report of the City of Cleveland (the “City”) for the year ended December 31, 2007. 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 2007 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, 2007, 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, 2007 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 a five or ten-year period.

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 25th largest of 363 Metropolitan Areas in the United States.

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

City Government

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

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

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

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

Financial Reporting Entity

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

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

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

Internal Control

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

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

Accounting and Financial Reporting

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

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

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

The City's basis of accounting for budgetary purposes differs from GAAP in that revenues are recognized when received, rather than when susceptible to accrual (measurable and available), and encumbrances and pre-encumbrances are included as expenditures rather than included in fund balances. The accounting policies and financial reporting practices of the City comply with accounting principles generally accepted in the United States of America applicable to governmental units. In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is effective for the year ended December 31, 2007. The City has determined that GASB Statement No. 45 has no impact on its financial statements as of December 31, 2007. In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*, which is effective for the year ended December 31, 2007. The City has determined that GASB Statement No. 48 has no impact on its financial statements as of December 31, 2007.

Budgeting Procedures

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

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

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is shown on page 55 as part of the basic financial statements. For other governmental funds with appropriated annual budgets, this comparison is presented in the supplementary information subsection of this report along with more detailed information regarding the General Fund, which starts on page 106.

Factors Affecting Financial Condition

Local Economic Indicators

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

While Cleveland, like the rest of the nation, felt the impact of a stagnant economy, the City continued to dedicate resources to the development of both affordable and market rate housing opportunities. The result of our efforts was a dramatic increase in housing stock value in nearly every neighborhood. Cleveland's assessed housing values increased over 12.7% between the 2003 and the 2006 reappraisal. The overall assessed housing value in Cuyahoga County increased by 12.3% for the same time period. However, in 2007 Cleveland's assessed housing values decreased by 8.6%.

In 2007, within Cuyahoga County, the City was ranked first in single family residential housing starts with 191 units.

Cleveland's economic condition also draws strength and stability from its evolving role as the focal point of a growing, changing and substantial regional economy. The City is located at the center of one of the nation's heaviest population concentrations. The Cleveland metropolitan area is a significant local market, housing 2.1 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.

Several local businesses announced their intention to stay and invest in Cleveland including; National City Bank, KeyCorp, Tucker, Ellis & West, Human Arc, Ernst & Young and Eaton Corporation. University Hospitals has committed to local procurement for up to 80% of its \$730 million construction project, which translates to more than \$580 million being spent within our local economy. The potential benefits to the City include additional jobs, dollars invested in new buildings and rehabilitating old ones, creating construction jobs and contracts for services.

Major Industries, Economic Conditions and Employment

Cleveland, as well as most large urban municipalities across the nation, faced significant economic challenges in recent years. Like all manufacturing cities across the country, Cleveland has tried to combat the declining industry base with more professional and service industry opportunities. The City's budget basis income tax collections increased approximately 3% in 2007.

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

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

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

Current Projects and 2007 Accomplishments

The 2007 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 2007 programmatic goals and projects without an income or property tax increase:

Department of Community Development

- Adopted a policy to encourage the development of “green” housing, under which 165 homes were completed using these standards. Three large scale projects: Flats East Bank, St. Lukes Point and Upper Chester were approved for the Leadership in Energy and Environmental Design-Neighborhood Development pilot.
- Provided more than \$1.8 million in Community Development Block Grant funds to support social service activities throughout the City. Another \$1.3 million was provided for AIDS prevention and housing for people with AIDS.
- A new Senior Initiative among the Departments of Aging, Building and Housing and Community Development, was implemented to assist eligible seniors obtain repairs to their homes to prevent them from being victimized by unscrupulous contractors and predatory loans. Repairs through the Senior Housing Assistance Program increased from 178 to 224 houses in 2007.
- A total of 100 vacant homes were rehabilitated and sold to new homeowners through the Department’s Afford-a-Home program.
- Repaired or improved more than 2,100 homes through various programs such as home repair, furnace replacement, paint and weatherization.
- To combat homelessness, the City provided \$631,000 for homeless services and \$1.05 million for emergency shelters. The City assisted in the development of 248 units of transitional and permanent supportive housing.

Department of Building and Housing

- Utilized on-line plumbing, heating and electrical permits through the internet and issued 395 permits on-line.
- Issued 5,954 notices of Building Code Violations and boarded up 4,706 condemned structures.
- Performed 46,705 building inspections in 2007.

Department of Economic Development

- Approved \$22 million in economic development deals that will help retain 2,791 jobs and create a projected 1,965 jobs.
- The Core City Program loaned \$4.6 million to the K & D Group to redevelop the former William Taylor & Son Department Store into 215 residential units and renovate approximately 66,000 square feet of retail/commercial space.
- The Division of Workforce Development provided job seeker assistance to 10,000 adults through Employment Connection locations including Orientation and Attendance Workshops and Core Job Placement.
- The Division of Workforce Development, under the direction of the Cleveland/Cuyahoga County Workforce Investment Board, placed over 2,000 individuals with full-time employment.

Department of Health

- Applied and secured \$666,000 of new funding for prenatal care.
- Increased HIV testing in health centers by over 50%.
- Collected \$150,000 in air permitting fees, an 87.5% increase from 2006 levels.
- Awarded \$90,000 to educate health care providers on mental health.
- Changed lead poisoning action level to assist more poisoned children.
- Recognized as one of only three air monitoring programs to be honored nationally for excellence.
- Doubled the number of Cleveland students in marathon program to 192.
- Awarded \$125,000 to open new Cleveland Office on Minority Health.

Department of Aging

- Provided supportive services to more than 2,200 seniors.
- Provided 1,261 benefit checkups to seniors.
- Secured over \$400,000 of external grants.
- Assisted 224 seniors or disabled adults with a major home repair through the Senior Homeowners' Assistance Program.
- The annual Senior Day program attracted more than 2,000 senior citizens.

The Office of Equal Opportunity (OEO)

- Conducted approximately 700 certifications for minority and female owned businesses.
- Establishment of the Minority Contractor's Business Assistance Program, which is a grant partnership with the State of Ohio Department of Development.
- City contract participation for 2007 by OEO-certified businesses exceeded \$15 million.

Department of Public Service

- Completed 14 road and bridge projects at the cost of \$68 million. Major projects currently under construction include: Fulton Road Bridge (\$50 million); West 3rd Street Lift Bridge (\$20 million); Euclid Corridor Transportation Project (\$93 million).
- The Division of Architecture completed a total of 33 projects, and has an additional 77 in the design or construction stage. The total value of these projects is approximately \$43 million.
- The Division of Streets provided snow removal services to over 1,200 miles of City roadways and used over 80,000 tons of salt throughout the 2007 winter season which had a total snowfall of 80 inches.

- The Division of Streets used over 25,000 tons of asphalt and approximately 5,185 cubic yards of concrete for street repairs and resurfacing. The cost of streets resurfaced decreased from \$18 a square yard to \$15 a square yard. The Division also removed 32 tons of leaves for composting.
- The Division of Waste collected and disposed of over 275,000 tons of debris. The Division also collected over 3,100 tons of recyclables in 2007.
- The Division of Traffic Engineering maintained 6,500 crosswalks, approximately 600 miles of lane lines, over 1,100 traffic signals and 250 school sign flashers.

Department of Public Safety

- The Division of Police, in conjunction with our law enforcement partners, have been awarded grant funding exceeding \$7 million to fight violent crime through the Comprehensive Anti-Gang Initiative and the Northern Ohio Violent Crime Consortium.
- By using aggressive public education programs and providing free smoke detectors to those in need, the Department reduced fire-related fatalities by 36%.
- Completed installation of new back-up generators at 19 fire stations, ensuring all facilities now have back-up power.
- Reduced average Emergency Medical Services response time by 56 seconds from the prior year, while fielding 88,506 9-1-1 calls and transporting 63,052 patients to area hospitals.
- By merging the Cleveland House of Correction Officers and the Institutional Guards at the Justice Center, the City eliminated approximately 10,000 van trips transferring prisoners between the Districts and the City Jail.
- Issued 484 citations for various animal violations and impounded 4,225 animals.

Department of Parks, Recreation and Properties

- Completed 11 construction projects with a total value of over \$2.5 million. These included site improvements to Gardenview Hill, Tony Brush Park, Zone Recreation Soccer Field, Grant Park and Treadway Creek.
- Increased service visits (grass and weed cutting, etc.) from 35,212 in 2006 to 49,022 in 2007.
- Expanded the summer meal program at four recreation centers to include breakfast, bringing the total number of City-wide meals served to over 63,000.
- The Convention Center held events on 221 days which were attended by over 133,000 people.
- Commenced over \$600,000 of improvements to Willard Park Garage, including new lighting, equipment and repairs.
- Installed four multi-space meters as a pilot program on Franz Pastorius Boulevard, replacing 62 single-space meters. This new technology will enhance the parking experience in downtown Cleveland.
- Implemented suggestions from the Operations Efficiency Task Force to increase servicing of trees from 4,665 in 2006 to 6,276 in 2007.

Department of Port Control

- Construction began on the uncoupling and extension of Runway 6R-24L at Hopkins. The extension to the runway will allow for unrestricted direct international service from Cleveland to any world-wide destination.
- J.D. Power and Associates ranked Hopkins International Airport as the 4th Best Commercial Airport in America in 2007.
- Burke Lakefront Airport extended the agreement with the Cleveland National Air Show through 2010.

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

- An agreement was reached with Merchandise Mart Properties to construct and build a Medical Mart and Convention Center in downtown Cleveland. Once completed, the \$400 million center is projected to generate as much as \$331 million per year of economic activity.
- The University Circle area continued with its construction of \$2.4 billion of new projects that started in 2000. Major projects completed in 2007 include the expansion of the Cleveland Institute of Music (\$32 million) and the renovation of Park Lane Villa (\$30 million).
- Construction neared completion on the first phase of the Avenue District project. Due to higher than anticipated demand, the development has expanded to include 650 condominiums and townhomes, bringing the total cost of the project to \$300 million.
- The \$522 million East Bank of the Flats project will include over 1,200,000 square feet of office, entertainment, retail and commercial space, 430 residential units and over 1,600 parking spaces. The project is projected to provide over 679 jobs and increase the annual payroll tax base by an additional \$22 million.
- The Regional Transit Authority opened the first section of the Euclid Corridor Transportation Project a full year ahead of schedule. The entire project is slated to be completed in October of 2008.

Future Economic Outlook

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

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

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

The following amounts were committed from 1991 through 2007:

	(Amounts in Millions)
Key Bank	\$ 1,450
Bank One	766
National City Bank	1,465
U.S. Bank	873
FirstMerit Bank	523
Fifth Third Bank	574
Huntington National Bank	478
Charter One	239
Skybank	140
Fannie Mae and Freddie Mac	<u>2,400</u>
Total	<u>\$ 8,908</u>

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

2008 Budget

In preparing its 2008 budget, the City assumed a 2.2% increase in income tax collections and a 1.6% decrease in property taxes due to decreased valuation of properties in 2008. Total 2008 estimated available General Fund revenues, including other financing sources, are \$505,522,813, which represents a 2.2% decrease as compared to 2007 actual General Fund revenues. The City also considered several anticipated expenditure increases including:

- The Local 93 contract agreement included a 2% wage increase effective April 1, 2008.
- The Ohio Public Employees Retirement System employers' rate increased from 13.85% to 14%.
- Increases in rates for gasoline, natural gas, electricity and steam.

The City does not anticipate a 2008 year-end operating deficit. The City will implement aggressive cost saving measures in the areas of purchasing and employee deployment, which will control overtime costs, in a continued effort to implement expenditure controls.

During 2008, 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.

Major highlights of the 2008 budget are:

- Funding of two police cadet classes with the goal of achieving and maintaining a budgeted strength of 1,645 police officers.
- Increased level of demolitions of vacant or condemned structures while implementing strategic and systematic inspections of existing structures.
- Implementation of the multi-jurisdictional gun control safety initiative that is directly attacking the availability of illegal guns in our community.

Major Initiative

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

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

Cash Management

Currently, the City's policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, \$162,639,000 of bank deposits are either insured by federal depository insurance or collateralized by securities held by the City or by its agent in the City's name.

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

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

In 2007, the Division of Treasury negotiated new banking agreements that eliminated outdated charges and substantially reduced transaction charges that were not in-line with existing market pricing. As a result of the agreements, the City was able to recognize a reduction of over \$48,000 in bank fees for the 12-month period of December 2006 through November 2007.

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 workers' compensation expenditures. The City utilizes 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, 2007 represents the 27th 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, 2006. 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 23 years (years ended 1984 – 2006). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

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

Very truly yours,


Sharon Dumas, Director
Department of Finance


James E. Gentile, CPA
City Controller

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CITY OF CLEVELAND, OHIO

City Officials
Frank G. Jackson, Mayor

EXECUTIVE STAFF

Ken Silliman, Esq. Chief of Staff
 Darnell Brown..... Chief Operating Officer
 Valarie J. McCall Chief of Government Affairs
 Maureen R. Harper..... Chief of Communications
 Monyka S. Price..... Chief of Education
 Chris Warren..... Chief of Regional Development
 Andrea V. Taylor Press Secretary
 Victor R. Perez, Esq..... Chief Assistant Prosecutor
 Natoya J. Walker..... Special Assistant to the Mayor

ADMINISTRATION

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

CITY OF CLEVELAND, OHIO

City Council

Martin J. Sweeney	President of Council /Ward 20
Patricia J. Britt	Clerk of Council
Nina Turner	Ward 1
Robert J. White III	Ward 2
Zachary Reed	Ward 3
Kenneth L. Johnson	Ward 4
Phyllis E. Cleveland.....	Ward 5
Mamie J. Mitchell	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
Joe Cimperman	Ward 13
Joseph Santiago.....	Ward 14
Brian J. Cummins.....	Ward 15
Kevin J. Kelly	Ward 16
Matthew Zone	Ward 17
Jay Westbrook.....	Ward 18
Dona Brady	Ward 19
Martin J. Keane.....	Ward 21

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cleveland
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

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.



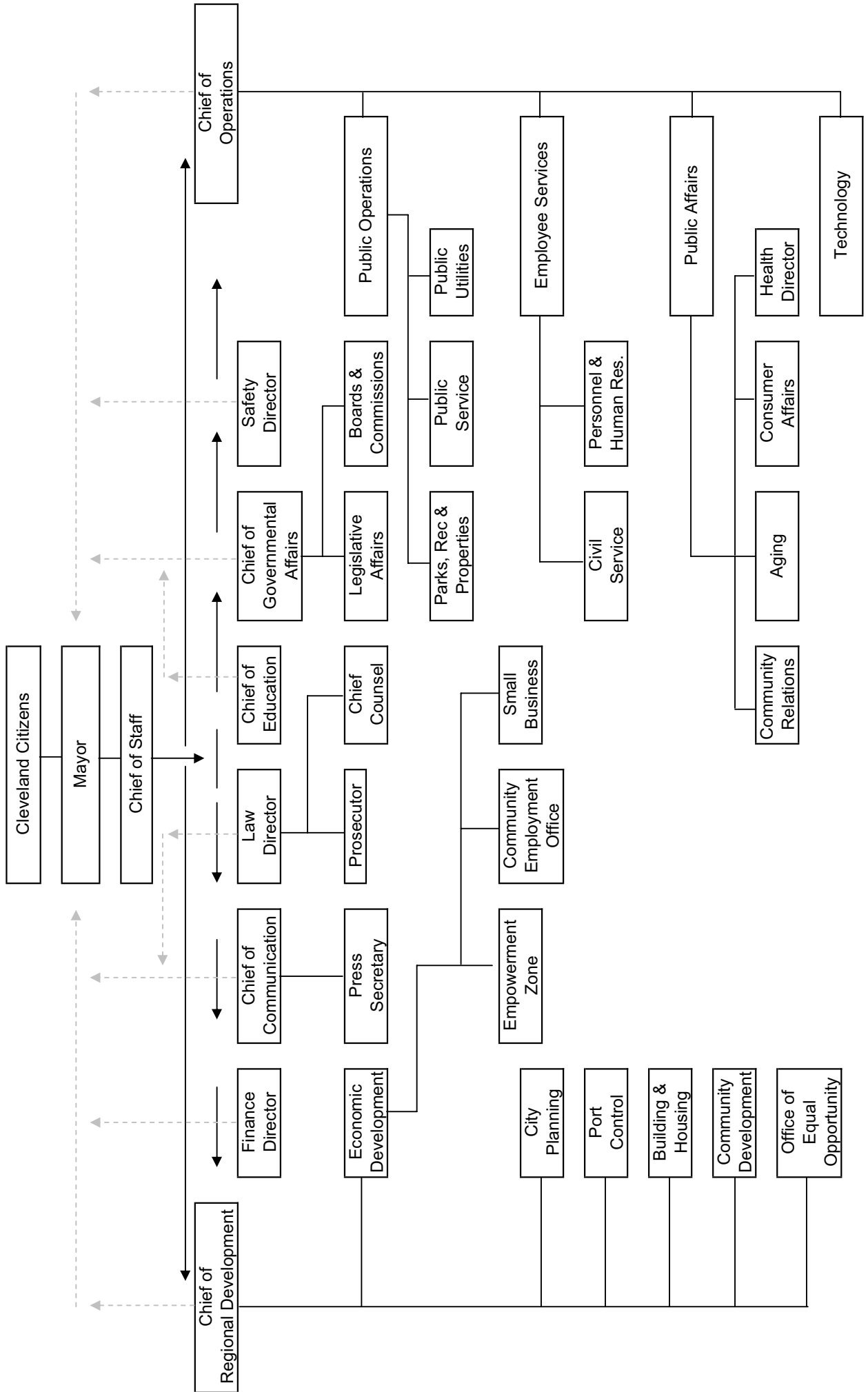
Charles S. Cox

President

Jeffrey R. Emswiler

Executive Director

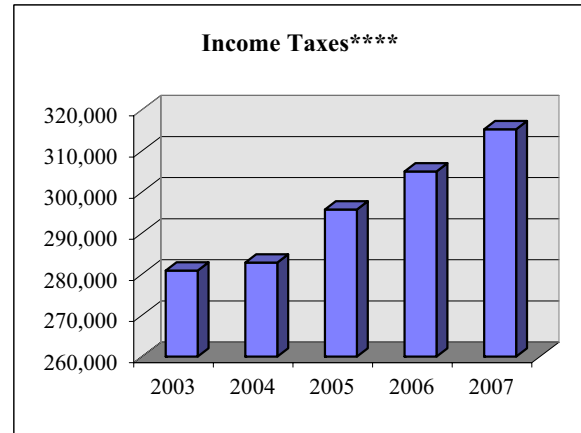
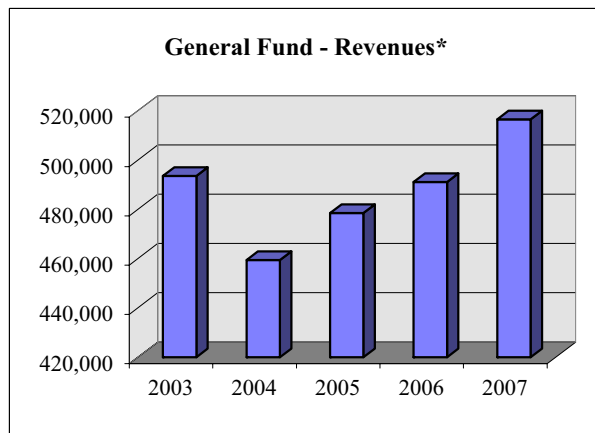
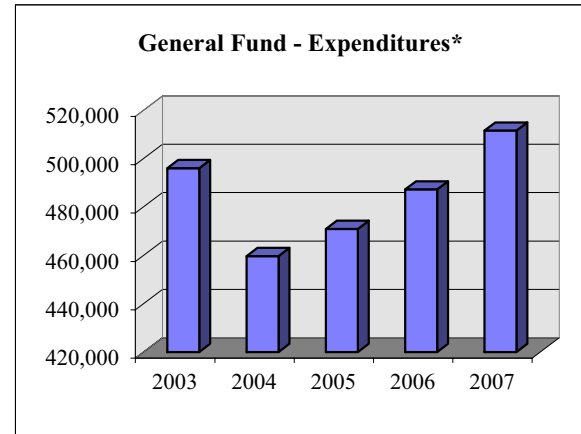
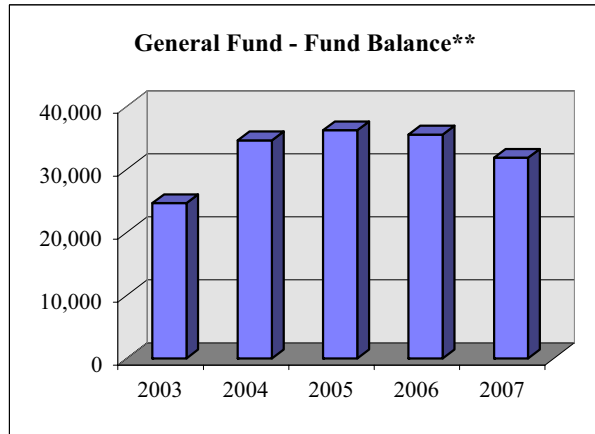
**CITY OF CLEVELAND, OHIO
ADMINISTRATIVE ORGANIZATION CHART**



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****
2003	24,651	493,569	496,010	280,890
2004	34,634	459,374	459,647	282,824
2005	36,213	478,522	470,905	295,759
2006	35,531	491,052	487,233	305,010
2007	31,854	516,551	511,567	315,262

* *Budget Basis* - General Fund revenues and expenditures include other financing sources (uses).

** *GAAP Basis*

*** The 2003 General Fund fund balance includes restatements.

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

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FINANCIAL SECTION

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Cuyahoga County, Ohio, as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Mary Taylor, CPA
Auditor of State

June 24, 2008

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, 2007. Please read this information in conjunction with the City's financial statements and footnotes that begin on page 50.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at December 31, 2007 by approximately \$2.357 billion (net assets). Of this amount, \$447.1 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- Of the approximately \$2.357 billion of net assets, governmental activities accounted for approximately \$640 million of net assets, while business-type activities net assets accounted for approximately \$1.717 billion.
- The City's net assets increased by \$157.9 million as compared to 2006. The governmental net assets increased by \$72.5 million and the business-type activities net assets increased by \$85.4 million.

The major factors contributing to the \$72.5 million increase to governmental activities net assets are a \$62.9 million increase in capital outlay and a \$4.5 million increase in revenues that do not provide current financial resources and a \$1.6 million increase in governmental fund balance. The \$62.9 million increase in capital outlay is reported on the fund statements as expenditures; however, on the government-wide statements these expenditures are capitalized and recorded as capital assets and depreciated over their useful lives. The \$4.5 million increase in revenue is recognized on the government-wide financial statements, but deferred on the fund financial statements. The increase of \$1.6 million in governmental fund balance is discussed below.

The primary components of the \$1.6 million increase in governmental fund balance are as follows: the General Fund had a decrease in fund balance of approximately \$3.7 million. This decrease was primarily due to an increase in expenditures for professional services and increased uniformed personnel salaries, wages and benefits. The increase in fund balance of \$5.3 million in Other Governmental Funds is as follows: Special Revenue funds had a fund balance decrease of \$12.1 million. This decrease was offset by increases in the following: Capital Projects funds had an increase in fund balance of \$15.1 million related to various City athletic complexes, recreation centers and the Euclid Avenue Corridor project. The Debt Service funds had an increase in fund balance of \$2.3 million relating to higher transfers in for debt service payments.

The contributing factors for the net assets increase of \$85.4 million in business-type activities were significant increases in the following departments: The Water Division's overall increase in net assets of \$54.8 million was primarily due to an increase in billed consumption and an increase in water service rates. Cleveland Public Power's total net assets increased by \$10.6 million which was attributed to the increase in kilowatt hours sold. Airport Facilities total net assets increased by \$15.0 million due to an increase in capital and other contributions.

- At the end of the current year, unreserved fund balance for the General Fund was \$17.4 million and is available for spending at the City's discretion. The unreserved fund balance equals 3.4% of the total current General Fund expenditures and other financing uses.
- In 2007, the City's total long-term debt and other debt-related obligations net of premiums, discounts and unamortized loss on debt refunding increased by \$91.1 million. The increase was primarily attributed to the 2007 issuance of revenue bonds, partially offset by the retirement and defeasance of revenue bonds issued in prior years.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains 34 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 33 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

Proprietary funds. The City maintains two different types of proprietary funds. The first type is enterprise funds. They are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, electric, airport, sewer, convention center, markets, parking lots, cemeteries, and golf course operations. The second type of proprietary fund the City uses is 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. Internal service funds are an accounting device used to accumulate and allocate costs internally throughout the City's various functions. Because most of the internal services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements, except for the utilities administration fund which has been classified as a business-type activity.

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 62 -104 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, 2007 and 2006

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
(Amounts in 000's)						
Assets:						
Current and other assets	\$710,796	\$717,380	\$1,309,407	\$1,181,603	\$2,020,203	\$1,898,983
Capital assets	<u>918,633</u>	<u>855,085</u>	<u>2,738,843</u>	<u>2,677,996</u>	<u>3,657,476</u>	<u>3,533,081</u>
Total assets	1,629,429	1,572,465	4,048,250	3,859,599	5,677,679	5,432,064
Liabilities:						
Long-term obligations	762,278	758,265	2,158,020	2,066,191	2,920,298	2,824,456
Other liabilities	<u>227,212</u>	<u>246,727</u>	<u>173,384</u>	<u>162,004</u>	<u>400,596</u>	<u>408,731</u>
Total liabilities	989,490	1,004,992	2,331,404	2,228,195	3,320,894	3,233,187
Net assets:						
Invested in capital assets, net of related debt	407,548	350,278	591,604	622,195	999,152	972,473
Restricted	292,021	273,513	618,497	512,585	910,518	786,098
Unrestricted	<u>(59,630)</u>	<u>(56,318)</u>	<u>506,745</u>	<u>496,624</u>	<u>447,115</u>	<u>440,306</u>
Total net assets	<u>\$639,939</u>	<u>\$567,473</u>	<u>\$1,716,846</u>	<u>\$1,631,404</u>	<u>\$2,356,785</u>	<u>\$2,198,877</u>

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. The City's assets exceeded liabilities by approximately \$2.357 billion at the close of the most recent fiscal year. This represents an increase of 7.2% in 2007. Of the City's net assets, 27.2% represents its governmental net assets and 72.8% represents its business-type net assets.

Of the net assets from governmental activities, \$407.5 million represents its investment in capital assets (e.g., land, land improvements, buildings, infrastructure, furniture, fixtures, equipment and vehicles), net of accumulated depreciation, less any related, still-outstanding debt issued to acquire, construct or improve those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities. Another significant portion of net assets, \$292.0 million, represents resources that are subject to external restrictions on how they may be used. There was a modest decrease in unrestricted net assets of \$3.3 million.

In 2007, the total assets from governmental activities increased by \$57.0 million. This increase is primarily attributed to an increase in net capital asset additions of \$63.5 million and an increase of \$20.2 million of cash and cash equivalents at year-end. These increases were partially offset by a decrease of \$27.8 million of net receivables.

Also in 2007, the total liabilities from governmental activities decreased by \$15.5 million. The decrease was primarily due to a decrease of \$27.8 million of due to other governments which was partially offset by increases in accrued wages and benefits, unearned revenue and long-term obligations.

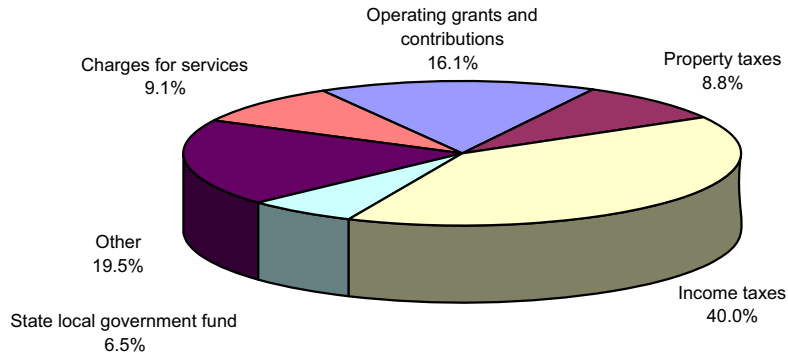
At the end of the current year, the City is able to report positive balances in total net assets for both its governmental activities and its business-type activities. Information regarding government-wide changes in net assets is provided below:

**Changes in Net Assets
For Fiscal Years Ended December 31, 2007 and 2006**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u> (Amounts in 000's)		<u>Total</u>	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 72,388	\$ 69,085	\$ 544,074	\$ 495,519	\$ 616,462	\$ 564,604
Operating grants and contributions	127,218	155,858	23,739	14,598	150,957	170,456
Capital grants and contributions	82,566	23,839	85,340	67,433	167,906	91,272
General revenues:						
Income taxes	317,268	302,084			317,268	302,084
Property taxes	69,313	66,762			69,313	66,762
Other taxes	28,567	26,492			28,567	26,492
Shared revenues	23,805	16,949			23,805	16,949
State local government funds	51,164	55,905			51,164	55,905
Unrestricted investment earnings	5,670	4,273	30	14	5,700	4,287
Miscellaneous	14,482	18,460			14,482	18,460
Total revenues	<u>792,441</u>	<u>739,707</u>	<u>653,183</u>	<u>577,564</u>	<u>1,445,624</u>	<u>1,317,271</u>
Expenses:						
General government	87,667	89,269			87,667	89,269
Public service	86,435	81,248			86,435	81,248
Public safety	322,840	301,208			322,840	301,208
Community development	54,425	62,701			54,425	62,701
Building and housing	13,999	13,832			13,999	13,832
Public health	21,412	27,674			21,412	27,674
Parks, recreation and properties	54,332	45,546			54,332	45,546
Economic development	39,168	44,739			39,168	44,739
Other	11,644	9,918			11,644	9,918
Interest on debt	27,763	32,162			27,763	32,162
Water			205,470	204,994	205,470	204,994
Electricity			148,832	141,546	148,832	141,546
Airport facilities			167,967	157,976	167,967	157,976
Non-major activities			45,762	42,112	45,762	42,112
Total expenses	<u>719,685</u>	<u>708,297</u>	<u>568,031</u>	<u>546,628</u>	<u>1,287,716</u>	<u>1,254,925</u>
Changes in net assets before transfers	72,756	31,410	85,152	30,936	157,908	62,346
Transfers	(290)	(390)	290	390	-	-
Changes in net assets	72,466	31,020	85,442	31,326	157,908	62,346
Net assets at beginning of year	<u>567,473</u>	<u>536,453</u>	<u>1,631,404</u>	<u>1,600,078</u>	<u>2,198,877</u>	<u>2,136,531</u>
Net assets at end of year	<u>\$ 639,939</u>	<u>\$ 567,473</u>	<u>\$ 1,716,846</u>	<u>\$ 1,631,404</u>	<u>\$ 2,356,785</u>	<u>\$ 2,198,877</u>

Business-type net assets increased \$85.4 million in 2007. Of the business-type net assets, \$591.6 million represents its investment in capital assets, net of accumulated depreciation, less any related, still-outstanding debt issued to acquire, construct or improve those assets. These capital assets are used to provide services to their customers. Consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities. \$618.5 million of net assets are subject to external restrictions on their use. The remaining balance of \$506.7 million is unrestricted and may be used to meet the City's ongoing obligations to customers and creditors.

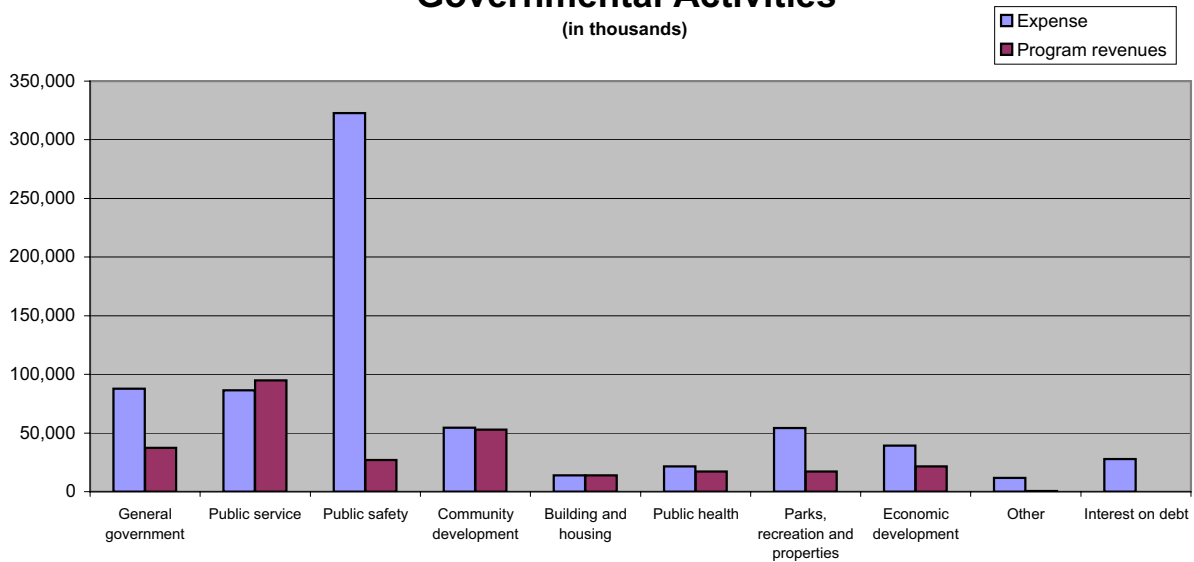
Revenues by Source - Governmental Activities



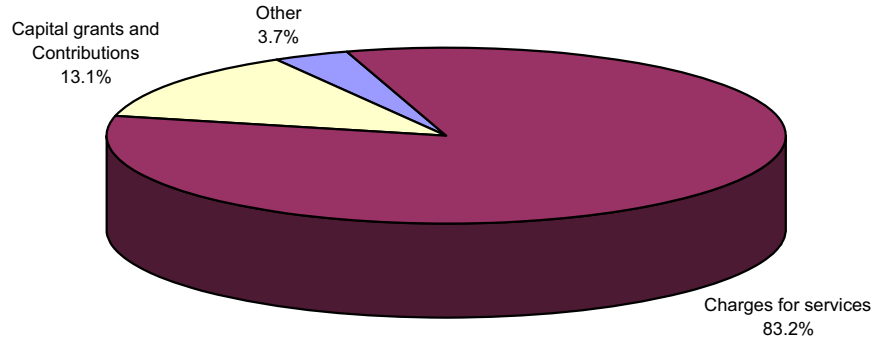
Other includes capital grants and contributions, other taxes, shared revenues, other grants and contributions, unrestricted investment earnings, miscellaneous revenue and transfers.

Expenses and Program Revenues - Governmental Activities

(in thousands)



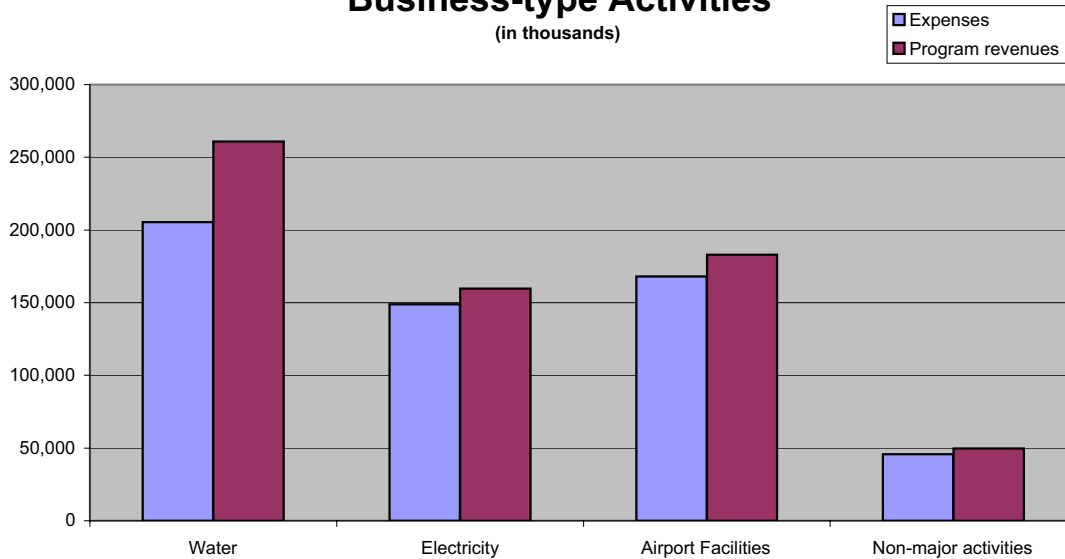
Revenues by Source - Business-type Activities



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

Expense and Program Revenues - Business-type Activities

(in thousands)



In 2007, business-type total assets increased by \$188.7 million primarily due to a net increase in capital assets of \$60.8 million, an increase in unrestricted cash and cash equivalents and investments of \$36.8 million and an increase in restricted cash and cash equivalents and investments of \$74.6 million. Business-type total liabilities increased by \$103.2 million primarily due a net increase in long-term obligations of \$91.8 million due to the 2007 issuances of Airport System and Waterworks Improvement Revenue Bonds, partially offset by the retirement and defeasance of revenue bonds, and an increase of \$10.1 million of amounts due to other governments.

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

Department of Port Control: The City's Department of Port Control consists of the Divisions of Cleveland Hopkins International Airport and Burke Lakefront Airport, which employ approximately 386 individuals in administration, airfield and building maintenance, vehicle maintenance, and aircraft rescue and fire fighting. Currently, 23 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 2007 amounted to \$105.7 million. This represents a modest increase over 2006 operating revenues. Cleveland Hopkins International Airport served 11,458,898 passengers in 2007. This reflects a 1.2% increase over the number of passengers served in 2006. This increase is attributed to normal industry fluctuation.

Division of Water: The Division operates a major public water supply system, the eighth largest in the United States that serves not only the City, but also 70 suburban municipalities in Cuyahoga, Medina, Summit and Geauga counties. The Division is an emergency standby provider for systems in three other counties. The present service area covers over 640 square miles and serves over 1.5 million people. In 2007, the aggregate metered consumption of water in the City constituted 33% of the total metered consumption in the service area, while consumption in the direct service communities and master meter communities constituted 56% and 11%, respectively. Operating revenue in 2007 increased approximately 14.6% to \$240.6 million from \$210.0 million in 2006. This increase was mainly attributed to a 1.9% increase in billed consumption and an increase of water service rates of approximately 5.5%. Operating expenses, exclusive of depreciation, increased to \$140.2 million compared to \$132.9 million in 2006.

Division of Cleveland Public Power: The Division supplies electrical service to approximately 76,000 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 2007 operating revenue increased 6.1% to \$155.2 million from \$146.3 million in 2006. Purchased power expense increased 4.8% to \$83.5 million in 2007 from \$79.7 million in 2006. Operating expenses, exclusive of depreciation and purchased power, increased 4.8% to \$36.9 million compared to \$35.2 million in 2006.

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 \$417.9 million, an increase of \$1.6 million in comparison with the prior year. The total governmental unreserved fund balance is \$125.8 million of which \$99.0 million is undesignated. The components of the total undesignated governmental fund balance include \$17.4 million in the General Fund which is available for spending at the City's discretion; an additional \$71.3 million of undesignated Special Revenue Funds available for expenditures that are legally restricted for a particular purpose; and the Capital Project Fund has \$10.3 million of undesignated fund balance to be used for the acquisition or construction of major capital projects. An additional \$26.8 million is designated for future capital improvements. The remaining \$292.1 million of the fund balance is reserved which indicates that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$90.4 million), 2) to make future loans (\$158.0 million), 3) to pay debt service (\$35.5 million), and 4) for a variety of other restricted purposes (\$8.2 million).

The General Fund is the chief operating fund of the City. At the end of the current year, the unreserved fund balance of the General Fund was \$17.4 million while the total fund balance was \$31.9 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 3.4% of total General Fund expenditures and transfers out, while total fund balance represents approximately 6.3% 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
2007 and 2006
(Amounts in thousands)

	<u>2007</u>	<u>2006</u>
Revenues:		
Income taxes	\$ 277,141	\$ 269,730
Property taxes	45,533	43,911
State local government funds	53,506	55,908
Other shared revenues	45,334	39,089
Licenses and permits	11,688	11,734
Charges for services	20,651	18,381
Fines, forfeits and settlements	25,291	23,464
Investment earnings	4,574	3,008
Grants	923	1,180
Miscellaneous	9,832	11,310
Total revenues	<u>494,473</u>	<u>477,715</u>
Expenses:		
General government	74,318	70,387
Public service	35,384	35,651
Public safety	305,712	284,257
Community development	2,286	1,945
Building and housing	10,539	10,261
Public health	5,572	11,910
Parks, recreation and properties	35,371	35,445
Economic development	1,540	939
Other	9,206	9,256
Total expenses	<u>479,928</u>	<u>460,051</u>
Excess of revenues over expenditures	14,545	17,664
Other financing sources (uses):		
Transfers in	6,758	125
Transfers out	(25,157)	(18,471)
Sale of City assets	177	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(3,677)</u>	<u>(682)</u>
Fund balance at beginning of year	<u>35,531</u>	<u>36,213</u>
Fund balance at end of year	<u>\$ 31,854</u>	<u>\$ 35,531</u>

Analysis of General Fund Revenues

General Fund revenues and other sources totaled \$501.4 million in 2007, an increase of approximately \$23.6 million from 2006. 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 2007, approximately 86% of the total income taxes paid to the City were derived from non-residents employed in the City and business profits.

Income tax collections increased approximately \$7.4 million in 2007 over the comparable amount in 2006 due to increased employer withholding payments in 2007.

Property Taxes

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

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

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

<u>Tax Collection Year</u>	<u>Real Property</u>	<u>Tangible Personal (Other than Public Utility)</u> (in thousands)	<u>Public Utility Tangible Personal</u>	<u>Total Assessed Valuation</u>
2007	\$ 5,589,053	\$ 551,296	\$ 316,899	\$ 6,457,248
2006	\$ 4,947,986	\$ 677,333	\$ 314,385	\$ 5,939,704

Property tax revenues increased by \$1.6 million in 2007 principally due to slightly higher current tax collections and a modest increase in delinquent tax collections in 2007.

State Local Government Funds and Other Shared Revenues

State Local Government Funds and Other Shared Revenues include taxes levied and collected by the State of Ohio or counties and partially redistributed to the City and other political subdivisions. Other shared revenues include state income, sales, corporate franchise, homestead and rollback, public utility, estate, and cigarette taxes as well as liquor fees. State Local Government Funds and other shared revenues have increased in total by approximately \$3.8 million in 2007.

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

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

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

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

Licenses and Permits

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

Licenses and permits revenue remained relatively consistent from 2006 to 2007.

Analysis of General Fund Expenditures

General Fund expenditures and other financing uses totaled \$505.1 million in 2007, an increase of 5.6% from 2006. The amount of expenditures and other uses by function on a GAAP basis, including the increases (decreases) over the prior year, are shown in the following table:

<u>Expenditures and Other Financing Uses</u>	<u>Actual 2007</u>	<u>% of Total</u>	<u>Actual 2006</u>	<u>% of Total</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
(Amounts in 000's)						
Current:						
General Government	\$ 74,318	14.71	\$ 70,387	14.71	\$ 3,931	5.58
Public Service	35,384	7.01	35,651	7.45	(267)	(0.75)
Public Safety	305,712	60.53	284,257	59.40	21,455	7.55
Community Development	2,286	0.45	1,945	0.41	341	17.53
Building and Housing	10,539	2.09	10,261	2.14	278	2.71
Public Health	5,572	1.10	11,910	2.49	(6,338)	(53.22)
Parks, Recreation and Properties	35,371	7.00	35,445	7.41	(74)	(0.21)
Economic Development	1,540	0.31	939	0.20	601	64.00
Other	9,206	1.82	9,256	1.93	(50)	(0.54)
Operating Transfers Out	<u>25,157</u>	4.98	<u>18,471</u>	3.86	<u>6,686</u>	36.20
Total expenditures and other financing uses	<u>\$ 505,085</u>		<u>\$ 478,522</u>		<u>\$ 26,563</u>	

The total expenditures and other financing uses increased by \$26.6 million. The primary factors for the increase in General Government expenditures were due to an increase in expenditures for professional services. The increase in Public Safety expenditures were associated with increases in uniformed personnel expenditures. In addition, the Division of Correction was transferred from the Department of Public Health to the Department of Public Safety in 2007. As such, there was an increase in Public Safety expenditures and a corresponding decrease in Public Health expenditures associated with this activity in 2007.

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

The unrestricted net assets of the Division of Water, Cleveland Public Power, and the Department of Port Control funds amounted to \$252.5 million, \$72.6 million and \$138.0 million, respectively, at December 31, 2007. The change in net assets for each of the respective funds amounted to an increase of \$54.8 million, an increase of \$10.6 million and an increase of \$15.0 million, during 2007. 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, 2007 and 2006, the City had approximately 8,216 and 8,225 full-time employees, respectively. Of the 8,216 full-time employees, approximately 6,334 full-time employees are represented by 31 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 – 1,366 members; Cleveland Police Patrolmen’s Association – 1,421 members; the Association of Cleveland Firefighters – 896 members; Municipal Foreman and Laborers Union, Local 1099 – 571 members; and Local 244 – 359 members.

There have been no significant labor disputes or work stoppages in the City within the last 24 years.

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

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

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

<u>Year</u>	<u>Amount Paid</u> <u>(in thousands)</u>
2007	\$ 437,752
2006	\$ 423,960

The increase in salaries and wages in 2007 is primarily due to scheduled pay increases for union 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 system indicates there are more than 381,000 actively contributing members and net assets of this pension system approximated \$83.6 billion as of December 31, 2007, the latest information available. More data on this pension system is shown in Notes 13 and 14 of this report.
- Ohio Police and Fire Pension Fund (OP&F), created in 1966, represents sworn personnel, not civilians, employed in police and fire divisions of Ohio's local governments. As of December 31, 2006, the latest information available, management of the fund indicates membership of approximately 28,454 active members and assets of this pension fund approximated \$12.8 billion. All of the City's police and fire officers are members of this pension fund. More data on this pension fund is shown in Notes 13 and 14 of this report.

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

	<u>2007</u>	<u>2006</u>
	(in thousands)	
Paid by City to:		
OPERS	\$ 36,809	\$ 36,016
OP&F	<u>32,632</u>	<u>31,331</u>
Total paid by City	<u>69,441</u>	<u>67,347</u>
Paid by employees to:		
OPERS	25,311	23,638
OP&F	<u>15,525</u>	<u>14,937</u>
Total paid by employees	<u>40,836</u>	<u>38,575</u>
Total	<u>\$ 110,277</u>	<u>\$ 105,922</u>

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

GENERAL FUND BUDGETARY ANALYSIS

In 2007, there were no major differences between the original and the final amended budget at a total revenue and expenditure level, including transfers out (see page 55).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets: The City's investment in capital assets for its governmental and business-type activities as of December 31, 2007, amounts to \$3.7 billion (net of accumulated depreciation). This investment in capital assets includes land; land improvements; utility plant; buildings, structures and improvements; furniture, fixtures, equipment and vehicles; infrastructure; and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 3.5% (a 7.4% increase for governmental activities and a 2.3% increase for business-type activities). A summary of the City's capital assets at December 31, 2007 is as follows:

	Capital Assets, Net of Accumulated Depreciation		
	Governmental Activities	Business-Type Activities	Total
	(in thousands)		
Land	\$ 61,663	\$ 194,533	\$ 256,196
Land improvements	39,108	526,457	565,565
Utility plant		1,033,608	1,033,608
Buildings, structures and improvements	368,287	427,492	795,779
Furniture, fixtures, equipment and vehicles	58,207	103,843	162,050
Infrastructure	259,783		259,783
Construction in progress	131,585	452,910	584,495
Total	\$ 918,633	\$ 2,738,843	\$ 3,657,476

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

- Cleveland Public Power incurred \$19.7 million of capital expenditures relating to the Euclid Corridor project, the construction of the Ridge Road substation, pole replacements, motor vehicles, equipment, plant improvement and distribution feeders.
- During 2007, the Division of Water had expenditures for capital improvements totaling \$104.8 million. Major expenses were for continuing renovations at the Morgan, Baldwin and Nottingham Plants, equipment and rehabilitation of water mains and the implementation of the coordinated Geographical Information System.
- Port Control expenditures for capital improvements totaled approximately \$44.0 million. Major components were the construction on the uncoupling and expansion of Runway 6R/24L and the completion of security infrastructure improvements in 2007.
- Water Pollution Control had capital expenditures of \$4.3 million. Major initiatives included the various sewer line replacement projects.
- Major capital projects for Governmental Activities included \$21.5 million for the West 3rd Street Lift Bridge, \$14.5 million for the Fulton Road Bridge and \$5.1 million for the Adelbert Bridge 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 leases, interest earned on funds prior to and during the construction period, restricted income taxes and funds from the State Issue 2 and Local Transportation Improvement Programs. The City has three primary goals relating to its Capital Improvements: 1) preservation and revitalization of the City's neighborhoods, 2) economic development and job creation, and 3) provision of cost-effective, basic City services to Cleveland residents and the business community. Additional information on the City's capital assets, including commitments made for future capital expenditures, can be found in Note 15.

Long-term debt and certain other obligations: At the end of the current fiscal year, the City had total long-term debt and certain other obligations outstanding of \$2.8 billion as shown below. General obligation bonds are typically issued for general governmental activities and are backed by the full faith and credit of the City. Revenue bonds 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, 2007 is summarized below (excluding unamortized discounts, premiums and losses on debt refundings).

	Balance January 1, 2007	Debt Issued	Debt Refunded/Defeased (in thousands)	Debt Retired	Balance December 31, 2007
Governmental Activities:					
General Obligation Bonds	\$ 323,795	\$ 73,030	\$ (28,245)	\$ (31,590)	\$ 336,990
Urban Renewal Bonds	7,170			(410)	6,760
Subordinated Income Tax Bonds	60,700			(1,800)	58,900
Non-tax Revenue Bonds	69,353			(1,262)	68,091
Certificates of Participation	143,950	108,390	(105,800)	(5,826)	140,714
Capital Lease Obligations	15,057			(3,271)	11,786
Gateway Note Payable	<u>2,500</u>			<u>(250)</u>	<u>2,250</u>
Total Governmental Activities	<u>622,525</u>	<u>181,420</u>	<u>(134,045)</u>	<u>(44,409)</u>	<u>625,491</u>
Business –Type Activities:					
Revenue Bonds	1,995,045	438,485	(295,875)	(61,900)	2,075,755
Ohio Water Development Loans	103,415	10,923		(4,268)	110,070
Deferred Payment Obligation	<u>18,428</u>			<u>(2,032)</u>	<u>16,396</u>
Total Business –Type Activities	<u>2,116,888</u>	<u>449,408</u>	<u>(295,875)</u>	<u>(68,200)</u>	<u>2,202,221</u>
Total	<u>\$ 2,739,413</u>	<u>\$ 630,828</u>	<u>\$ (429,920)</u>	<u>\$ (112,609)</u>	<u>\$ 2,827,712</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 \$23.7 million in 2007 which represents 49% of the debt service requirements on the general obligation bonds. These taxes were derived from a levy of \$4.35 per \$1,000 of assessed property. The remaining 51% of debt service requirements is retired from a portion of the City's restricted income tax proceeds, homestead/rollback reimbursement from the State, interest earnings and other miscellaneous revenue sources generated within the debt service funds.

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

The City's bond ratings for general obligation and revenue bonds are as follows as of December 31, 2007:

	Moody's Investors Service	Standard & Poors	Fitch Ratings
General Obligation Bonds	A2	A	A+
Waterworks Revenue Bonds *	Aa2	AA	N/A
Cleveland Public Power:			
Revenue Bonds	A2	A-	N/A
Airport System:			
Revenue Bonds	A3	A-	A
Municipal Parking Lots:			
Revenue Bonds (Insured Ratings)	Aaa	AAA	AAA

* On June 1, 2007 Moody's Investors Service upgraded its rating on the City's Water Revenue Bonds from Aa3 to Aa2. On June 4, 2007 Standard & Poor's raised its rating on Water Revenue Bonds from AA- to AA.

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, 2007 was:

Net General Bonded Debt:	\$333,823,000
Ratio of Net Bonded Debt to Assessed Valuation:	5.17%
Net General Bonded Debt Per Capita:	\$679.79

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 \$678,011,014 and unvoted debt limit (5.5%) is \$355,148,626. At December 31, 2007, the City had limited capacity under the indirect debt limitation calculation per the Ohio Revised Code to issue additional unvoted debt. However, these debt limitations are not expected to affect the financing of any currently planned facilities or services.

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

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

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

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

The Master Lease and Use Agreement for Cleveland International Hopkins Airport (Hopkins Airport) expired on December 31, 2005. A ten year lease extension was negotiated and signed by all the major carriers. All airlines continue to operate at Hopkins Airport. The extension retains the residual rate structure of the Airport.

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

On February 25, 2008, City Council passed several pieces of legislation authorizing the issuance of various series of bonds in response to the upheaval in the municipal bond market stemming from the downgrades of several municipal bond insurance companies. These ordinances allow the City to issue bonds for the purpose of refunding or restructuring all of the City's outstanding auction rate securities, as well as certain other variable rate securities. The City has incurred greater interest expense on its auction rate securities and on several of its variable rate demand obligations than it was prior to the downgrade of the bond insurers. In addition, the City is party to various swap agreements relating to certain of the outstanding auction rate securities under which the City pays a fixed interest rate in consideration of the swap counterparty paying the City a variable interest rate based on an index expected to approximate the interest rate borne by the auction rate securities. As the interest rates on the auction rate securities have risen, the difference between the interest rate on the auction rate securities and the variable rate received by the City from the swap counterparties has grown larger. This further adds to the City's interest expense.

In response to these issues, the City issued several bond series for various purposes in April, May and June of 2008:

Public Power System Revenue Bonds, Series 2008, were issued for Cleveland Public Power. The proceeds of the bonds are to fund system expansion; to pay costs of issuance and capitalized interest; and to refund existing bonds and to pay issuance costs. In conjunction with the issuance of CPP's new money bonds, the 2006B auction rate securities were refunded as fixed rate bonds insured by MBIA at an interest rate of 4.58%.

The City issued Subordinate Lien Income Tax Bonds, Series 2008. Due to limited capacity to issue general obligation bonds within the 10 mill debt limitation, the City decided to fund its 2008 capital improvement program using Subordinate Lien Income Tax Bonds which will be paid from Restricted Income Tax receipts. The proceeds of these bonds will be used to fund improvements to public facilities, bridges and roadways, parks and recreation facilities, revitalization and cemeteries. In conjunction with the issuance of these bonds on April 10, 2008, Standard & Poor's assigned them a rating of AA and also upgraded the rating on the City's General Obligation Bonds to AA.

The City converted its Refunding Certificates of Participation, Series 2007 (Cleveland Stadium Project) from auction rate securities to weekly rate variable rate demand obligations in response to the problems in the auction rate market.

In addition to the issuances mentioned above, the City intends to conclude the following transactions by July 2008 to address the increased interest rates incurred on the City's auction rate securities:

- Refund the City's \$148,175,000 Airport System Revenue Bonds, Series 2007A-1 and Series 2007A-2 Bonds and its \$132,500,000 Airport System Revenue Bonds, Series 2003A, Series 2003B and Series 2003C as variable rate demand obligations.
- Refund the City's \$26,900,000 Series 2003 Taxable Economic and Community Development Bonds as variable rate demand obligations.

Additionally, the City is considering various alternatives with regard to the 1994 Subordinated Income Tax Variable Rate Refunding Bonds in response to changes in the municipal bond market. In the event of further downgrading of the City's

counterparty, the City intends to refund the bonds, most likely at fixed rates. Legislation has been approved authorizing the refunding of these bonds, the termination of the swap, if necessary, and the replacement of the Ambac insurance.

There are several issues pending with regard to the City's auction rate securities. These issues are discussed in detail in Note 19 – Subsequent Events.

In response to rising fuel cost, Continental Airlines announced on June 5, 2008 plans to reduce capacity, eliminate 3,000 positions and make changes to their network and fleet mix. It was announced on June 12, 2008 that capacity or available seat miles will decrease 13.1% in Cleveland. This reduction results in the elimination of service to 10 recently-launched cities and 14 underperforming cities.

NEED ADDITIONAL INFORMATION

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

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BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

**STATEMENT OF NET ASSETS
DECEMBER 31, 2007
(Amounts in 000's)**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 287,364	\$ 220,243	\$ 507,607
Investments	12,485	195,916	208,401
Receivables:			
Taxes	124,511		124,511
Accounts	12,853	127,721	140,574
Grants	647		647
Loans	203,800		203,800
Unbilled revenue		39,856	39,856
Accrued interest	1,056	2,623	3,679
Assessments	5,718		5,718
Less: Allowance for doubtful accounts	<u>(6,076)</u>	<u>(17,458)</u>	<u>(23,534)</u>
Receivables, net	<u>342,509</u>	<u>152,742</u>	<u>495,251</u>
Internal balances	3,370	(3,370)	
Due from other governments	57,892	2,668	60,560
Inventory of supplies	2,067	11,459	13,526
Prepaid expenses and other assets		2,929	2,929
Restricted assets:			
Cash and cash equivalents		609,339	609,339
Investments		86,370	86,370
Accrued interest receivable		2,507	2,507
Bond retirement reserve		53	53
Accrued passenger facility charge		<u>3,331</u>	<u>3,331</u>
Total restricted assets	<u>-</u>	<u>701,600</u>	<u>701,600</u>
Unamortized bond issuance costs	5,109	25,220	30,329
Capital assets:			
Land and construction in progress	193,248	647,443	840,691
Other capital assets, net of accumulated depreciation	<u>725,385</u>	<u>2,091,400</u>	<u>2,816,785</u>
Total capital assets	<u>918,633</u>	<u>2,738,843</u>	<u>3,657,476</u>
Total assets	<u>1,629,429</u>	<u>4,048,250</u>	<u>5,677,679</u>
LIABILITIES			
Accounts payable	16,551	29,220	45,771
Accrued wages and benefits	48,710	15,441	64,151
Due to other governments	52,577	72,209	124,786
Accrued interest payable	15,017	35,195	50,212
Deferred revenue	80,027		80,027
Unearned revenue	11,545		11,545
Liabilities payable from restricted assets		21,319	21,319
Loans payable	2,785		2,785
Long-term obligations:			
Due within one year	79,723	61,649	141,372
Due in more than one year	<u>682,555</u>	<u>2,096,371</u>	<u>2,778,926</u>
Total liabilities	<u>989,490</u>	<u>2,331,404</u>	<u>3,320,894</u>
NET ASSETS			
Invested in capital assets, net of related debt	407,548	591,604	999,152
Restricted for:			
Capital projects	77,210	365,983	443,193
Debt service	28,532	209,064	237,596
Loans	158,030		158,030
Other purposes	28,249	43,450	71,699
Unrestricted	<u>(59,630)</u>	<u>506,745</u>	<u>447,115</u>
Total net assets	<u>\$ 639,939</u>	<u>\$ 1,716,846</u>	<u>\$ 2,356,785</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, 2007
(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
Expenses						
Functions/Programs:						
Governmental activities:						
General government	\$ 87,667	\$ 1,994	\$ 5,380	\$ (50,238)	\$	\$ (50,238)
Public service	86,435	14,459	75,871	8,385		8,385
Public safety	322,840	5,789		(295,964)		(295,964)
Community development	54,425	50,344	1,315	(1,563)		(1,563)
Building and housing	13,999	3,353		(118)		(118)
Public health	21,412	14,079		(4,354)		(4,354)
Parks, recreation and properties	54,332	16,123		(37,049)		(37,049)
Economic development	39,168	21,077		(17,620)		(17,620)
Other	11,644	471		(11,229)		(11,229)
Interest on debt	27,763			(27,763)		(27,763)
Total governmental activities	719,685	127,218	82,566	(437,513)	-	(437,513)
Business-type activities:						
Water	205,470	11,033	7,906		55,483	55,483
Electricity	148,832	2,589	1,485		10,801	10,801
Airport facilities	167,967	3,718	73,358		14,996	14,996
Non-major activities	45,762	6,399	2,591		3,842	3,842
Total business-type activities	568,031	23,739	85,340	-	85,122	85,122
Total	\$ 1,287,716	\$ 150,957	\$ 167,906	(437,513)	85,122	(352,391)
General revenues:						
Income taxes				317,268		317,268
Property taxes				69,313		69,313
Other taxes				28,567		28,567
Shared revenues				23,805		23,805
State local government funds				51,164		51,164
Unrestricted investment earnings				5,670	30	5,700
Other				14,482		14,482
Transfers				(290)	290	
Total general revenues and transfers				509,979	320	510,299
Change in net assets				72,466	85,442	157,908
Net assets at beginning of year				567,473	1,631,404	2,198,877
Net assets at end of year				\$ 639,939	\$ 1,716,846	\$ 2,356,785

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

CITY OF CLEVELAND, OHIO

BALANCE SHEET-GOVERNMENTAL FUNDS

DECEMBER 31, 2007

(Amounts in 000's)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 41,885	\$ 230,328	\$ 272,213
Investments		12,485	12,485
Receivables:			
Taxes	92,884	31,627	124,511
Accounts	12,240	604	12,844
Grants		647	647
Loans		203,800	203,800
Accrued interest		1,013	1,013
Assessments		5,718	5,718
Less: Allowance for doubtful accounts	<u>(6,076)</u>		<u>(6,076)</u>
Receivables, net	<u>99,048</u>	<u>243,409</u>	<u>342,457</u>
Due from other funds	8,620	5,617	14,237
Due from other governments	31,455	26,437	57,892
Inventory of supplies	<u>102</u>	<u>936</u>	<u>1,038</u>
TOTAL ASSETS	\$ 181,110	\$ 519,212	\$ 700,322
LIABILITIES			
Accounts payable	\$ 4,184	\$ 11,344	\$ 15,528
Accrued wages and benefits	43,797	3,502	47,299
Due to other governments	466	49,468	49,934
Deferred revenue	89,654	42,504	132,158
Unearned revenue		11,545	11,545
Due to other funds	<u>11,155</u>	<u>14,821</u>	<u>25,976</u>
Total liabilities	<u>149,256</u>	<u>133,184</u>	<u>282,440</u>
FUND BALANCES			
Reserved for:			
Loans		158,030	158,030
Inventory	102	936	1,038
Debt service		35,539	35,539
Encumbrances	7,189	83,164	90,353
Rainy day reserve fund	7,164		7,164
Unreserved, reported in:			
General fund:			
Designated for future capital improvements	21		21
Undesignated	17,378		17,378
Special revenue funds:			
Designated for future capital improvements		5,924	5,924
Undesignated		71,299	71,299
Capital projects funds:			
Designated for future capital improvements		20,823	20,823
Undesignated		10,313	10,313
Total fund balances	<u>31,854</u>	<u>386,028</u>	<u>417,882</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 181,110	\$ 519,212	

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.	914,948
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	52,131
Long-term liabilities, including bonds and claims payable, are not due and payable in the current period and therefore are not reported in the funds.	(754,762)
The assets and liabilities of most of the internal service funds are included in the governmental activities in the statement of net assets	<u>9,740</u>

Net assets of governmental activities \$ 639,939

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, 2007**

(Amounts in 000's)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Income taxes	\$ 277,141	\$ 34,643	\$ 311,784
Property taxes	45,533	23,721	69,254
State local government funds	53,506		53,506
Other shared revenues	45,334	35,455	80,789
Licenses and permits	11,688	2,114	13,802
Charges for services	20,651	3,737	24,388
Fines, forfeits and settlements	25,291	5,955	31,246
Investment earnings	4,574	12,301	16,875
Grants	923	166,202	167,125
Contributions		549	549
Miscellaneous	9,832	8,749	18,581
Total revenues	<u>494,473</u>	<u>293,426</u>	<u>787,899</u>
EXPENDITURES:			
Current:			
General government	74,318	10,260	84,578
Public service	35,384	25,316	60,700
Public safety	305,712	5,894	311,606
Community development	2,286	51,382	53,668
Building and housing	10,539	3,353	13,892
Public health	5,572	15,442	21,014
Parks, recreation and properties	35,371	5,123	40,494
Economic development	1,540	32,247	33,787
Other	9,206		9,206
Capital outlay		120,680	120,680
Inception of capital lease		3,933	3,933
Debt service:			
Principal retirement		44,258	44,258
Interest		30,075	30,075
Other		2,438	2,438
Total expenditures	<u>479,928</u>	<u>350,401</u>	<u>830,329</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>14,545</u>	<u>(56,975)</u>	<u>(42,430)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	6,758	54,306	61,064
Transfers out	(25,157)	(36,737)	(61,894)
Proceeds from the sale of bonds		181,420	181,420
Premium on bonds and notes		3,730	3,730
Discount on bonds and notes		(18)	(18)
Payment to refund bonds and notes		(140,457)	(140,457)
Sale of City assets	177	30	207
Total other financing sources (uses)	<u>(18,222)</u>	<u>62,274</u>	<u>44,052</u>
NET CHANGE IN FUND BALANCES	(3,677)	5,299	1,622
FUND BALANCES AT BEGINNING OF YEAR	<u>35,531</u>	<u>380,729</u>	<u>416,260</u>
FUND BALANCES AT END OF YEAR	<u>\$ 31,854</u>	<u>\$ 386,028</u>	<u>\$ 417,882</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, 2007 (Amounts in 000's)

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

Net change in fund balances - total governmental funds (page 53)	\$ 1,622
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.	62,917
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,519
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.	2,905
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.	(3,025)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>3,528</u>
Change in net assets of governmental activities (page 51)	<u>\$ 72,466</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, 2007**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual*</u>	<u>Variance- Positive (Negative)</u>
REVENUES:				
Income taxes	\$ 276,745	\$ 276,745	\$ 280,233	\$ 3,488
Property taxes	46,594	46,594	45,533	(1,061)
State local government funds	60,435	60,435	56,178	(4,257)
Other shared revenues	40,538	40,538	44,604	4,066
Licenses and permits	11,784	11,784	11,650	(134)
Charges for services	18,890	18,890	19,967	1,077
Fines, forfeits and settlements	23,843	23,843	25,340	1,497
Investment earnings	2,747	2,747	4,383	1,636
Grants			927	927
Miscellaneous	<u>18,172</u>	<u>18,172</u>	<u>20,801</u>	<u>2,629</u>
Total revenues	499,748	499,748	509,616	9,868
EXPENDITURES:				
Current:				
General government	80,117	78,735	73,805	4,930
Public service	39,075	38,325	37,581	744
Public safety	299,849	301,651	299,590	2,061
Community development	2,300	2,300	2,270	30
Building and housing	10,903	10,809	10,487	322
Public health	5,890	6,275	5,817	458
Parks, recreation and properties	39,218	38,741	37,332	1,409
Economic development	1,904	1,604	1,480	124
Other	<u>18,066</u>	<u>17,532</u>	<u>17,048</u>	<u>484</u>
Total expenditures	497,322	495,972	485,410	10,562
EXCESS OF REVENUES OVER EXPENDITURES	2,426	3,776	24,206	20,430
OTHER FINANCING SOURCES (USES):				
Transfers in	2,312	2,312	6,758	4,446
Transfers out	(24,892)	(26,242)	(26,157)	85
Sale of City assets			177	177
Total other financing sources (uses)	<u>(22,580)</u>	<u>(23,930)</u>	<u>(19,222)</u>	<u>4,708</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(20,154)</u>	<u>(20,154)</u>	<u>4,984</u>	<u>25,138</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			898	898
NET CHANGE IN FUND BALANCES	<u>(20,154)</u>	<u>(20,154)</u>	<u>5,882</u>	<u>26,036</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>20,267</u>	<u>20,267</u>	<u>20,267</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	\$ <u>113</u>	\$ <u>113</u>	\$ <u>26,149</u>	\$ <u>26,036</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, 2007

(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		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 125,676	\$ 23,808	\$ 38,184	\$ 30,991	\$ 218,659	\$ 16,735
Restricted cash and cash equivalents	13,862	964	6,494		21,320	
Investments	104,539	37,108	49,219	5,050	195,916	
Receivables:						
Accounts	44,557	18,155	2,806	62,202	127,720	9
Unbilled revenue	28,435	2,111	6,655	2,655	39,856	
Accrued interest	1,410	474	650	80	2,614	52
Less: Allowance for doubtful accounts	(13,303)	(2,169)	(1,313)	(673)	(17,458)	
Receivables, net	61,099	18,571	8,798	64,264	152,732	61
Due from other funds	2,766	2,566	78	624	6,034	15,478
Due from other governments			2,668		2,668	
Inventory of supplies	3,059	6,848	808	744	11,459	1,029
Prepaid expenses and other assets	2,084	78	767		2,929	
Total current assets	313,085	89,943	107,016	101,673	611,717	33,303
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	310,634	2,578	255,462	19,345	588,019	
Investments	5,146	1,383	73,821	6,020	86,370	
Accrued interest receivable	1,034	11	1,269	193	2,507	
Bond retirement reserve			53		53	
Accrued passenger facility charges			3,331		3,331	
Total restricted assets	316,814	3,972	333,936	25,558	680,280	-
Unamortized bond issuance costs	7,097	2,330	12,047	3,746	25,220	
Capital assets:						
Land	5,463	4,863	165,650	18,557	194,533	663
Land improvements	16,973	2,759	764,147	5,442	789,321	146
Utility plant	1,084,014	415,531		120,907	1,620,452	
Buildings, structures and improvements	213,217	42,278	416,449	144,208	816,152	2,674
Furniture, fixtures, equipment and vehicles	140,220	43,960	49,595	15,796	249,571	4,580
Construction in progress	372,829	35,851	30,066	14,164	452,910	704
Less: Accumulated depreciation	(506,046)	(231,376)	(476,295)	(170,385)	(1,384,102)	(5,074)
Total capital assets, net	1,326,670	313,866	949,612	148,689	2,738,837	3,693
Total noncurrent assets	1,650,581	320,168	1,295,595	177,993	3,444,337	3,693
TOTAL ASSETS	\$ 1,963,666	\$ 410,111	\$ 1,402,611	\$ 279,666	\$ 4,056,054	\$ 36,996

(Continued)

CITY OF CLEVELAND, OHIO

BALANCE SHEET - PROPRIETARY FUNDS

DECEMBER 31, 2007

(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	
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 8,238	\$ 10,222	\$ 8,106	\$ 2,642	\$ 29,208	\$ 1,035
Accrued wages and benefits	11,160	4,178	3,600	2,555	21,493	8,958
Due to other funds	3,203	1,522	913	3,751	9,389	384
Due to other governments			7,323	64,886	72,209	2,643
Accrued interest payable	16,328	1,054	16,896	917	35,195	
Current payable from restricted assets	13,861	964	6,494		21,319	
Current portion of long-term obligations	<u>24,212</u>	<u>8,335</u>	<u>19,055</u>	<u>3,378</u>	<u>54,980</u>	
Total current liabilities	<u>77,002</u>	<u>26,275</u>	<u>62,387</u>	<u>78,129</u>	<u>243,793</u>	<u>13,020</u>
Long-term liabilities:						
Accrued wages and benefits	2,070	733	690	432	3,925	13,465
Construction loans payable	100,840			4,245	105,085	
Deferred payment obligation			14,201		14,201	
Revenue bonds payable	<u>828,152</u>	<u>185,925</u>	<u>902,078</u>	<u>56,819</u>	<u>1,972,974</u>	
Total noncurrent liabilities	<u>931,062</u>	<u>186,658</u>	<u>916,969</u>	<u>61,496</u>	<u>2,096,185</u>	<u>13,465</u>
Total liabilities	<u>1,008,064</u>	<u>212,933</u>	<u>979,356</u>	<u>139,625</u>	<u>2,339,978</u>	<u>26,485</u>
NET ASSETS						
Invested in capital assets, net of related debt	373,466	119,606	14,279	84,247	591,598	3,693
Restricted for capital projects	239,828	1,522	119,995	4,638	365,983	
Restricted for debt service	89,814	3,402	107,572	8,276	209,064	
Restricted for passenger facility charges			43,450		43,450	
Unrestricted	<u>252,494</u>	<u>72,648</u>	<u>137,959</u>	<u>42,880</u>	<u>505,981</u>	<u>6,818</u>
Total net assets	<u>955,602</u>	<u>197,178</u>	<u>423,255</u>	<u>140,041</u>	<u>1,716,076</u>	<u>10,511</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,963,666</u>	<u>\$ 410,111</u>	<u>\$ 1,402,611</u>	<u>\$ 279,666</u>		<u>\$ 36,996</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					<u>770</u>	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES					<u>\$ 1,716,846</u>	

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

(Concluded)

CITY OF CLEVELAND, OHIO

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

(Amounts in 000's)

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds		
OPERATING REVENUES:						
Charges for services	\$ 240,628	\$ 155,171	\$ 105,749	\$ 40,437	\$ 541,985	\$ 47,328
Total operating revenue	<u>240,628</u>	<u>155,171</u>	<u>105,749</u>	<u>40,437</u>	<u>541,985</u>	<u>47,328</u>
OPERATING EXPENSES:						
Operations	90,221	19,247	64,485	24,523	198,476	43,013
Maintenance	49,989	17,645	4,873	9,389	81,896	2,095
Purchased power		83,523			83,523	
Depreciation	38,993	17,056	51,077	7,635	114,761	341
Total operating expenses	<u>179,203</u>	<u>137,471</u>	<u>120,435</u>	<u>41,547</u>	<u>478,656</u>	<u>45,449</u>
OPERATING INCOME (LOSS)	<u>61,425</u>	<u>17,700</u>	<u>(14,686)</u>	<u>(1,110)</u>	<u>63,329</u>	<u>1,879</u>
NON-OPERATING REVENUES (EXPENSES):						
Investment income	17,364	4,061	19,682	3,121	44,228	1,127
Interest expense	(25,541)	(11,073)	(35,961)	(4,112)	(76,687)	
Passenger facility charges			23,760		23,760	
Sound insulation program			(7,461)		(7,461)	
Gain (Loss) on disposal of capital assets		(2)	(833)		(835)	
Hotel tax				4,403	4,403	
Other revenues (expenses)	776	(96)	(3,139)	81	(2,378)	
Total non-operating revenues (expenses)	<u>(7,401)</u>	<u>(7,110)</u>	<u>(3,952)</u>	<u>3,493</u>	<u>(14,970)</u>	<u>1,127</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	54,024	10,590	(18,638)	2,383	48,359	3,006
Capital contributions	799	13	33,634	1,385	35,831	742
Transfers in				290	290	540
Transfers out					-	
Change in net assets	<u>54,823</u>	<u>10,603</u>	<u>14,996</u>	<u>4,058</u>	<u>84,480</u>	<u>4,288</u>
NET ASSETS AT BEGINNING OF YEAR	<u>900,779</u>	<u>186,575</u>	<u>408,259</u>	<u>135,983</u>		<u>6,223</u>
NET ASSETS AT END OF YEAR	<u>\$ 955,602</u>	<u>\$ 197,178</u>	<u>\$ 423,255</u>	<u>\$ 140,041</u>		<u>\$ 10,511</u>
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds					<u>962</u>	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES					<u>\$ 85,442</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, 2007**

(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		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$ 229,068	\$ 160,224	\$ 104,746	\$ 37,595	\$ 531,633	\$ 45,700
Cash payments to suppliers for goods or services	(58,170)	(9,526)	(44,245)	(16,239)	(128,180)	(24,937)
Cash payments to employees for services	(76,998)	(22,862)	(23,633)	(17,084)	(140,577)	(18,882)
Cash payments for purchased power		(83,339)			(83,339)	
Agency activity on behalf of NEORS				1,908	1,908	
Other		(5,498)			(5,498)	
Net cash provided by operating activities	93,900	38,999	36,868	6,180	175,947	1,881
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Cash payments for sound insulation of homes			(7,672)		(7,672)	
Cash received (paid) through transfers from/to other funds				298	298	540
Cash received from hotel tax				4,421	4,421	
Cash receipts (payments) from/to other governments	1,926	28	(2,080)	472	346	
Proceeds from lease				446	446	
Net cash provided by (used for) noncapital financing activities	1,926	28	(9,752)	5,637	(2,161)	540
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Cash receipts for passenger facility charges			23,553		23,553	
Proceeds from sale of revenue bonds, loans and notes	301,014		158,656		459,670	
Acquisition and construction of capital assets	(97,950)	(20,827)	(42,454)	(4,840)	(166,071)	(25)
Principal paid on long-term debt	(21,005)	(8,045)	(20,366)	(3,211)	(52,627)	
Interest paid on long-term debt	(39,731)	(8,966)	(43,475)	(3,541)	(95,713)	
Cash paid to escrow agent for refunding	(157,426)		(159,674)	(50)	(317,150)	
Capital grant proceeds			31,912		31,912	
Net cash provided by (used for) capital and related financing activities	(15,098)	(37,838)	(51,848)	(11,642)	(116,426)	(25)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of investment securities	(91,814)	(31,167)	(89,222)	(6,935)	(219,138)	
Proceeds from sale and maturity of investment securities	111,666	34,719	109,589	13,497	269,471	
Interest received on investments	21,975	2,992	19,456	2,802	47,225	1,106
Net cash provided by investing activities	41,827	6,544	39,823	9,364	97,558	1,106
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	122,555	7,733	15,091	9,539	154,918	3,502
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	327,617	19,617	285,049	40,797	673,080	13,233
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 450,172	\$ 27,350	\$ 300,140	\$ 50,336	\$ 827,998	\$ 16,735

(Continued)

CITY OF CLEVELAND, OHIO

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

(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)	\$ 61,425	\$ 17,700	\$ (14,686)	\$ (1,110)	\$ 63,329	\$ 1,879
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	38,993	17,056	51,077	7,635	114,761	341
Non-cash rental income			(3,389)		(3,389)	
Changes in assets and liabilities:						
Receivables, net	(4,554)	3,796	147	(8,592)	(9,203)	4
Due from other funds	797	(34)	471	35	1,269	(1,771)
Inventory of supplies	(143)	(439)	(588)	(238)	(1,408)	172
Prepaid expenses and other assets	(4,683)	(168)	(449)		(5,300)	
Accounts payable	647	157	1,296	56	2,156	(638)
Accrued wages and benefits	859	312	503	211	1,885	2,122
Due to other funds	589	458	199	336	1,582	(1,010)
Due to other governments			2,287	7,847	10,134	782
Accrued expenses and other liabilities	(30)	161			131	
Total adjustments	<u>32,475</u>	<u>21,299</u>	<u>51,554</u>	<u>7,290</u>	<u>112,618</u>	<u>2</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 93,900</u>	<u>\$ 38,999</u>	<u>\$ 36,868</u>	<u>\$ 6,180</u>	<u>\$ 175,947</u>	<u>\$ 1,881</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, 2007

(Amounts in 000's)

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 34,930
Taxes receivable	32,582
Due from other governments	<u>3,036</u>
Total assets	<u>70,548</u>
LIABILITIES	
Due to other governments	45,101
Due to others	<u>25,447</u>
Total liabilities	<u>\$ 70,548</u>

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

CITY OF CLEVELAND, OHIO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF CITY OPERATIONS AND REPORTING ENTITY

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

Reporting Entity: The accompanying financial statements as of December 31, 2007 and for the year then ended have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to local governments. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB’s Codification of Governmental Accounting and Financial Reporting Standards (“GASB Codification”).

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

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

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies:

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

A. *Government-wide and fund financial statements*

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

Basic Financial Statements:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. *Financial reporting presentation*

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

GOVERNMENTAL FUNDS

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

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

C. *Measurement focus and basis of accounting*

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

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

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

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

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

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

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

D. Budgetary Procedures

The City is required by state law to adopt annual budgets for the General Fund, certain Special Revenue Funds (including the Division of Streets, Restricted Income Tax, Rainy Day Reserve, Schools Recreation and Cultural Activities and Cleveland Stadium Operations Funds), Debt Service Funds (except for Urban Renewal and Urban Renewal Reserve Funds) and Proprietary Operating Funds. Modifications to the original budget are approved by City Council throughout the year. The City maintains budgetary control by not permitting expenditures to exceed appropriations for personnel costs (including benefits), and other costs (including debt service and capital outlay), within a division of the City, without the approval of City Council. Adjustments to the budget can only be made within a division and then within each category. Further legislation is needed in order to move budget amounts from “personnel” to “other” or vice versa, or between divisions. City Council adopted 2 appropriation amendments during 2007 which reallocated appropriations and increased appropriations by less than 1% from the original budget.

Unencumbered appropriations for annually budgeted funds lapse at year end.

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

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

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

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

A reconciliation of the General Fund’s results of operations for 2007 reported on the budget basis versus the GAAP basis is as follows:

	(Amounts in 000's)
Excess of revenues and other financing sources over expenditures and other financing uses (budget basis)	\$ 4,984
Adjustments:	
Revenue accruals	(15,143)
Expenditure accruals	21
Encumbrances and pre-encumbrances	<u>6,461</u>
Net change in fund balance	<u>\$ (3,677)</u>

E. **Other Significant Accounting Policies**

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

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

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

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

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

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

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements to the extent the City's capitalization threshold is met. The City defines capital assets as assets with an estimated useful life in excess of one year and an individual cost of more than \$5,000 for furniture, fixtures, equipment and vehicles; and \$10,000 for all other assets or projects. Assets are recorded at historical cost or estimated historical cost, if historical cost is not available. Contributed capital assets are recorded at their estimated fair market value on the date contributed.

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

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

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

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

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

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

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

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

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

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

Swap Agreements: The City may enter into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expense resulting from these agreements, no amounts are recorded in the financial statements. As further described in Note 5, the City has nine swap agreements outstanding at December 31, 2007, two for its Subordinated Income Tax Refunding Bonds, one on the Certificates of Participation (Cleveland Browns Stadium), one on the Parking Facilities Refunding Revenue Bonds, two related to the Airport System Revenue Bonds Series 2003A and 2003B, one related to the Airport System Revenue Bonds Series 2007A, one related to the 2004 Water Revenue Bonds Series M and one related to the Public Power System Refunding Revenue Bonds Series 2006A-1.

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

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

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

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

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

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

F. **Accounting Pronouncements**

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is effective for the year ended December 31, 2007. The City has determined that GASB Statement No. 45 has no impact on its financial statements as of December 31, 2007. Effective January 1, 2007, the City implemented GASB Statement No. 48 “*Sales and Pledges of Receivables and Intra-Entity Transfers of Assets and Future Revenues*”, which is effective for the year ended December 31, 2007. GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the City; however, additional disclosure related to revenues pledged for the repayment of revenue bonds has been provided in Note 5.

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds and net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$754.8 million difference are as follows:

	(Amounts in 000's)
Bonds payable	\$ 603,128
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(5,109)
Unamortized bond premium	16,086
Accrued interest payable	15,017
Capital leases payable	11,786
Loans payable	2,785
Claims and adjustments	7,859
Compensated absences	<u>103,210</u>
 Net adjustments to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 <u>\$ 754,762</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 \$62.9 million difference are as follows:

	(Amounts in 000's)
Capital outlay	\$ 109,262
Depreciation expense	(43,378)
Capital asset disposal	<u>(2,967)</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>\$ 62,917</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	\$ (47,612)
Current year deferred revenues	<u>52,131</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>\$ 4,519</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 \$2.9 million which is detailed as follows:

	(Amounts in 000's)
Debt issued or incurred:	
Issuance of general obligation bonds and other obligations	\$ (185,132)
Accrued interest	2,311
Principal repayments:	
General obligation debt and other obligations	34,725
Payment on capital lease	3,271
Payment on loan	65
Refunding of general obligation bonds and other obligations	146,497
Amortization of debt issuance cost	<u>1,168</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>\$ 2,905</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 \$3.0 million difference are as follows:

	(Amounts in 000's)
Compensated absences	\$ 409
Claims judgements	<u>(3,434)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (3,025)</u>

NOTE 4 – POOLED AND SEGREGATED CASH AND INVESTMENTS

Monies for the Debt Service Funds, certain Capital Projects Funds, Central Collection Agency, Municipal Courts, Department of Port Control, Division of Water, Division of Water Pollution Control, Division of Cleveland Public Power, Division of Municipal Parking Lots, Cemeteries, Golf Courses and certain Special Revenue Funds are deposited or invested in individual segregated bank accounts.

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

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

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

Deposits: Ohio law requires that deposits be placed in eligible banks located in Ohio. The City's policy is to place deposits only with major commercial banks having offices within the City of Cleveland. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation. Further, City ordinance requires such collateral amounts to exceed deposits by 10%. Collateral that may be pledged is limited to obligations of the following entities: the United States and its agencies, the State of Ohio, the Ohio Student Loan Commission and any legally constituted taxing subdivision within the State of Ohio. The City also requires that non-pooled securities pledged be held by either the Federal Reserve Bank or other trust institution, as designated by the City, as trustee. This collateral is held in joint custody with the financial institution pledging the collateral, and cannot be sold or released without written consent from the City.

Monthly, the City determines that the collateral has a market value adequate to cover the deposits and that it has been segregated either physically or in book entry form. At year end, the carrying amount of the City's deposits including certificates of deposit was \$141,600,000 and the actual bank balance totaled \$162,639,000. The difference represents outstanding warrants payable and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Repurchase Agreements*, and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, \$162,639,000 of the bank balance was insured or collateralized with securities held by the City or by its agent in the City's name.

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

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

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

Interest rate risk: In accordance with its investment policy, the City limits its exposure to fair value losses caused by rising interest rates, investing primarily in short-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity. Investment maturities are discussed in the following table.

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

Credit Risk: The City's investments as of December 31, 2007 include U.S. Agencies, U.S. Treasury Bills, Victory Federal Money Market Funds, Allegiant Government Money Market Funds, STAROhio, mutual funds and guaranteed investment contracts. The City maintains the highest ratings for its investments. Investments in FHLMC, FNMA, FFCB and FHLB agency securities are rated AAA by Standard & Poor's. Investments in the Victory Money Market Fund, Allegiant Government Money Market Fund and STAROhio carry a rating of AAAM, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy that would further limit its investment choices.

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

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Investment Maturities</u>		
			<u>Less than One Year</u>	<u>1 - 5 Years</u>	<u>5 Years or More</u>
			(Amounts in 000's)		
U.S. Agency Obligations	\$ 335,248	\$ 330,655	\$ 11,015	\$ 324,233	\$
U.S. Treasury Bills	12,289	12,284	12,289		
Repurchase Agreements	13,653	13,653	13,653		
STAROhio	186,779	186,779	186,779		
Investments in Mutual Funds	600,676	600,676	600,676		
Guaranteed Investment Contracts	147,857	147,857	67,240	15,000	65,617
Manuscript Debt	7,991	7,991		855	7,136
Other	554	554	554		
Total Investments	1,305,047	1,300,449	892,206	340,088	72,753
Total Deposits	141,600	141,600	141,600		
Total Deposits and Investments	\$ 1,446,647	\$ 1,442,049	\$ 1,033,806	\$ 340,088	\$ 72,753

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

Concentration of Credit Risk: The City places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. As of December 31, 2007, the investments in U.S. Agency Obligations, STAROhio, mutual funds and guaranteed investment contracts are approximately 26%, 14%, 46%, and 11%, respectively, of the City's total investments.

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

Government-Wide Financial Statements

(Amounts in 000's)

Unrestricted:	
Cash and cash equivalents	\$ 507,607
Investments	208,401
Restricted:	
Cash and cash equivalents	609,339
Investments	<u>86,370</u>
Total	<u>\$ 1,411,717</u>

Fund Financial Statements

(Amounts in 000's)

Balance Sheet – Governmental Funds:	
Unrestricted:	
Cash and cash equivalents	\$ 272,213
Investments	12,485
Balance Sheet – Proprietary Funds:	
Enterprise Funds:	
Unrestricted:	
Cash and cash equivalents	218,659
Investments	195,916
Restricted:	
Cash and cash equivalents	609,339
Investments	86,370
Internal Service Funds:	
Unrestricted:	
Cash and cash equivalents	<u>16,735</u>
Subtotal	1,411,717
Statement of Fiduciary Net Assets:	
Unrestricted:	
Cash and cash equivalents	<u>34,930</u>
Total	<u>\$ 1,446,647</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, 2007, are as follows:

	Balance January 1, 2007	Additions	(Reductions)	Balance December 31, 2007	Due Within One Year
	(Amounts in 000's)				
Governmental Activities					
General Obligation Bonds due through 2032	\$ 323,795	\$ 73,030	\$ (59,835)	\$ 336,990	\$ 33,450
<i>Other Obligations:</i>					
Urban Renewal Bonds due through 2018, 6.625% to 6.75%	7,170		(410)	6,760	435
Subordinated Income Tax Refunding Bonds due through 2024, 4.88%	60,700		(1,800)	58,900	2,000
Non-Tax Revenue Bonds:					
Stadium due through 2020, 2.75%-5.125%	14,835			14,835	110
Taxable Economic and Community Dev. (Core City Bonds)					
Series 2003 and 2004 due through 2033, 3.35% to 5.40%	45,440		(1,175)	44,265	1,195
Lower Euclid Ave. TIF 2003A&B due through 2032, 1% to 5%	9,078		(87)	8,991	429
Certificates of Participation-Stadium due through 2027, 3.55% to 6%	143,950	108,390	(111,626)	140,714	10,765
Capital Lease Obligations, due through 2012, 3.04% to 3.26%	15,057		(3,271)	11,786	3,182
Gateway Note Payable, due through 2016	2,500		(250)	2,250	250
Accrued wages and benefits	61,153	19,820	(19,782)	61,191	26,530
Police and fire overtime	58,861	4,055	(2,938)	59,978	581
Fire deferred vacation	1,775	635	(160)	2,250	96
Estimated claims payable	4,425	5,619	(2,185)	7,859	700
	748,739	211,549	(203,519)	756,769	79,723
Less: Unamortized loss on debt refunding	(5,209)	(6,039)	671	(10,577)	
Plus: Unamortized (discount) premium - net	14,735	3,712	(2,361)	16,086	
Total Governmental Activities, Net	758,265	209,222	(205,209)	762,278	79,723
Business-Type Activities (Enterprise Funds)					
Airport System Revenue Bonds:					
Series 1997 due through 2027, 3.15% to 7.00%	223,610		(163,280)	60,330	7,845
Series 2000 due through 2031, 4.00% to 5.50%	461,755		(7,665)	454,090	8,070
Series 2003 due through 2033, Auction Rate	139,250		(5,975)	133,275	775
Series 2006 due through 2024, 5.00% to 5.25%	118,760			118,760	95
Series 2007 due through 2027, Auction Rate		159,505		159,505	75
Public Power System Revenue Bonds:					
Series 1994 due through 2013, Zero Coupon	33,875		(965)	32,910	3,905
Series 1996 due through 2011, 5.25% to 6.00%	4,730		(850)	3,880	895
Series 1998 due through 2017, 4.10% to 5.25%	31,145		(3,430)	27,715	630
Series 2001 due through 2016, 3.75% to 5.50%	30,755		(2,800)	27,955	2,905
Series 2006 due through 2024, 4.25% to 5.02%	127,885			127,885	
Waterworks Improvement Revenue Bonds:					
Series G 1993 due through 2021, 5.50%	121,275		(13,515)	107,760	
Series H 1996 due through 2026, 5.20% to 5.75%	14,470		(190)	14,280	6,290
Series I 1998 due through 2010, 5.00% to 5.25%	161,875		(145,220)	16,655	6,120
Series J 2001 due through 2016, 4.00% to 5.375%	63,345		(7,105)	56,240	2,855
Series K 2002 due through 2021, 3.50% to 5.25%	69,725		(3,985)	65,740	4,135
Series L 2002 due through 2033, Variable	90,000			90,000	
Series M 2004 due through 2033, 3.533% Swap Rate	172,335			172,335	
Series N 2005 due through 2023, 3.00% to 5.00%	64,480			64,480	260
Series O 2007 due through 2037, 4.25% to 5.00%		143,570		143,570	
Series P 2007 due through 2028, 4.00% to 5.00%		135,410		135,410	
Ohio Water Development Authority and Public Works					
Commission Loans due through 2029, 0.00% to 4.18%	103,415	10,923	(4,268)	110,070	4,985
Parking Facilities Revenue Bonds:					
Series 1996 due through 2009, 6.00%	8,255		(2,590)	5,665	2,750
Series 2006 due through 2022, 4.00% to 5.25%	57,520		(205)	57,315	195
Deferred Payment Obligation	18,428		(2,032)	16,396	2,195
Accrued wages and benefits	11,116	777	(1,114)	10,779	6,669
	2,128,004	450,185	(365,189)	2,213,000	61,649
Less: Unamortized loss on debt refunding	(85,080)	(12,668)	7,870	(89,878)	
Plus: Unamortized (discount) premium - net	23,267	11,982	(351)	34,898	
Total Business-Type Activities, Net	2,066,191	449,499	(357,670)	2,158,020	61,649
Total Debt and Other Long-Term Obligations	\$ 2,824,456	\$ 658,721	\$ (562,879)	\$ 2,920,298	\$ 141,372

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, 2007, \$1,280,785 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, 2007, \$413,840 of the Utilities Administration Fund compensated absences were included in business-type activities accrued wages and benefits.

The Subordinated Income Tax Refunding Bonds were issued 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. All other bonds were issued to fund capital related activities.

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 2007:

	Original Issue Amount	Balance January 1, 2007	Additions	(Reductions)	Balance December 31, 2007
			(Amounts in 000's)		
Governmental Activities Obligations:					
General Obligation Bonds					
Public Facilities	\$ 90,950	\$ 35,745	\$ 16,050	\$ (4,715)	\$ 47,080
Convention Center	2,010	105		(105)	
Residential Redevelopment	26,105	14,275		(1,565)	12,710
Bridges and Roadways	174,415	78,845	17,605	(17,265)	79,185
Public Safety	840	290		(95)	195
Parks & Recreation	59,400	26,295	3,225	(4,660)	24,860
Refunding Bonds	291,660	162,135	28,080	(25,825)	164,390
Revitalization	6,020		6,020		6,020
Judgments/Settlements	8,425	6,105	2,050	(5,605)	2,550
Total Governmental Activities	<u>\$ 659,825</u>	<u>\$ 323,795</u>	<u>\$ 73,030</u>	<u>\$ (59,835)</u>	<u>\$ 336,990</u>
Business-Type Activities Obligations:					
Revenue Bonds					
Airports	\$ 1,269,220	\$ 943,375	\$ 159,505	\$ (176,920)	\$ 925,960
Public Power	557,475	228,390		(8,045)	220,345
Waterworks	1,577,810	757,505	278,980	(170,015)	866,470
Parking Facilities	138,625	65,775		(2,795)	62,980
Loans					
Waterworks	128,071	98,320	10,923	(3,851)	105,392
Water Pollution Control	8,378	5,095		(417)	4,678
Total Business-Type Activities	<u>\$ 3,679,579</u>	<u>\$ 2,098,460</u>	<u>\$ 449,408</u>	<u>\$ (362,043)</u>	<u>\$ 2,185,825</u>

The following is a summary of the City's future debt service requirements as of December 31, 2007:

Year Ending December 31	Governmental Activities					
	General Obligation Bonds		Urban Renewal Bonds		Subordinated Income Tax Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	(Amounts in 000's)					
2008	\$ 33,450	\$ 16,572	\$ 435	\$ 439	\$ 2,000	\$ 2,995
2009	32,075	14,994	465	410	2,100	2,888
2010	28,890	13,588	495	378	2,200	2,777
2011	27,580	12,201	530	344	2,400	2,657
2012	25,290	10,870	565	307	2,500	2,530
2013-2017	98,385	38,001	3,435	892	15,500	10,415
2018-2022	66,205	15,155	835	28	21,500	5,661
2023-2027	22,825	3,145			10,700	537
2028-2032	2,290	298				
2033-2037						
	<u>\$ 336,990</u>	<u>\$ 124,824</u>	<u>\$ 6,760</u>	<u>\$ 2,798</u>	<u>\$ 58,900</u>	<u>\$ 30,460</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)					
2008	\$ 1,734	\$ 3,110	\$ 10,765	\$ 8,064	\$ 3,182	\$ 325
2009	2,661	3,038	10,934	7,811	3,284	223
2010	3,161	2,934	11,373	7,291	2,690	125
2011	3,204	2,797	11,535	7,099	1,704	56
2012	2,697	2,670	11,357	6,874	926	11
2013-2017	15,214	11,759	28,585	18,730		
2018-2022	16,302	7,749	24,715	10,559		
2023-2027	10,410	4,272	31,450	4,324		
2028-2032	10,858	2,036				
2033-2037	1,850	94				
	<u>\$ 68,091</u>	<u>\$ 40,459</u>	<u>\$ 140,714</u>	<u>\$ 70,752</u>	<u>\$ 11,786</u>	<u>\$ 740</u>

Year Ending December 31	Gateway Note Payable		Governmental Activities Total	
	Principal	Interest	Principal	Interest
	(Amounts in 000's)			
2008	\$ 250	\$ -	\$ 51,816	\$ 31,505
2009	250	-	51,769	29,364
2010	250	-	49,059	27,093
2011	250	-	47,203	25,154
2012	250	-	43,585	23,262
2013-2017	1,000	-	162,119	79,797
2018-2022		-	129,557	39,152
2023-2027		-	75,385	12,278
2028-2032		-	13,148	2,334
2033-2037		-	1,850	94
	<u>\$ 2,250</u>	<u>\$ -</u>	<u>\$ 625,491</u>	<u>\$ 270,033</u>

Business-Type Activities

<u>Year Ending</u> <u>December 31</u>	<u>Revenue Bonds</u>		<u>Construction Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	<i>(Amounts in 000's)</i>			
2008	\$ 47,800	\$ 92,878	\$ 4,985	\$ 4,070
2009	55,345	94,191	5,279	3,998
2010	76,700	91,188	5,585	3,915
2011	85,355	87,787	5,784	3,715
2012	89,015	83,807	5,990	3,510
2013-2017	442,765	359,513	32,707	14,207
2018-2022	460,475	251,069	35,288	8,267
2023-2027	417,190	144,061	28,168	2,245
2028-2032	342,100	50,255	646	21
2033-2037	59,010	5,602		
	<u>\$ 2,075,755</u>	<u>\$ 1,260,351</u>	<u>\$ 124,432</u>	<u>\$ 43,948</u>

<u>Year Ending</u> <u>December 31</u>	<u>Deferred Payment Obligations (Note 6)</u>		<u>Business-Type Activities Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	<i>(Amounts in 000's)</i>			
2008	\$ 2,195	\$ 1,194	\$ 54,980	\$ 98,142
2009	2,371	1,018	62,995	99,207
2010	2,562	827	84,847	95,930
2011	2,768	621	93,907	92,123
2012	2,990	399	97,995	87,716
2013-2017	3,510	161	478,982	373,881
2018-2022			495,763	259,336
2023-2027			445,358	146,306
2028-2032			342,746	50,276
2033-2037			59,010	5,602
	<u>\$ 16,396</u>	<u>\$ 4,220</u>	<u>\$ 2,216,583</u>	<u>\$ 1,308,519</u>

The schedule of minimum principal and interest payments for construction loans includes the amortization on twelve loans provided to the Division of Water and the Division of Water Pollution Control by the Ohio Water Development Authority (OWDA) and two loans to the Division of Water Pollution Control by the Ohio Public Works Commission (OPWC). This amortization is based upon the full amount expected to be financed, regardless of whether the Division of Water and the Division of Water Pollution Control have received all the loan proceeds. Therefore, at December 31, 2007, the amount financed on these OWDA loan projects, which are reflected in the amortization schedule, less the principal payments made to date, exceeds the actual loan balances shown on the schedule of long-term debt outstanding and changes in long-term debt obligations by \$14,362,000.

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 \$355,148,626 of additional unvoted debt at December 31, 2007.

Effective April 18, 2007, the City issued \$42,900,000 Various Purpose General Obligation Bonds, Series 2007A, and \$2,050,000 Final Judgment General Obligation Bonds, Series 2007B. Proceeds of the Series 2007A Bonds will be used to fund permanent improvements to roads and bridges, public facilities, parks and recreation facilities and cemeteries, to revitalize lands within the City and to pay the costs of issuing the bonds. The Series 2007B Bonds will be used to pay for a variety of court ordered settlements and to pay issuance costs.

In addition, on May 7, 2007, the City issued \$28,080,000 Various Purpose General Obligation Refunding Bonds, Series 2007C. These bonds refunded \$28,245,000 of outstanding General Obligation Bonds. The proceeds were used to fund an escrow deposit to refund the bonds and to pay issuance costs. Proceeds of \$30,138,773 were placed in an irrevocable escrow account to be used to pay the principal, interest and premium, if any, on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for these bonds has been removed from long term debt. The City completed this refunding to reduce its total debt service over the next twenty years by \$1.18 million and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$1.04 million.

Other Governmental Obligations

Urban Renewal Bonds: In 1993, the City issued \$10,800,000 of Urban Renewal 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 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, L.P. (Ambac) 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 \$58,900,000 on December 31, 2007. The fair value of the swap at December 31, 2007, as reported by Ambac was \$6,682,597 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 \$58,900,000 at December 31, 2007, at a rate equal to the weekly Securities Industry and Financial Markets Association (SIFMA) index, formerly known as the Bond Market Association (BMA) index. 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 Subordinated Income Tax Bonds, Series 1994 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. Since Ambac is paying the actual variable rate on the original bonds, this transaction leaves the City paying the weekly SIFMA rate.

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

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

Fair Value: The fair value of the swaption at December 31, 2007 as reported by JPM was \$604,874 which would be payable by the City.

Non-tax Revenue Bonds – Stadium: Effective December 16, 2004, the City issued \$14,835,000 Non-tax Revenue Bonds, Series 2004 (Cleveland Stadium Project) to refund the Non-tax Revenue Stadium Bonds, Series 1999A&B. 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. 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) 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 has provided 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 (COPS) 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.

On February 13, 2003 the City sold an option to 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. On August 17, 2007, UBS notified the City that it was exercising its option under the swaption agreement. This agreement required the issuance of variable rate refunding bonds. Therefore, effective October 11, 2007, the City issued \$108,390,000 Refunding Certificates of Participation, Series 2007, to currently refund \$105,800,000 of the outstanding Certificates of Participation, Series 1997. These were issued as auction rate securities and the City realized \$753,000 of net present value savings. The swap associated with this transaction went into effect on November 15, 2007. Proceeds of \$107,445,478 plus \$2,873,390 from the Series 1997 Certificate Fund were placed in an irrevocable escrow account which was used to pay the principal, interest and premium on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for these bonds has been removed from long term debt.

Interest Rate Swap Transaction:

Terms: The City entered 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 \$108,390,000 Certificates of Participation, Series 2007. Under the swap agreement, the City is 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 COPS to the debt service previously being paid on the Certificates of Participation, Series 1997 (Cleveland Stadium Project). UBS is the floating rate payor, paying at a rate equivalent to 67% of one month LIBOR. The stated termination date under the swap agreement with UBS is 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 are insured by Ambac.

Objective: The City entered into the original 2003 swaption in order to capture the present value savings which could be derived from synthetically refunding its Certificates of Participation, Series 1997 in a lower interest rate environment. In exchange for selling the option to UBS, the City received a premium payment of \$3,400,000. At the time of issuance of the COPS, Series 2007, the City achieved present value savings of \$753,000 stemming from the current refunding of the COPS, Series 1997.

Basis Risk: The City will receive 67% of LIBOR from UBS and the City has issued tax exempt variable rate debt that should price at approximately the SIFMA index. While historically the relationship between LIBOR and SIFMA 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 SIFMA and LIBOR and would potentially increase the cost of the financing.

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

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

Fair Value: The fair value of the swap at December 31, 2007, as reported by UBS was \$13,413,000 which would be payable by the City.

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

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

In July 2005, the City entered into a third equipment lease agreement. This lease agreement is with Chase Equipment Leasing, Inc. and will result in the City purchasing approximately \$8,425,000 of heavy duty vehicles and apparatus. Lease payments will be made from the Restricted Income Tax for a period of seven years. The assets recorded by the City under capital leases were as follows as of December 31, 2007:

	Governmental Activities
	(Amounts in 000's)
Furniture, fixtures and equipment	\$ 22,634
Less – accumulated depreciation	<u>(6,061)</u>
Net book value	<u>\$ 16,573</u>

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

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

Police and Fire Overtime and Deferred Vacation Pay: Uniformed employees of the Police and Fire Divisions accumulate overtime compensation in accordance with the union contracts and the requirements of the Fair Labor Standards Act. In addition, uniformed employees may defer earned vacation time, with the appropriate approvals, until retirement. The liabilities for overtime and deferred vacation time, at current pay rates including their related fringe benefits and converted to straight time hours, at December 31, 2007, follow:

<u>Division</u>	<u>Overtime</u>		<u>Deferred Vacation</u>	
	<u>Hours</u>	<u>Dollars</u>	<u>Hours</u>	<u>Dollars</u>
	(Amounts in 000's)			
Police	1,868	\$ 53,540		\$
Fire	<u>228</u>	<u>6,438</u>	<u>79</u>	<u>2,250</u>
Total	<u>2,096</u>	<u>\$ 59,978</u>	<u>79</u>	<u>\$ 2,250</u>

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

Business-Type (Enterprise Fund) Obligations

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

On October 3, 2007, the City issued \$148,250,000 of Airport System Revenue Bonds, Series 2007A and \$11,255,000 Airport System Revenue Bonds, Series 2007B. The Series 2007A Bonds were issued to refund \$144,360,000 of outstanding Series 1997A Airport System Revenue Bonds. The Series 2007B Bonds were issued to refund \$11,485,000 of outstanding Series 1997C Airport System Revenue Bonds. Proceeds from the two series were used to fund an escrow deposit to refund the bonds and pay costs of issuance. Proceeds of \$146,041,856 plus funds on hand in the amount of \$1,848,589 were placed in an irrevocable escrow account to be used to pay the principal, interest and premium on the refunded Series 1997A Bonds on January 1, 2008. Proceeds of \$11,637,765 plus funds on hand in the amount of \$146,279 were also placed in an irrevocable escrow account to be used to pay the principal, interest and premium on the refunded Series 1997C Bonds on January 1, 2008. As a result, the refunded bonds are considered to be defeased and the liability for these bonds has been removed from long term debt. The City completed this refunding to reduce its total debt service payments over the next twenty years by \$8.9 million and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$7.18 million. The Series 2007A Bonds were issued as auction rate securities and a portion (\$121,700,000) was swapped to a fixed rate as a result of swap agreements entered into on February 1, 2007 (see below). The Series 2007B Bonds were issued as fixed rate bonds.

On November 16, 2006, the City issued \$118,760,000 of Airport System Revenue Bonds, Series 2006A&B. The \$107,750,000 Series 2006A Bonds were issued to advance refund \$111,435,000 of outstanding Series 2000A Airport System Revenue Bonds. The \$11,010,000 Series 2006B Bonds advance refunded \$10,470,000 of outstanding Series 1997B Airport System Revenue Bonds. Proceeds were used to fund an escrow deposit that will refund the bonds and pay costs of issuance. Net proceeds of \$129,128,226 were placed in an irrevocable escrow account which will be used to pay the principal, interest and premium on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for these bonds has been removed from long term debt. The City completed the refunding to reduce its total debt service payments over the next eighteen years by \$7.6 million and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$5.56 million or 4.56%.

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

Interest Rate Swap Transactions:

Series 2007A Bonds:

Terms: On February 1, 2007 the City entered into three interest rate exchange agreements which became effective upon the delivery of the \$148,250,000 Series 2007A Airport System Revenue Bonds on October 3, 2007. The City entered into a floating-to-fixed rate swap with a notional amount of \$121,700,000 divided equally among three counterparties. Morgan Stanley Capital Services, Inc., Goldman Sachs Capital Markets LP and RFPC Capital Services, LLC (RFPC) are serving as the counterparties on the transaction. Under the swap agreement for the Series 2007A Bonds, the City is the fixed rate payor, paying a fixed rate of 4.037%. Each counterparty is a floating rate payor, paying the City a floating rate equal to the SIFMA index plus 5 basis points. Net payments are exchanged on the first of each month. The obligation of the City to make periodic payments (but not any termination payment) is secured by a pledge of monies in the Special Funds and the Airport Revenues as defined in the trust indenture securing the Airport System Revenue Bonds on a parity with the pledge of monies in the Special Funds and the Airport Revenues securing payment of debt service charges on all Revenue Bonds outstanding under the Indenture.

Objective: The City entered into the swaps in order to maximize the savings associated with the refunding of the Series 1997A Bonds. The actual overall savings to be realized by the City will depend upon the net payments received under the swap agreement.

Basis Risk: By entering into swaps based upon the SIFMA index, the City sought to minimize this risk. Since both the underlying bonds and the swap payments are based upon 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 Series 2007A Bonds incorporates an additional 5 basis points to take into account the fact that the underlying bonds are subject to the Alternative Minimum Tax. However, if the payments received from the counterparty are less than the amount of interest paid on the bonds, the City must make up the difference in addition to paying the fixed rate resulting from the swap.

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 Morgan Stanley, Goldman Sachs or RFPC 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 the counterparties or by the counterparties 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, 2007 as reported by Morgan Stanley, Goldman Sachs and RFPC totaled \$5,079,000, which would be owed by the City.

Series 2003A&B Bonds:

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 2003A Bonds and the \$56,200,000 Series 2003B 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 is the fixed rate payor, paying a fixed rate of 4.169% semiannually, while the counterparties pay the Airport System at the SIFMA 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 pay the Airport System the SIFMA 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 SIFMA 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 selected highly rated counterparties in order to minimize this risk. However, over the long term it is possible that the credit strength of Bear Stearns and JPMorgan could change and this event could trigger a termination payment on the part of the City.

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

Fair Value: The fair value of the swaps at December 31, 2007 as reported by JPMorgan and Bear Stearns collectively was \$1,405,000 for Series 2003A Bonds and \$3,877,000 for Series 2003B Bonds which would both be payable by the City.

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

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

Interest Rate Swap Transaction:

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

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

Basis Risk: By entering into a swap based upon the 30 day LIBOR rate of interest, the City has undertaken basis risk associated with a change in tax rates and structure. While the average relationship between LIBOR (taxable) and SIFMA (tax-exempt) interest rates has been 67%, this relationship may not continue to apply. The payments received from the counterparty may be less than the amount owed to the counterparty resulting in an increase in debt service over the fixed rate on the bonds. A reduction in federal income tax rates might increase the percentage relationship between SIFMA and LIBOR and may potentially increase the cost of financing.

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

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

Fair Value: The fair value of the swap at December 31, 2007 as reported by Lehman Brothers totaled \$364,000, which would be payable by Lehman Brothers to the City.

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

Effective June 28, 2007, the City issued \$143,570,000 Water Revenue Bonds, Series O, 2007. The proceeds of these bonds will be used to pay costs of improvements to the Waterworks System over the next three years, to fund a deposit to the Reserve Fund, to pay capitalized interest on the bonds and to pay costs of issuing the bonds. In conjunction with the issuance of these bonds, both Standard & Poor's and Moody's Investors Service upgraded their ratings of the City's Water Revenue Bonds to AA and Aa2 respectively.

On November 28, 2007, the City issued \$135,410,000 Water Revenue Bonds, Series P, 2007. These bonds were issued to currently refund \$140,030,000 of outstanding Water Revenue Bonds, Series I. Proceeds were used to fund an escrow deposit that will refund the bonds and to pay costs of issuance. Net proceeds of \$144,460,566 were placed in an irrevocable escrow account and were used to pay the principal, interest and premium on the refunded bonds on January 1, 2008. 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 P Bonds was \$140,030,000. The City completed the refunding to reduce its total debt service payments by \$6,376,000 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$5,838,000 or 4.17%.

In December 2007, the Division of Water utilized cash on hand to defease outstanding Series G Bonds. The Division placed \$12,966,000 in an irrevocable account which will be used to pay principal and interest on the defeased bonds. As a result, the bonds are considered defeased and the liability for those bonds has been removed from long term debt. The total principal amount of bonds defeased in this manner was \$12,290,000.

Interest Rate Swap Transactions:

Terms: Simultaneously with the issuance of the City's \$175,000,000 Water Revenue Bonds, Series M 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 is 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 SIFMA (tax-exempt) interest rates has been 67%, this relationship may not continue to apply. If the payments received from the counterparties are less than the amount paid on the variable rate bonds, the Water System must make up the difference in addition to paying the fixed rate resulting from the swap. In addition, a reduction in federal income tax rates would increase the percentage relationship between SIFMA and LIBOR and would potentially increase the cost of financing.

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

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

Fair Value: The fair value of the swaps at December 31, 2007 as reported by Bear Stearns and Morgan Stanley totaled \$6,220,000, which would be payable by the City.

Ohio Water Development Authority and Ohio Public Works Commission Loans: These loans are payable from net revenues derived from the waterworks and water pollution control systems. These obligations do not have a lien on revenues of the Divisions. In 2006, Water received an OWDA loan of \$11,612,382 out of an expected \$25,766,313 to fund the Morgan Water Treatment Plant Filter Rehabilitation. Another \$9,456,188 was received in 2007. This is a 20 year, 3.25% loan with payments beginning in 2008. In addition, the outstanding balance on the Division of Water's OWDA loans for the Baldwin Chemical Plant, the Nottingham Plant Improvements and the Baldwin Treatment Plant Improvements increased by \$592,618, \$462,099 and \$323,190 respectively.

Parking Facilities Revenue Bonds: These bonds are payable from net revenues generated from certain parking facilities and other operating revenues of the Division of Municipal Parking Lots, including parking meter revenue. In addition, the City has pledged other non-tax revenue to meet debt service requirements. The City has pledged and assigned to the Trustee a first lien on pledged revenues consisting of fines and penalties collected as a result of the violation of municipal parking

ordinances and fines, waivers and costs relating to citations for misdemeanor offenses and the special funds as defined within the bond indenture.

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

Interest Rate Swap Transaction:

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

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

Basis Risk: By entering into a swap based upon the 30 day LIBOR rate of interest, the City has undertaken basis risk associated with a change in tax rates and structure. While the average relationship between LIBOR (taxable) and SIFMA (tax-exempt) interest rates has been 67%, this relationship may not continue to apply. The payments received from the counterparty may be less than the amount owed to the counterparty resulting in a net increase in debt service. In addition, a reduction in federal income tax rates might increase the percentage relationship between SIFMA and LIBOR and may potentially increase the cost of financing.

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

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

Fair Value: The fair value of the swap at December 31, 2007 as reported by UBS totaled \$1,569,000, which would be payable by the City.

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

Defeasance of Debt

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

The aggregate amount of defeased debt outstanding at December 31, 2007 is as follows:

<u>Bond Issue</u>	<u>(Amounts in 000's)</u>	<u>Bond Issue</u>	<u>(Amounts in 000's)</u>
Waterworks Improvement Bonds:		Unvoted Tax Supported GO:	
Series G, 1993	\$ 24,060	Series 1999	\$ 12,700
Series I, 1998	266,700	Series 2000	14,100
Series K, 2002	68,325	Series 2002	26,080
		Series 2003	24,970
		Series 2004	7,530
Airport System Revenue Bonds:		Public Power Bonds:	
Series 1997A	\$ 144,360	Series 1994A	\$ 11,040
Series 1997B	10,470		
Series 1997C	11,485		
Series 2000A	111,435		

Airport Special Facilities Revenue Bonds

Airport Special Revenue Bonds, Series 1990, totaling \$76,320,000 were issued to finance the acquisition and construction of a terminal, hangar and other support facilities leased to Continental Airlines at Cleveland Hopkins International Airport. These bonds were refunded in 1999 by the issuance of Airport Special Revenue Refunding Bonds, Series 1999 totaling \$71,440,000. Additional Airport Special Revenue Bonds, Series 1998, totaling \$75,120,000, were issued in 1998 to finance the design and construction of certain airport facilities leased to Continental Airlines, including a new regional jet concourse. Because principal and interest on these bonds are unconditionally guaranteed by Continental Airlines and paid directly by Continental Airlines, these bonds do not constitute a debt, liability or general obligation of the City or a pledge of the City's revenues. As such, no liabilities relating to these bonds are included in the accompanying financial statements.

Pledges of Future Revenues

The City has pledged future airport revenues to repay \$925,960,000 in various airport system revenue bonds issued in various years since 1997. Proceeds from the bonds provided financing for airport operations. The bonds are payable from airport net revenues and are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 68 percent of net revenues. The total principal and interest remaining to be paid on the various airport system revenue bonds is \$1,579,935,000. Principal and interest paid for the current year and total net revenues were \$55,128,361 and \$82,072,000, respectively.

The City has pledged future Power System revenues, net of specified operating expenses, to repay \$220,345,000 in various public power system revenue bonds issued in various years since 1994. Proceeds from the bonds provided financing for public power system operations. The bonds are payable from public power system net revenues and are payable through 2024. Annual principal and interest payments on the bonds are expected to require less than 45 percent of net revenues. The total principal and interest remaining to be paid on the various Power System Revenue Bonds is \$325,011,000. Principal and interest paid for the current year and total net revenues were \$17,413,159 and \$38,817,000, respectively.

The City has pledged future Water System revenues, net of specified operating expenses, to repay \$866,470,000 in various Water Improvement Revenue Bonds issued in various years since 1993. Proceeds from the bonds provided financing for water system operations. The bonds are payable from Water System net revenues and are payable through 2037. Annual principal and interest payments on the bonds are expected to require less than 43 percent of net revenues. The total principal and interest remaining to be paid on the various Water Improvement Revenue Bonds is \$1,339,821,000. Principal and interest paid for the current year and total net revenues were \$50,320,206 and \$117,782,000, respectively.

The City has pledged future revenues from certain parking facilities, net of specified operating expenses, and other operating revenues to repay \$62,980,000 in various Parking Facilities Revenue Bonds issued in 1996 and 2006. Proceeds from the bonds provided financing for parking facilities operations. The bonds are payable from parking facilities net revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require the full amount of net pledged revenues. The total principal and interest remaining to be paid on the various Parking Facilities Revenue Bonds is \$91,339,000. Principal and interest paid for the current year and total net revenues were \$6,146,000 and \$4,820,000, respectively.

NOTE 6 – DEFERRED PAYMENT OBLIGATION / I-X CENTER

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

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

Rental income recognized by the City under this agreement totaled \$3,389,000 in 2007. Of this amount \$1,357,000 was offset against interest expense and \$2,032,000 was offset against the principal balance of the deferred 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, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
	(Amounts in 000's)	
Estimated claims payable, January 1	\$ 4,464	\$ 3,711
Current year claims (including IBNRs) and changes in estimates	6,329	2,275
Claim payments	<u>(2,671)</u>	<u>(1,522)</u>
Estimated claims payable, December 31	<u>\$ 8,122</u>	<u>\$ 4,464</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 2007. There was no significant decrease in any insurance coverages in 2007. 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, 2007 was \$27,064,544. Of this amount, \$8,135,330 was recorded as a fund liability within each respective fund. The remaining \$18,929,214 is due in future years and is recorded as a liability in the Workers' Compensation Reserve Internal Service Fund. This liability is funded by charging the appropriate funds their proportionate share of this liability and recording the associated due to or due from as appropriate.

NOTE 8 – CONTINGENCIES

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

As of December 31, 2007, the amount of claims against the City for which an unfavorable outcome is deemed to be reasonably possible, including condemnation proceedings, aggregated \$3,400,000.

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, 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. An audit has been completed by granting agencies for the Workforce Investment Act grant.

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, 2007, transfers consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>					
	<u>Total</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
(Amounts in 000's)						
Governmental Funds:						
General	\$ 25,157	\$	\$24,327	\$24,327	\$ 290	\$ 540
Other governmental	<u>36,737</u>	<u>6,758</u>	<u>29,979</u>	<u>36,737</u>		
Total Governmental Funds	<u>61,894</u>	<u>6,758</u>	<u>54,306</u>	<u>61,064</u>	<u>290</u>	<u>540</u>
Total	<u>\$ 61,894</u>	<u>\$ 6,758</u>	<u>\$54,306</u>	<u>\$61,064</u>	<u>\$ 290</u>	<u>\$ 540</u>

Interfund Balances: Interfund balances at December 31, 2007 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, 2007 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	\$ 11,155	\$	\$	\$	\$ 22	\$ 1,319	\$ 78	\$ 93	\$ 1,512	\$ 9,643
Other governmental	<u>14,821</u>	8,249	5,610	13,859	18	8		68	94	868
Total governmental	<u>\$ 25,976</u>									
Enterprise Funds:										
Division of Water	\$ 3,203	29	5	34		1,084		331	1,415	1,754
Cleveland Public Power	1,522	34		34	141			15	156	1,332
Department of Port										
Control	913	203		203	4	23		11	38	672
Other Enterprise	<u>3,751</u>	100	2	102	2,573	129		101	2,803	846
Total enterprise	<u>9,389</u>									
Internal Service Funds	<u>384</u>	<u>5</u>		<u>5</u>	<u>8</u>	<u>3</u>		<u>5</u>	<u>16</u>	<u>363</u>
Total Due To/Due From	<u>\$ 35,749</u>	<u>\$ 8,620</u>	<u>\$ 5,617</u>	<u>\$ 14,237</u>	<u>\$ 2,766</u>	<u>\$ 2,566</u>	<u>\$ 78</u>	<u>\$ 624</u>	<u>\$ 6,034</u>	<u>\$ 15,478</u>

NOTE 10 – INCOME TAXES

During 2007, 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 2007 levy was based upon an assessed valuation of approximately \$6.457 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 2006. 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 2007, 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, 2007, 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)		
Governmental Funds:			
General Fund:			
Income taxes receivable	\$ 17,872	\$	\$ 17,872
Property taxes receivable	50,551		50,551
Local government receivable	16,609		16,609
Estate tax receivable	248		248
Homestead rollback	3,701		3,701
Emergency medical service receivable	<u>673</u>	<u> </u>	<u>673</u>
Total General Fund	<u>89,654</u>	<u> </u>	<u>89,654</u>
Other Governmental Funds:			
Income taxes receivable	2,234		2,234
Special assessments receivable	3,307		3,307
Property taxes receivable	26,335		26,335
Advances received under grants		10,781	10,781
Motor vehicle taxes receivable	1,459		1,459
Municipal gas tax receivable	1,166		1,166
State gasoline tax receivable	2,242		2,242
Homestead rollback	1,928		1,928
Grant receivable	506	764	1,270
Due from other governments	<u>3,327</u>	<u> </u>	<u>3,327</u>
Total other governmental funds	<u>42,504</u>	<u>11,545</u>	<u>54,049</u>
Total Deferred and Unearned Revenue	<u>\$ 132,158</u>	<u>\$ 11,545</u>	<u>\$ 143,703</u>

NOTE 13 – DEFINED BENEFIT PENSION PLANS

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

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Member contribution rates were 9.5% in 2007, 9.00% in 2006 and 8.50% in 2005, and employer contribution rates were 13.85% of covered payroll in 2007, 13.70% in 2006 and 13.55% in 2005. The City's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2007, 2006 and 2005 were approximately \$22,196,921, \$24,184,945 and \$25,048,620 each year, respectively. The required payments due in 2007, 2006 and 2005 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 the years ended December 31, 2007, 2006 and 2005 were \$22,240,171, \$19,845,777 and \$19,443,925, respectively. The required payments due in 2007, 2006, and 2005 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 maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members, The City's contribution rate was 13.85% of covered payroll in 2007, 13.70% of covered payroll in 2006 and 13.55% of covered payroll in 2005. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll. Active members do not make contributions to the OPEB Plan. OPERS' Post Employment Health Care Plan was established under, and is administrated in accordance with Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2007, the employer contribution allocated to the health care plan from January 1 through June 30, 2007 and July 1 through December 31, 2007 was 5% and 6% of covered payroll, respectively. In 2006, 4.50% of covered payroll was used to fund health care and 4.00% of covered payroll in 2005. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or the surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's actual contributions for 2007 which were to fund post-employment benefits were approximately \$14,611,598.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund: The City contributes to the OP&F sponsored healthcare program, a cost-sharing multiple-employer defined postemployment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents. OP&F provides access to post-retirement healthcare 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. The healthcare coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits 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.

The Ohio Revised Code provides for contribution requirements of the participating employers and plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50% of covered payroll for police and 24% of covered payroll for firefighters. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police and 24% of covered payroll for firefighters. Active members do not make contributions to the OPEB Plan.

OP&F's post employment healthcare plan was established and is administrated as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F board of trustees. The board of trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the 401h account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by provisions of Section 401h. The OP&F board of trustees also is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's contribution to OP&F for the year ending December 31, 2007 was \$10,391,588 and was allocated to the healthcare plan.

NOTE 15 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007
	(Amount in 000's)			
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 58,411	\$ 3,252	\$	\$ 61,663
Construction in progress	<u>98,579</u>	<u>68,675</u>	<u>(35,669)</u>	<u>131,585</u>
Total capital assets, not being depreciated	<u>156,990</u>	<u>71,927</u>	<u>(35,669)</u>	<u>193,248</u>
Capital assets, being depreciated:				
Land improvements	113,307	1,581		114,888
Buildings, structures and improvements	591,447	1,763	(2,522)	590,688
Furniture, fixtures, equipment and vehicles	161,173	11,483	(11,468)	161,188
Infrastructure	<u>355,245</u>	<u>59,023</u>	<u>(567)</u>	<u>413,701</u>
Total capital assets, being depreciated	<u>1,221,172</u>	<u>73,850</u>	<u>(14,557)</u>	<u>1,280,465</u>
Less accumulated depreciation for:				
Land improvements	(71,286)	(4,494)		(75,780)
Buildings, structures and improvements	(208,671)	(14,447)	717	(222,401)
Furniture, fixtures, equipment and vehicles	(102,815)	(10,593)	10,427	(102,981)
Infrastructure	<u>(140,305)</u>	<u>(14,179)</u>	<u>566</u>	<u>(153,918)</u>
Total accumulated depreciation	<u>(523,077)</u>	<u>(43,713)</u>	<u>11,710</u>	<u>(555,080)</u>
Total capital assets being depreciated, net	<u>698,095</u>	<u>30,137</u>	<u>(2,847)</u>	<u>725,385</u>
Governmental activities capital assets, net	<u>\$ 855,085</u>	<u>\$ 102,064</u>	<u>\$ (38,516)</u>	<u>\$ 918,633</u>

	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007
	(Amount in 000's)			
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 189,756	\$ 4,777	\$	\$ 194,533
Construction in progress	<u>356,339</u>	<u>174,036</u>	<u>(77,465)</u>	<u>452,910</u>
Total capital assets, not being depreciated	<u>546,095</u>	<u>178,813</u>	<u>(77,465)</u>	<u>647,443</u>
Capital assets, being depreciated:				
Land improvements	781,113	10,013	(1,805)	789,321
Utility plant	1,584,560	37,727	(1,835)	1,620,452
Buildings, structures and improvements	806,930	11,293	(2,071)	816,152
Furniture, fixtures, equipment and vehicles	<u>236,418</u>	<u>18,084</u>	<u>(4,856)</u>	<u>249,646</u>
Total capital assets, being depreciated	<u>3,409,021</u>	<u>77,117</u>	<u>(10,567)</u>	<u>3,475,571</u>
Less accumulated depreciation for:				
Land improvements	(229,440)	(35,225)	1,801	(262,864)
Utility plant	(545,776)	(42,213)	1,145	(586,844)
Buildings, structures and improvements	(367,449)	(22,453)	1,242	(388,660)
Furniture, fixtures, equipment and vehicles	<u>(134,455)</u>	<u>(14,959)</u>	<u>3,611</u>	<u>(145,803)</u>
Total accumulated depreciation	<u>(1,277,120)</u>	<u>(114,850)</u>	<u>7,799</u>	<u>(1,384,171)</u>
Total capital assets being depreciated, net	<u>2,131,901</u>	<u>(37,733)</u>	<u>(2,768)</u>	<u>2,091,400</u>
Business-Type activities capital assets, net	<u>\$2,677,996</u>	<u>\$ 141,080</u>	<u>\$ (80,233)</u>	<u>\$2,738,843</u>

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

	<u>(Amounts in 000's)</u>
Governmental Activities:	
General Government	\$ 8,231
Public Service	19,121
Public Safety	8,576
Building and Housing	147
Community Development	575
Public Health	553
Parks, Recreation and Properties	6,066
Economic Development	109
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>337</u>
Total depreciation expense charged to governmental activities	<u>\$ 43,715</u>
Business-Type Activities:	
Division of Water	\$ 38,993
Cleveland Public Power	17,056
Department of Port Control	51,077
Nonmajor business-type activities	7,635
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>4</u>
Total depreciation expense charged to business-type activities	<u>\$ 114,765</u>

Capital Commitments: Significant commitments of the City as of December 31, 2007 are composed of the following:

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
	(Amounts in 000's)	
Governmental Activities:		
Bellaire Ave. Rehab	\$ 120	\$ 2,581
Quincy Ave. Rehab	364	6,595
800 MHz Upgrade	1,092	6,780
Wade Park Station	419	3,449
The Avenue	2,003	3,297
Cornell Rd. Bridge	741	4,893
Morgana	912	1,338
City Hall Fire Alarm & Security		3,000
Euclid Corridor Vaults	6,121	3,240

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
	(Amounts in 000's)	
Business-Type Activities:		
Morgan Filter Rehab Const	\$ 14,513	\$ 15,787
Watermain Rehab 2008	11	6,094
Meter Automation & Replace Prg		6,500
PEP Program Management PH2	19,148	7,638
Warehouse Imp PH 1 & 2		7,915
Suburban Water Main Renewal Prg		10,000
Crown Water Plant		15,000
Morgan East Reservoir	20,280	22,626
CIS Assessment/Design & Implementation	6,378	21,195
Kirtland Pump Station Rehab		19,500
Plant Enhancement Program	52,183	21,120
Fairmount Pump Station Rehab		24,400
Morgan Pretreatment and Residuals		40,600
Construct New Runway 5L/23R	133,399	5,664
Wetlands & Stream Mitigation	15,975	19,407
Environmental Requirements	15,390	20,067
Sound Insulation of Homes	84,761	25,472
Runway 6R/24L Extention	24,267	27,026

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, 2007, the State funded \$127,935,000 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 2007, interest expense incurred for the Enterprise Funds was \$102,417,000 of which \$15,279,000 was capitalized net of \$10,451,000 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
- 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.

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

Condensed Balance Sheet Information

	Municipal Parking Lots (Amounts in 000's)
Assets:	
Current assets	\$ 2,180
Restricted assets	18,855
Other noncurrent assets	3,746
Capital assets, net	<u>57,259</u>
Total assets	<u><u>\$ 82,040</u></u>
Liabilities:	
Current liabilities	\$ 4,666
Long-term liabilities	<u>56,858</u>
Total liabilities	<u>61,524</u>
Net Assets:	
Invested in capital assets, net of related debt	(2,505)
Restricted for capital projects	4,638
Restricted for debt service	8,276
Unrestricted	<u>10,107</u>
Total net assets	<u>20,516</u>
 Total liabilities and net assets	 <u><u>\$ 82,040</u></u>

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

	Municipal Parking Lots (Amounts in 000's)
Charges for services	\$ 10,057
Depreciation (expense)	(1,710)
Other operating (expenses)	<u>(4,430)</u>
Operating income (loss)	3,917
Nonoperating revenues (expenses):	
Investment income	938
Interest expense	(3,922)
Other revenue (expenses)	<u>(445)</u>
Change in net assets	488
Net assets at beginning of year	<u>20,028</u>
 Net assets at end of year	 <u><u>\$ 20,516</u></u>

Condensed Statement of Cash Flows Information

	Municipal Parking Lots (Amounts in 000's)
Net cash provided by (used for):	
Operating activities	\$ 5,662
Noncapital financing activities	
Capital and related financing activities	(6,196)
Investing activities	927
Net increase (decrease) in cash and cash equivalents	393
Beginning cash and cash equivalents	19,894
Ending cash and cash equivalents	\$ 20,287

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>
	(Amounts in 000's)				
Construction activities	\$ 239,828	\$ 1,522	\$ 119,995	\$ 4,638	\$
Debt retirement	89,814	3,402	107,572	8,276	
Accrued passenger facility charges			43,450		
Other	1,034	12	69,413	5,941	6,427
Total	<u>\$ 330,676</u>	<u>\$ 4,936</u>	<u>\$ 340,430</u>	<u>\$ 18,855</u>	<u>\$ 6,427</u>

NOTE 17 – GATEWAY ECONOMIC DEVELOPMENT CORPORATION

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

The bonds that were issued to construct the sports facilities described above are not a debt or liability of the City. To enhance the security of the bonds, the City has agreed to pledge annually a percentage of admissions taxes on all events held at the arena to pay debt service if other revenue sources are not sufficient. Any exempted admissions tax not required for debt service will be reimbursed to the City. The City's current admissions tax rate is 8%. For the year ended December 31, 2007, the City pledged \$4,098,000.

In 1992, the Division of Municipal Parking Lots (the Division) issued \$71,000,000 of Parking Facilities Improvement Revenue Bonds to finance the construction of three parking facilities including two which directly service the sports facilities. In 1996, the Division issued \$81,105,000 of Parking Facilities Refunding Revenue Bonds, Series 1996 to advance refund these bonds. In 2006, the Division issued \$57,520,000 Parking Facilities Refunding Revenue Bonds to refund \$56,300,000 of the outstanding Series 1996 Bonds. Debt service is covered by net revenues from the new parking facilities and other operating revenues of the Division, including all parking meter revenue. In addition, the City has pledged all

amounts received by the General Fund for parking violations, waivers and criminal fines to the extent needed for the payment of debt service on the bonds. The first garage on the Gateway site was completed in January 1994. The second garage was completed in August 1994. The third parking facility, Willard Park Garage, was completed in April 1996.

In accordance with an agreement with Gateway, Gateway is required to reimburse the City for the excess of the debt service requirements of the Parking Facility Improvement Revenue Bonds attributed to the two Gateway garages over the net revenues generated by the two Gateway garages. In 2007, net revenues generated by the two Gateway garages were less than the debt service payments attributed to those garages by \$2,074,000. Cumulative debt service payments funded by the City that are due from Gateway totaled \$34,098,000 at December 31, 2007. 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, 2007, the following funds had fund balance/net asset deficiencies:

<u>Fund Name</u>	<u>Total Deficiency</u> (Amounts in 000's)
Division of Streets	\$ 564

The above deficiency in the Division of Streets will be eliminated through other shared revenue receipts and operating transfers in.

NOTE 19 – SUBSEQUENT EVENTS

On February 25, 2008, City Council passed several pieces of legislation authorizing the issuance of various series of bonds in response to the upheaval in the municipal bond market stemming from the downgrades of several municipal bond insurance companies as mentioned above. These ordinances allow the City to issue bonds for the purpose of refunding or restructuring all of the City’s outstanding auction rate securities, as well as certain other variable rate securities. The City has incurred greater interest expense on its auction rate securities and on several of its variable rate demand obligations than it was prior to the downgrade of the bond insurers. In addition, the City is party to various swap agreements relating to certain of the outstanding auction rate securities under which the City pays a fixed interest rate in consideration of the swap counterparty paying the City a variable interest rate based on an index expected to approximate the interest rate borne by the auction rate securities. As the interest rates on the auction rate securities have risen, the difference between the interest rate on the auction rate securities and the variable rate received by the City from the swap counterparties has grown larger. This further adds to the City’s interest expense.

Effective April 22, 2008, the City issued \$93,712,880 Public Power System Revenue Bonds, Series 2008 for Cleveland Public Power. The Division will use \$72,607,880 to fund the system expansion, to pay costs of issuance and to pay capitalized interest. Of this amount issued as new money, \$44,705,000 was issued as current interest bonds and \$27,902,000 was issued as capital appreciation bonds.

The remaining \$21,105,000 Series 2008 Bonds were issued to refund the \$20,325,000 Series 2006B Public Power System Refunding Revenue Variable Rate Bonds and to pay issuance costs. The 2006B Bonds were auction rate securities insured by FGIC. Due to the 2008 credit rating downgrades of several municipal bond insurance companies (including FGIC), CPP was incurring greater interest expense on these auction rate securities than was the case prior to the credit rating downgrades. In response to this situation, City Council passed legislation on February 25, 2008 authorizing the issuance of refunding bonds. Therefore, in conjunction with the issuance of CPP’s new money bonds, the 2006B auction rate securities were refunded as fixed rate bonds insured by MBIA at an interest rate of 4.58%.

Effective May 1, 2008, the City issued \$59,560,000 Subordinate Lien Income Tax Bonds, Series 2008. Due to limited capacity to issue general obligation bonds within the 10 mill debt limitation, the City decided to fund its 2008 capital improvement program using Subordinate Lien Income Tax Bonds which will be paid from Restricted Income Tax receipts. The Series 2008 Bonds are comprised of \$26,360,000 Series 2008A for public facilities improvements, \$18,510,000 Series 2008B for bridge and roadway improvements, \$6,295,000 Series 2008C for parks and recreation facilities improvements, \$6,180,000 Series 2008D for revitalization improvements and \$2,215,000 Series 2008E for cemeteries improvements. These bonds are special obligations of the City and were issued to fund the costs of various public improvements and to pay costs of issuance. In conjunction with the issuance of these bonds on April 10, 2008, Standard & Poor's assigned them a rating of AA and also upgraded the rating on the City's General Obligation Bonds to AA.

Effective May 29, 2008, the City converted its \$108,390,000 Refunding Certificates of Participation, Series 2007 (Cleveland Stadium Project) from auction rate securities to weekly rate Variable Rate Demand Obligations. Due to the problems in the auction rate market and the fact that these COPS were insured by Ambac, one of the downgraded insurers, the interest rate on these COPS ranged from 10% to 12%, the failed auction rate, for an eight week period from February to April 2008. From mid-April until the conversion date, the rate continued to drop. Upon the conversion, the initial weekly reset rate was 1.60%. The interest rate swap entered into with UBS in November 2007 remains unchanged.

In addition to the CPP bonds and the Stadium COPS mentioned above, the City intends to conclude the following transactions by July 2008 to address the increased interest rates incurred on the City's auction rate securities:

- Refund the City's \$148,175,000 Airport System Revenue Bonds, Series 2007A-1 and Series 2007A-2 Bonds and its \$132,500,000 Airport System Revenue Bonds, Series 2003A, Series 2003B and Series 2003C as variable rate demand obligations.
- Refund the City's \$26,900,000 Series 2003 Taxable Economic and Community Development Bonds as variable rate demand obligations.

Additionally, the City is considering various alternatives with regard to the 1994 Subordinated Income Tax Variable Rate Refunding Bonds. These variable rate demand obligations (VRDOs) are insured by Ambac with a related floating-to-fixed rate swap with Ambac as the counterparty paying the actual rate on the bonds. However, a further downgrade of Ambac's credit rating could cause the payments made by Ambac to shift to the SIFMA index. As a result, the City intends to refund the bonds, most likely at fixed rates. Legislation has been approved authorizing the refunding of these bonds, the termination of the swap, if necessary, and the replacement of the Ambac insurance.

Auction Rate Securities

As described in Note 5, above, the City has issued certain debt securities as auction rate securities (ARS). The City also has entered into various swap transactions involving some of these securities. Recent disruptions in national capital markets, including changes in the credit ratings of private companies insuring these securities on behalf of the City, have affected these securities, as described below:

- i. Stadium COPS 2007. These weekly auction rate securities [ARS] failed to attract investors for several weeks during 2008, then attracted bids, but for several weeks at relatively high rates of interest. The agreements provided for reset maximum rates of 12%. In response, the City on May 29, 2008, refunded \$108,390,000 of the securities, taking them out of the auction rate market and providing instead for a variable rate demand bond structure backed by a bank letter of credit. The interest rate is reset weekly by a remarketing agent.
- ii. CPP 2006B. Cleveland Public Power ARS of \$20,325,000 provided for a maximum default reset of 250% of the 30 day taxable rate, due to the downgrade of the credit rating of the private company insuring the bonds on behalf of the City. The last reset on May 14, 2008, resulted in an interest rate of 6.263% upon the failed auction of that date. These bonds were refunded on April 22, 2008 as part of a \$93.7 million fixed rate issue that also included additional capital funds for CPP. The fixed rate on the refunding bonds was 4.58%. The ARS was redeemed on May 22.

- iii. 2003 Core City. This \$26,900,000 ARS issue has incurred failed auctions since February 13, 2008, the most recent being June 9, 2008. On this date, the contractual reset rate of 150% of the taxable rate, with a maximum of 16%, was 3.672%. As of June 17, the City is in the process of refunding these bonds with variable rate demand bonds backed by a bank letter of credit. The interest rate will be reset weekly by a remarketing agent.
- iv. Airport 2003, A, B, and C. These three series of ARS totaling \$132,500,000 last failed to auction on June 16, 2008, triggering contractual reset rates of 3.238%, 3.238% and 3.981%, respectively. These securities are subject also to swap agreements. The failed auction rates do not affect the provisions of the swap agreement. However, the variable rate payments made to the City under the swap agreements are based on an index and less closely approximate the interest rate on the ARS, resulting in greater net interest expense to the City. As of June 16, the City is in the process of refunding these bonds as variable rate demand bonds backed by several bank letters of credit.
- v. Airport 2007 A-1 and A-2. These series of ARS have not incurred failed auction as of June 16. However, rates reached a high of 9.46% on the Series A-1 bonds and 10.99% on the Series A-2 bonds. If these ARS would fail auction, the contractual reset rate is a maximum 15%. These securities are insured by a private company whose credit ratings have declined significantly. These securities are subject also to swap provisions. A failed auction would not affect the provisions of the swap agreement. However, the variable rate payments made to the City under the swap agreements are based on an index and less closely approximate the interest on the ARS, resulting in greater net interest expense to the City. As of June 16, the City is in the process of refunding these bonds as variable rate demand bonds backed by a bank letter of credit.

Police and Fire Pension Bonds

- vi. These securities are not ARS. However, they are insured by a private company whose credit ratings have declined as of June 17, 2008. This has caused the interest rate on these variable rate demand bonds to increase significantly over levels incurred prior to the insurer downgrade. These securities were the subject of a swap agreement. If the private company's credit rating were to decline further, then the City will no longer receive the actual rate on the bonds per the swap agreement, but would receive an amount calculated using the short term tax exempt rate, currently 1.48%. As of June 17, the City is starting the process of refunding the bonds and possibly terminating the swap.

Continental Airlines Service

In response to rising fuel cost, Continental Airlines announced on June 5, 2008 plans to reduce capacity, eliminate 3,000 positions and make changes to their network and fleet mix. It was announced on June 12, 2008 that capacity or available seat miles will decrease 13.1% in Cleveland. This reduction results in the elimination of service to 10 recently-launched cities and 14 underperforming cities.

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, 2007**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:				
Income taxes	\$ 276,745	\$ 276,745	\$ 280,233	\$ 3,488
Property taxes	46,594	46,594	45,533	(1,061)
State local government funds	60,435	60,435	56,178	(4,257)
Other shared revenues	40,538	40,538	44,604	4,066
Licenses and permits	11,784	11,784	11,650	(134)
Charges for services	18,890	18,890	19,967	1,077
Fines, forfeits and settlements	23,843	23,843	25,340	1,497
Investment earnings	2,747	2,747	4,383	1,636
Grants			927	927
Miscellaneous	<u>18,172</u>	<u>18,172</u>	<u>20,801</u>	<u>2,629</u>
Total revenues	<u>499,748</u>	<u>499,748</u>	<u>509,616</u>	<u>9,868</u>
EXPENDITURES:				
Current:				
General government:				
Council and clerk of council:				
Personnel	4,817	4,717	4,545	172
Other	<u>1,804</u>	<u>1,804</u>	<u>1,468</u>	<u>336</u>
Total council and clerk of council	<u>6,621</u>	<u>6,521</u>	<u>6,013</u>	<u>508</u>
Office of the mayor:				
Personnel	2,373	2,273	2,134	139
Other	<u>167</u>	<u>167</u>	<u>132</u>	<u>35</u>
Total office of the mayor	<u>2,540</u>	<u>2,440</u>	<u>2,266</u>	<u>174</u>
Office of consumer affairs:				
Personnel	321	321	271	50
Other	<u>49</u>	<u>49</u>	<u>31</u>	<u>18</u>
Total office of consumer affairs	<u>370</u>	<u>370</u>	<u>302</u>	<u>68</u>
Office of personnel:				
Personnel	1,471	1,276	1,214	62
Other	<u>424</u>	<u>651</u>	<u>583</u>	<u>68</u>
Total office of personnel	<u>1,895</u>	<u>1,927</u>	<u>1,797</u>	<u>130</u>
Landmarks commission:				
Personnel	180	180	174	6
Other	<u>14</u>	<u>14</u>	<u>13</u>	<u>1</u>
Total landmarks commission	<u>194</u>	<u>194</u>	<u>187</u>	<u>7</u>
Board of building standards and appeals:				
Personnel	95	95	91	4
Other	<u>10</u>	<u>10</u>	<u>7</u>	<u>3</u>
Total board of building standards and appeals	<u>105</u>	<u>105</u>	<u>98</u>	<u>7</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, 2007**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Division of harbors:				
Personnel	\$ 166	\$ 166	\$ 4	\$ 162
Other	<u>165</u>	<u>165</u>	<u>2</u>	<u>163</u>
Total division of harbors	<u>331</u>	<u>331</u>	<u>6</u>	<u>325</u>
Boxing and wrestling commission:				
Personnel	<u>8</u>	<u>8</u>	<u>4</u>	<u>4</u>
Total boxing and wrestling commission	<u>8</u>	<u>8</u>	<u>4</u>	<u>4</u>
Board of zoning appeals:				
Personnel	227	227	175	52
Other	<u>25</u>	<u>25</u>	<u>22</u>	<u>3</u>
Total board of zoning appeals	<u>252</u>	<u>252</u>	<u>197</u>	<u>55</u>
Civil service commission:				
Personnel	653	603	530	73
Other	<u>329</u>	<u>329</u>	<u>227</u>	<u>102</u>
Total civil service commission	<u>982</u>	<u>932</u>	<u>757</u>	<u>175</u>
Community relations board:				
Personnel	1,265	1,265	1,149	116
Other	<u>94</u>	<u>94</u>	<u>72</u>	<u>22</u>
Total community relations board	<u>1,359</u>	<u>1,359</u>	<u>1,221</u>	<u>138</u>
City planning commission:				
Personnel	1,580	1,480	1,357	123
Other	<u>129</u>	<u>129</u>	<u>120</u>	<u>9</u>
Total city planning commission	<u>1,709</u>	<u>1,609</u>	<u>1,477</u>	<u>132</u>
Office of equal opportunity:				
Personnel	781	781	711	70
Other	<u>36</u>	<u>72</u>	<u>65</u>	<u>7</u>
Total office of equal opportunity	<u>817</u>	<u>853</u>	<u>776</u>	<u>77</u>
Municipal court-judicial division:				
Personnel	20,017	19,917	19,388	529
Other	<u>2,505</u>	<u>2,505</u>	<u>2,439</u>	<u>66</u>
Total municipal court-judicial division	<u>22,522</u>	<u>22,422</u>	<u>21,827</u>	<u>595</u>
Municipal court-housing division:				
Personnel	3,031	3,031	2,905	126
Other	<u>135</u>	<u>135</u>	<u>134</u>	<u>1</u>
Total municipal court-housing division	<u>3,166</u>	<u>3,166</u>	<u>3,039</u>	<u>127</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, 2007**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Municipal court-clerks division:				
Personnel	\$ 9,117	\$ 9,017	\$ 8,576	\$ 441
Other	<u>5,662</u>	<u>5,662</u>	<u>5,653</u>	<u>9</u>
Total municipal court-clerks division	<u>14,779</u>	<u>14,679</u>	<u>14,229</u>	<u>450</u>
Office of budget and management:				
Personnel	612	562	537	25
Other	<u>118</u>	<u>118</u>	<u>117</u>	<u>1</u>
Total office of budget and management	<u>730</u>	<u>680</u>	<u>654</u>	<u>26</u>
Department of aging:				
Personnel	682	674	505	169
Other	<u>109</u>	<u>117</u>	<u>117</u>	<u>-</u>
Total department of aging	<u>791</u>	<u>791</u>	<u>622</u>	<u>169</u>
Department of law:				
Personnel	6,473	6,373	6,267	106
Other	<u>1,955</u>	<u>1,955</u>	<u>1,897</u>	<u>58</u>
Total department of law	<u>8,428</u>	<u>8,328</u>	<u>8,164</u>	<u>164</u>
Finance administration:				
Personnel	984	784	700	84
Other	<u>74</u>	<u>74</u>	<u>54</u>	<u>20</u>
Total finance administration	<u>1,058</u>	<u>858</u>	<u>754</u>	<u>104</u>
Division of accounts:				
Personnel	1,258	1,258	1,181	77
Other	<u>634</u>	<u>634</u>	<u>623</u>	<u>11</u>
Total division of accounts	<u>1,892</u>	<u>1,892</u>	<u>1,804</u>	<u>88</u>
Division of assessments and licenses:				
Personnel	1,712	1,612	1,525	87
Other	<u>430</u>	<u>430</u>	<u>361</u>	<u>69</u>
Total division of assessments and licenses	<u>2,142</u>	<u>2,042</u>	<u>1,886</u>	<u>156</u>
Division of treasury:				
Personnel	515	515	429	86
Other	<u>75</u>	<u>75</u>	<u>50</u>	<u>25</u>
Total division of treasury	<u>590</u>	<u>590</u>	<u>479</u>	<u>111</u>
Division of purchases and supplies:				
Personnel	569	569	495	74
Other	<u>54</u>	<u>54</u>	<u>42</u>	<u>12</u>
Total division of purchases and supplies	<u>623</u>	<u>623</u>	<u>537</u>	<u>86</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, 2007**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Bureau of internal audit:				
Personnel	\$ 439	\$ 439	\$ 345	\$ 94
Other	290	290	218	72
Total bureau of internal audit	<u>729</u>	<u>729</u>	<u>563</u>	<u>166</u>
Division of financial reporting and control:				
Personnel	1,279	1,079	892	187
Other	45	45	29	16
Total division of financial reporting and control	<u>1,324</u>	<u>1,124</u>	<u>921</u>	<u>203</u>
Office of information and technology planning:				
Personnel	306	256	216	40
Other	17	17	2	15
Total office of information and technology planning:	<u>323</u>	<u>273</u>	<u>218</u>	<u>55</u>
Division of information system services				
Personnel	2,503	2,303	2,046	257
Other	1,334	1,334	961	373
Total division of information system service:	<u>3,837</u>	<u>3,637</u>	<u>3,007</u>	<u>630</u>
TOTAL GENERAL GOVERNMENT	<u>80,117</u>	<u>78,735</u>	<u>73,805</u>	<u>4,930</u>
Public Service:				
Public service administration:				
Personnel	508	458	415	43
Other	32	32	31	1
Total public service administration	<u>540</u>	<u>490</u>	<u>446</u>	<u>44</u>
Division of architecture:				
Personnel	691	691	640	51
Other	30	30	24	6
Total division of architecture	<u>721</u>	<u>721</u>	<u>664</u>	<u>57</u>
Division of waste collection and disposal:				
Personnel	14,420	14,170	14,161	9
Other	13,597	13,447	13,074	373
Total division of waste collection and disposal	<u>28,017</u>	<u>27,617</u>	<u>27,235</u>	<u>382</u>
Division of engineering and construction:				
Personnel	4,750	4,550	4,438	112
Other	386	386	364	22
Total division of engineering and construction:	<u>5,136</u>	<u>4,936</u>	<u>4,802</u>	<u>134</u>
Division of traffic engineering:				
Personnel	3,420	3,320	3,256	64
Other	1,241	1,241	1,178	63
Total division of traffic engineering	<u>4,661</u>	<u>4,561</u>	<u>4,434</u>	<u>127</u>
TOTAL PUBLIC SERVICE	<u>39,075</u>	<u>38,325</u>	<u>37,581</u>	<u>744</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, 2007**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Public Safety:				
Public safety administration:				
Personnel	\$ 2,662	\$ 2,462	\$ 2,399	\$ 63
Other	398	818	709	109
Total public safety administration	<u>3,060</u>	<u>3,280</u>	<u>3,108</u>	<u>172</u>
Division of police:				
Personnel	164,557	163,607	163,399	208
Other	12,099	12,099	10,952	1,147
Total division of police	<u>176,656</u>	<u>175,706</u>	<u>174,351</u>	<u>1,355</u>
Division of fire:				
Personnel	85,901	88,301	88,301	-
Other	3,358	3,258	3,029	229
Total division of fire	<u>89,259</u>	<u>91,559</u>	<u>91,330</u>	<u>229</u>
Division of emergency medical services:				
Personnel	20,835	20,635	20,515	120
Other	2,182	2,182	2,181	1
Total division of emergency medical services	<u>23,017</u>	<u>22,817</u>	<u>22,696</u>	<u>121</u>
Division of correction:				
Personnel	5,272	5,642	5,640	2
Other	1,508	1,570	1,496	74
Total division of correction	<u>6,780</u>	<u>7,212</u>	<u>7,136</u>	<u>76</u>
Division of dog pound:				
Personnel	810	810	797	13
Other	267	267	172	95
Total division of dog pound	<u>1,077</u>	<u>1,077</u>	<u>969</u>	<u>108</u>
TOTAL PUBLIC SAFETY	<u>299,849</u>	<u>301,651</u>	<u>299,590</u>	<u>2,061</u>
Community Development:				
Division of administration services:				
Personnel	664	664	663	1
Other	158	158	129	29
Total division of administration services	<u>822</u>	<u>822</u>	<u>792</u>	<u>30</u>
Division of neighborhood services:				
Personnel	360	360	360	-
Total division of neighborhood services	<u>360</u>	<u>360</u>	<u>360</u>	<u>-</u>
Division of neighborhood development:				
Personnel	686	686	686	-
Other	220	220	220	-
Total division of neighborhood development	<u>906</u>	<u>906</u>	<u>906</u>	<u>-</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, 2007**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Director's office:				
Personnel	\$ 212	\$ 212	\$ 212	\$ -
Total director's office	<u>212</u>	<u>212</u>	<u>212</u>	<u>-</u>
TOTAL COMMUNITY DEVELOPMENT	<u>2,300</u>	<u>2,300</u>	<u>2,270</u>	<u>30</u>
Building and Housing:				
Director's office:				
Personnel	1,678	1,723	1,693	30
Other	394	454	451	3
Total director's office	<u>2,072</u>	<u>2,177</u>	<u>2,144</u>	<u>33</u>
Division of code enforcement:				
Personnel	7,034	6,835	6,628	207
Other	191	191	176	15
Total division of code enforcement	<u>7,225</u>	<u>7,026</u>	<u>6,804</u>	<u>222</u>
Division of construction permitting:				
Personnel	1,581	1,581	1,518	63
Other	25	25	21	4
Total division of construction permitting	<u>1,606</u>	<u>1,606</u>	<u>1,539</u>	<u>67</u>
TOTAL BUILDING AND HOUSING	<u>10,903</u>	<u>10,809</u>	<u>10,487</u>	<u>322</u>
Public Health:				
Public health administration:				
Personnel	647	647	641	6
Other	74	74	74	-
Total public health administration	<u>721</u>	<u>721</u>	<u>715</u>	<u>6</u>
Division of health:				
Personnel	2,153	2,103	1,947	156
Other	1,369	1,389	1,175	214
Total division of health	<u>3,522</u>	<u>3,492</u>	<u>3,122</u>	<u>370</u>
Division of environment:				
Personnel	1,002	1,202	1,145	57
Other	227	227	220	7
Total division of environment	<u>1,229</u>	<u>1,429</u>	<u>1,365</u>	<u>64</u>
Division of air quality:				
Personnel	117	157	156	1
Other	301	476	459	17
Total division of air quality	<u>418</u>	<u>633</u>	<u>615</u>	<u>18</u>
TOTAL PUBLIC HEALTH	<u>5,890</u>	<u>6,275</u>	<u>5,817</u>	<u>458</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, 2007**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Parks, Recreation and Properties:				
Parks, recreation and properties administration:				
Personnel	\$ 591	\$ 591	\$ 570	\$ 21
Other	<u>164</u>	<u>164</u>	<u>161</u>	<u>3</u>
Total parks, recreation and properties administration	<u>755</u>	<u>755</u>	<u>731</u>	<u>24</u>
Division of research, planning and development:				
Personnel	669	669	663	6
Other	<u>85</u>	<u>85</u>	<u>82</u>	<u>3</u>
Total division of research, planning and development	<u>754</u>	<u>754</u>	<u>745</u>	<u>9</u>
Division of recreation:				
Personnel	9,067	9,067	8,578	489
Other	<u>4,539</u>	<u>4,539</u>	<u>4,285</u>	<u>254</u>
Total division of recreation	<u>13,606</u>	<u>13,606</u>	<u>12,863</u>	<u>743</u>
Division of parking facilities:				
Personnel	1,188	1,188	1,100	88
Other	<u>84</u>	<u>84</u>	<u>83</u>	<u>1</u>
Total division of parking facilities	<u>1,272</u>	<u>1,272</u>	<u>1,183</u>	<u>89</u>
Division of park maintenance and properties:				
Personnel	8,783	8,556	8,520	36
Other	<u>5,061</u>	<u>5,061</u>	<u>5,040</u>	<u>21</u>
Total division of park maintenance and properties	<u>13,844</u>	<u>13,617</u>	<u>13,560</u>	<u>57</u>
Division of property management:				
Personnel	6,220	5,970	5,668	302
Other	<u>2,767</u>	<u>2,767</u>	<u>2,582</u>	<u>185</u>
Total division of property management	<u>8,987</u>	<u>8,737</u>	<u>8,250</u>	<u>487</u>
 TOTAL PARKS, RECREATION AND PROPERTIES	 <u>39,218</u>	 <u>38,741</u>	 <u>37,332</u>	 <u>1,409</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, 2007**

(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	\$ 1,711	\$ 1,411	\$ 1,291	\$ 120
Other	193	193	189	4
Total economic development administration	<u>1,904</u>	<u>1,604</u>	<u>1,480</u>	<u>124</u>
TOTAL ECONOMIC DEVELOPMENT	<u>1,904</u>	<u>1,604</u>	<u>1,480</u>	<u>124</u>
Non-Departmental Expenditures:				
Other	<u>18,066</u>	<u>17,532</u>	<u>17,048</u>	<u>484</u>
TOTAL NON-DEPARTMENTAL EXPENDITURES	<u>18,066</u>	<u>17,532</u>	<u>17,048</u>	<u>484</u>
TOTAL EXPENDITURES	<u>497,322</u>	<u>495,972</u>	<u>485,410</u>	<u>10,562</u>
EXCESS OF REVENUES OVER EXPENDITURES	2,426	3,776	24,206	20,430
OTHER FINANCING SOURCES (USES):				
Transfers in	2,312	2,312	6,758	4,446
Transfers out	(24,892)	(26,242)	(26,157)	85
Sale of City assets	<u> </u>	<u> </u>	<u>177</u>	<u>177</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(22,580)</u>	<u>(23,930)</u>	<u>(19,222)</u>	<u>4,708</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES	<u> </u>	<u> </u>	<u>898</u>	<u>898</u>
NET CHANGE IN FUND BALANCES	(20,154)	(20,154)	5,882	26,036
FUND BALANCES AT BEGINNING OF YEAR	<u>20,267</u>	<u>20,267</u>	<u>20,267</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 113</u>	<u>\$ 113</u>	<u>\$ 26,149</u>	<u>\$ 26,036</u>

(Concluded)

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CITY OF CLEVELAND, OHIO
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

SPECIAL REVENUE FUNDS (Continued)

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

DEBT SERVICE FUNDS

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

Unvoted Tax-Supported Obligations Fund	To account for the accumulation of resources for the payment of general obligation bonds of the City not requiring a vote of the electors, other than self-supporting obligations, payable from ad valorem property taxes levied within the limitations provided by law.
Stadium Bond Fund	To account for the accumulation of resources for the payment of the stadium certificates of participation from pledged City taxes.
Subordinated Income Tax Fund	To account for the accumulation of resources for the payment of subordinated income tax variable rate refunding bonds payable from pledged income taxes.
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.

DEBT SERVICE FUNDS (Continued)

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, 2007

(Amounts in 000's)

	Special Revenue Funds - Budgeted					
	Division of Streets	Restricted Income Tax	Rainy Day Reserve Fund	Schools Recreation and Cultural Activities Fund	Cleveland Stadium Operations	Total Budgeted Funds
ASSETS						
Cash and cash equivalents	\$ 380	\$ 10,818	\$ 7,164	\$ 4	\$ 21,409	\$ 39,775
Investments						-
Receivables:						
Taxes		5,292				5,292
Accounts	3					3
Grants						-
Loans						-
Accrued interest	2	80	38		53	173
Assessments						-
Less: Allowance for doubtful accounts						-
Receivables, net	5	5,372	38	-	53	5,468
Due from other funds		4,742				4,742
Due from other governments	7,190					7,190
Inventory of supplies	936					936
TOTAL ASSETS	\$ 8,511	\$ 20,932	\$ 7,202	\$ 4	\$ 21,462	\$ 58,111
LIABILITIES						
Accounts payable	\$ 1,211	\$ 665	\$	\$	\$ 6	\$ 1,882
Accrued wages and benefits	2,091					2,091
Due to other governments					447	447
Deferred revenue	4,867	2,234				7,101
Unearned revenue						-
Due to other funds	906		7,202			8,108
Total liabilities	9,075	2,899	7,202	-	453	19,629
FUND BALANCES						
Reserves for:						
Loans						-
Inventory	936					936
Debt service					14,344	14,344
Encumbrances		9,361				9,361
Unreserved:						
Designated for future capital improvements		4,332				4,332
Undesignated	(1,500)	4,340		4	6,665	9,509
Total fund balances	(564)	18,033	-	4	21,009	38,482
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,511	\$ 20,932	\$ 7,202	\$ 4	\$ 21,462	\$ 58,111

Special Revenue Funds - Non-Budgeted

Community Development Block Grants	Community Development Funds	Building and Housing Funds	Urban Development Action Funds	Economic Development Funds	Home Weatherization Grants	WIA Grants	General Government Funds
\$ 4,481	\$ 757	\$ 46	\$ 15,669	\$ 13,826 5,725	\$	\$	\$ 12,636
			15				329
		1	93,943	13,212			27
11,466	9,795		96	120			57
3,259	2,459						
<u>14,725</u>	<u>12,254</u>	<u>1</u>	<u>94,054</u>	<u>13,332</u>	<u>-</u>	<u>-</u>	<u>413</u>
103		220				11	185
1,938	1,695			248	649	1,926	207
<u>\$ 21,247</u>	<u>\$ 14,706</u>	<u>\$ 267</u>	<u>\$ 109,723</u>	<u>\$ 33,131</u>	<u>\$ 649</u>	<u>\$ 1,937</u>	<u>\$ 13,441</u>
\$ 214	\$ 716	\$ 267	\$ 135	\$ 23	\$	\$ 364	\$ 227
438	3			3		305	92
208	2,663			4,018			230
5,133	1,315			47			105
6,423	1,231						602
599	149				649	1,268	40
<u>13,015</u>	<u>6,077</u>	<u>267</u>	<u>135</u>	<u>4,091</u>	<u>649</u>	<u>1,937</u>	<u>1,296</u>
8,232	6,809		93,943	9,189			
			1,556				
			5,447	9,870			2,878
			199	308			462
	1,820		8,443	9,673			8,805
<u>8,232</u>	<u>8,629</u>	<u>-</u>	<u>109,588</u>	<u>29,040</u>	<u>-</u>	<u>-</u>	<u>12,145</u>
<u>\$ 21,247</u>	<u>\$ 14,706</u>	<u>\$ 267</u>	<u>\$ 109,723</u>	<u>\$ 33,131</u>	<u>\$ 649</u>	<u>\$ 1,937</u>	<u>\$ 13,441</u>

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2007

(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
ASSETS					
Cash and cash equivalents	\$ 1,870	\$ 709	\$ 1,164	\$ 2,064	\$ 2,076
Investments		3,648			
Receivables:					
Taxes					
Accounts		47			
Grants			113		
Loans				145	
Accrued interest	9	61	4	8	
Assessments					
Less: Allowance for doubtful accounts					
Receivables, net	<u>9</u>	<u>108</u>	<u>117</u>	<u>153</u>	<u>-</u>
Due from other funds			345	11	
Due from other governments		2,946	2,840	17	141
Inventory of supplies					
TOTAL ASSETS	<u>\$ 1,879</u>	<u>\$ 7,411</u>	<u>\$ 4,466</u>	<u>\$ 2,245</u>	<u>\$ 2,217</u>
LIABILITIES					
Accounts payable	\$ 13	\$ 669	\$ 836	\$ 63	\$
Accrued wages and benefits		47	491		
Due to other governments	37	1,540	1,435	88	1,127
Deferred revenue					34
Unearned revenue	104	1,384	776	261	
Due to other funds		1	186		1,056
Total liabilities	<u>154</u>	<u>3,641</u>	<u>3,724</u>	<u>412</u>	<u>2,217</u>
FUND BALANCE					
Reserves for:					
Loans					
Inventory					
Debt service					
Encumbrances		1,208	66	129	
Unreserved:					
Designated for future capital improvements				29	
Undesignated	1,725	2,562	676	1,675	
Total fund balances	<u>1,725</u>	<u>3,770</u>	<u>742</u>	<u>1,833</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,879</u>	<u>\$ 7,411</u>	<u>\$ 4,466</u>	<u>\$ 2,245</u>	<u>\$ 2,217</u>

Special Revenue Funds - Non-Budgeted					Debt Service Funds - Budgeted		
Neighborhood Development Investment Fund	Core City Program Funds	Supplemental Empowerment Zone	Total Non-Budgeted Funds	Total Special Revenue Funds	Unvoted Tax Supported Obligations Fund	Stadium Bond Fund	Subordinated Income Tax Fund
\$ 8,353	\$ 34,156	\$ 2,582	\$ 100,389	\$ 140,164	\$ 3,095	\$ 11	\$ 1,575
			9,373	9,373	67		
			-	5,292	26,335		
21	100	89	601	604			
			141	141	506		
27,218	12,639	35,382	203,800	203,800			
20	132		507	680	5		4
			5,718	5,718			
			-	-			
<u>27,259</u>	<u>12,871</u>	<u>35,471</u>	<u>210,767</u>	<u>216,235</u>	<u>26,846</u>	<u>-</u>	<u>4</u>
			875	5,617			
		1,190	13,797	20,987	1,928		
			-	936			
<u>\$ 35,612</u>	<u>\$ 47,027</u>	<u>\$ 39,243</u>	<u>\$ 335,201</u>	<u>\$ 393,312</u>	<u>\$ 31,936</u>	<u>\$ 11</u>	<u>\$ 1,579</u>
\$ 1,039	\$ 86	\$	\$ 4,652	\$ 6,534	\$	\$	\$
		32	1,411	3,502			
		37,675	49,021	49,468			
			6,634	13,735	28,769		
			10,781	10,781			
		5	3,953	12,061			
<u>1,039</u>	<u>86</u>	<u>37,712</u>	<u>76,452</u>	<u>96,081</u>	<u>28,769</u>	<u>-</u>	<u>-</u>
27,218	12,639		158,030	158,030			
			-	936			
	8,052		9,608	23,952	3,167	11	1,579
1,151	6,980		27,729	37,090			
			1,592	5,924			
385	209		61,790	71,299			
<u>5,819</u>	<u>19,061</u>	<u>1,531</u>	<u>258,749</u>	<u>297,231</u>	<u>3,167</u>	<u>11</u>	<u>1,579</u>
<u>34,573</u>	<u>46,941</u>	<u>1,531</u>	<u>258,749</u>	<u>297,231</u>	<u>3,167</u>	<u>11</u>	<u>1,579</u>
<u>\$ 35,612</u>	<u>\$ 47,027</u>	<u>\$ 39,243</u>	<u>\$ 335,201</u>	<u>\$ 393,312</u>	<u>\$ 31,936</u>	<u>\$ 11</u>	<u>\$ 1,579</u>

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2007

(Amounts in 000's)

	Debt Service Funds			Debt Service Funds			
	Budgeted			Non- Budgeted			
	Lower Euclid Ave TIF	Core City Bonds	Total Budgeted Funds	Urban Renewal Fund	Urban Renewal Reserve Fund	Total Non- Budgeted Funds	Total Debt Service Funds
ASSETS							
Cash and cash equivalents	\$ 256	\$ 3,491	\$ 8,428	\$ 1	\$ 1	\$ 2	\$ 8,430
Investments		129	196	792	2,124	2,916	3,112
Receivables:							
Taxes			26,335			-	26,335
Accounts			-			-	-
Grants			506			-	506
Loans			-			-	-
Accrued interest		3	12	9	24	33	45
Assessments			-			-	-
Less: Allowance for doubtful accounts			-			-	-
Receivables, net	<u>-</u>	<u>3</u>	<u>26,853</u>	<u>9</u>	<u>24</u>	<u>33</u>	<u>26,886</u>
Due from other funds			-			-	-
Due from other governments			1,928			-	1,928
Inventory of supplies			-			-	-
TOTAL ASSETS	<u>\$ 256</u>	<u>\$ 3,623</u>	<u>\$ 37,405</u>	<u>\$ 802</u>	<u>\$ 2,149</u>	<u>\$ 2,951</u>	<u>\$ 40,356</u>
LIABILITIES							
Accounts payable	\$	\$	\$ -	\$	\$	\$ -	\$ -
Accrued wages and benefits			-			-	-
Due to other governments			-			-	-
Deferred revenue			28,769			-	28,769
Unearned revenue			-			-	-
Due to other funds			-			-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>28,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,769</u>
FUND BALANCE							
Reserve for:							
Loans			-			-	-
Inventory			-			-	-
Debt service	256	3,623	8,636	802	2,149	2,951	11,587
Encumbrances			-			-	-
Unreserved:							
Designated for future capital improvements			-			-	-
Undesignated			-			-	-
Total fund balances	<u>256</u>	<u>3,623</u>	<u>8,636</u>	<u>802</u>	<u>2,149</u>	<u>2,951</u>	<u>11,587</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 256</u>	<u>\$ 3,623</u>	<u>\$ 37,405</u>	<u>\$ 802</u>	<u>\$ 2,149</u>	<u>\$ 2,951</u>	<u>\$ 40,356</u>

Capital Projects Funds Non-Budgeted						
<u>Capital/ Urban Renewal Bond Construction</u>	<u>Grant Improvement</u>	<u>Capital Improvement</u>	<u>Certificates of Participation/ Capital Leases</u>	<u>Cleveland Stadium Construction</u>	<u>Total Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 73,902	\$	\$ 3,076	\$ 188	\$ 4,568	\$ 81,734	\$ 230,328
					-	12,485
					-	31,627
					-	604
					-	647
					-	203,800
270				18	288	1,013
					-	5,718
					-	-
<u>270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>	<u>288</u>	<u>243,409</u>
					-	5,617
	3,522				3,522	26,437
					-	936
<u>\$ 74,172</u>	<u>\$ 3,522</u>	<u>\$ 3,076</u>	<u>\$ 188</u>	<u>\$ 4,586</u>	<u>\$ 85,544</u>	<u>\$ 519,212</u>
\$ 2,140	\$	\$ 2,670	\$	\$	\$ 4,810	\$ 11,344
					-	3,502
					-	49,468
					-	42,504
	762	2			764	11,545
	<u>2,760</u>				<u>2,760</u>	<u>14,821</u>
<u>2,140</u>	<u>3,522</u>	<u>2,672</u>	<u>-</u>	<u>-</u>	<u>8,334</u>	<u>133,184</u>
					-	158,030
					-	936
					-	35,539
45,852		88	13	121	46,074	83,164
20,727		38	6	52	20,823	26,747
5,453		278	169	4,413	10,313	81,612
<u>72,032</u>	<u>-</u>	<u>404</u>	<u>188</u>	<u>4,586</u>	<u>77,210</u>	<u>386,028</u>
<u>\$ 74,172</u>	<u>\$ 3,522</u>	<u>\$ 3,076</u>	<u>\$ 188</u>	<u>\$ 4,586</u>	<u>\$ 85,544</u>	<u>\$ 519,212</u>

(Concluded)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2007
(Amounts in 000's)**

	Special Revenue Funds - Budgeted					Total Budgeted Funds
	Division of Streets	Restricted Income Tax	Rainy Day Reserve Fund	Schools Recreation and Cultural Activities Fund	Cleveland Stadium Operations	
REVENUES:						
Income taxes	\$	\$ 34,643	\$	\$	\$	\$ 34,643
Property taxes						-
Other shared revenues	14,710				13,780	28,490
Licenses and permits	947					947
Charges for services					250	250
Fines, forfeits and settlements						-
Investment earnings	2	534			938	1,474
Grants						-
Contributions						-
Miscellaneous					2	2
Total revenues	<u>15,659</u>	<u>35,177</u>	<u>-</u>	<u>-</u>	<u>14,970</u>	<u>65,806</u>
EXPENDITURES:						
Current:						
General government						-
Public service	23,315			2,000		25,315
Public safety						-
Community development						-
Building and housing						-
Public health						-
Parks, recreation and properties					3,808	3,808
Economic development						-
Capital outlay		10,844				10,844
Inception of capital lease						-
Debt service:						
Principal retirement		3,123			5,827	8,950
Interest		431			6,178	6,609
Other						-
Total expenditures	<u>23,315</u>	<u>14,398</u>	<u>-</u>	<u>2,000</u>	<u>15,813</u>	<u>55,526</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,656)</u>	<u>20,779</u>	<u>-</u>	<u>(2,000)</u>	<u>(843)</u>	<u>10,280</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	8,250			2,000	8,515	18,765
Transfers out		(19,500)			(2,873)	(22,373)
Proceeds from the sale of bonds						-
Premium on bonds and notes						-
Discount on bonds and notes						-
Payment to refund bonds and notes						-
Sale of City assets						-
Proceeds from capital lease						-
Total other financing sources (uses)	<u>8,250</u>	<u>(19,500)</u>	<u>-</u>	<u>2,000</u>	<u>5,642</u>	<u>(3,608)</u>
NET CHANGE IN FUND BALANCES	594	1,279	-	-	4,799	6,672
FUND BALANCES AT BEGINNING OF YEAR	<u>(1,158)</u>	<u>16,754</u>	<u></u>	<u>4</u>	<u>16,210</u>	<u>31,810</u>
FUND BALANCES AT END OF YEAR	<u>\$ (564)</u>	<u>\$ 18,033</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 21,009</u>	<u>\$ 38,482</u>

Special Revenue Funds - Non-Budgeted							
Community Development Block Grants	Community Development Funds	Building and Housing Funds	Urban Development Action Funds	Economic Development Funds	Home Weatherization Grants	WIA Grants	General Government Funds
\$	\$	\$	\$	\$	\$	\$	\$
				2,211			
	1,200		33				1,327
							3,790
184	28		811	801			614
30,199	15,745	3,353		724	3,842	11,478	825
	294						21
	269		3,354	346			1
<u>30,383</u>	<u>17,536</u>	<u>3,353</u>	<u>4,198</u>	<u>4,082</u>	<u>3,842</u>	<u>11,478</u>	<u>6,578</u>
							7,145
30,515	17,025				3,842		
		3,353					
			4,481	1,725		11,478	
3			612	459			78
<u>30,518</u>	<u>17,025</u>	<u>3,353</u>	<u>5,093</u>	<u>2,184</u>	<u>3,842</u>	<u>11,478</u>	<u>7,223</u>
(135)	511	-	(895)	1,898	-	-	(645)
	44		11				255
			(2,488)	(2,779)			(4,194)
<u>-</u>	<u>44</u>	<u>-</u>	<u>(2,477)</u>	<u>(2,779)</u>	<u>-</u>	<u>-</u>	<u>(3,939)</u>
(135)	555	-	(3,372)	(881)	-	-	(4,584)
<u>8,367</u>	<u>8,074</u>	<u>-</u>	<u>112,960</u>	<u>29,921</u>	<u>-</u>	<u>-</u>	<u>16,729</u>
<u>\$ 8,232</u>	<u>\$ 8,629</u>	<u>\$ -</u>	<u>\$ 109,588</u>	<u>\$ 29,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,145</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2007**

(Amounts in 000's)

	Special Revenue Funds - Non-Budgeted				
	Public Service Funds	Public Safety Funds	Public Health Funds	Parks, Recreation and Properties Funds	Gateway Shared Income Tax Funds
REVENUES:					
Income taxes	\$	\$	\$	\$	\$
Property taxes					
Other shared revenues					1,222
Licenses and permits			1,157	10	
Charges for services	381		146		
Fines, forfeits and settlements		2,165			
Investment earnings	63	113	39	88	
Grants		4,797	14,040	1,236	
Contributions		6		31	
Miscellaneous					
Total revenues	<u>444</u>	<u>7,081</u>	<u>15,382</u>	<u>1,365</u>	<u>1,222</u>
EXPENDITURES:					
Current:					
General government					1,222
Public service	1				
Public safety		5,894			
Community development					
Building and housing					
Public health			15,442		
Parks, recreation and properties				1,315	
Economic development					
Capital outlay	115	770			
Inception of capital lease					
Debt service:					
Principal retirement					
Interest					
Other					
Total expenditures	<u>116</u>	<u>6,664</u>	<u>15,442</u>	<u>1,315</u>	<u>1,222</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>328</u>	<u>417</u>	<u>(60)</u>	<u>50</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
Transfers in					
Transfers out					
Proceeds from the sale of bonds					
Premium on bonds and notes					
Discount on bonds and notes					
Payment to refund bonds and notes					
Sale of City assets					
Proceeds from capital lease					
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	328	417	(60)	50	-
FUND BALANCES AT BEGINNING OF YEAR	<u>1,397</u>	<u>3,353</u>	<u>802</u>	<u>1,783</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,725</u>	<u>\$ 3,770</u>	<u>\$ 742</u>	<u>\$ 1,833</u>	<u>\$ -</u>

Special Revenue Funds - Non-Budgeted					Debt Service Funds - Budgeted		
Neighborhood Development Investment Fund	Core City Program Funds	Supplemental Empowerment Zone	Total Non- Budgeted Funds	Total Special Revenue Funds	Unvoted Tax Supported Obligations Fund	Stadium Bond Fund	Subordinated Income Tax Fund
\$	\$	\$	\$ -	\$ 34,643	\$	\$	\$
			-	-	23,721		
250			3,683	32,173	3,282		
			1,167	2,114			
	400		3,487	3,737			
			5,955	5,955			
390	2,647	69	5,847	7,321	611	12	49
		4,092	90,331	90,331			
			352	352			
1,488	2,141		7,599	7,601			
<u>2,128</u>	<u>5,188</u>	<u>4,161</u>	<u>118,421</u>	<u>184,227</u>	<u>27,614</u>	<u>12</u>	<u>49</u>
			8,367	8,367			
			1	25,316			
			5,894	5,894			
			51,382	51,382			
			3,353	3,353			
			15,442	15,442			
			1,315	5,123			
1,294	6,099	7,170	32,247	32,247			
1,009	3,233		6,279	17,123			
			-	-			
			-	8,950	31,590		1,800
			-	6,609	16,877	648	2,935
			-	-			
<u>2,303</u>	<u>9,332</u>	<u>7,170</u>	<u>124,280</u>	<u>179,806</u>	<u>48,467</u>	<u>648</u>	<u>4,735</u>
<u>(175)</u>	<u>(4,144)</u>	<u>(3,009)</u>	<u>(5,859)</u>	<u>4,421</u>	<u>(20,853)</u>	<u>(636)</u>	<u>(4,686)</u>
			310	19,075	20,460	492	4,784
(2,338)	(1,389)		(13,188)	(35,561)			
			-	-			
			-	-			
			-	-			
			-	-	30		
			-	-			
<u>(2,338)</u>	<u>(1,389)</u>	<u>-</u>	<u>(12,878)</u>	<u>(16,486)</u>	<u>20,490</u>	<u>492</u>	<u>4,784</u>
(2,513)	(5,533)	(3,009)	(18,737)	(12,065)	(363)	(144)	98
<u>37,086</u>	<u>52,474</u>	<u>4,540</u>	<u>277,486</u>	<u>309,296</u>	<u>3,530</u>	<u>155</u>	<u>1,481</u>
\$ 34,573	\$ 46,941	\$ 1,531	\$ 258,749	\$ 297,231	\$ 3,167	\$ 11	\$ 1,579

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2007**

(Amounts in 000's)

	Debt Service Funds Budgeted			Debt Service Funds Non- Budgeted			Total Debt Service Funds
	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			23,721			-	23,721
Other shared revenues			3,282			-	3,282
Licenses and permits			-			-	-
Charges for services			-			-	-
Fines, forfeits and settlements			-			-	-
Investment earnings		57	729	31	99	130	859
Grants			-			-	-
Contributions			-			-	-
Miscellaneous			-	1,148		1,148	1,148
Total revenues	<u>-</u>	<u>57</u>	<u>27,732</u>	<u>1,179</u>	<u>99</u>	<u>1,278</u>	<u>29,010</u>
EXPENDITURES:							
Current:							
General government			-			-	-
Public service			-			-	-
Public safety			-			-	-
Community development			-			-	-
Building and housing			-			-	-
Public health			-			-	-
Parks, recreation and properties			-			-	-
Economic development			-			-	-
Capital outlay			-			-	-
Inception of capital lease			-			-	-
Debt service:							
Principal retirement	87	1,175	34,652	410		410	35,062
Interest	196	2,343	22,999	467		467	23,466
Other		76	76	455		455	531
Total expenditures	<u>283</u>	<u>3,594</u>	<u>57,727</u>	<u>1,332</u>	<u>-</u>	<u>1,332</u>	<u>59,059</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(283)</u>	<u>(3,537)</u>	<u>(29,995)</u>	<u>(153)</u>	<u>99</u>	<u>(54)</u>	<u>(30,049)</u>
OTHER FINANCING SOURCES (USES):							
Transfers in	524	6,065	32,325		33	33	32,358
Transfers out			-	(33)		(33)	(33)
Proceeds from the sale of bonds			-			-	-
Premium on bonds and notes			-			-	-
Discount on bonds and notes			-			-	-
Payment to refund bonds and notes			-			-	-
Sale of City assets			30			-	30
Proceeds from capital lease			-			-	-
Total other financing sources (uses)	<u>524</u>	<u>6,065</u>	<u>32,355</u>	<u>(33)</u>	<u>33</u>	<u>-</u>	<u>32,355</u>
NET CHANGE IN FUND BALANCES	241	2,528	2,360	(186)	132	(54)	2,306
FUND BALANCES AT BEGINNING OF YEAR	<u>15</u>	<u>1,095</u>	<u>6,276</u>	<u>988</u>	<u>2,017</u>	<u>3,005</u>	<u>9,281</u>
FUND BALANCES AT END OF YEAR	<u>\$ 256</u>	<u>\$ 3,623</u>	<u>\$ 8,636</u>	<u>\$ 802</u>	<u>\$ 2,149</u>	<u>\$ 2,951</u>	<u>\$ 11,587</u>

Capital Projects Funds						
Non-Budgeted						
Capital/ Urban Renewal Bond Construction	Grant Improvement	Capital Improvement	Certificates of Participation/ Capital Leases	Cleveland Stadium Construction	Total Capital Projects Funds	Total Nonmajor Governmental Funds
\$	\$	\$	\$	\$	\$ -	\$ 34,643
					-	23,721
					-	35,455
					-	2,114
					-	3,737
					-	5,955
3,711			167	243	4,121	12,301
	75,871				75,871	166,202
	63	134			197	549
					-	8,749
<u>3,711</u>	<u>75,934</u>	<u>134</u>	<u>167</u>	<u>243</u>	<u>80,189</u>	<u>293,426</u>
1,893					1,893	10,260
					-	25,316
					-	5,894
					-	51,382
					-	3,353
					-	15,442
					-	5,123
					-	32,247
26,999	75,934	10		614	103,557	120,680
			3,933		3,933	3,933
			246		246	44,258
					-	30,075
851			3	1,053	1,907	2,438
<u>29,743</u>	<u>75,934</u>	<u>10</u>	<u>4,182</u>	<u>1,667</u>	<u>111,536</u>	<u>350,401</u>
(26,032)	-	124	(4,015)	(1,424)	(31,347)	(56,975)
				2,873	2,873	54,306
(960)				(183)	(1,143)	(36,737)
73,030				108,390	181,420	181,420
3,730					3,730	3,730
(18)					(18)	(18)
(30,139)				(110,318)	(140,457)	(140,457)
					-	30
					-	-
<u>45,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>762</u>	<u>46,405</u>	<u>62,274</u>
19,611	-	124	(4,015)	(662)	15,058	5,299
<u>52,421</u>	<u>-</u>	<u>280</u>	<u>4,203</u>	<u>5,248</u>	<u>62,152</u>	<u>380,729</u>
\$ <u>72,032</u>	\$ <u>-</u>	\$ <u>404</u>	\$ <u>188</u>	\$ <u>4,586</u>	\$ <u>77,210</u>	\$ <u>386,028</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, 2007**

(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	\$	\$	\$	\$ -	\$ 34,685	\$ 34,685	\$ 35,029	\$ 344
Other shared revenues	14,580	14,580	14,509	(71)				-
Licenses and permits	1,903	1,903	1,381	(522)				-
Charges for services	4,400	3,792	2,212	(1,580)				-
Investment earnings			1	1	300	300	515	215
Miscellaneous	2	2	133	131				-
Total revenues	<u>20,885</u>	<u>20,277</u>	<u>18,236</u>	<u>(2,041)</u>	<u>34,985</u>	<u>34,985</u>	<u>35,544</u>	<u>559</u>
EXPENDITURES:								
Public Service:								
Personnel	16,279	18,229	17,757	472				-
Other	10,906	10,306	8,751	1,555				-
Parks, Recreation and Properties								
Other				-				-
Capital outlay				-	12,442	12,442	12,442	-
Principal retirement				-	3,124	3,124	3,123	1
Interest				-	431	431	431	-
Total expenditures	<u>27,185</u>	<u>28,535</u>	<u>26,508</u>	<u>2,027</u>	<u>15,997</u>	<u>15,997</u>	<u>15,996</u>	<u>1</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,300)</u>	<u>(8,258)</u>	<u>(8,272)</u>	<u>(14)</u>	<u>18,988</u>	<u>18,988</u>	<u>19,548</u>	<u>560</u>
OTHER FINANCING SOURCES (USES):								
Transfers in	6,292	8,250	8,250	-				-
Transfers out				-	(19,500)	(19,500)	(19,500)	-
Total other financing sources (uses)	<u>6,292</u>	<u>8,250</u>	<u>8,250</u>	<u>-</u>	<u>(19,500)</u>	<u>(19,500)</u>	<u>(19,500)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(8)</u>	<u>(8)</u>	<u>(22)</u>	<u>(14)</u>	<u>(512)</u>	<u>(512)</u>	<u>48</u>	<u>560</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			24	24			4	4
FUND BALANCES AT BEGINNING OF YEAR	<u>10</u>	<u>10</u>	<u>10</u>	<u>-</u>	<u>512</u>	<u>512</u>	<u>512</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 12</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 564</u>	<u>\$ 564</u>

Rainy Day Reserve Fund				Schools Recreation and Cultural Activities			
Original Budget	Revised Budget	Actual	Variance-Positive (Negative)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
\$	\$	\$	\$ -	\$	\$	\$	\$ -
			-				-
			-				-
			-				-
		237	237				-
			-				-
<u>-</u>	<u>-</u>	<u>237</u>	<u>237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
			-				-
			-				-
			-	2,000	2,000	2,000	-
			-				-
			-				-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>237</u>	<u>237</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>
1,000	1,000	1,000	-	2,000	2,000	2,000	-
<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
1,000	1,000	1,237	237	-	-	-	-
			-				-
<u>5,927</u>	<u>5,927</u>	<u>5,927</u>	<u>-</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>-</u>
\$ <u>6,927</u>	\$ <u>6,927</u>	\$ <u>7,164</u>	\$ <u>237</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, 2007**

(Amounts in 000's)

	Cleveland Stadium Operations				Totals			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:								
Income taxes	\$	\$	\$	\$ -	\$ 34,685	\$ 34,685	\$ 35,029	\$ 344
Other shared revenues			13,780	13,780	14,580	14,580	28,289	13,709
Licenses and permits				-	1,903	1,903	1,381	(522)
Charges for services	250	250	250	-	4,650	4,042	2,462	(1,580)
Investment earnings			937	937	300	300	1,690	1,390
Miscellaneous			2	2	2	2	135	133
Total revenues	<u>250</u>	<u>250</u>	<u>14,969</u>	<u>14,719</u>	<u>56,120</u>	<u>55,512</u>	<u>68,986</u>	<u>13,474</u>
EXPENDITURES:								
Public Service:								
Personnel				-	16,279	18,229	17,757	472
Other	825	3,586	3,586	-	11,731	13,892	12,337	1,555
Parks, Recreation and Properties								
Other				-	2,000	2,000	2,000	-
Capital outlay				-	12,442	12,442	12,442	-
Principal retirement	5,827	5,446	5,827	(381)	8,951	8,570	8,950	(380)
Interest	9,020	6,640	6,177	463	9,451	7,071	6,608	463
Total expenditures	<u>15,672</u>	<u>15,672</u>	<u>15,590</u>	<u>82</u>	<u>60,854</u>	<u>62,204</u>	<u>60,094</u>	<u>2,110</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(15,422)</u>	<u>(15,422)</u>	<u>(621)</u>	<u>14,801</u>	<u>(4,734)</u>	<u>(6,692)</u>	<u>8,892</u>	<u>15,584</u>
OTHER FINANCING SOURCES (USES):								
Transfers in	8,628	8,628	8,515	(113)	17,920	19,878	19,765	(113)
Transfers out		(2,873)	(2,873)		(19,500)	(22,373)	(22,373)	-
Total other financing sources (uses)	<u>8,628</u>	<u>5,755</u>	<u>5,642</u>	<u>(113)</u>	<u>(1,580)</u>	<u>(2,495)</u>	<u>(2,608)</u>	<u>(113)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(6,794)</u>	<u>(9,667)</u>	<u>5,021</u>	<u>14,688</u>	<u>(6,314)</u>	<u>(9,187)</u>	<u>6,284</u>	<u>15,471</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES				-			28	28
FUND BALANCES AT BEGINNING OF YEAR	<u>16,618</u>	<u>16,618</u>	<u>16,618</u>	<u>-</u>	<u>23,071</u>	<u>23,071</u>	<u>23,071</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 9,824</u>	<u>\$ 6,951</u>	<u>\$ 21,639</u>	<u>\$ 14,688</u>	<u>\$ 16,757</u>	<u>\$ 13,884</u>	<u>\$ 29,383</u>	<u>\$ 15,499</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, 2007**

(Amounts in 000's)

	Unvoted Tax Supported Obligations Fund				Stadium Bond Fund			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:								
Property taxes	\$ 24,510	\$ 24,510	\$ 23,721	\$ (789)	\$	\$	\$	\$ -
Other shared revenue	2,927	2,927	3,282	355				-
Investment earnings	600	600	617	17	10	10	13	3
Grants	506	506		(506)				-
Miscellaneous				-				-
Total revenues	<u>28,543</u>	<u>28,543</u>	<u>27,620</u>	<u>(923)</u>	<u>10</u>	<u>10</u>	<u>13</u>	<u>3</u>
EXPENDITURES:								
General government				-				-
Principal retirement	31,590	31,590	31,590	-				-
Interest	17,679	17,533	16,877	656	648	648	648	-
Total expenditures	<u>49,269</u>	<u>49,123</u>	<u>48,467</u>	<u>656</u>	<u>648</u>	<u>648</u>	<u>648</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(20,726)</u>	<u>(20,580)</u>	<u>(20,847)</u>	<u>(267)</u>	<u>(638)</u>	<u>(638)</u>	<u>(635)</u>	<u>3</u>
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds			960	960	648	648	492	(156)
Restricted income tax fund	19,500	19,500	19,500	-				-
Transfers out:								
To other subfunds				-				-
Sale of City assets			30	30				-
Total other financing sources	<u>19,500</u>	<u>19,500</u>	<u>20,490</u>	<u>990</u>	<u>648</u>	<u>648</u>	<u>492</u>	<u>(156)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(1,226)</u>	<u>(1,080)</u>	<u>(357)</u>	<u>723</u>	<u>10</u>	<u>10</u>	<u>(143)</u>	<u>(153)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>3,519</u>	<u>3,519</u>	<u>3,519</u>	<u>-</u>	<u>154</u>	<u>154</u>	<u>154</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 2,293</u>	<u>\$ 2,439</u>	<u>\$ 3,162</u>	<u>\$ 723</u>	<u>\$ 164</u>	<u>\$ 164</u>	<u>\$ 11</u>	<u>\$ (153)</u>

Subordinated Income Tax Fund				Lower Euclid Avenue TIF			
Original Budget	Revised Budget	Actual	Variance-Positive (Negative)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
\$	\$	\$	\$ -	\$	\$	\$	\$ -
40	40	50	10				-
			-	138	138		(138)
<u>40</u>	<u>40</u>	<u>50</u>	<u>10</u>	<u>138</u>	<u>138</u>	<u>-</u>	<u>(138)</u>
			-				-
1,800	1,800	1,800	-	87	87	87	-
2,900	3,000	2,935	65	196	196	196	-
<u>4,700</u>	<u>4,800</u>	<u>4,735</u>	<u>65</u>	<u>283</u>	<u>283</u>	<u>283</u>	<u>-</u>
<u>(4,660)</u>	<u>(4,760)</u>	<u>(4,685)</u>	<u>75</u>	<u>(145)</u>	<u>(145)</u>	<u>(283)</u>	<u>(138)</u>
4,784	4,784	4,784	-	145	145	524	379
			-				-
			-				-
<u>4,784</u>	<u>4,784</u>	<u>4,784</u>	<u>-</u>	<u>145</u>	<u>145</u>	<u>524</u>	<u>379</u>
124	24	99	75	-	-	241	241
<u>1,476</u>	<u>1,476</u>	<u>1,476</u>	<u>-</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>-</u>
<u>\$ 1,600</u>	<u>\$ 1,500</u>	<u>\$ 1,575</u>	<u>\$ 75</u>	<u>\$ 15</u>	<u>\$ 15</u>	<u>\$ 256</u>	<u>\$ 241</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, 2007**

(Amounts in 000's)

	Core City Bonds				Totals			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:								
Property taxes	\$	\$	\$	\$ -	\$ 24,510	\$ 24,510	\$ 23,721	\$ (789)
Other shared revenue				-	2,927	2,927	3,282	355
Investment earnings	50	50	58	8	700	700	738	38
Grants				-	506	506	-	(506)
Miscellaneous				-	138	138	-	(138)
Total revenues	<u>50</u>	<u>50</u>	<u>58</u>	<u>8</u>	<u>28,781</u>	<u>28,781</u>	<u>27,741</u>	<u>(1,040)</u>
EXPENDITURES:								
General government	85	80	79	1	85	80	79	1
Principal retirement	1,175	1,175	1,175	-	34,652	34,652	34,652	-
Interest	2,291	2,342	2,343	(1)	23,714	23,719	22,999	720
Total expenditures	<u>3,551</u>	<u>3,597</u>	<u>3,597</u>	<u>-</u>	<u>58,451</u>	<u>58,451</u>	<u>57,730</u>	<u>721</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,501)</u>	<u>(3,547)</u>	<u>(3,539)</u>	<u>8</u>	<u>(29,670)</u>	<u>(29,670)</u>	<u>(29,989)</u>	<u>(319)</u>
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds	2,751	2,751	6,065	3,314	8,328	8,328	12,825	4,497
Restricted income tax fund				-	19,500	19,500	19,500	-
Transfers out:								
To other subfunds				-				-
Sale of City assets				-			30	30
Total other financing sources	<u>2,751</u>	<u>2,751</u>	<u>6,065</u>	<u>3,314</u>	<u>27,828</u>	<u>27,828</u>	<u>32,355</u>	<u>4,527</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(750)</u>	<u>(796)</u>	<u>2,526</u>	<u>3,322</u>	<u>(1,842)</u>	<u>(1,842)</u>	<u>2,366</u>	<u>4,208</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>1,094</u>	<u>1,094</u>	<u>1,094</u>	<u>-</u>	<u>6,258</u>	<u>6,258</u>	<u>6,258</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 344</u>	<u>\$ 298</u>	<u>\$ 3,620</u>	<u>\$ 3,322</u>	<u>\$ 4,416</u>	<u>\$ 4,416</u>	<u>\$ 8,624</u>	<u>\$ 4,208</u>

(Concluded)

CITY OF CLEVELAND, OHIO

NONMAJOR ENTERPRISE FUNDS

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

Water Pollution Control

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

Convention Center

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

West Side Market

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

East Side Market

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

Municipal Parking Lots

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

Cemeteries

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

Golf Courses

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

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET - NONMAJOR ENTERPRISE FUNDS

DECEMBER 31, 2007

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 26,736	\$ 1,279	\$ 249	\$ 193
Investments	5,050			
Receivables:				
Accounts	61,678	391		
Unbilled revenue	2,655			
Accrued interest	72	7		1
Less: Allowance for doubtful accounts	<u>(430)</u>	<u>(239)</u>		
Receivables, net	<u>63,975</u>	<u>159</u>	<u>-</u>	<u>1</u>
Due from other funds	485	3		
Inventory of supplies	<u>246</u>			
Total current assets	<u>96,492</u>	<u>1,441</u>	<u>249</u>	<u>194</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	276			
Investments				
Accrued interest receivable				
Total restricted assets	<u>276</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unamortized bond issuance costs				
Capital assets:				
Land	297	4,260	198	413
Land improvements				484
Utility plant	120,907			
Buildings, structures and improvements	2,658	59,149	6,890	2,400
Furniture, fixtures, equipment and vehicles	11,128	1,513	29	450
Construction in progress	7,584		6,063	
Less: Accumulated depreciation	<u>(74,610)</u>	<u>(59,289)</u>	<u>(4,478)</u>	<u>(2,104)</u>
Total capital assets, net	<u>67,964</u>	<u>5,633</u>	<u>8,702</u>	<u>1,643</u>
Total noncurrent assets	<u>68,240</u>	<u>5,633</u>	<u>8,702</u>	<u>1,643</u>
TOTAL ASSETS	<u>\$ 164,732</u>	<u>\$ 7,074</u>	<u>\$ 8,951</u>	<u>\$ 1,837</u>

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 1,496	\$ 74	\$ 964	\$ 30,991
			5,050
124	9		62,202
			2,655
			80
	(4)		(673)
<u>124</u>	<u>5</u>	<u>-</u>	<u>64,264</u>
136			624
424		74	744
<u>2,180</u>	<u>79</u>	<u>1,038</u>	<u>101,673</u>
18,791	278		19,345
	6,020		6,020
64	129		193
<u>18,855</u>	<u>6,427</u>	<u>-</u>	<u>25,558</u>
3,746			3,746
12,929	252	208	18,557
1,256	399	3,303	5,442
			120,907
65,200	6,096	1,815	144,208
540	959	1,177	15,796
		517	14,164
(22,666)	(2,738)	(4,500)	(170,385)
<u>57,259</u>	<u>4,968</u>	<u>2,520</u>	<u>148,689</u>
<u>79,860</u>	<u>11,395</u>	<u>2,520</u>	<u>177,993</u>
<u>\$ 82,040</u>	<u>\$ 11,474</u>	<u>\$ 3,558</u>	<u>\$ 279,666</u>

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET - NONMAJOR ENTERPRISE FUNDS

DECEMBER 31, 2007

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,863	\$ 224	\$ 122	\$
Accrued wages and benefits	1,595	406	67	1
Due to other funds	3,256	288	12	
Due to other governments	64,703			
Accrued interest payable				
Current portion of long-term obligations	<u>433</u>			
Total current liabilities	71,850	918	201	1
Long-term liabilities:				
Accrued wages and benefits	191	96	21	
Construction loans payable	4,245			
Revenue bonds payable				
Total liabilities	<u>76,286</u>	<u>1,014</u>	<u>222</u>	<u>1</u>
NET ASSETS				
Invested in capital assets, net of related debt	63,286	5,633	8,702	1,643
Restricted for capital projects				
Restricted for debt service				
Unrestricted	<u>25,160</u>	<u>427</u>	<u>27</u>	<u>193</u>
Total net assets	<u>88,446</u>	<u>6,060</u>	<u>8,729</u>	<u>1,836</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 164,732</u>	<u>\$ 7,074</u>	<u>\$ 8,951</u>	<u>\$ 1,837</u>

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 373	\$ 48	\$ 12	\$ 2,642
161	196	129	2,555
87	56	52	3,751
183			64,886
917			917
<u>2,945</u>			<u>3,378</u>
4,666	<u>300</u>	<u>193</u>	<u>78,129</u>
39	40	45	432
			4,245
<u>56,819</u>			<u>56,819</u>
<u>61,524</u>	<u>340</u>	<u>238</u>	<u>139,625</u>
(2,505)	4,968	2,520	84,247
4,638			4,638
8,276			8,276
<u>10,107</u>	<u>6,166</u>	<u>800</u>	<u>42,880</u>
<u>20,516</u>	<u>11,134</u>	<u>3,320</u>	<u>140,041</u>
<u>\$ 82,040</u>	<u>\$ 11,474</u>	<u>\$ 3,558</u>	<u>\$ 279,666</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, 2007**

(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	\$ 24,204	\$ 2,198	\$ 1,132	\$ _____
Total operating revenue	<u>24,204</u>	<u>2,198</u>	<u>1,132</u>	<u>_____</u>
OPERATING EXPENSES:				
Operations	8,637	6,526	1,082	45
Maintenance	9,069	88	62	1
Depreciation	4,753	449	219	69
Total operating expenses	<u>22,459</u>	<u>7,063</u>	<u>1,363</u>	<u>115</u>
OPERATING INCOME (LOSS)	<u>1,745</u>	<u>(4,865)</u>	<u>(231)</u>	<u>(115)</u>
NON-OPERATING REVENUE (EXPENSES):				
Investment income	1,610	38	9	8
Interest expense	(190)			
Hotel tax		4,403		
Other revenues (expenses)	29			
Total non-operating revenues (expenses)	<u>1,449</u>	<u>4,441</u>	<u>9</u>	<u>8</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	3,194	(424)	(222)	(107)
Capital contributions	396	8	818	
Transfers in				
CHANGE IN NET ASSETS	3,590	(416)	596	(107)
NET ASSETS AT BEGINNING OF YEAR	<u>84,856</u>	<u>6,476</u>	<u>8,133</u>	<u>1,943</u>
NET ASSETS AT END OF YEAR	<u>\$ 88,446</u>	<u>\$ 6,060</u>	<u>\$ 8,729</u>	<u>\$ 1,836</u>

Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
<u>\$ 10,057</u>	<u>\$ 1,403</u>	<u>\$ 1,443</u>	<u>\$ 40,437</u>
<u>10,057</u>	<u>1,403</u>	<u>1,443</u>	<u>40,437</u>
4,392	1,936	1,905	24,523
38	30	101	9,389
<u>1,710</u>	<u>225</u>	<u>210</u>	<u>7,635</u>
<u>6,140</u>	<u>2,191</u>	<u>2,216</u>	<u>41,547</u>
<u>3,917</u>	<u>(788)</u>	<u>(773)</u>	<u>(1,110)</u>
938	460	58	3,121
(3,922)			(4,112)
(463)	68	447	4,403
<u>(3,447)</u>	<u>528</u>	<u>505</u>	<u>3,493</u>
470	(260)	(268)	2,383
18	145		1,385
<u> </u>	<u>290</u>	<u> </u>	<u>290</u>
488	175	(268)	4,058
<u>20,028</u>	<u>10,959</u>	<u>3,588</u>	<u>135,983</u>
<u>\$ 20,516</u>	<u>\$ 11,134</u>	<u>\$ 3,320</u>	<u>\$ 140,041</u>

CITY OF CLEVELAND, OHIO
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 21,103	\$ 2,081	\$ 1,139	\$
Cash payments to suppliers for goods or services	(7,607)	(2,986)	(629)	(7)
Cash payments to employees for services	(9,414)	(3,405)	(519)	(51)
Agency activity on behalf of NEORSD	1,908			
Net cash provided by (used for) operating activities	<u>5,990</u>	<u>(4,310)</u>	<u>(9)</u>	<u>(58)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received through transfers from other funds		8		
Cash received from hotel tax		4,421		
Cash receipts (payments) from/ to other governments	400			
Proceeds from lease				
Net cash provided by (used for) noncapital financing activities	<u>400</u>	<u>4,429</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of revenue bonds, loans and notes				
Acquisition and construction of capital assets	(4,323)			
Principal paid on long-term debt	(416)			
Interest paid on long-term debt	(190)			
Cash paid to escrow agent for refunding				
Net cash provided by (used for) capital and related financing activities	<u>(4,929)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investment securities	(4,982)			
Proceeds from sale and maturity of investment securities	12,005			
Interest received on investments	1,497	36	10	9
Net cash provided by (used for) investing activities	<u>8,520</u>	<u>36</u>	<u>10</u>	<u>9</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,981	155	1	(49)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>17,031</u>	<u>1,124</u>	<u>248</u>	<u>242</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 27,012</u>	<u>\$ 1,279</u>	<u>\$ 249</u>	<u>\$ 193</u>

Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
\$ 10,425	\$ 1,404	\$ 1,443	\$ 37,595
(3,531)	(510)	(969)	(16,239)
(1,232)	(1,449)	(1,014)	(17,084)
			1,908
<u>5,662</u>	<u>(555)</u>	<u>(540)</u>	<u>6,180</u>
	290		298
			4,421
	72		472
		446	446
<u>-</u>	<u>362</u>	<u>446</u>	<u>5,637</u>
		(517)	(4,840)
(2,795)			(3,211)
(3,351)			(3,541)
<u>(50)</u>			<u>(50)</u>
<u>(6,196)</u>	<u>-</u>	<u>(517)</u>	<u>(11,642)</u>
	(1,953)		(6,935)
	1,492		13,497
927	265	58	2,802
<u>927</u>	<u>(196)</u>	<u>58</u>	<u>9,364</u>
393	(389)	(553)	9,539
<u>19,894</u>	<u>741</u>	<u>1,517</u>	<u>40,797</u>
<u>\$ 20,287</u>	<u>\$ 352</u>	<u>\$ 964</u>	<u>\$ 50,336</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED BY (USED FOR)				
OPERATING ACTIVITIES:				
Operating income (loss)	\$ 1,745	\$ (4,865)	\$ (231)	\$ (115)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	4,753	449	219	69
Changes in assets and liabilities:				
Receivables, net	(8,570)	(26)		
Due from other funds	103	6	3	
Inventory of supplies	21			
Accounts payable	(172)	2	(6)	
Accrued wages and benefits	190	7	(5)	(8)
Due to other funds	164	117	11	(4)
Due to other governments	7,756			
Total adjustments	<u>4,245</u>	<u>555</u>	<u>222</u>	<u>57</u>
NET CASH PROVIDED BY (USED FOR)				
OPERATING ACTIVITIES	<u>\$ 5,990</u>	<u>\$ (4,310)</u>	<u>\$ (9)</u>	<u>\$ (58)</u>

Municipal Parking <u>Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	Total Nonmajor Enterprise <u>Funds</u>
\$ 3,917	\$ (788)	\$ (773)	\$ (1,110)
1,710	225	210	7,635
3	1		(8,592)
(77)			35
(266)	2	5	(238)
256	16	(40)	56
12	(5)	20	211
16	(6)	38	336
91			7,847
<u>1,745</u>	<u>233</u>	<u>233</u>	<u>7,290</u>
<u>\$ 5,662</u>	<u>\$ (555)</u>	<u>\$ (540)</u>	<u>\$ 6,180</u>

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INTERNAL SERVICE FUNDS

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

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

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET - ALL INTERNAL SERVICE FUNDS

DECEMBER 31, 2007

(Amounts in 000's)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>	<u>Utilities Administration</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,420	\$ 785	\$ 168	\$ 1,584
Receivables:				
Accounts	1			1
Accrued interest	7	4		9
Receivables, net	<u>8</u>	<u>4</u>	<u>-</u>	<u>10</u>
Due from other funds	1,583	209	63	
Inventory of supplies	<u>926</u>	<u>103</u>		
Total current assets	<u>3,937</u>	<u>1,101</u>	<u>231</u>	<u>1,594</u>
Capital assets:				
Land	663			
Land improvements	146			
Buildings, structures and improvements	2,674			
Furniture, fixtures, equipment and vehicles	3,531	791		75
Construction in progress		704		
Less: Accumulated depreciation	<u>(4,305)</u>	<u>(539)</u>		<u>(69)</u>
Total capital assets, net	<u>2,709</u>	<u>956</u>	<u>-</u>	<u>6</u>
Total noncurrent assets	<u>2,709</u>	<u>956</u>	<u>-</u>	<u>6</u>
TOTAL ASSETS	<u>\$ 6,646</u>	<u>\$ 2,057</u>	<u>\$ 231</u>	<u>\$ 1,600</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>
\$ 143	\$ 3,668	\$ 1,149	\$ 948	\$ 6,870	\$ 16,735
7					9
	20	7	5		52
<u>7</u>	<u>20</u>	<u>7</u>	<u>5</u>	<u>-</u>	<u>61</u>
5		1,383	176	12,059	15,478
					1,029
<u>155</u>	<u>3,688</u>	<u>2,539</u>	<u>1,129</u>	<u>18,929</u>	<u>33,303</u>
					663
					146
					2,674
		137	46		4,580
					704
		(137)	(24)		(5,074)
<u>-</u>	<u>-</u>	<u>-</u>	<u>22</u>	<u>-</u>	<u>3,693</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>22</u>	<u>-</u>	<u>3,693</u>
<u>\$ 155</u>	<u>\$ 3,688</u>	<u>\$ 2,539</u>	<u>\$ 1,151</u>	<u>\$ 18,929</u>	<u>\$ 36,996</u>

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET - ALL INTERNAL SERVICE FUNDS

DECEMBER 31, 2007

(Amounts in 000's)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>	<u>Utilities Administration</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 570	\$ 133	\$ 7	\$ 12
Accrued wages and benefits	1,013	140	9	618
Due to other funds	268	38	3	15
Due to other governments				
Total current liabilities	<u>1,851</u>	<u>311</u>	<u>19</u>	<u>645</u>
Long-term liabilities				
Accrued wages and benefits	<u>286</u>	<u>29</u>	<u>1</u>	<u>185</u>
Total liabilities	<u>2,137</u>	<u>340</u>	<u>20</u>	<u>830</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,709	956		6
Unrestricted	<u>1,800</u>	<u>761</u>	<u>211</u>	<u>764</u>
Total net assets	<u>4,509</u>	<u>1,717</u>	<u>211</u>	<u>770</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,646</u>	<u>\$ 2,057</u>	<u>\$ 231</u>	<u>\$ 1,600</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>
\$ 7	\$ 132	\$ 156	\$ 18	\$	\$ 1,035
34	864	161	39	6,080	8,958
	49		11		384
	<u>2,643</u>				<u>2,643</u>
<u>41</u>	<u>3,688</u>	<u>317</u>	<u>68</u>	<u>6,080</u>	<u>13,020</u>
<u>29</u>		<u>62</u>	<u>24</u>	<u>12,849</u>	<u>13,465</u>
<u>70</u>	<u>3,688</u>	<u>379</u>	<u>92</u>	<u>18,929</u>	<u>26,485</u>
<u>85</u>		<u>2,160</u>	<u>1,037</u>		<u>3,693</u>
			22		6,818
<u>85</u>	<u>-</u>	<u>2,160</u>	<u>1,059</u>	<u>-</u>	<u>10,511</u>
<u>\$ 155</u>	<u>\$ 3,688</u>	<u>\$ 2,539</u>	<u>\$ 1,151</u>	<u>\$ 18,929</u>	<u>\$ 36,996</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, 2007**

(Amounts in 000's)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>
OPERATING REVENUES:			
Charges for services	\$ 18,411	\$ 2,451	\$ 858
Total operating revenue	<u>18,411</u>	<u>2,451</u>	<u>858</u>
OPERATING EXPENSES:			
Operations	17,333	2,283	697
Maintenance	784	83	
Depreciation	266	57	
Total operating expenses	<u>18,383</u>	<u>2,423</u>	<u>697</u>
OPERATING INCOME (LOSS)	<u>28</u>	<u>28</u>	<u>161</u>
NON-OPERATING REVENUES:			
Investment income	<u>45</u>	<u>26</u>	<u>3</u>
Total non-operating revenues	<u>45</u>	<u>26</u>	<u>3</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	73	54	164
Capital contributions	55	687	
Transfers in			
Transfers out			
CHANGE IN NET ASSETS	128	741	164
NET ASSETS AT BEGINNING OF YEAR	<u>4,381</u>	<u>976</u>	<u>47</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,509</u>	<u>\$ 1,717</u>	<u>\$ 211</u>

<u>Utilities Administration</u>	<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Workers Compensation Reserve</u>	<u>Total</u>
\$ 6,147	\$ 112	\$ 7,630	\$ 7,782	\$ 1,870	\$ 2,067	\$ 47,328
<u>6,147</u>	<u>112</u>	<u>7,630</u>	<u>7,782</u>	<u>1,870</u>	<u>2,067</u>	<u>47,328</u>
5,161	609	8,497	5,522	844	2,067	43,013
50		56	72	1,050		2,095
4			11	3		341
<u>5,215</u>	<u>609</u>	<u>8,553</u>	<u>5,605</u>	<u>1,897</u>	<u>2,067</u>	<u>45,449</u>
<u>932</u>	<u>(497)</u>	<u>(923)</u>	<u>2,177</u>	<u>(27)</u>	<u>-</u>	<u>1,879</u>
<u>30</u>		<u>923</u>	<u>55</u>	<u>45</u>		<u>1,127</u>
<u>30</u>	<u>-</u>	<u>923</u>	<u>55</u>	<u>45</u>	<u>-</u>	<u>1,127</u>
962	(497)		2,232	18	-	3,006
	540					742
						540
<u>962</u>	<u>43</u>		<u>2,232</u>	<u>18</u>		<u>4,288</u>
<u>(192)</u>	<u>42</u>		<u>(72)</u>	<u>1,041</u>		<u>6,223</u>
<u>\$ 770</u>	<u>\$ 85</u>	<u>\$ -</u>	<u>\$ 2,160</u>	<u>\$ 1,059</u>	<u>\$ -</u>	<u>\$ 10,511</u>

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

(Amounts in 000's)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 17,921	\$ 2,368	\$ 849
Cash payments to suppliers for goods or services	(11,551)	(1,491)	(612)
Cash payments to employees for services	<u>(6,425)</u>	<u>(822)</u>	<u>(79)</u>
Net cash provided by (used for) operating activities	<u>(55)</u>	<u>55</u>	<u>158</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advance (repayment) from/to General Fund			
Cash received through transfers from other funds			
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets			
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	<u>44</u>	<u>25</u>	<u>3</u>
Net cash provided by investing activities	<u>44</u>	<u>25</u>	<u>3</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11)	80	161
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,431</u>	<u>705</u>	<u>7</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,420</u>	<u>\$ 785</u>	<u>\$ 168</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	\$ 28	\$ 28	\$ 161
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	266	57	
Change in assets and liabilities:			
Receivables, net		1	
Due from other funds	(489)	(84)	(10)
Due from other governments			
Inventory of supplies	153	19	
Accounts payable	(210)	31	7
Accrued wages and benefits	76	33	(1)
Due to other funds	121	(30)	1
Due to other governments			
Total adjustments	<u>(83)</u>	<u>27</u>	<u>(3)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (55)</u>	<u>\$ 55</u>	<u>\$ 158</u>

<u>Utilities Administration</u>	<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Workers Compensation Reserve</u>	<u>Total</u>
\$ 6,149	\$ 100	\$ 8,412	\$ 6,650	\$ 1,851	\$ 1,400	\$ 45,700
(630)	(432)	(3,134)	(5,273)	(1,814)		(24,937)
<u>(4,675)</u>	<u>(169)</u>	<u>(5,373)</u>	<u>(1,062)</u>	<u>(277)</u>		<u>(18,882)</u>
<u>844</u>	<u>(501)</u>	<u>(95)</u>	<u>315</u>	<u>(240)</u>	<u>1,400</u>	<u>1,881</u>
	540					540
<u>-</u>	<u>540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>540</u>
				(25)		(25)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25)</u>	<u>-</u>	<u>(25)</u>
<u>25</u>		<u>913</u>	<u>52</u>	<u>44</u>		<u>1,106</u>
<u>25</u>	<u>-</u>	<u>913</u>	<u>52</u>	<u>44</u>	<u>-</u>	<u>1,106</u>
869	39	818	367	(221)	1,400	3,502
<u>715</u>	<u>104</u>	<u>2,850</u>	<u>782</u>	<u>1,169</u>	<u>5,470</u>	<u>13,233</u>
<u>\$ 1,584</u>	<u>\$ 143</u>	<u>\$ 3,668</u>	<u>\$ 1,149</u>	<u>\$ 948</u>	<u>\$ 6,870</u>	<u>\$ 16,735</u>
\$ 932	\$ (497)	\$ (923)	\$ 2,177	\$ (27)	\$	\$ 1,879
4			11	3		341
2	(7)			8		4
2	(5)		(1,131)	(28)	(26)	(1,771)
						172
(26)	7	45	(293)	(199)		(638)
(80)	1	16	8	2	2,067	2,122
10		(15)	(457)	1	(641)	(1,010)
		<u>782</u>				<u>782</u>
<u>(88)</u>	<u>(4)</u>	<u>828</u>	<u>(1,862)</u>	<u>(213)</u>	<u>1,400</u>	<u>2</u>
<u>\$ 844</u>	<u>\$ (501)</u>	<u>\$ (95)</u>	<u>\$ 315</u>	<u>\$ (240)</u>	<u>\$ 1,400</u>	<u>\$ 1,881</u>

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CITY OF CLEVELAND, OHIO

AGENCY FUNDS

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

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

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

(Amounts in 000's)

	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at End of Year</u>
MUNICIPAL COURTS				
ASSETS				
Cash and cash equivalents	\$ 8,807	\$ 20,121	\$ 19,853	\$ 9,075
Total assets	<u>\$ 8,807</u>	<u>\$ 20,121</u>	<u>\$ 19,853</u>	<u>\$ 9,075</u>
LIABILITIES				
Due to others	\$ 8,807	\$ 20,121	\$ 19,853	\$ 9,075
Total liabilities	<u>\$ 8,807</u>	<u>\$ 20,121</u>	<u>\$ 19,853</u>	<u>\$ 9,075</u>
CENTRAL COLLECTION AGENCY				
ASSETS				
Cash and cash equivalents	\$ 6,526	\$ 9,483	\$ 6,526	\$ 9,483
Taxes receivable	31,196	32,582	31,196	32,582
Due from other governments	<u>2,261</u>	<u>3,036</u>	<u>2,261</u>	<u>3,036</u>
Total assets	<u>\$ 39,983</u>	<u>\$ 45,101</u>	<u>\$ 39,983</u>	<u>\$ 45,101</u>
LIABILITIES				
Due to other governments	\$ 39,983	\$ 45,101	\$ 39,983	\$ 45,101
Total liabilities	<u>\$ 39,983</u>	<u>\$ 45,101</u>	<u>\$ 39,983</u>	<u>\$ 45,101</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

(Amounts in 000's)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
OTHER AGENCIES				
ASSETS				
Cash and cash equivalents	\$ 15,036	\$ 246,632	\$ 245,296	\$ 16,372
Total assets	<u>\$ 15,036</u>	<u>\$ 246,632</u>	<u>\$ 245,296</u>	<u>\$ 16,372</u>
LIABILITIES				
Due to others	\$ 15,036	\$ 246,632	\$ 245,296	\$ 16,372
Total liabilities	<u>\$ 15,036</u>	<u>\$ 246,632</u>	<u>\$ 245,296</u>	<u>\$ 16,372</u>
 TOTALS-ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 30,369	\$ 276,236	\$ 271,675	\$ 34,930
Taxes receivable	31,196	32,582	31,196	32,582
Due from other governments	<u>2,261</u>	<u>3,036</u>	<u>2,261</u>	<u>3,036</u>
Total assets	<u>\$ 63,826</u>	<u>\$ 311,854</u>	<u>\$ 305,132</u>	<u>\$ 70,548</u>
LIABILITIES				
Due to other governments	\$ 39,983	\$ 45,101	\$ 39,983	\$ 45,101
Due to others	<u>23,843</u>	<u>266,753</u>	<u>265,149</u>	<u>25,447</u>
Total liabilities	<u>\$ 63,826</u>	<u>\$ 311,854</u>	<u>\$ 305,132</u>	<u>\$ 70,548</u>

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

CITY OF CLEVELAND, OHIO

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY SOURCE* DECEMBER 31, 2007 (Amounts in 000's)

Governmental Funds Capital Assets:	
Land	\$ 61,000
Land improvements	114,742
Buildings, structures and improvements	588,015
Furniture, fixtures, equipment and vehicles	156,682
Infrastructure	413,701
Construction in progress	<u>130,881</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 <u>\$ 1,465,021</u>
 Investment in Governmental Funds Capital Assets by Source:	
General obligation bonds	\$ 635,746
General Fund and other revenues	346,325
Special Revenue Fund revenues:	
Restricted income taxes	145,957
Federal grants	293,891
Certificates of participation	19,821
Gifts	<u>23,281</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 <u>\$ 1,465,021</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, 2007

(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>
General Government:							
General government	\$ 327,440	\$ 208	\$	\$ 303,232	\$ 15,374	\$ 3,745	\$ 4,881
City Hall	20,135	877		19,258			
Justice Center	29,768			28,922	846		
Charles V. Carr Municipal Center	647		15	632			
Total general government	<u>377,990</u>	<u>1,085</u>	<u>15</u>	<u>352,044</u>	<u>16,220</u>	<u>3,745</u>	<u>4,881</u>
Public Service:							
Waste collection	27,659	499		8,259	17,306	1,460	135
Engineering and construction	406,177		18,679		2,604	307,490	77,404
Streets	126,944	1,540	11,495	14,393	19,799	79,717	
Traffic engineering	4,713			813	1,696	1,145	1,059
Other	48,025	2,669		30,920	1,102		13,334
Total public service	<u>613,518</u>	<u>4,708</u>	<u>30,174</u>	<u>54,385</u>	<u>42,507</u>	<u>389,812</u>	<u>91,932</u>
Public Safety:							
Police	100,697	4,805	317	58,585	36,187	162	641
Fire	62,207	1,670		28,885	31,652		
Emergency medical service	14,615			784	7,932	5,614	285
Correction	7,500	272		6,554	658		16
Dog pound	870			662	208		
Total public safety	<u>185,889</u>	<u>6,747</u>	<u>317</u>	<u>95,470</u>	<u>76,637</u>	<u>5,776</u>	<u>942</u>
Public Health:							
Health and environment	11,801	1,112	36	9,341	1,312		
Total public health	<u>11,801</u>	<u>1,112</u>	<u>36</u>	<u>9,341</u>	<u>1,312</u>	<u>-</u>	<u>-</u>
Parks, Recreation and Properties:							
Park maintenance and properties	95,848	37,388	22,484	13,369	16,317	234	6,056
Research, planning and development	48,862	881	26,958	3,162	91	2,997	14,773
Recreation	87,808	976	32,952	51,781	2,089		10
Total parks, recreation and properties	<u>232,518</u>	<u>39,245</u>	<u>82,394</u>	<u>68,312</u>	<u>18,497</u>	<u>3,231</u>	<u>20,839</u>
Community Development:							
Community development	31,386	4,109	1,531	8,463	1,079	7,177	9,027
Total community development	<u>31,386</u>	<u>4,109</u>	<u>1,531</u>	<u>8,463</u>	<u>1,079</u>	<u>7,177</u>	<u>9,027</u>
Economic Development:							
Economic development	7,913	3,994	275		13	379	3,252
Total economic development	<u>7,913</u>	<u>3,994</u>	<u>275</u>	<u>-</u>	<u>13</u>	<u>379</u>	<u>3,252</u>
Building & Housing:							
Building & Housing	4,006				417	3,581	8
Total building & housing	<u>4,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>417</u>	<u>3,581</u>	<u>8</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 1,465,021</u>	<u>\$ 61,000</u>	<u>\$ 114,742</u>	<u>\$ 588,015</u>	<u>\$ 156,682</u>	<u>\$ 413,701</u>	<u>\$ 130,881</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, 2007

(Amounts in 000's)

	Balance January 1, <u>2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	Balance December 31, <u>2007</u>
General Government:					
General government	\$ 326,085	\$ 1,476	\$ (66)	\$ (55)	\$ 327,440
City Hall	20,135				20,135
Justice Center	29,768				29,768
Charles V. Carr Municipal Center	647				647
Total general government	<u>376,635</u>	<u>1,476</u>	<u>(66)</u>	<u>(55)</u>	<u>377,990</u>
Public Service:					
Waste collection	27,529	1,556	(1,526)	100	27,659
Engineering and construction	330,580	107,801	(23)	(32,181)	406,177
Streets	121,625	7,224	(1,826)	(79)	126,944
Traffic engineering	4,853		(126)	(14)	4,713
Other	46,505	3,217		(1,697)	48,025
Total public service	<u>531,092</u>	<u>119,798</u>	<u>(3,501)</u>	<u>(33,871)</u>	<u>613,518</u>
Public Safety:					
Police	99,091	5,670	(2,980)	(1,084)	100,697
Fire	62,169	2,551	(2,459)	(54)	62,207
Emergency medical service	14,982		(345)	(22)	14,615
Correction	7,394	16	(25)	115	7,500
Dog pound	713		(37)	194	870
Total public safety	<u>184,349</u>	<u>8,237</u>	<u>(5,846)</u>	<u>(851)</u>	<u>185,889</u>
Public Health:					
Health and environment	11,769	103	(79)	8	11,801
Total public health	<u>11,769</u>	<u>103</u>	<u>(79)</u>	<u>8</u>	<u>11,801</u>
Parks, Recreation and Properties:					
Park maintenance and properties	95,892	2,013	(2,388)	331	95,848
Research, planning and development	46,810	3,900	0	(1,848)	48,862
Recreation	85,944	2,000	(136)		87,808
Total parks, recreation and properties	<u>228,646</u>	<u>7,913</u>	<u>(2,524)</u>	<u>(1,517)</u>	<u>232,518</u>
Community Development:					
Community development	30,556	844	(14)		31,386
Total community development	<u>30,556</u>	<u>844</u>	<u>(14)</u>	<u>-</u>	<u>31,386</u>
Economic Development:					
Economic development	2,930	6,554		(1,571)	7,913
Total economic development	<u>2,930</u>	<u>6,554</u>	<u>-</u>	<u>(1,571)</u>	<u>7,913</u>
Building & Housing:					
Building & Housing	4,015	8	(27)	10	4,006
Total building & housing	<u>4,015</u>	<u>8</u>	<u>(27)</u>	<u>10</u>	<u>4,006</u>
TOTAL GOVERNMENTAL FUNDS					
CAPITAL ASSETS	<u>\$ 1,369,992</u>	<u>\$ 144,933</u>	<u>\$ (12,057)</u>	<u>\$ (37,847)</u>	<u>\$ 1,465,021</u>

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

STATISTICAL SECTION

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CITY OF CLEVELAND, OHIO
Statistical Section
December 31, 2007

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

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

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

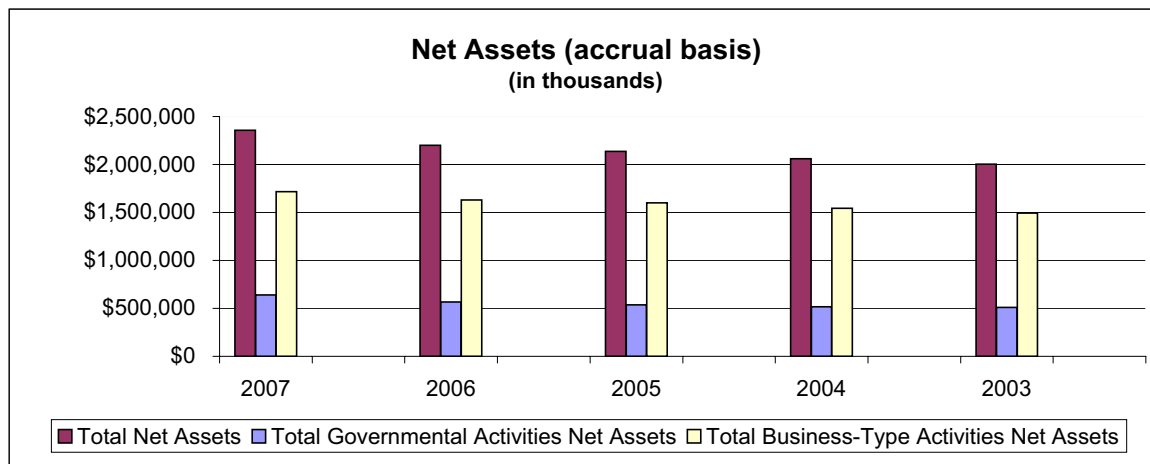
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City of Cleveland, Ohio
Net Assets By Component
Last Five Years
(Accrual Basis of Accounting)
(Amounts in 000's)

	2007	2006	2005	2004	2003
Governmental Activities					
Invested in Capital Assets,					
Net of Related Debt	\$407,548	\$350,278	\$303,683	\$274,854	\$355,409
Restricted:					
Capital Projects	77,210	62,152	91,917	96,747	10,537
Debt Service	28,532	26,838	1,381	5,003	3,079
Other Purposes	186,279	184,523	192,148	194,035	190,793
Unrestricted	(59,630)	(56,318)	(52,676)	(53,281)	(50,673)
<i>Total Governmental Activities Net Assets</i>	<u>\$639,939</u>	<u>\$567,473</u>	<u>\$536,453</u>	<u>\$517,358</u>	<u>\$509,145</u>
Business Type - Activities					
Invested in Capital Assets,					
Net of Related Debt	\$591,604	\$622,195	\$510,205	\$385,563	\$706,207
Restricted	618,497	512,585	614,998	680,129	298,663
Unrestricted	506,745	496,624	474,875	478,229	489,211
<i>Total Business-Type Activities Net Assets</i>	<u>\$1,716,846</u>	<u>\$1,631,404</u>	<u>\$1,600,078</u>	<u>\$1,543,921</u>	<u>\$1,494,081</u>
Primary Government					
Invested in Capital Assets,					
Net of Related Debt	\$999,152	\$972,473	\$813,888	\$660,417	\$1,061,616
Restricted	910,518	786,098	900,444	975,914	503,072
Unrestricted	447,115	440,306	422,199	424,948	438,538
<i>Total Primary Government Net Assets</i>	<u>\$2,356,785</u>	<u>\$2,198,877</u>	<u>\$2,136,531</u>	<u>\$2,061,279</u>	<u>\$2,003,226</u>

Note:

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



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

	2007	2006	2005	2004	2003
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$30,055	\$31,896	\$21,697	\$21,656	\$32,332
Public Service	4,490	5,158	6,208	5,030	4,802
Public Safety	21,087	12,773	15,953	16,046	18,822
Community Development	1,203	2			
Building & Housing	10,528	10,701	10,871	11,948	9,673
Public Health	2,979	2,898	2,918	2,262	2,861
Parks, recreation and properties	1,160	746	913	692	1,228
Economic Development	471	4,496	46	118	2,269
Other	415	415	477	487	546
Subtotal - Charges for Services	<u>72,388</u>	<u>69,085</u>	<u>59,083</u>	<u>58,239</u>	<u>72,533</u>
Operating Grants and Contributions:					
General Government	1,994	1,508	1,876	1,865	2,588
Public Service	14,459	14,230	14,234	13,798	12,873
Public Safety	5,789	9,364	9,153	7,561	9,677
Community Development	50,344	56,882	51,848	59,734	63,295
Building & Housing	3,353	3,407			
Public Health	14,079	13,838	10,963	8,778	7,357
Parks, recreation and properties	16,123	16,232	354	2,427	343
Economic Development	21,077	40,397	42,164	30,704	30,551
Other					
Subtotal - Operating Grants and Contributions	<u>127,218</u>	<u>155,858</u>	<u>130,592</u>	<u>124,867</u>	<u>126,684</u>
Capital Grants and Contributions:					
General Government	5,380	23,839	26,899	14,745	13,203
Public Service	75,871				
Public Safety					
Community Development	1,315				
Building & Housing					
Public Health					
Parks, recreation and properties			89	125	66
Economic Development					
Other					
Subtotal - Capital Grants and Contributions	<u>82,566</u>	<u>23,839</u>	<u>26,988</u>	<u>14,870</u>	<u>13,269</u>
<i>Total Governmental Activities Program Revenues</i>	<u>282,172</u>	<u>248,782</u>	<u>216,663</u>	<u>197,976</u>	<u>212,486</u>
Business-Type Activities:					
Charges for Services:					
Water	242,014	209,694	222,635	209,622	203,748
Electricity	155,559	146,293	150,263	141,143	139,660
Airport facilities	105,887	105,711	111,087	110,882	89,958
Non-major activities	40,614	33,821	33,843	35,079	33,628
Operating Grants and Contributions:					
Water	11,033	8,242			
Electricity	2,589	1,796			
Airport facilities	3,718	2,944	7,726		
Non-major activities	6,399	1,616	100	48	790
Capital Grants and Contributions:					
Water	7,906	6,817	12,408	5,448	6,687
Electricity	1,485	1,135	2,285	1,079	1,585
Airport facilities	73,358	53,280	40,975	50,377	51,211
Non-major activities	2,591	6,201	5,505	4,698	7,317
<i>Total Business-Type Activities Program Revenues</i>	<u>653,153</u>	<u>577,550</u>	<u>586,827</u>	<u>558,376</u>	<u>534,584</u>
<i>Total Primary Government Program Revenues</i>	<u>\$935,325</u>	<u>\$826,332</u>	<u>\$803,490</u>	<u>\$756,352</u>	<u>\$747,070</u>

City of Cleveland, Ohio

Changes in Net Assets

Last Five Years

(Amounts in 000's)

	2007	2006	2005	2004	2003
Expenses					
Governmental Activities:					
General Government	\$87,667	\$89,269	\$86,332	\$77,077	\$82,560
Public Service	86,435	81,248	80,888	78,634	80,698
Public Safety	322,840	301,208	293,242	281,140	315,811
Community Development	54,425	62,701	56,413	65,603	62,543
Building & Housing	13,999	13,832	10,650	10,703	12,932
Public Health	21,412	27,674	24,950	22,537	22,750
Parks, recreation and properties	54,332	45,546	44,840	42,734	47,725
Economic Development	39,168	44,739	41,030	49,372	38,850
Other	11,644	9,918	11,212	11,510	14,197
Interest on debt	27,763	32,162	27,557	30,815	29,065
<i>Total Governmental Activities Expenses</i>	<u>719,685</u>	<u>708,297</u>	<u>677,114</u>	<u>670,125</u>	<u>707,131</u>
Business-Type Activities					
Water	205,470	204,994	192,187	188,118	173,179
Electricity	148,832	141,546	153,676	136,927	134,120
Airport facilities	167,967	157,976	146,807	145,749	143,147
Non-major activities	45,762	42,112	41,526	41,333	42,606
<i>Total Business-Type Activities Expenses</i>	<u>568,031</u>	<u>546,628</u>	<u>534,196</u>	<u>512,127</u>	<u>493,052</u>
<i>Total Primary Government Program Expenses</i>	<u>1,287,716</u>	<u>1,254,925</u>	<u>1,211,310</u>	<u>1,182,252</u>	<u>1,200,183</u>
Net (Expense)/Revenue					
Governmental Activities	(437,513)	(459,515)	(460,451)	(472,149)	(494,645)
Business-Type Activities	85,122	30,922	52,631	46,249	41,532
<i>Total Primary Government Net Expense</i>	<u>(352,391)</u>	<u>(428,593)</u>	<u>(407,820)</u>	<u>(425,900)</u>	<u>(453,113)</u>
General Revenues and Other Changes in Net Assets					
Governmental Activities					
Taxes:					
Municipal Income Taxes	317,268	302,084	288,191	293,387	277,086
Property Taxes	69,313	66,762	64,390	69,483	63,498
Other Taxes	28,567	26,492	25,051	22,011	23,266
Shared Revenue	23,805	16,949	22,468	20,470	20,799
Grants and Entitlements not Restricted to Specific Programs			1	94	101
State and Local Government Funds	51,164	55,905	55,696	57,072	56,792
Unrestricted Investment Earnings	5,670	4,273	2,989	1,273	1,443
Other	14,482	18,460	21,135	18,855	8,855
Transfers	(290)	(390)	(375)	(2,283)	3,733
<i>Total Governmental Activities</i>	<u>509,979</u>	<u>490,535</u>	<u>479,546</u>	<u>480,362</u>	<u>455,573</u>
Business-Type Activities					
Grants and Entitlements not Restricted to Specific Programs					
Unrestricted Investment Earnings	30	14	2,205	1,215	717
Other			946	93	4,212
Transfers	290	390	375	2,283	(3,733)
<i>Total Business-Type Activities Expenses</i>	<u>320</u>	<u>404</u>	<u>3,526</u>	<u>3,591</u>	<u>1,196</u>
<i>Total Primary Government General Revenues and Other Changes in Net Assets</i>	<u>510,299</u>	<u>490,939</u>	<u>483,072</u>	<u>483,953</u>	<u>456,769</u>
Change in Net Assets					
Governmental Activities	72,466	31,020	19,095	8,213	(39,072)
Business-Type Activities	85,442	31,326	56,157	49,840	42,728
<i>Total Primary Government Change in Net Assets</i>	<u>\$157,908</u>	<u>\$62,346</u>	<u>\$75,252</u>	<u>\$58,053</u>	<u>\$3,656</u>

Note:

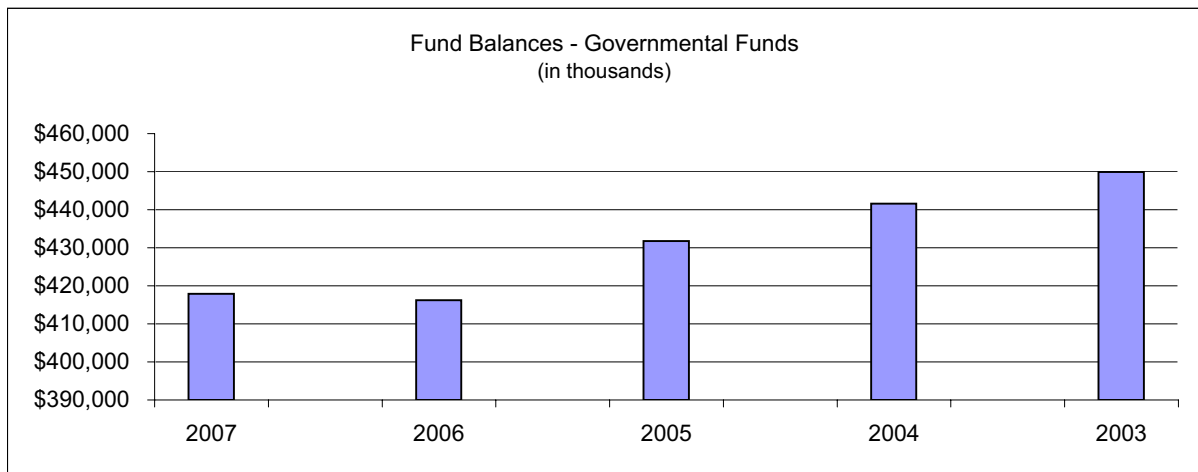
Data not available prior to fiscal 2002 implementation of Governmental Accounting Standard Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

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

	2007	2006	2005	2004	2003
General Fund					
Reserved	\$14,455	\$13,029	\$11,520	\$13,258	\$9,719
Unreserved	17,399	22,502	24,693	21,376	14,932
Total General Fund	31,854	35,531	36,213	34,634	24,651
All Other Governmental Funds					
Reserved	277,669	278,984	280,042	272,122	276,518
Unreserved, Undesignated, Reported in:					
Special Revenue funds	77,223	77,287	65,786	89,325	88,251
Capital Projects funds	31,136	24,458	49,750	45,522	60,462
Total All Other Governmental Funds	386,028	380,729	395,578	406,969	425,231
Total Governmental Funds	\$417,882	\$416,260	\$431,791	\$441,603	\$449,882

Note:

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



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

	2007	2006	2005	2004	2003
Revenues					
Municipal Income Taxes	\$311,784	\$303,446	\$292,193	\$294,200	\$278,719
Property and Other Taxes	69,254	66,787	66,055	67,999	63,353
State and Local Government	53,506	55,908	55,899	55,808	55,462
Other Shared Revenue	80,789	73,810	59,576	57,213	55,030
Licenses and Permits	13,802	14,520	14,806	16,033	13,727
Charges for Services	24,388	20,973	23,182	18,707	21,345
Fines, Forfeits and Settlements	31,246	27,877	19,985	19,611	25,689
Investment Earnings	16,875	13,809	8,774	3,758	3,634
Grants	167,125	137,278	126,139	118,228	120,379
Contributions	549	3,113	3,650	6,131	101
Other	18,581	18,683	14,394	21,462	17,013
<i>Total Revenues</i>	<u>787,899</u>	<u>736,204</u>	<u>684,653</u>	<u>679,150</u>	<u>654,452</u>
Expenditures					
Current:					
General Government	84,578	74,905	71,107	71,291	74,128
Public Service	60,700	58,739	60,049	56,044	56,761
Public Safety	311,606	293,093	282,684	272,752	302,707
Community Development	53,668	62,031	55,688	65,034	61,227
Building and Housing	13,892	13,668	10,472	10,497	11,935
Public Health	21,014	26,903	24,121	21,862	21,870
Parks, Recreation and Properties	40,494	37,817	35,503	32,934	37,829
Economic Development	33,787	44,632	40,446	46,966	33,728
Other	9,206	9,256	11,212	11,510	14,197
Capital Outlay	120,680	65,216	84,438	82,780	64,738
Inception of capital lease	3,933	3,302	4,130	9,271	
Debt Issuance Cost					818
Interest Expense					228
Debt Service:					
Principal Retirement	44,258	37,648	39,384	40,865	32,949
Interest	30,075	31,462	29,822	32,002	27,400
Other	2,438	662	2,338	1,778	719
<i>Total Expenditures</i>	<u>830,329</u>	<u>759,334</u>	<u>751,394</u>	<u>755,586</u>	<u>741,234</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(42,430)</u>	<u>(23,130)</u>	<u>(66,741)</u>	<u>(76,436)</u>	<u>(86,782)</u>
Other Financing Sources (Uses)					
Transfers In	61,064	41,853	43,245	47,256	59,368
Transfers Out	(61,894)	(42,665)	(43,697)	(50,271)	(59,773)
Debt Issuance Cost					
Proceeds from the sale of debt			121,395	35,115	7,585
Premium on bonds and notes	3,730		13,306	1,504	3,156
Discount on bonds and notes	(18)		(54)	(200)	
Payments to refund bonds and notes	(140,457)		(94,145)		
Proceeds from sale of general obligation bonds and notes	181,420			16,760	64,100
Sale of development bonds					32,315
Loan proceeds				11,365	
Sale of City assets	207	8,411	8,454		
Proceeds from capital lease			8,425	6,628	6,254
Inception of capital lease					(419)
Premium on interest rate swap agreement					5,100
<i>Total Other Financing Sources (Uses)</i>	<u>44,052</u>	<u>7,599</u>	<u>56,929</u>	<u>68,157</u>	<u>117,686</u>
<i>Net Change in Fund Balances</i>	<u>\$1,622</u>	<u>(\$15,531)</u>	<u>(\$9,812)</u>	<u>(\$8,279)</u>	<u>\$30,904</u>
Debt Service as a Percentage of Noncapital Expenditures	12.2%	11.2%	12.1%	12.7%	10.0%

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

Collection Year	Real Property			Tangible Personal Property	
	Assessed Value		Estimated Actual Value	Public Utility	
	Residential/ Agricultural	Commercial Industrial/PU		Assessed Value	Estimated Actual Value
2007	\$3,056,587	\$2,532,466	\$15,968,723	\$316,899	\$360,113
2006	2,662,461	2,285,525	14,137,103	314,385	357,256
2005	2,665,935	2,319,194	14,243,226	350,690	398,511
2004	2,666,178	2,232,575	13,996,437	355,889	404,419
2003	2,348,384	2,244,238	13,121,777	358,143	406,981
2002	2,354,757	2,318,510	13,352,191	377,364	428,823
2001	2,362,425	2,255,914	13,195,254	451,775	513,381
2000	2,015,095	2,085,641	11,716,388	444,315	504,903
1999	2,015,165	2,070,172	11,672,391	478,752	544,036
1998	2,020,084	1,995,730	11,473,754	474,182	538,843

Source: Cuyahoga County Auditor's Office

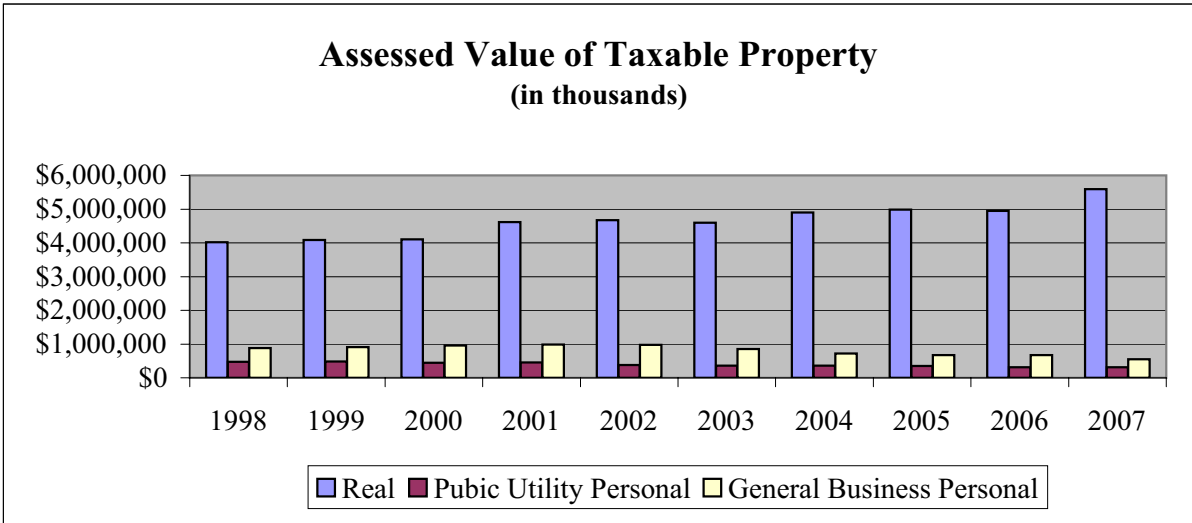
The assessed valuation level for real property in Cuyahoga County is 35% of appraised market value, except for certain agricultural land and public utility property.

Beginning in 2003 the assessed valuation of personal property constituting "inventory" was reduced from 25% of true value to 23%, in 2006 it was further reduced to 18.75%, in 2007 to 12.5%, and in 2008 to 6.25%. The percentage is scheduled to decrease to 0% in 2009.

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.



<u>Tangible Personal Property</u>				
<u>General Business</u>		<u>Total</u>		
<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Ratio</u>
\$551,296	\$4,410,368	\$6,457,248	\$20,739,204	31.1 %
677,333	3,612,443	5,939,704	18,106,802	32.8
671,795	2,920,848	6,007,614	17,562,585	34.2
722,499	3,141,300	5,977,141	17,542,156	34.1
853,282	3,709,922	5,804,047	17,238,680	33.7
980,928	3,923,712	6,031,559	17,704,726	34.1
988,532	3,954,128	6,058,646	17,662,763	34.3
952,829	3,811,316	5,497,880	16,032,607	34.3
913,154	3,652,616	5,477,243	15,869,043	34.5
885,245	3,540,980	5,375,241	15,553,577	34.6



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

	2007	2006	2005	2004
Unvoted Millage				
Debt	4.350000	4.350000	4.350000	4.350000
Fire Pension	0.050000	0.050000	0.050000	0.050000
<i>Total Unvoted Millage</i>	<u>4.400000</u>	<u>4.400000</u>	<u>4.400000</u>	<u>4.400000</u>
Charter Millage				
Operating	7.750000	7.750000	7.750000	7.750000
Fire Pension	0.250000	0.250000	0.250000	0.250000
Police Pension	0.300000	0.300000	0.300000	0.300000
<i>Total Charter Millage</i>	<u>8.300000</u>	<u>8.300000</u>	<u>8.300000</u>	<u>8.300000</u>
Total Millage	<u><u>12.700000</u></u>	<u><u>12.700000</u></u>	<u><u>12.700000</u></u>	<u><u>12.700000</u></u>

Overlapping Rates by Taxing District

City School District				
Residential/Agricultural Real	29.050497	29.002818	31.588821	31.586780
Commerical/Industrial and Public Utility Real	44.592555	44.858685	48.826505	48.636211
General Business and Public Utility Personal	64.800000	64.800000	64.800000	64.800000
County				
Residential/Agricultural Real	11.868868	11.865485	11.722742	10.975355
Commerical/Industrial and Public Utility Real	12.453559	12.494099	12.588063	11.984633
General Business and Public Utility Personal	13.420000	13.420000	13.520000	13.520000
Special Taxing Districts (1)				
Residential/Agricultural Real	9.059500	9.045800	9.853500	9.851200
Commerical/Industrial and Public Utility Real	10.191700	10.252900	11.084900	11.011300
General Business and Public Utility Personal	11.580000	11.580000	11.580000	11.580000

Source: Cuyahoga County Auditor's Office

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

Charter millage is consistently applied to all types of property.

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

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

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

2003	2002	2001	2000	1999	1998
4.350000	4.350000	4.350000	4.350000	4.350000	4.350000
0.050000	0.050000	0.050000	0.050000	0.050000	0.050000
4.400000	4.400000	4.400000	4.400000	4.400000	4.400000
7.750000	7.750000	7.750000	7.750000	7.750000	7.750000
0.250000	0.250000	0.250000	0.250000	0.250000	0.250000
0.300000	0.300000	0.300000	0.300000	0.300000	0.300000
8.300000	8.300000	8.300000	8.300000	8.300000	8.300000
12.700000	12.700000	12.700000	12.700000	12.700000	12.700000
31.559197	34.359166	34.356020	30.160715	34.477041	34.668574
48.764909	48.821444	48.257023	43.006176	47.312181	47.454944
64.800000	64.800000	64.800000	60.600000	64.800000	61.000000
10.989859	12.460892	11.381449	11.396642	11.411285	11.423010
12.043316	12.876350	12.002276	11.929733	12.373539	12.406460
13.520000	14.650000	14.650000	14.650000	13.750000	13.750000
9.168300	4.306000	4.307000	4.311600	4.982100	4.984700
10.525300	4.886300	4.822800	4.716700	5.276300	5.279700
11.280000	5.550000	5.550000	5.550000	5.550000	5.550000

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

Year	Total Tax Levy	Current Tax Collections (1)	Percent of Current Tax Collections To Tax Levy	Delinquent Tax Collections	Total Tax Collections
2007	\$108,161,761	\$68,823,516	63.63 %	\$5,675,616	\$74,499,132
2006	100,453,000	65,617,000	65.32	5,524,000	71,141,000
2005	100,842,630	67,759,024	67.19	5,428,007	73,187,031
2004	102,396,067	67,571,431	65.99	7,055,068	74,626,499
2003	95,920,068	65,058,362	67.83	5,052,595	70,110,957
2002	96,449,699	64,376,023	66.75	6,680,368	71,056,391
2001	93,753,498	66,447,200	70.87	4,253,228	70,700,428
2000	84,432,235	62,471,564	73.99	4,214,775	66,686,339
1999	83,655,993	63,427,067	75.82	4,219,704	67,646,771
1998	82,315,018	62,883,792	76.39	2,785,155	65,668,947

Source: Cuyahoga County Auditor's Office

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

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

Percent of Total Tax Collections To Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Delinquent Taxes to Total Tax Levy
68.88 %	\$22,770,570	21.05 %
70.82	21,063,000	20.97
72.58	26,330,702	26.11
72.88	24,928,208	24.34
73.09	25,151,032	26.22
73.67	21,966,674	22.78
75.41	21,498,001	22.93
78.98	16,484,006	19.52
80.86	13,869,371	16.58
79.78	14,128,110	17.16

City of Cleveland, Ohio
Principal Taxpayers - Real Estate Tax (other than Public Utilities)
 2007 and 1998

<i>2007</i>		
Taxpayer	Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
City of Cleveland, Ohio	137,750,750	2.46 %
Cleveland Clinic Foundation	81,604,420	1.46
Cleveland Financial	49,232,020	0.88
Case Western Reserve	36,260,690	0.65
National City Center LLC	27,949,990	0.50
ISG Cleveland West	26,790,930	0.48
Western Reserve	23,391,320	0.42
TIC OCC Ainley, LLC & ETAL	22,177,160	0.40
Behringer Harvard 600	21,000,000	0.37
MB Cleveland Erieview LLC	19,921,860	0.36
Total	\$446,079,140	7.98 %
Total Assessed Valuation	\$5,589,053,000	
<i>1998</i>		
Taxpayer	Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
City of Cleveland, Ohio	\$80,067,170	1.99 %
ZML-Cleve Public Sq LLC	56,306,250	1.41
Lakeside Associates	35,350,000	0.88
LTV Steel Company, Incorporated	32,193,000	0.80
BRE.City Center LLC	31,819,000	0.79
PHS Mt. Sinai, Incorporated	29,294,270	0.73
Tower City	26,108,830	0.65
600 Superior Place Partnership	24,850,000	0.62
Federal Reserve Bank of Cleveland	23,721,670	0.59
Erieview Joint Venture	22,925,000	0.57
Total	\$362,635,190	9.03 %
Total Assessed Valuation	\$4,015,814,000	

Source: County Auditor

(1) The amounts presented represent the assessed values upon which 2007 and 1998 collections were based.

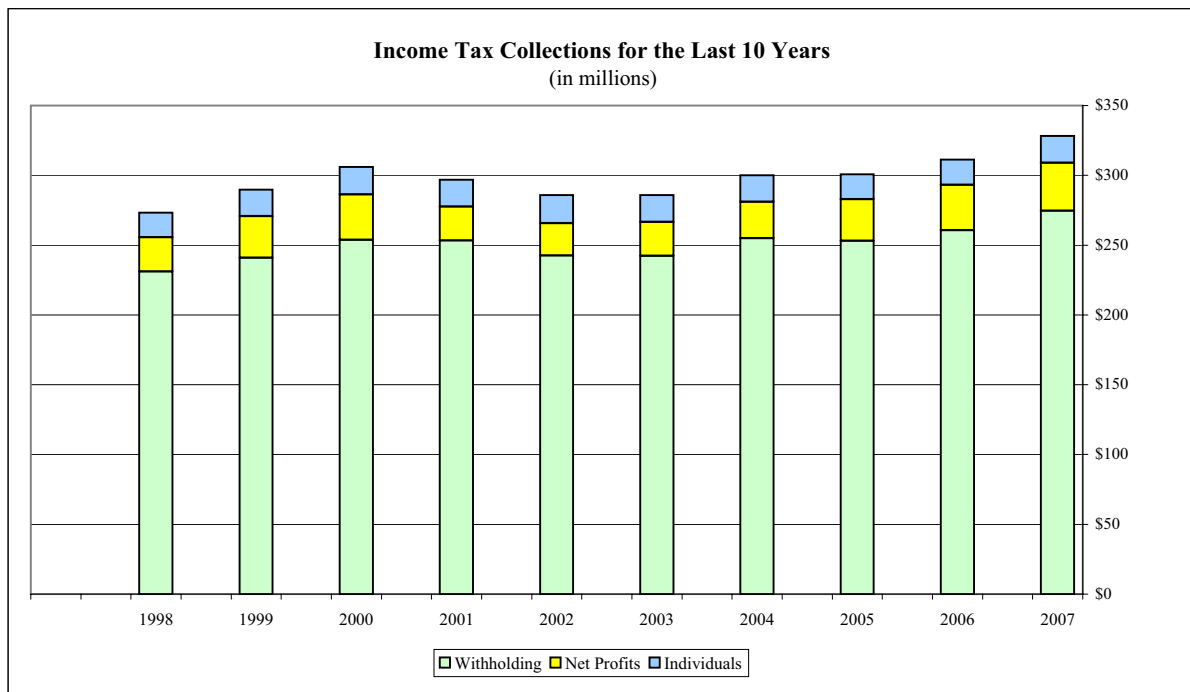
City of Cleveland, Ohio
Income Tax Revenue Base and Collections
Last Ten Years

Tax Year (1)	Tax Rate	Total Tax Collected	Taxes from Withholding	Percentage of Taxes from Withholding	Taxes From Net Profits	Percentage of Taxes from Net Profits	Taxes From Individuals	Percentage of Taxes from Individuals
2007	2.00%	\$328,167,945	\$274,733,506	83.72%	\$34,314,408	10.46%	\$19,120,031	5.83%
2006	2.00	311,254,815	260,697,679	83.76	32,469,591	10.43	18,087,545	5.81
2005	2.00	300,836,796	253,082,844	84.13	29,796,387	9.90	17,957,565	5.97
2004	2.00	300,041,379	255,039,437	85.00	25,919,958	8.64	19,081,984	6.36
2003	2.00	285,904,337	242,321,319	84.76	24,334,618	8.51	19,248,400	6.73
2002	2.00	285,825,834	242,681,101	84.91	22,938,922	8.03	20,205,811	7.07
2001	2.00	296,875,935	253,237,238	85.30	24,313,604	8.19	19,325,093	6.51
2000	2.00	305,917,114	253,730,942	82.94	32,600,247	10.66	19,585,925	6.40
1999	2.00	289,787,744	240,955,591	83.15	29,901,253	10.32	18,930,900	6.53
1998	2.00	273,249,724	231,045,398	84.55	24,630,640	9.01	17,573,686	6.43

Source: Central Collection Agency

(1) 2002 through 2007 are on an Accrual Basis and 1997 through 2001 are on a Modified Accrual Basis

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



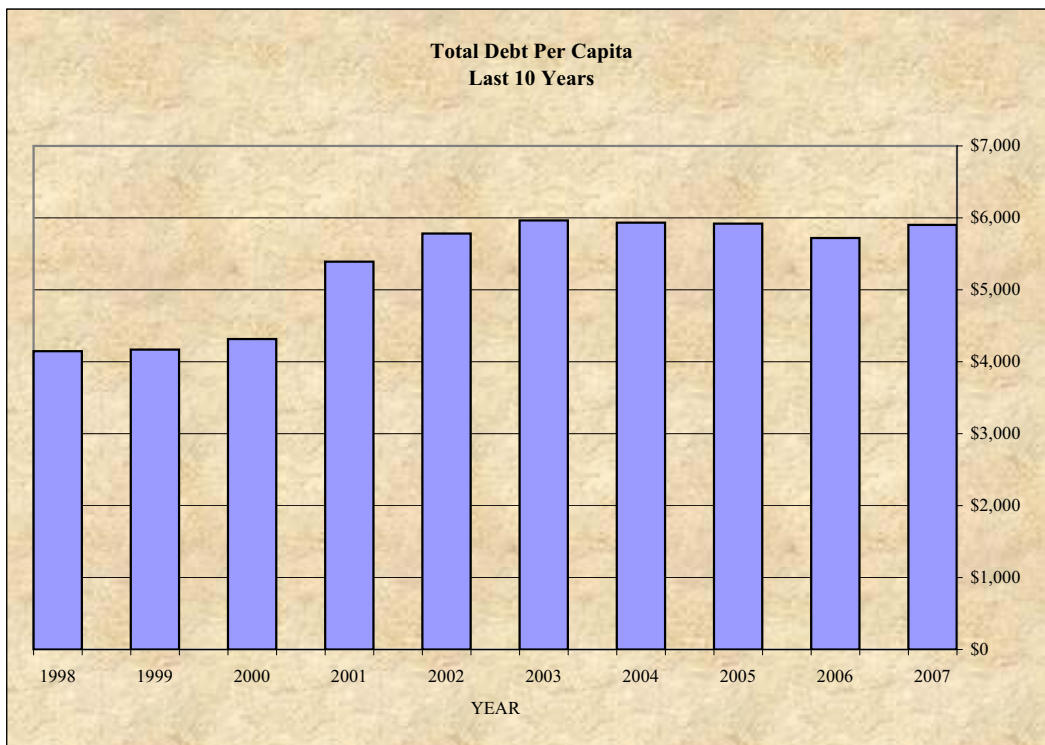
City of Cleveland, Ohio
Ratio of Outstanding Debt to
Total Personal Income and Debt Per Capita
Last Ten Years

Year	Governmental Activities					
	General Obligation Bonds	Urban Renewal Bonds/Notes	Non-Tax Revenue Bonds/Notes	Capital Leases	Subordinated Income Tax Refunding Bonds	Certificates of Participation
2007	\$336,990,000	\$6,760,000	\$68,091,000	\$11,786,000	\$58,900,000	\$140,714,000
2006	323,795,000	7,170,000	69,353,000	15,057,000	60,700,000	143,950,000
2005	353,325,000	7,555,000	70,085,000	18,083,000	62,400,000	146,225,000
2004	346,700,000	12,215,000	70,715,000	11,750,000	64,000,000	148,485,000
2003	356,900,000	12,555,000	45,600,000	6,254,000	65,500,000	150,550,000
2002	319,085,000	8,575,000	10,000,000	238,000	66,900,000	155,494,000
2001	293,380,000	13,075,000	10,000,000	812,000	68,200,000	161,071,000
2000	316,950,000	9,160,000	10,000,000	1,350,000	69,500,000	167,379,000
1999	312,225,000	9,430,000	10,000,000	1,859,000	70,700,000	174,485,000
1998	306,165,000	9,685,000	20,000,000	2,341,000	71,800,000	160,757,000

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

Business-Type Activities

Revenue Bonds	Capital Lease	OWDA/ OPWC Loans	Total Debt	Percentage of Personal Income	Per Capita
\$2,075,755,000	\$	\$124,432,000	\$2,823,428,000	41.30%	\$5,902
1,995,045,000		121,354,000	2,736,424,000	40.02	5,720
2,049,820,000		124,134,000	2,831,627,000	41.42	5,919
2,102,986,000		80,770,000	2,837,621,000	41.50	5,931
2,160,842,000		55,958,000	2,854,159,000	41.75	5,966
2,181,898,000		24,615,000	2,766,805,000	40.47	5,783
2,018,731,000		13,117,000	2,578,386,000	37.71	5,390
1,482,976,000		7,412,000	2,064,727,000	30.20	4,316
1,521,601,000		8,175,000	2,108,475,000	45.04	4,170
1,514,294,000	1,539,000	8,922,000	2,095,503,000	44.77	4,144



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

Year	Population (1)	Estimated Actual Value of Taxable Property (2) (Amount in 000's)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Estimated Actual Value of Taxable Property	Net Bonded Debt Per Capita
2007	478,403 b	\$6,457,248	\$333,823,000	5.17 %	\$697.79
2006	478,403 b	5,939,704	320,265,000	5.39	669.45
2005	478,403 b	6,007,616	348,004,000	5.79	727.43
2004	478,403 b	5,977,142	339,209,000	5.68	709.04
2003	478,403 b	5,804,048	352,569,000	6.07	736.97
2002	478,403 b	6,031,560	316,220,000	5.24	660.99
2001	478,403 b	6,058,647	292,608,000	4.83	611.63
2000	478,403 b	5,497,881	310,370,000	5.65	648.76
1999	505,616 a	5,447,244	304,650,000	5.59	602.53
1998	505,616 a	5,375,242	300,082,000	5.58	593.50

Sources:

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

(a) 1990 Federal Census

(b) 2000 Federal Census

(2) County Auditor

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

City of Cleveland, Ohio
Computation of Direct and Overlapping Governmental Activities Debt
 December 31, 2007

Jurisdiction	Governmental Activities Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City
Direct - City of Cleveland			
General Obligation Bonds	\$336,990,000	100.00 %	\$336,990,000
Revenue Notes/Bonds	2,075,755,000	100.00	2,075,755,000
OWDA/OPWC Loans	110,070,000	100.00	110,070,000
Capital Leases	11,786,000	100.00	11,786,000
Urban Renewal Bonds/Notes	6,760,000	100.00	6,760,000
Subordinated Income Tax Refunding Bonds	58,900,000	100.00	58,900,000
Non-tax Revenue Bonds	68,091,000	100.00	68,091,000
<i>Total Direct Debt</i>	<u>2,668,352,000</u>		<u>2,668,352,000</u>
Overlapping			
Cleveland Municipal School District			
General Obligation Bonds	168,765,000	97.18	164,005,827
Cuyahoga County			
General Obligation Bonds	192,321,361	19.47	37,444,969
Regional			
Transit Authority	<u>156,500,000</u>	19.47	<u>30,470,550</u>
<i>Total Overlapping Debt</i>	<u>517,586,361</u>		<u>231,921,346</u>
Total	<u><u>\$3,185,938,361</u></u>		<u><u>\$2,900,273,346</u></u>

Source: County Auditor

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

City of Cleveland, Ohio

Legal Debt Margin

Last Ten Years

	2007	2006	2005	2004
Total Assessed Property Value	<u>\$6,457,247,750</u>	<u>\$5,939,704,867</u>	<u>\$6,007,616,318</u>	<u>\$5,977,142,243</u>
Overall Legal Debt Limit (10 ½ % of Assessed Valuation)	<u>678,011,014</u>	<u>623,669,011</u>	<u>630,799,713</u>	<u>627,599,936</u>
Debt Outstanding:				
General Obligation Bonds	336,990,000	323,795,000	353,325,000	346,700,000
Revenue Notes/Bonds	2,075,755,000	1,995,045,000	2,049,820,000	2,102,986,000
Urban Renewal Bonds/Notes	6,760,000	7,170,000	7,555,000	12,215,000
Subordinated Income Tax Refunding Bonds	58,900,000	60,700,000	62,400,000	64,000,000
OWDA /OPWC Loans	110,070,000	103,415,000	78,498,000	52,616,000
Non-tax Revenue Bonds	<u>68,091,000</u>	<u>69,353,000</u>	<u>70,085,000</u>	<u>70,715,000</u>
Total Gross Indebtedness	2,656,566,000	2,559,478,000	2,621,683,000	2,649,232,000
Less:				
General Obligation Bonds	336,990,000	323,795,000	353,325,000	346,700,000
Revenue Notes/Bonds	2,075,755,000	1,995,045,000	2,049,820,000	2,102,986,000
Urban Renewal Bonds/Notes	6,760,000	7,170,000	7,555,000	12,215,000
Subordinated Income Tax Refunding Bonds	58,900,000	60,700,000	62,400,000	64,000,000
OWDA /OPWC Loans	110,070,000	103,415,000	78,498,000	52,616,000
Non-tax Revenue Bonds	68,091,000	69,353,000	70,085,000	70,715,000
General Obligation Bond Retirement Fund Balance	<u>3,167,000</u>	<u>3,530,000</u>	<u>5,321,000</u>	<u>7,491,000</u>
Total Net Debt Applicable to Debt Limit *	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin Within 10 ½ % Limitations	<u>\$678,011,014</u>	<u>\$623,669,011</u>	<u>\$630,799,713</u>	<u>\$627,599,936</u>
Legal Debt Margin as a Percentage of the Debt Limit	100.00%	100.00%	100.00%	100.00%
Unvoted Debt Limitation (5 ½ % of Assessed Valuation)	<u>\$355,148,626</u>	<u>\$326,683,768</u>	<u>\$330,418,898</u>	<u>\$328,742,823</u>
Total Gross Indebtedness	2,656,566,000	2,559,478,000	2,621,683,000	2,649,232,000
Less:				
General Obligation Bonds	336,990,000	323,795,000	353,325,000	346,700,000
Revenue Notes/Bonds	2,075,755,000	1,995,045,000	2,049,820,000	2,102,986,000
Urban Renewal Bonds/Notes	6,760,000	7,170,000	7,555,000	12,215,000
Subordinated Income Tax Refunding Bonds	58,900,000	60,700,000	62,400,000	64,000,000
OWDA /OPWC Loans	110,070,000	103,415,000	78,498,000	52,616,000
Non-tax Revenue Bonds	68,091,000	69,353,000	70,085,000	70,715,000
General Obligation Bond Retirement Fund Balance	<u>3,167,000</u>	<u>3,530,000</u>	<u>5,321,000</u>	<u>7,491,000</u>
Net Debt Within 5 ½ % Limitations *	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unvoted Legal Debt Margin Within 5 ½ % Limitations	<u>\$355,148,626</u>	<u>\$326,683,768</u>	<u>\$330,418,898</u>	<u>\$328,742,823</u>
Unvoted legal Debt Margin as a Percentage of the Unvoted Debt Limitation	100.00%	100.00%	100.00%	100.00%

Source: City Financial Records

* The City does not report net debt limits below zero, therefore if the net debt limit is negative it is considered to be equal to zero.
The types of Debt issued by the City are exempt from the limitations defined in the Ohio revised code.

2003	2002	2001	2000	1999	1998
<u>\$5,804,048,750</u>	<u>\$6,031,560,000</u>	<u>\$6,058,647,000</u>	<u>\$5,497,881,312</u>	<u>\$5,477,243,429</u>	<u>\$5,375,242,416</u>
<u>609,425,119</u>	<u>633,313,800</u>	<u>636,157,935</u>	<u>577,277,538</u>	<u>575,110,560</u>	<u>564,400,454</u>
356,900,000	319,085,000	293,380,000	316,950,000	312,225,000	306,165,000
2,160,842,000	2,181,898,000	2,018,731,000	1,482,976,000	1,512,601,000	1,511,216,000
12,555,000	12,825,000	13,075,000	9,160,000	9,430,000	9,685,000
65,500,000	66,900,000	68,200,000	69,500,000	70,700,000	71,800,000
33,045,000	16,746,000	13,117,000	7,412,000	8,175,000	8,922,000
45,600,000	10,000,000	10,000,000	10,000,000	10,000,000	20,000,000
<u>2,674,442,000</u>	<u>2,607,454,000</u>	<u>2,416,503,000</u>	<u>1,895,998,000</u>	<u>1,923,131,000</u>	<u>1,927,788,000</u>
356,900,000	318,340,000	291,210,000	313,355,000	312,225,000	299,480,000
2,160,842,000	2,181,898,000	2,018,731,000	1,482,976,000	1,512,601,000	1,511,216,000
12,555,000	12,825,000	13,075,000	9,160,000	9,430,000	9,685,000
65,500,000	66,900,000	68,200,000	69,500,000	70,700,000	71,800,000
33,045,000	16,746,000	13,117,000	7,412,000	8,175,000	8,922,000
45,600,000	10,000,000	10,000,000	10,000,000	10,000,000	20,000,000
4,331,000	2,865,000	772,000	6,580,000	7,575,000	6,083,000
<u>-</u>	<u>-</u>	<u>1,398,000</u>	<u>-</u>	<u>-</u>	<u>602,000</u>
<u>\$609,425,119</u>	<u>\$633,313,800</u>	<u>\$634,759,935</u>	<u>\$577,277,538</u>	<u>\$575,110,560</u>	<u>\$563,798,454</u>
100.00%	100.00%	99.78%	100.00%	100.00%	99.89%
<u>\$319,222,681</u>	<u>\$331,735,800</u>	<u>\$333,225,585</u>	<u>\$302,383,472</u>	<u>\$301,248,389</u>	<u>\$295,638,333</u>
2,674,442,000	2,607,454,000	2,416,503,000	1,895,998,000	1,923,131,000	1,927,788,000
356,900,000	318,340,000	291,210,000	313,355,000	312,225,000	299,480,000
2,160,842,000	2,181,898,000	2,018,731,000	1,482,976,000	1,512,601,000	1,511,216,000
12,555,000	12,825,000	13,075,000	9,160,000	9,430,000	9,685,000
65,500,000	66,900,000	68,200,000	69,500,000	70,700,000	71,800,000
33,045,000	16,746,000	13,117,000	7,412,000	8,175,000	8,922,000
45,600,000	10,000,000	10,000,000	10,000,000	10,000,000	20,000,000
4,331,000	2,865,000	772,000	6,580,000	7,575,000	6,083,000
<u>-</u>	<u>-</u>	<u>1,398,000</u>	<u>-</u>	<u>-</u>	<u>602,000</u>
<u>\$319,222,681</u>	<u>\$331,735,800</u>	<u>\$331,827,585</u>	<u>\$302,383,472</u>	<u>\$301,248,389</u>	<u>\$295,036,333</u>
100.00%	100.00%	99.58%	100.00%	100.00%	99.80%

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

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service		Coverage
				Principal	Interest	
2007	\$151,430,000	\$69,358,000	\$82,072,000	\$20,160,000	\$34,968,361	1.49
2006	135,883,000	62,426,000	73,457,000	17,775,000	39,565,000	1.28
2005	140,157,000	66,957,000	73,200,000	10,895,000	43,026,000	1.36
2004	135,117,000	58,647,000	76,470,000	9,373,000	35,817,000	1.69
2003	107,758,000	57,845,000	49,913,000	11,104,000	25,128,000	1.38
2002	101,081,000	59,025,000	42,056,000	10,916,000	20,678,000	1.33
2001	103,498,000	56,795,000	46,703,000	10,783,000	21,751,400	1.44
2000	90,205,000	47,381,000	42,824,000	14,315,000	18,116,700	1.32
1999	77,943,000	40,252,000	37,691,000	12,100,000	15,027,792	1.39
1998	68,259,000	34,263,000	33,996,000	8,450,000	10,683,000	1.78

(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. Beginning in 2007, the Coverage Account was included in the calculation of debt service coverage.

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

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

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service		Coverage
				Principal	Interest	
2007	\$159,232,000	\$120,415,000	\$38,817,000	\$8,045,000	\$9,368,159	2.23
2006	149,276,000	114,942,000	34,334,000	11,025,000	8,144,118	1.79
2005	152,146,000	125,924,000	26,222,000	4,920,000	9,813,126	1.78
2004	142,148,000	109,275,000	32,873,000	9,410,000	10,447,476	1.66
2003	141,190,000	104,940,000	36,250,000	7,865,000	10,886,836	1.93
2002	143,383,000	103,050,000	40,333,000	6,620,000	11,693,085	2.20
2001	134,632,000	97,834,000	36,798,000	6,855,000	11,190,161	2.04
2000	137,407,000	104,889,000	32,518,000	6,465,000	12,980,000	1.67
1999	132,651,000	99,436,000	33,215,000	6,210,000	13,030,000	1.73
1998	121,896,000	87,658,000	34,238,000	6,465,000	14,332,000	1.65

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

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

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

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service		Coverage
				Principal	Interest	
2007	\$257,992,000	\$140,210,000	\$117,782,000	\$19,660,000	\$30,660,206	2.34
2006	223,903,000	132,879,000	91,024,000	17,695,000	35,300,322	1.72
2005	230,354,000	123,931,000	106,423,000	15,485,000	36,763,888	2.04
2004	215,012,000	127,021,000	87,991,000	20,748,333	30,184,582	1.73
2003	210,352,000	123,640,000	86,712,000	25,160,000	33,188,434	1.49
2002	226,394,000	119,736,000	106,658,000	23,990,000	33,500,816	1.86
2001	229,827,000	116,841,000	112,986,000	17,260,000	35,738,449	2.13
2000	225,060,000	109,159,000	115,901,000	20,605,000	38,526,675	1.96
1999	213,777,000	99,700,000	114,077,000	18,265,000	39,401,000	1.98
1998	204,021,000	102,462,000	101,559,000	17,180,000	32,616,000	2.04

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

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

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

2007		
Employer	Employees	Percentage of Total County Employment
The Cleveland Clinic Foundation	28,461	4.56%
University Hospitals of Cleveland	15,904	2.54
Cuyahoga County	9,295	1.49
U.S. Office of Personnel Management	9,172	1.47
Progressive Corp.	8,796	1.41
City of Cleveland	8,327	1.33
Cleveland Municipal School District	7,442	1.19
KeyCorp	6,615	1.06
National City Corporation	6,563	1.05
The MetroHealth System	5,627	0.90
Total	106,202	17.00%
Total Employment within the County	624,600	

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

Source: Number of employees from Crain's Cleveland
Book of Lists 2008, Largest Cuyahoga County Employers
Book of Lists 1998, Largest Cuyahoga County Employers

N/A - Information not available

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

Year	Population (1)	Total Personal Income (5)	Personal Income Per Capita (1)	Median Household Income (1)	Median Age (1)
2007	478,403	\$6,836,857,273	14,291	25,928	33
2006	478,403	6,836,857,273	14,291	25,928	33
2005	478,403	6,836,857,273	14,291	25,928	33
2004	478,403	6,836,857,273	14,291	25,928	33
2003	478,403	6,836,857,273	14,291	25,928	33
2002	478,403	6,836,857,273	14,291	25,928	33
2001	478,403	6,836,857,273	14,291	25,928	33
2000	478,403	6,836,857,273	14,291	25,928	33
1999	505,616	4,680,992,928	9,258	17,822	31.8
1998	505,616	4,680,992,928	9,258	17,822	31.8

(1) Source: U. S. Census

(a) Years 2000 through 2007 - 2000 Federal Census

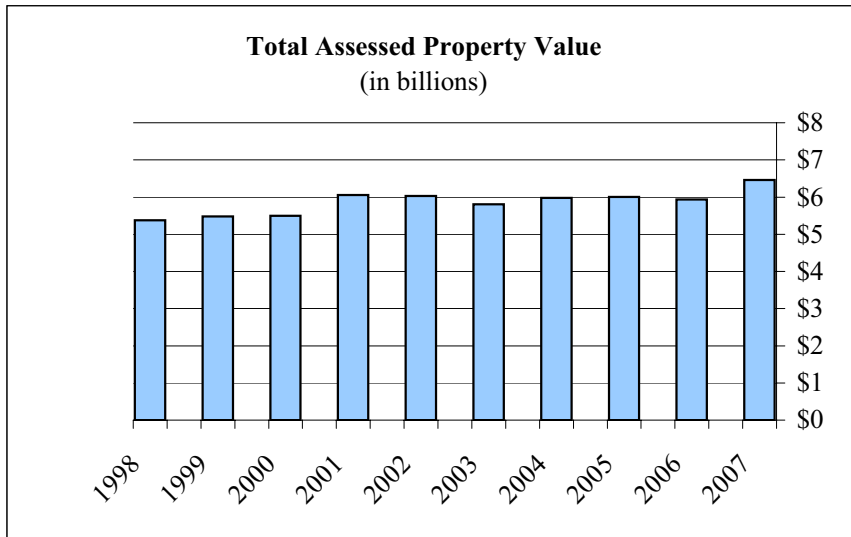
(b) Years 1998 through 1999 - 1990 Federal Census

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

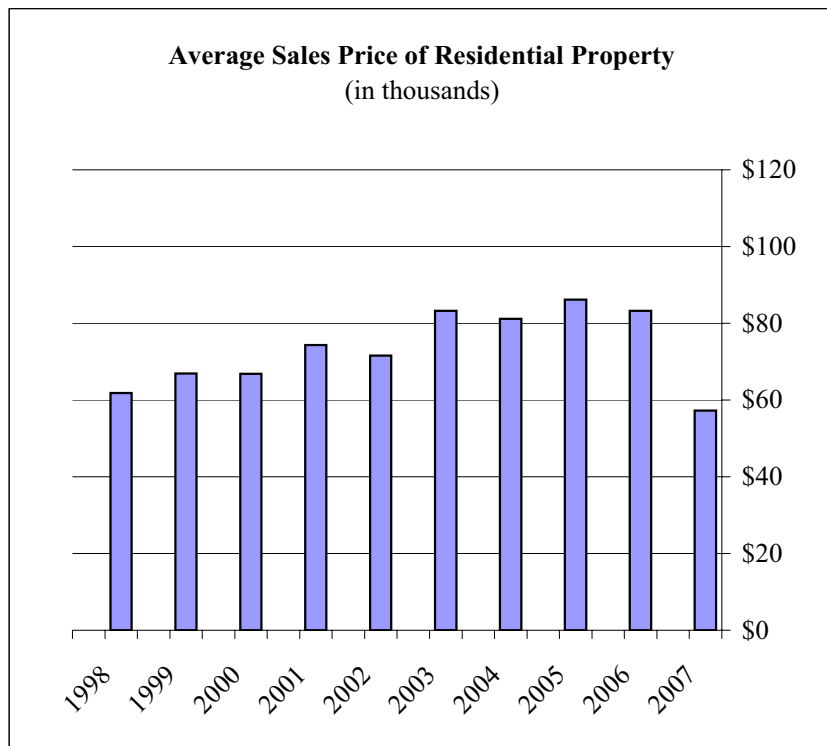
(3) Source: Ohio Labor Market Info, Website: "<http://lmi.state.oh.us/laus/LAUS.html>"

(4) Source: County Auditor

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



Educational Attainment: Bachelor's Degree or Higher (1)	School Enrollment (2)	City Unemployment Rate (3)	Average Sales Price of Residential Property (4)	Total Assessed Property Value (4) (Amount in 000's)
11.4	52,769	7.6%	\$57,230	\$6,457,248
11.4	59,586	7.1	83,237	5,939,704
11.4	65,079	7.7	86,142	6,007,616
11.4	69,655	8.3	81,185	5,977,142
11.4	71,616	8.3	83,216	5,804,048
11.4	73,001	10.2	71,562	6,031,560
11.4	74,226	8.2	74,346	6,058,647
11.4	76,367	7.4	66,800	5,497,881
8.1	76,574	8.4	66,892	5,477,244
8.1	76,581	8.3	61,800	5,375,242



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

Function/Program	2007	2006	2005	2004
General Government				
Council	62.50	63.50	65.00	66.00
Mayor's Office	26.00	25.00	2.00	27.00
Landmarks Commission	5.50	5.00	4.50	4.50
Building Standards and Appeals	5.50	5.00	6.00	6.00
Board of Zoning Appeals	4.50	4.50	5.50	5.50
Civil Service Commission	11.50	10.00	10.50	12.50
Community Relations Board	27.00	28.50	23.50	24.50
City Planning Commission	26.00	23.00	26.00	27.00
Equal Employment Opportunity	13.00	13.00	14.00	12.00
Court	551.00	544.00	541.50	534.50
Office of Budget Administration	8.00	7.00	7.00	8.00
Aging	22.50	20.50	18.00	18.00
Personnel and Human Resources	20.00	19.00	18.00	91.50
Consumer Affairs	5.00	5.00	3.00	4.00
Law	89.50	88.50	89.00	93.00
Finance	255.00	255.00	255.50	245.50
Security of Persons and Property				
Administration	42.50	39.50	39.00	41.50
Police	2,105.00	2,176.50	2,179.00	2,145.50
Fire	902.00	915.00	916.00	913.00
EMS	288.00	292.00	297.00	298.00
Traffic Engineering	0.00	0.00	0.00	35.00
Dog Pound	14.50	14.50	13.00	13.00
House of Corrections	183.50 (3)	N/A	N/A	N/A
Public Health Services	168.50 (3)	260.00	253.00	261.50
Leisure Time Activities				
Parks, Recreation and Property Administration	8.00	8.00	7.00	9.00
Research, Planning and Development	9.00	9.00	10.00	10.00
Recreation	238.00	165.00	170.50	176.00
Convention Center, Westside Market and Cleveland Stadium	59.50	49.50	54.00	49.50
Parking Facilities	49.00	46.50	47.50	56.00
Property Management	89.50	93.00	100.00	99.50
Parks Maintenance	164.00	161.00	170.00	167.00
Community Development	78.50	81.00	87.50	271.50 (2)
Building and Housing	161.00	165.00	170.00	N/A (2)
Economic Development	88.00	94.00	98.00	29.00
Public Service				
Public Service Administration	5.00	5.00	5.00	6.00
Architecture	8.00	9.00	9.00	9.00
Waste Collection and Disposal	252.50	244.50	225.50	223.50
Engineering and Construction	65.50	65.50	69.50	70.00
Motor Vehicle Maintenance	95.00	102.00	100.00	102.00
Streets	306.00	288.50	303.00	287.00
Traffic Engineering	41.00	44.00	44.00	3.00
Port Control	386.00	369.50	377.50	367.00
Basic Utility Services				
Water	1,194.00	1,207.00	1,216.00	1,263.50
Cleveland Public Power	341.00	337.00	341.00	347.00
Water Pollution Control	157.00	144.00	147.00	147.00
Totals:	8,632.00	8,502.00	8,538.00	8,579.50

Source: City Payroll Department

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

(1) Information prior to 2004 is not available

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

(3) House of Corrections was moved from Public Health to Public Safety in 2007

N/A - Information not available

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

Function/Program	2007	2006	2005	2004	2003
General Government					
<i>Council and Clerk</i>					
Number of Ordinances Passed	784	846	899	891	1,028
Number of Resolutions Passed	363	361	306	292	349
Number of Planning Commission docket items (7)	441	768	725	669	538
Zoning Board of Appeals docket items	263	265	394	337	349
<i>Finance Department</i>					
Number of checks issued	47,985	49,533	50,541	48,808	51,922
Amount of checks written	\$1,287,268,015	\$1,284,108,296	\$1,266,586,217	\$1,211,743,500	\$1,211,440,564
Interest earnings for fiscal year (cash basis)	\$63,335,510	\$53,988,258	\$42,035,213	\$38,154,383	\$39,688,080
Number of Receiving Warrants	15,300	14,799	14,485	14,344	13,070
Number of Journal Entries issued	43,619	43,186	39,839	41,543	53,008
Number of Budget Adjustments issued	2	3	5	4	4
Agency Ratings - Standard & Poors (2)	A	A	A	A	A
Agency Ratings - Moody's Financial Services (2)	A2	A2	A2	A2	A2
Health Insurance Costs vs General Fund Expenditures %	14.00%	14.00%	14.00%	12.00%	12.00%
General Fund Receipts (cash basis in thousands)	\$509,616	\$490,927	\$471,755	\$455,775	\$459,365
General Fund Expenditures (cash basis in thousands)	\$485,410	\$465,162	\$451,323	\$484,856	\$437,964
General Fund Cash Balances (in thousands)	\$41,885	\$30,957	\$29,738	\$24,058	\$17,676
<i>Income Tax Department</i>					
Number of Individual Returns	238,319	248,108	267,712	287,904	299,081
Number of Business Returns	28,335	30,567	25,763	30,584	29,825
Number of business withholding accounts	14,469	16,200	14,942	15,503	15,520
Amount of Penalties and Interest Collected	\$1,912,554	\$1,999,859	\$1,990,879	\$2,471,464	\$2,233,996
Annual number of Corporate withholding forms processed	152,334	169,933	136,931	148,779	147,478
Annual number of balance due statements forms processed	39,767	45,909	47,252	53,458	58,689
Annual number of estimated payment forms processed	57,092	56,163	55,036	62,115	64,780
Annual number of reconciliations of withholdings processed	12,488	18,929	9,075	14,723	13,000
<i>Engineer Contracted Services</i>					
Dollar amount of Construction overseen by Engineer (3)	\$251,305,000	\$141,733,000	\$52,741,000	\$78,562,000	\$49,716,000
<i>Municipal Court</i>					
Number of Civil Cases	18,569	22,909	21,567	22,418	23,133
Number of Criminal cases	113,661	121,676	121,791	113,822	151,395
<i>Vital Statistics</i>					
<i>Certificates Filed (6)</i>					
Number of Births	17,235	17,645	17,638	18,191	18,542
Number of Deaths	12,086	11,992	12,343	12,296	11,825
Number of Fetal Deaths	399	312	361	294	477
<i>Certificates Issued (6)</i>					
Number of Births (5)	102,140	98,545	101,284	58,452	N/A
Number of Deaths (5)	64,436	84,615	66,268	38,684	N/A
<i>Civil Service</i>					
Number of police entry tests administered	1	0	0	0	0
Number of fire entry tests administered	0	0	0	0	0
Number of police promotional tests administered	0	0	0	0	0
Number of fire promotional tests administered	0	0	0	0	0
Number of hires of Police Officers from certified lists	73	0	0	0	0
Number of hires of Fire/Medics from certified lists	0	0	0	0	0
Number of promotions from police certified lists	0	0	39	19	23
Number of promotions from fire certified lists	49	0	0	0	0

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

Function/Program	2007	2006	2005	2004	2003
Building Department Indicators					
Construction Permits Issued	8,397	9,163	9,699	10,020	9,471
Estimated Value of Construction	\$648,592,297	\$743,566,106	\$652,537,749	\$558,278,403	\$487,768,588
Number of other permits issued	8,971	9,157	9,272	9,489	9,767
Amount of Revenue generated from permits	\$7,112,426	\$7,399,513	\$7,504,979	\$8,661,198	\$6,353,990
Number of contract registrations issued	2,887	3,077	3,700	2,200	5,492
Number of rental inspections performed	829	868	1,680	1,735	12,670
Annual Apartment/Rooming House License Fees	\$1,427,208	\$1,290,830	\$1,367,157	\$1,433,689	\$1,399,415
Security of Persons & Property					
Police					
Number of traffic citations issued	62,652	77,003	82,642	77,424	106,970
Number of parking citations issued	49,669	59,311	51,947	54,268	173,185
Number of criminal arrests	39,087	40,678	39,002	38,090	45,205
Number of accident reports completed	16,239	17,374	18,878	20,655	21,898
Part 1 Offenses (major offenses)	41,400	44,018	42,352	39,933	32,198
DUI Arrests	847	577	705	660	1,075
Prisoners	38,142	39,851	38,259	37,426	43,765
Motor Vehicle Accidents	16,239	17,374	18,878	20,655	21,898
Fatalities from Motor Vehicle Accidents	34	39	38	49	42
Community Diversion Program Youths	229	177	155	273	263
Fire					
Fire Calls	3,343	3,296	3,195	3,202	3,703
Fires with Loss	1,807	1,708	1,904	1,641	1,777
Fires with Losses exceeding \$10K	479	362	379	316	261
Fire Losses \$	\$19,115,824	\$21,567,578	\$18,292,877	\$18,140,355	\$12,179,966
Fire Safety Inspections	9,764	5,901	6,027	6,198	6,989
Number of times Mutual Aid given to Fire	5	N/A	87	39	92
Number of times Mutual Aid received for Fire	0	0	0	0	0
EMS					
EMS Calls - incoming for service (4)	88,506	86,010	91,161	87,009	89,380
Ambulance Billing Collections (net)	\$11,394,837	\$10,698,730	\$10,075,142	\$8,830,211	\$7,243,765
Number of times Mutual Aid given to EMS	0	0	0	0	0
Number of times Mutual Aid received for EMS	0	0	0	0	0
Public Health and Welfare					
Number of Health Inspections					
Barber Shops	263	251	237	230	199
Food	7,914	8,143	8,140	8,175	8,207
Hotels/Motels	31	31	27	29	24
Marinas	11	11	11	11	11
Mobile Home Parks	5	5	5	5	5
Laundries	81	68	59	46	46
Nuisance	23,402	20,057	18,317	18,299	17,539
Pools	131	129	146	129	129
Schools	274	235	376	225	225
Day Care Inspections	109	104	95	101	113
Maternity Inspections	4	3	4	4	4
Abortion Inspections	5	5	5	5	5
Cemetery burials	54	27	49	73	77
Cemetery cremations	144	83	45	32	19

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

Function/Program	2007	2006	2005	2004	2003
Leisure Time Activities					
<i>Recreation</i>					
Recreation Mens & Womens Leagues receipts	\$6,375	\$5,730	\$7,140	\$10,455	\$20,720
Economic Development					
Grant amounts received	\$16,044	\$17,386	\$20,701	\$16,857	\$17,839
Public Service					
Street Improvements - asphalt overlay (linear feet)	65,000	40,000	162,800	101,000	135,100
Crackseal Coating Program (Miles)	24	15	60	40	50
Street Repair (Curbs, aprons, berms, asphalt) (hours)	95,000	95,000	95,000	95,000	95,000
Guardrail Repair (hours)	1,100	1,600	1,000	800	800
Paint Striping					
Lane line (miles)	650	650	650	633	630
Crosswalks (each)	6,000	6,000	6,000	5,900	5,800
Arrows (each)	3,000	3,000	3,000	2,800	2,500
Street Sweeper (hours)	36,000	30,000	30,000	15,000	12,000
Cold Patch (hours)	31,000	31,000	31,000	31,000	31,000
Snow & Ice Removal regular hours	132,000	132,000	132,000	132,000	132,000
Snow & Ice Removal overtime hours	18,000	8,000	30,000	23,000	17,000
Leaf collection (hours)	17,000	17,000	17,000	17,000	17,000
Holiday lights setup (hours)	5	5	5	5	5
Equipment repair/body shop (hours)	809	1,066	1,179	1,664	1,811
Tons of snow melting salt purchased (Nov-Mar)	82,000	64,500	83,000	40,000	95,000
Cost of salt purchased	\$2,640,000	\$2,128,363	\$2,750,034	\$1,321,066	\$2,819,235
Refuse disposal per year (in tons) August through July	293,801	303,196	333,497	316,083	296,139
Refuse disposal costs per year August through July	\$7,944,516	\$8,662,913	\$7,761,318	\$7,461,798	\$7,135,942
Annual recycling tonnage (excluding leaf, and compost items)	8,584	16,435	16,088	12,825	14,500
Percentage of waste recycled	2.93%	5.42%	4.82%	4.06%	4.90%
Port Control					
Cleveland Hopkins Airport					
Landed Weight (in thousands of pounds)	7,380,384	7,467,746	7,910,706	8,074,843	7,827,776
Total Operations	244,719	249,967	258,926	263,561	258,460
Total Passengers	11,458,898	11,321,050	11,463,391	11,264,937	10,555,387
Total Enplaned Passengers	5,722,338	5,646,470	5,724,440	5,613,255	5,257,224
Burke Lakefront Airport					
Landed Weight	N/A	N/A	N/A	N/A	N/A
Total Operations	68,137	77,593	73,064	84,101	94,626
Total Passengers	204,582	214,947	188,381	199,194	215,601
Total Enplaned Passengers	102,039	107,786	93,941	99,563	107,931
Water Department					
Water Rates per 1st 300 Cu ft of water used	\$9.62	\$8.71	\$8.71	\$8.41	\$8.13
Avg. number of water accounts billed monthly (Cu. Ft.)	138,727	139,129	140,166	138,338	138,441
Total Water Collections Annually (Including P&I)	\$214,378,311	\$192,386,791	\$202,615,763	\$190,316,017	\$187,482,239
Payments to Cleveland for bulk water purchases	\$20,353,610	\$19,632,453	\$21,102,439	\$19,422,375	\$19,041,420
Wastewater Department					
Sewer and Sanitary calls for service	7,585	6,515	6,188	5,481	7,802
After hours Sewer Calls (hours)	384	448	526	437	N/A

N/A - Information not available

- (1) Information prior to 2002 is not available.
- (2) General Obligation Bond rating.
- (3) Amounts are new construction starts. Most of Eng & Const. projects are multi year projects.
- (4) Does not include incoming fire calls for 2005 and 2006. Fire calls for service, approximately 40,000 per year.
- (5) Statistics prior to August 2004 are not available.
- (6) Includes entire area serviced by the Division of Vital Statistics (i.e., Cleveland + suburbs).
- (7) Beginning 2007, administratively approved cases no longer included.

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

Function/Program	2007	2006	2005	2004
General Government				
Square Footage Occupied	3,700,000	2,310,732	2,310,732	2,187,420
Administrative Vehicles	26	28	26	25
Police				
Stations	6	6	6	6
Square Footage of Buildings (2)	769,536	769,536	769,536	769,536
Vehicles	921	958	979	905
Fire				
Stations	26	26	26	26
Square Footage of Buildings	313,224	313,224	313,224	313,224
Vehicles	155	153	152	147
EMS				
Stations (Headquarters)	1	1	1	N/A
Square Footage of Buildings	33,000	33,000	33,000	N/A
Vehicles	49	57	53	47
Port Control				
Runways	3	4	4	4
Terminal Area (approximate square footage) (1)	935,000	935,000	935,000	935,000
Gates	96	96	96	96
Parking Spaces (approximately)				
Long Term	2,500	2,500	2,500	2,500
Short Term	4,200	4,200	4,200	4,200
Surface	500	500	0	0
Total Parking Spaces	7,200	7,200	6,700	6,700
Vehicles	326	362	345	321
Other Public Works				
Streets (miles)	1,319	1,280	1,280	1,240
Service Vehicles	760	828	842	859

2003	2002	2001	2000	1999	1998
2,187,420	2,187,420	2,187,420	2,187,420	2,187,420	2,187,420
23	21	21	21	16	16
6	6	6	6	6	6
769,536	769,536	769,536	769,536	769,536	769,536
872	897	892	877	911	887
26	26	26	25	25	25
313,224	313,224	313,224	313,224	313,224	313,224
154	135	138	133	135	132
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
46	44	45	48	52	72
4	4	3	3	3	3
935,000	935,000	935,000	935,000	935,000	765,000
96	96	96	96	96	63
2,500	2,500	2,500	2,500	2,500	2,500
4,200	4,200	4,200	4,200	1,500	1,500
0	0	0	0	0	0
6,700	6,700	6,700	6,700	4,000	4,000
314	299	294	286	274	258
1,210	1,210	1,200	1,180	1,160	1,130
857	931	903	899	897	871

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

Function/Program	2007	2006	2005	2004
Recreation				
Number of Parks	154	150	150	146
Number of Playgrounds	110	111	112	111
Number of Baseball Diamonds	138	140	140	141
Number of Tennis Courts	120	120	120	131
Number of Basketball Courts				
Full	111	118	120	123
Half	10	12	16	18
Number of Soccer Fields	7	12	12	12
Number of Recreation Centers	19	19	19	19
Number of Pools				
Indoor	18	18	18	18
Outdoor	23	22	22	22
Number of Aquatic Playgrounds	8	7	6	6
Number of Golf Courses	2	2	2	2
Number of Ice Rinks	1	1	1	1
Number of Roller Rinks	1	1	1	1
Number of Fine Arts Centers	1	1	1	1
Number of Greenhouses	1	1	1	1
Number of Camps	1	1	1	1
Total Park Acreage	1,490	1,477	1,477	1,440
Vehicles	161	163	154	145
Wastewater				
Sanitary Sewers (miles)	156	171	171	171
Storm Sewers (miles)	164	199	199	199
Combined Sewers (miles)	920	1,065	1,065	1,065
Vehicles	128	83	82	81
Electric Power				
Vehicles	308	306	287	269
Water Department				
Water Lines (miles) (3)	2,321	2,172	2,168	2,042
Vehicles	811	832	827	814

N/A - Information not available

- (1) Concourse D is approximately 170,000 sq. ft. and has 33 gates and was opened in 1999.
- (2) Includes Dog Kennels, Inspection Garage and House of Corrections.
- (3) This was a calculated total on all trunk mains [20" diameter and larger] (458.55 miles), distribution mains [16" and smaller] within the City of Cleveland (1301.5 mi.), plus distribution mains within certain suburbs with newly defined service agreements (561.1 mi.) whereby definition Cleveland owns the local distribution main within the suburban corporate boundaries. The included suburbs are: Bedford Hts., Brunswick, East Cleveland, Euclid, Hunting Valley, Orange, Parma Hts., Shaker Hts., and University Hts. What is not included in this calculation is distribution mains in any other direct service suburbs and in master meter communities.

2003	2002	2001	2000	1999	1998
146	145	145	145	145	145
109	111	112	113	113	112
141	142	142	143	143	143
134	136	134	136	136	133
121	N/A	N/A	N/A	N/A	N/A
18	N/A	N/A	N/A	N/A	N/A
11	11	8	8	8	8
18	18	18	18	18	18
17	17	17	17	17	17
22	23	24	24	24	24
4	4	N/A	N/A	N/A	N/A
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1,444	1,414	1,421	1,427	1,427	1,427
143	137	123	110	99	116
171	171	171	171	171	171
199	199	199	199	199	199
1,065	1,065	1,065	1,065	1,065	1,065
81	81	81	83	83	N/A
276	269	267	263	259	253
2,040	2,039	2,039	2,038	2,037	2,036
801	804	828	865	881	905

CITY OF CLEVELAND, OHIO

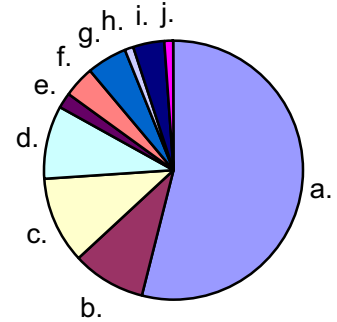
SCHEDULE OF STATISTICS-GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2007

OPERATING RATIOS: GENERAL FUND-BUDGET BASIS

REVENUE DOLLAR BY SOURCE

Where the money came from

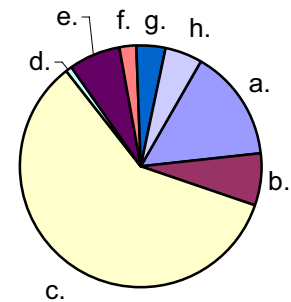
a. Income taxes	a. \$0.54
b. Property taxes	b. 0.09
c. State local government funds	c. 0.11
d. Other shared revenues	d. 0.09
e. Licenses and permits	e. 0.02
f. Charges for services	f. 0.04
g. Fines, forfeits and settlements	g. 0.05
h. Investment Earnings	h. 0.01
i. Miscellaneous	i. 0.04
j. Transfers in	j. 0.01
	\$1.00



EXPENDITURE DOLLAR BY FUNCTION

Where the money was spent

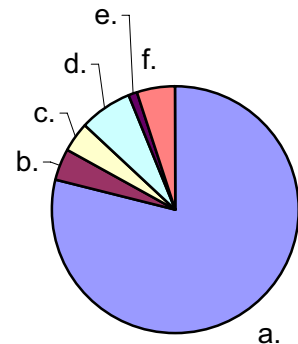
a. General government	a. \$0.15
b. Public service	b. 0.07
c. Public safety	c. 0.59
d. Public health	d. 0.01
e. Parks, recreation and properties	e. 0.07
f. Building and Housing	f. 0.02
g. Economic and Community Development and other	g. 0.04
h. Transfers out	h. 0.05
	\$1.00



EXPENDITURE DOLLAR BY OBJECT

What the money was spent on

a. Salaries, wages, and related benefits	a. \$0.79
b. Interdepartmental charges	b. 0.04
c. Utilities	c. 0.04
d. Contractual services	d. 0.07
e. Materials and supplies	e. 0.01
f. Transfers out	f. 0.05
	\$1.00



SPECIAL THANKS TO:

The Division of Financial Reporting and Control

Accounting and Administrative

Shelfie Carter
Kay Cebron
Donnetta Conley
Michael Gehlmann
Michael Klein
Va'Kedia Stiggers

Sharon Teter
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Pandora Ward
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Kathleen Woidke

Data Processing

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Penny Gearo

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Donn Nottage, Chief Photographer

City of Cleveland
Bureau of Photographic Services

Cover color separations and printing

City of Cleveland
Division of Printing and Reproduction

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City Controller
Department of Finance
Room 18 – City Hall
Cleveland, Ohio 44114
(216) 664-3881



Mary Taylor, CPA
Auditor of State

CITY OF CLEVELAND

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 29, 2008**