CITY OF CLEVELAND, OHIO

Single Audit Reports

Year Ended December 31, 2010

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

Dave Yost • Auditor of State

Honorable Frank G. Jackson, Mayor,
Members of Council and
the Audit Committee
City of Cleveland
601 Lakeside Ave
Cleveland, Ohio 44114

We have reviewed the *Independent Auditors' Report* of the City of Cleveland, Cuyahoga County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Cleveland is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

July 26, 2011

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CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2010

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Agriculture			
Summer Food Service Program for Children 2010	10.559		$ 273,571
Total Department of Agriculture			273,571
Weatherization Assistance for Low-Income Persons 2009	81.042		2,047
ARRA-Weatherization Assistance for Low-Income Persons 2009	81.042		14,239,020
			14,241,067
ARRA-Energy Efficiency And Conservation Block Grant Program (EECBG)	81.128		295,198
			295,198
Total Department of Energy			14,536,265
Healthy Start Initiative Yr 9	93.926		1,075,486
Healthy Start Initiative Yr 9	93.926		95,079
Healthy Start Initiative Yr 10	93.926		942,497
Subtotal			2,113,062
Centers for Disease Control and Prevention - Investigations and Technical Assistance:			
Steps To A Healthier U.S. year 5	93.283		237,394
Subtotal			237,394
Immunization Grants 2008	93.268	18-100-1-2-IM-0108	5
Immunization Grants 2009	93.268	18-100-1-2-IM-0109	6,943
Immunization Grants 2010	93.268	18-100-1-2-IM-0110	86,428
Subtotal			93,376
Ohio Department of Health:			
Childhood Lead Poisoning Prevention 2009	93.197	18-2-001-1-BD-09	215
Childhood Lead Poisoning Prevention 2010	93.197	18-2-001-1-BD-10	143,272
Childhood Lead Poisoning Prevention 2010-2011	93.197	18-2-001-1-BD-11	116,138
Subtotal			259,625
Centers for Disease Control and Prevention - Investigations and Technical Assistance:			
City Readiness Initiative 09	93.069	18-200-1-2-PI-0109	2,426
City Readiness Initiative 2010	93.069	18-200-1-2-PI-0210	560,348
City Readiness Initiative 2011	93.069	18-200-1-2-PI-0211	77,990
Public Health Collaborative 08	93.069	18-1-001-2-BI-08	11
Public Health Collaborative 09	93.069	18-1-001-2-BI-09	8,919
Public Health Collaborative 10	93.069	18-1-001-2-BI-10	152,652
PHER Area 1	93.069		309,787
PHER Area 3	93.069		540,828
Subtotal			1,652,961
Preventive Health Services-Sexually Transmitted Diseases:			
Sexually Transmitted Diseases Diagnosis & Treatment 2008	93.977	18-2-001-2-BX-08	8
Sexually Transmitted Diseases Diagnosis & Treatment 2009	93.977	18-2-001-2-BX-09	2,827
Sexually Transmitted Diseases Diagnosis & Treatment 2009	93.977	18-2-001-2-BX-09	120,826
Subtotal			123,661

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2010

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Health and Human Service (continued):			
HIV Prevention 2008	93.940	18-2-001-2-AS-08	8
HIV Prevention 2009	93.940	18-2-001-2-AS-09	113,485
HIV Prevention 2010	93.940	18-2-001-2-AS-10	621,900
Subtotal			735,393
Centers for Disease Control and Prevention - Investigations and Technical Assistance:			
Health Center Renovations	93.887		112,884
Subtotal			112,884
Block Grants for Prevention and Treatment of Substance Abuse:			
Centerpoint 2009	93.959		240
Centerpoint 2010	93.959		117,221
Student Assistance 2009	93.959		29
Student Assistance 2010	93.959		34,104
Subtotal			151,594
Low-Income Home Energy Assistance-HHS 2009	93.568	09-111	4,213
ARRA-Low-Income Home Energy Assistance-HHS 2009	93.568	ARRA-10-111	142,037
Subtotal			146,250
Total Department of Health and Human Services			5,626,200
Department of Housing & Urban Development			
HUD 108 Flats	14.248	OH B-09-MC-39-0004	6,685,248
VA HUD Independent Ag Special Project	14.246	OH B-03-SP-OH-0592	45,495
Ohio Department of Health:			
Lead Hazard Reduction Demonstration Grant Program 2009	14.905	OHLHD0144-06	856,599
Lead Hazard Reduction Demonstration Grant Program 2010	14.905	OHLHD0144-06	554,791
Lead Hazard Reduction Demonstration Grant Program 2010	14.905	OHLHD0188-08	613,707
Subtotal			2,025,097

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2010

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Housing & Urban Development (continued):			
CDBG Yr 30	14.218		2,392,134
CDBG Yr 31	14.218		449,106
CDBG Yr 32	14.218		817,070
CDBG Yr 33	14.218		937,682
CDBG Yr 34	14.218		1,368,444
CDBG Yr 35	14.218		11,774,647
CDBG Yr 36	14.218		8,620,827
CDBG Neighborhood Stabilization Program	14.218		6,936,039
ARRA-Community Development Block Grant ARRA- Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253		2,450,373
Subtotal			35,746,322
Ohio Department of Health: Lead Technical Studies Grants 2010	14.900	OHLHD0188-08	811,680
HOME Investment Partnerships Program 1992	14.239		433
HOME Investment Partnerships Program 2001	14.239		1,594,048
HOME Investment Partnerships Program 2003	14.239		60,000
HOME Investment Partnerships Program 2004	14.239		1,539
HOME Investment Partnerships Program 2005	14.239		500,000
HOME Investment Partnerships Program 2006	14.239		53,461
HOME Investment Partnerships Program 2007	14.239		868,503
HOME Investment Partnerships Program 2008	14.239		1,763,711
HOME Investment Partnerships Program 2009	14.239		967,576
Subtotal			5,809,271
Emergency Shelter Grants Program 2008	14.231		44,162
Emergency Shelter Grants Program 2009	14.231		924,299
Subtotal			968,461
Housing Opportunities for Persons With Aids 2007	14.241		153,527
Housing Opportunities for Persons With Aids 2008	14.241		34,420
Housing Opportunities for Persons With Aids 2009	14.241		267,471
Subtotal			455,418
Empowerment Zones Program	14.244		2,423,919
Subtotal			2,423,919
Pass Through Programs:			
Ohio Department of Development:			
CDBG - Neighborhood Stabilization Program	14.228	A-Z-08-264-1	5,552,589
Ohio Department of Development:			
ARRA Homeless Prevention	14.257	S-09-MY-39-0004	4,171,021
Neighborhood Stabilization Program NSP HUD	14.256		21,269
Total Department of Housing & Urban Development			64,715,790

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2010

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Justice			
Public Safety Partnership and Community Policing Grants:			
Cleveland Universal Hiring II	16.710		65,710
Cops in School	16.710		391,939
Federal DOJ-COPS Technology GR	16.710		799
Federal DOJ-COPS Technology GR	16.710		62,386
Federal DOJ-COPS Technology GR	16.710		80,000
ARRA COPS HIRING RECOVERY PROGRAM (COPS CHRP)	16.710	2009RJWX0070	3,001,069
Subtotal			3,601,903
Edward Byrne Memorial State and Local Law Enforcement assistance Discretionary Grant Program	16.580	2007-DD-BX-0650	250,287
Subtotal			250,287
ARRA-Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Local Program - Grants to Units of Local Government	16.804	2009-SB-B9-0367	1,019,509
Edward Byrne Memorial Justice Assistance Grant (JAG) Local Program	16.804	2009-SB-B9-0367	10,854
Subtotal			1,030,363
ARRA-Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Local Program - Grants to Units of Local Government	16.803	2009-RA-B01-2012	161,469
State of Ohio - Office of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant Programs (JAG):			
2007-Edward Byrne Memorial-JAG	16.738	2007-JG-A02-6585	63,473
2008-Edward Byrne Memorial-NOLETF	16.738	2007-JG-A01-6444	13,964
2009-Edward Byrne Memorial-NOLETF	16.738	2009-JG-A01-6444	118,030
Cuyahoga County - Department of Justice Affairs:			
Edward Byrne Memorial Justice Assistance Grant Programs (JAG):			
2007-Edward Byrne Memorial-JAG	16.738	07-JAG-MUN-01	491
2008-Edward Byrne Memorial-JAG	16.738	08-JAG-MUN-01	114,212
2009-Edward Byrne Memorial-JAG	16.738	2009-DJ-BX-0796	607,319
Subtotal			917,489
State of Ohio - Office of Criminal Justice Services:			
Violence Against Women Formula Grants :			
VAWA Team Approach 2008 Law	16.588		86
VAWA Team Approach 2009 Law	16.588		82,693
VAWA Team Approach 2008 Safety	16.588	2008-VP-VA2-V042	2,476
ARRA-Stop Violence Against Women	16.588		128,913
Subtotal			214,168

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2010

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Justice (continued):			
State of Ohio - Office of Criminal Justice Services:			
Juvenile Accountability Incentive Block Grants 2008	16.523		245
Juvenile Accountability Incentive Block Grants 2009	16.523		12,968
Juvenile Accountability Incentive Block Grants 2010	16.523		50,385
Subtotal			63,598
Anti-Gang Initiative 2006	16.744	2006-PS-CAG-372	3,844
Subtotal			3,844
Total Department of Justice			6,243,121
Department of Commerce			
U S Department of Commerce, Economic Development Administration:			
Revolving Loan Fund Grant - Economic Adjustment Assistance	11.307	See Footnote 2	3,156,933
Subtotal			3,156,933
Total Department of Commerce			3,156,933
Department of Labor			
WIA Adult Program	17.258	G-1011-15-0258	2,080,157
WIA Youth Program	17.259	G-1011-15-0258	464,484
WIA Dislocated Worker Program	17.260	G-1011-15-0258	927,497
Subtotal			3,472,138
Total Department of Labor			3,472,138
Department of Transportation			
Airport Improvement Program	20.106		4,841,525
ARRA-Airport Improvement Program	20.106		13,432,095
Subtotal			18,273,620
Bessemer Avenue PH2A	20.205		160,000
SRTS FY 2009	20.205		234,023
Pass Thru:			
Highway Planning and Construction:			
East 14th Street	20.205	SEE FOOTNOTE 3	109,310
Avenue District Ph IV	20.205	SEE FOOTNOTE 3	5,402
Bessemer Avenue PH2A	20.205	SEE FOOTNOTE 3	9,063
SRTS FY 2009	20.205	SEE FOOTNOTE 3	3,992
Highway Planning and Construction:			
ARRA- East 14th Street	20.205		1,395,063
ARRA- Avenue District Ph IV	20.205		319,204
ARRA- KAMM'S CORNER	20.205		471,636
			2,707,693

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2010

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Transportation (continued):			
Total Department of Transportation			20,981,313
Department of Environmental Protection Agency			
Direct Programs:			
Air Pollution Control Program Support 2008	66.001		6,490
Air Pollution Control Program Support 2009	66.001		127,421
Air Pollution Control Program Support 2010	66.001		1,834,994
Air Pollution Control Program Support 2011	66.001		359,303
Subtotal			2,328,208
ARRA-Water	66.468	FS390466-01	5,000,000
OWDA Loan-Morgan Pretreatment	66.468	FS390466-01	11,840,158
Subtotal			16,840,158
Brownfields Assessment and Cleanup Cooperative Agreements:			
Brownsfield Job Training	66.818		45,495
Lower Woolen Mills	66.818		16,089
Morgana Run	66.818		170,179
Subtotal			231,763
Brownfield Assessment Grant	66.814	BF00E31801	10,246
Chemical Emergency Preparedness and Prevention:			
Bio-Watch Program 2009	66.810		26,805
Bio-Watch Program 2010	66.810		245,466
Bio-Watch Program 2011	66.810		93,121
Subtotal			365,392
Total Environmental Protection Agency			19,775,767
Department of Homeland Security			
Metropolitan Medical Response System 2005/2006	97.071		45,164
Metropolitan Medical Response System 2007	97.071		10,464
Metropolitan Medical Response System 2008	97.071		132,816
Subtotal			188,444
National Explosives Detection Canine Team Program	97.072		100,352
Subtotal			100,352
2008 (LETPP) Law Enforcement Terrorism Prevention Program	97.074		37,059
2008 (LETPP) Law Enforcement Terrorism Prevention Program	97.074		359,941
2007 (LETPP) Law Enforcement Terrorism Prevention Program	97.074		488
2007 (LETPP) Law Enforcement Terrorism Prevention Program	97.074		700,934
Subtotal			1,098,422
Law Enforcement Officer Reimbursement Agreement Program	97.090		464,597
Subtotal			464,597
Cuyahoga County Department of Justice Affairs			
Urban Area Security Initiative 2006	97.008	Cuyahoga County DJA	108,346
Urban Area Security Initiative 2007	97.008	Cuyahoga County DJA	1,281,104
Urban Area Security Initiative 2008	97.008		789,564
Urban Area Security Initiative 2009	97.008		55,554
Subtotal			2,234,568

(Continued)

CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2010

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Homeland Security (continued):			
Public Safety Fire Grants:			
Buffer Zone Protection FY 07	97.078	2007-BZ-T7-0048	50,499
Federal BAPP-FY07-Crown	97.078		121,350
Federal BAPP-FY08-Nottingham	97.078		124,270
Load Baldwin Residuals	97.078		162,676
Subtotal			458,795
Total Department of Homeland Security			4,545,178
Grand Total			$ 143,326,276

(Concluded)

CITY OF CLEVELAND
CUYAHOGA COUNTY
NOTES TO THE "SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS"
FOR THE YEAR ENDED DECEMBER 31, 2010

Basis of Presentation

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

Longwood Apartments Grant

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

The funding for the plan is to come from a variety of public and private sources, including, tax-exempt bonds issued under Section 103 of the Internal Revenue Code of 1986, private sector equity derived from benefits associated with the low income housing tax credits, HUD Section 221 (d)(4) mortgage insurance, HUD UpFront Grant Program Funds, and City general obligation bond, public utility, Housing Trust Fund, and NDA funds.

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

Park Village Apartment Grant

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

In addition to the Upfront Grant, funding for the plan includes a private lender first mortgage, a Community Development Block Grant Float Loan and private sector equity derived from benefits associated with low income housing tax credits.

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

Footnote 2: Revolving Loan Fund

Activity in the Economic Adjustment Assistance, CFDA 11.307 revolving loan fund during 2010:

Beginning loans receivable balance as of January 1, 2010	$1,904,793
Loans made during 2010	864,310
Loan principal repaid on loans issued prior to 2010	(493,649)
Loan principal repaid on 2010 loans issued	(26,630)
Ending loans receivable balance as of December 31, 2010	2,248,824
Cash balance on hand in the revolving loan fund as of December 31, 201	
Cash balance, unobligated	987,972
Revolving loan committed but not disbursed	270,907
Total unobligated cash and committed but not disbursed cash	1,258,879
Total value of revolving loan portion of the EDA 11.307 program	3,507,703
Less: City's matching share	(350,770)
Total federal value of revolving loan portion as of December 31, 2010	$3,156,933

Revolving Loan Fund (Continued)

4500 LTD	$58,951
Accurate Instrument Service Co., Inc.	1,121
Braden Sutphin Ink Co.	125,232
CEAM Investment Co.	125,232
Bula Forge & Machine Inc.	184,816
DRD, Inc., DBA AS Power Direct	128,591
Dunecraft Inc.	146,141
Evergreen Cooperative	143,357
Infinite Energy Manufacturing	194,132
Jane and Arthur Ellison LTD	134,175
Nisman Rozgonyi Enterprise	157,069
Otto Klonigslow Manufacturing Co.	38,208
Proxy Biomedical	129,093
Replica Engineering Inc.	36,535
Sparkbase LLC	156,847
Universal Heat Treating Inc.	173,370
Zen Industries Inc.	35,392
Northeast Ohio Neighborhood Real Estate	152,386
Northeast Ohio Neighborhood Real M & E	70,680
Total Revolving Loan Fund Principal Outstanding	57,496
	$2,248,824

Footnote 3: Ohio Department of Transportation

The Ohio Department of Transportation (ODOT) is the organization of state government responsible for developing and maintaining all state and federal roadways in the State of Ohio (State) with exception of the Ohio Turnpike. In addition to highways, the department also helps develop public transportation and public aviation programs. The "Schedule of Expenditures of Federal Awards" details expenditures incurred by the City in the year they were paid. Due to the timing of work executed and timing of the reimbursement from ODOT, the expenditures reported on the "Schedule of Expenditures of Federal Awards" may not coincide with expenditures reported by ODOT.

Amounts reimbursed to the City by ODOT during 2010		$4,170,161
Expensed and reported by the City in Fiscal Year 2009	20.205	($1,600,000)
Federal Expenditures expensed in 2010 not yet reimbursed	20.205	$9,765
Federal Expenditures expensed in 2010 not yet reimbursed	20.205	$127,767
Amount expensed by the City in Fiscal Year 2010		$2,707,693

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Ohio ("City") as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 24, 2011, wherein we noted the City implemented Governmental Accounting Standards Board Statement No. 53. 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 *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance And Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated June 24, 2011.

This report is intended solely for the information and use of the Mayor, Members of City Council, the Audit Committee, the City's management, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2011

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the City of Cleveland, Ohio's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2010, and have issued our report thereon dated June 24, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, Members of Council, the Audit Committee, the City's management, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2011

CITY OF CLEVELAND, OHIO
Schedule of Findings and Questioned Costs
Year Ended December 31, 2010

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified not considered to be material weaknesses?	None
Noncompliance material to the financial statements noted?	None

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified not considered to be material weaknesses?	None
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None

Identification of major programs:

- CDBG Entitlement Cluster:
  - CFDA 14.218 – Community Development Block Grants/Entitlement Grants
  - CFDA 14.253 – ARRA-Community Development Block Grants/ARRA Entitlement Grants
- CFDA 14.228 – Community Development Block Grants/State's Program & Non-Entitlement Grants
- CFDA 14.248 – Section 108 Loan Guarantee Program
- CFDA 14.257 – ARRA-Homelessness Prevention and Rapid Re-Housing Program
- CFDA 16.710 – Pubic Safety Partnership and Community Policing Grants
- CFDA 16.804 – ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG)
- CFDA 20.106 – ARRA-Airport Improvement Program
- CFDA 66.468 – Capitalization Grants for Drinking Water State Revolving Funds
- CFDA 81.042 – Weatherization Assistance for Low-Income Persons

Dollar threshold to distinguish between Type A and Type B Programs:	$3,000,000
Auditee qualified as low-risk auditee?	Yes

CITY OF CLEVELAND, OHIO
Schedule of Findings and Questioned Costs
Year Ended December 31, 2010
(Continued)

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

<u>Finding 2009-001 – Division of Water's Out of Order Meters and Estimated Accounts</u>

Accurate and timely meter readings are essential for tracking water and sewer usage and for the accounting of revenues and receivables at the Division of Water (DOW) and Water Pollution Control (WPC). Water usage calculations generated by DOW also serve as sewer usage for WPC when calculating bills. Water rates change annually while sewer rates may change on a less frequent basis depending on the local municipality. Therefore, it is imperative that actual readings occur on an annual basis, especially during January and December, so that usage can be applied to the proper rate in effect at the time.

It was recommended the DOW administration develop a monitoring process to ensure the accounts that meet the estimated bill parameter are investigated and resolved before the next bill cycle. Regardless of whether repeated estimates are due to out-of-order meters or other factors, DOW must place a high priority on resolving issues associated with accounts that have not had a reliable meter reading. Efforts should also be expanded to follow up on potential billing errors in a timely manner, to reduce the number of accounts receiving estimated bills.

Status: Corrected.

<u>Finding 2009-002 – Monitoring Issues Related to Customer Accounts</u>

DOW supervisors and managers are responsible for assigning To Do entries to their staff to work on a daily basis. The CC&B application provides a To Do supervisor summary that shows all unresolved To Do entries by type. In addition, the summary categorizes the unresolved To Do entries as assigned and unassigned. Aging information is available to managers and supervisors to monitor progress on resolving To Do entries. While each manager and supervisor receives a list of To Dos, management does not have a mechanism in place which summarizes the total quantity and dollar values of the To Dos.

It was recommended DOW develop policies and procedures to monitor the resolution of To Do entries. Policies and procedures for monitoring the To Do entry process should, at a minimum, identify the following:

- Management should establish a control mechanism to assure that all revenues are recognized for services provided to those accounts in a "Pended" status.
- Management should be provided with summary reports which quantify the number, type, and dollar value of the accounts with To Dos.
- A thorough analysis of all To Do entry types and the departments to which they should be disseminated.
- An acceptable timeline in which To Do entry types should be worked.
- The development of management exception reports to highlight To Do entries that have not been resolved within the designated timeline.
- The process for review of the management exception reports to ensure To Do entries are being worked.

Status: Corrected.

<u>Finding 2009-003 – Activities Allowed or Unallowed – CFDA 14.218 - Community Development Block Grants</u>

In October 2009, the U.S. Department of Housing and Urban Development (HUD) communicated the results of an on-site monitoring review of the Community Development Block Grant program to the City. Based on their review, HUD concluded the City improperly provided second mortgage assistance to households based on meeting the National Objective of eliminating Slum and Blight Areas (SBA) when this type of assistance can only be provided if the household is low to moderate income status. As a result, the City allowed homebuyers that were not at or below 80% of median income assistance to receive program funds they would not have been entitled to. HUD directed the City to cease and desist the activity of providing homebuyers second mortgage assistance that is above 80% of median income and the City complied and responded with a corrective action plan.

CDBG funded activities in the Afford-A-Home federal program for the renovation of single-family units. During a review of all CDBG expenditures relating to the Afford-A-Home program, it was noted there were eight instances in which second mortgage assistance was provided and the applicant was not at or below 80% of median income. As a result, seven applicants received $10,000 each and one received $5,000 for a total of $75,000 in CDBG funds they were not entitled to.

It was recommended that CDBG develop procedures to ensure compliance with the income eligibility requirements for second mortgage assistance.

Status: Corrected.

CITY OF CLEVELAND, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2010

CITY OF CLEVELAND

Comprehensive Annual Financial Report

For the year ended December 31, 2010

Issued by the
Department of Finance

Sharon Dumas
Director

James E. Gentile, CPA
City Controller

CITY OF CLEVELAND, OHIO

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June 27, 2011

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, 2010. 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 2010 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 of 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 Clark, Schaefer, Hackett & Co. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2010, 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. Clark, Schaefer, Hackett & Co 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, 2010 are fairly presented in conformity with GAAP. The Independent Auditors' 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 Auditors' 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 Auditors' 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 up to a ten-year period from 2001 through 2010.

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 28h largest of 366 Metropolitan Areas in the United States, and the largest Metropolitan Area in the State of Ohio.

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

City Government

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

The City's chief executive and administrative officer is the Mayor, elected by the voters for a four-year term. Frank G. Jackson was elected as Mayor of the City in November 2005 and began his first term on January 2, 2006. He was re-elected to a second term in November 2009. 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 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 19-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, 2013. 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 re-elected as President of Council in November 2009. 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 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.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* which is effective for the year ended December 31, 2010. The City has determined that GASB Statement No. 51 has no material impact on its financial statements as of December 31, 2010.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is effective for the year ended December 31, 2010. The City has implemented GASB Statement No. 53.

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 $50,000 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 107.

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.

Cleveland's economic condition 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.

Major Industries, Economic Conditions and Employment

Cleveland, as well as most large urban municipalities across the nation, has 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 decreased 1.7% in 2010.

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 2007 economic census indicates that Cleveland's employment base continues to become more diversified. The following table summarizes the percentage of Clevelanders employed by industry type based on 2007 census figures.

Industry	**Percent of Workforce**
Utilities	0.39 %
Administration and Support of Waste Management and Remediation Service	8.40
Manufacturing	16.77
Wholesale Trade	6.54
Retail Trade	12.60
Transportation and Warehousing	3.28
Information	2.42
Finance, Insurance and Real Estate	9.57
Professional, Scientific Management	6.09
Education, Health, Social Services	19.43
Arts, Entertainment, Recreation	1.62
Other Services	3.42
Accomodation and Food Services	9.47
Total	100.00 %

Current Projects and 2010 Accomplishments

The 2010 budget focused on continuing the City's commitment to improve the quality of life of its citizens by strengthening our neighborhoods, fostering a favorable business climate and providing superior services.

Despite fiscal constraints and economic challenges, the City achieved the following 2010 programmatic goals and projects without an income or property tax increase:

Department of Community Development

- The City of Cleveland was selected as a site for announcing the Neighborhood Stabilization Program (NSP)-3 awards. The announcement by the Deputy Secretary of Housing and Urban Development (HUD), Mercedes Marquez, cited the success of the NSP program, and that the City of Cleveland was to receive $6.7 million of NSP-3 funds. In 2011, The City plans to use the NSP-3 funds to augment the programming initiated under NSP-1 and 2, specifically to support demolition, housing renovation, and housing for very-low income persons.

- Utilized $500,000 of NSP-1 to fund the Re-Imagining Cleveland pilot program to sustainably redevelop urban vacant land as neighborhood amenities. Re-Imagining, through partner non-profit organizations and neighborhood groups and residents are implementing the vacant land reuse projects such as pocket parks, storm water retention projects, orchards and vineyard and community and market gardens.

- Efforts continued to make Cleveland's neighborhood retail districts visually attractive and economically competitive through the Storefront Renovation Program's (SRP) rebate incentive via private/public partnerships with commercial building and business owners. A total of 51 projects were completed (comprised of 21 full exterior building renovations; 4 parking lot site improvements; 11 neighborhood retail business signs; and 15 downtown district business signs) and leveraged $450,699 in public investment with $1.16 million in private investment (a $2.57 to $1.00 private to public investment ratio).

- Supported community-based development corporations (CDC's) who undertake an array of revitalization programs tailored to their respective neighborhoods. Twenty-seven CDC's received $8.3 million in support from the City in 2010 for activities including but not limited to:

    - Purchase and rehab of vacant structures;
    - Community code enforcement;
    - Block club-based safety programs;
    - Home repair services; and
    - Community gardens.

- The Senior Housing Assistance Program (SHAP) repaired 155 houses in 2010 for income eligible seniors. In addition seniors were assisted with emergency repairs, emergency tree removal and gutter repair.

- Awarded $4.1 million to non-profit organizations for providing essential social services, AIDS prevention related services and services for at-risk youth.

Department of Building and Housing

- Demolished 1,130 condemned structures. Since January 2006, the Department has inspected, condemned and razed over 5,200 structures.
- Initiated 2,069 court cases against negligent property owners.
- Issued 5,362 violation notices.
- Issued 15,458 construction permits valued at $730 million in new construction.
- Boarded-up and secured 3,852 open, vacant structures.
- Deconstructed 34 structures to achieve a more sustainable demolition process.

Department of Economic Development

- Provided financing to help Pierre's Ice Cream expand and modernize their existing plant on Euclid Avenue.

- Supplied a $5 million Vacant Property Initiative (VPI) loan to the developer of the Uptown Project, a multiple parcel project comprising restaurants, housing, retail stores and entertainment venues.

- Assisted with the $22 million Midtown Tech Park, the first non-institutional new construction development in the area in over 20 years. The multi-tenant office/technology building will leverage its close proximity to University Circle to target technology and medical related building businesses. Upon completion, the project will create 150 full-time jobs with an expected payroll of $7.2 million.

- The City provided a $400,000 loan to assist the Cleveland Rowing Foundation in their purchase of the former Commodore Club Marina on the Cuyahoga River. This will allow them to create Rivergate Park, allowing access to the river by those interested in rowing, kayaking or other water sports.

- Provided a $1.25 million VPI loan to help with the construction of Shoreway Commerce Park. The thirty-acre site is being transformed into a premier logistics and distribution hub capable of supporting relevant businesses and manufacturing companies ranging in size from 3,000 to 500,000 square feet.

- Granted loans and other financial assistance to Rosetta Marketing Group to consolidate their Northeast Ohio operations in downtown Cleveland. Their current payroll of $24.9 million will bring in $498,000 of new income taxes annually.

Department of Health

- Increased proactive nuisance inspections to 15,209, a 5% increase from 2009.
- Decreased the lead poisoning rate in Cleveland to 7.6%.
- Distributed over 122,000 birth and death certificates.
- Inspected 7,624 food shops in 2010.
- Distributed 7,410 seasonal influenza vaccinations at more than 40 different neighborhood locations in 2010.
- Performed 390 environmental school inspections and 120 swimming pool inspections.
- Continued to protect air quality by establishing and enforcing standards for air quality and by assuring that permits are filed and fees are paid to the City.
- Increased the number of Cleveland Municipal School District students in the marathon program to 403, significantly reducing the hypertension rates among those students.

Department of Aging

- Provided services to 4,961 unduplicated clients receiving core services including senior citizens and adults with disabilities.
- Secured over $500,000 of external grants.
- The Annual Senior Day Program attracted more than 2,000 senior citizens; the Annual Senior Walk attracted over 400 senior citizens.
- Provided the following services: 1,905 received Benefits Checkup, 201 received one or more major home repair, 702 received grass cutting services, 693 received assistance with snow removal and 5,178 received supportive services.

The Office of Equal Opportunity

- Collected over $390,000 in damages from a contractor for non-compliance with the City laws.
- Held the Second Annual Partners for Success Certification Fair, as well as two additional Certification Fairs at local recreation centers. The Division received more than 20 applications from the Certification Fairs.
- Monitored over 80 construction contracts over $100,000 to ensure compliance with the Fannie M. Lewis Resident Employment Law requiring that at least 20% of those hired are City residents.

Department of Public Service

- The Division of Streets provided snow removal services to over 1,300 miles of City roadways and used over 50,000 tons of salt throughout the 2010 winter season, which had snowfall of over 70 inches.
- The Division of Streets used approximately 4,600 tons of asphalt and approximately 3,000 cubic yards of concrete for street repairs. The Division also swept city streets six times and collected 2,000 tons of leaves for composting.
- The Division of Waste collected and disposed of over 233,000 tons of debris and collected over 9,484 tons of recyclables.
- The Division of Traffic Engineering maintained 5,500 crosswalks, approximately 630 miles of lane lines, 1,000 signalized intersections and 200 flashing school signs. They also fabricated and maintained 500,000 signs.
- The Division of Motor Vehicles was able to reduce the overall size of the City's fleet by 132 vehicles, eliminating the cost of fueling and maintaining those vehicles.
- The Division of Motor Vehicles began projects to update and improve the City's fuel sites. Improvements completed in 2010 include new terminal software and the opening of two new fueling stations. The improvements will continue in 2011 with the installation of automated tank monitoring technology, the opening of two more fueling stations, and software upgrades at the main control site.

Department of Public Safety

- Partnered with parking lot owners and operators, and the Downtown Cleveland Alliance to develop an agreement that enhanced safety and security in the downtown parking lots. Following extensive discussions, an agreement was entered requiring that: a parking attendant shall remain on duty until one hour after the conclusion of special events; signage notifying the public whether or not the lot is attended; and, the display of a parking lot number, making it easier for Police and other City safety services to respond in an emergency. Increased patrols, funded by the Downtown Cleveland Alliance and parking lot operators, were implemented and all attendants are required to wear distinctive outer garments and a standard identification card or badge on the outside of the distinctive outer garment. In addition, all parking attendants will either have a cellular telephone or a landline telephone for use in contacting the Police and/or the Downtown Cleveland Alliance.
- Directed that by the end of the second quarter in 2010, 95% of all incoming emergency 911 calls for service shall be answered within 15 seconds and 99% within 40 seconds. The Communications Center leadership was directed to coordinate with Public Safety to develop the capability to monitor and track compliance with this mandate. During the most recent monitoring period - November 19, 2010 through January 6, 2011 that goal was met. On average, 96% of all incoming 911 calls were answered within 15 seconds and 99% within 40 seconds. This performance target is consistent with industry best practices.
- The Division of Police registered a 40% decrease in homicides, part of an overall decrease in reported crime.
- In 2010, robbery and auto thefts were reduced by 10.4 and 13.3 percent respectively, as compared to the previous year.
- The Division of Fire reported 5 fire-related fatalities in 2010, a record low. This achievement was the result of the hard work of the members of the Division and other partner agencies through education, prevention and response to fire related emergencies.
- The Division of Emergency Medical Services provided free medical screenings to more than 16,000 citizens through monthly blood pressure, cholesterol and glucose testing.
- The Division of Animal Control Services partnered with the Cleveland Animal Protective League and the American Society for the Prevention of Cruelty to Animals (ASPCA) to establish a Lost-Found Program. The program was funded by a grant to help re-unite lost pets with their owners.
- The Division of Correction reduced medical supply costs by more than 60 percent through the implementation of cost saving procedures.

Department of Parks, Recreation and Properties

- The Division of Recreation served 104,805 meals to youths during the summer of 2010.
- Parking Facilities collected $2,036,271 from parking meters, which represents a 1.3% increase from the prior year.
- Park Maintenance performed 49,153 service visits to vacant properties, a 27% increase from 2009.
- Urban Forestry trimmed 5,127 trees in 2010.

Department of Port Control

- Reduced runway clearance times at Cleveland Hopkins International Airport (CLE) by 14% and Burke Lakefront Airport (BKL) by 41%, thereby allowing more time for aircraft landings and take-offs.
- Continued the CLE Concession Development (AIRMALL) to improve the quality, customer service, and brand offerings for patrons of the Airport. To date, forty-three of fifty-five new restaurants and retail stores have been opened, resulting in 250 new jobs at CLE. We anticipate the number of new jobs will increase as new venues continue to open.

- Launched new state-of-the-art websites at CLE and BKL which provide travelers with a more interactive site, easier access to weather feeds, real-time flight tracking, special deals and offers, as well as news and updates regarding the airline industry.

- Continued to improve valet parking to meet the growing demands of customer parking options. Approximately 12,000 airport guests utilized valet parking, making this one of the most popular airport parking services in the area. This yields an increase of 33% in the number of guests using the valet service compared to 2009.

Department of Law

- Drafted 404 contracts and reviewed 1,475 contracts for legal form and correctness. Negotiated $30 million HUD 108 Loan Agreement and bond placement for financing for the initial phase of the $275 million Flats East Bank Project.

- Prepared 543 pieces of legislation for introduction to City Council; including legislation to create a civil enforcement system for certain waste disposal offenses.

- Obtained 1,456 search warrants for housing court enforcement actions, and helped Building and Housing obtain legal authorization for more than 1,200 demolitions of unsafe structures in the City.

- Responded to 2,773 citizen requests for non-routine public records; provided legal advice as needed in response to more than 7,500 routine requests; and processed 684 general claims for property damage and other losses filed by citizens within the City.

- Continued to pursue collection of money due for taxes, fines and loan defaults. Collected approximately $1.1 million in income tax collection actions. Collected more than $2.9 million in money due for loan defaults, unpaid utility service, damage to City property and other debts to the City.

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

- Construction began in 2010 on the $465 million Convention Center and Medical Mart in downtown Cleveland. Once complete, the project is expected to generate up to $330 million a year of economic activity.

- Rock Ohio Caesars started building the first phase ($350 million) of a new casino in the historic Higbee Building on Public Square. The second, larger phase is scheduled to be built later on Huron Road.

- The first phase of the Flats East Bank project ($275 million) started construction in late 2010. The development will initially include an office tower, hotel and retail.

- The Greater Cleveland Aquarium, a $33 million project expected to open in late 2011. It will occupy over 70,000 square feet in the Nautica Entertainment Complex and include a "SeaTube" of clear acrylic for a walk-through view of marine depths.

Future Economic Outlook

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 continues to impede the fiscal recovery.

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.

2011 Budget

The strategic implementation of the five-year budget projections to manage the City's finances, Operations Efficiency Task Force and Clean Cleveland have resulted in significant reductions in operating costs and a balanced budget for 2011. The many unknown variables due to the global economic crisis require that stringent fiscal controls and mandated energy conservation be the platform of the 2011 operating budget. The Budget Management Strategy for fiscal 2011 includes, but is not limited to, the following:

- Increased employee contributions to healthcare premiums effective April 1, 2011.
- No cost-of-living increase for 2011.
- The elimination of most vacant positions.
- The continuation of a hiring freeze that has been in effect since 2006, except for critical positions.
- Restoration of the 2010 wage and longevity bonus concessions.

The estimate of receipts and expenditures for all General Fund departments and divisions for the 2011 budget are:

- Revenues and other sources are projected to increase from $491.8 million in 2010 to $506 million in 2011. This increase is attributed to: $12 million from the sale of the Convention Center for the Medical Mart project; and $3.7 million of bed tax that will come to the City on an annual basis as a result of the Medical Mart agreement.
- Expenditures and other uses are estimated to increase from $498.4 million to $512.3 million in 2011. This increase is primarily due to negotiated labor agreements and rising healthcare costs.

Major highlights of the 2011 budget are:

- Cost savings due to the restructuring of Operations Clusters which merge the Departments of Public Service and Parks, Recreations and Properties.
- Continued energy use reduction due to operation efficiency efforts.
- A 10% reduction in "below the line" expenses.
- Savings due to attrition resulting from layoffs and other unfilled positions.
- Continue efforts to increase revenue, including implementing findings from a new fee study.

Major Initiative

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

- *Sustainable Cleveland 2019*, a 10-year initiative that engages people from all walks of life, working together to design and develop a thriving and resilient region that leverages its wealth of assets to build economic, social and environmental well-being for all.
- *Clean Cleveland,* City crews from Public Works, Public Utilities, Public Health, and Building and Housing Departments will inspect, fix and clean neighborhood properties in a coordinated and systemic fashion.
- *The District of Design*, a specifically planned district on Euclid Avenue that contains showrooms geared toward retail/wholesale buyers, enabling a high-end urban experience for buyers from national and local retailers.
- *LED Initiative,* an economic development effort that will use the City's purchasing power to create jobs, attract business investment, save money, reduce energy consumption and help spur the creation of a sustainable economy.

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 Clark, Schaefer, Hackett & Co. The year ended December 31, 2010, represents the 30th 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, 2009. 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 26 years (years ended 1984 – 2009). 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 Division of Financial Reporting and Control. 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 Clark, Schaefer, Hackett & Co for their efforts and professional conduct throughout the audit engagement.

Very truly yours,

Sharon Dumas

Sharon Dumas, Director
Department of Finance

James E. Gentile

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
Chris Warren	Chief of Regional Development
Monyka S. Price	Chief of Education
Andrew C. Watterson	Chief of Sustainability
Natoya J. Walker Minor	Chief of Public Affairs
Andrea V. Taylor	Press Secretary
Victor R. Perez, Esq.	Chief Assistant Prosecutor

ADMINISTRATION

Jane E. Fumich	Director, Department of Aging
Edward W. Rybka	Director, Department of Building and Housing
Robert N. Brown	Director, City Planning Commission
Lucille Ambroz	Secretary, Civil Service Commission
Daryl P. Rush, Esq.	Director, Department of Community Development
Blaine Griffin	Director, Community Relations Board
Tracey A. Nichols	Director, Economic Development
Sharon Dumas	Director, Department of Finance
Karen Butler	Director, Department of Public Health
Robert J. Triozzi, Esq.	Director, Department of Law
Natoya J. Walker Minor	Director, Office of Equal Opportunity
Michael E. Cox	Director, Department of Public Works
Deborah Southerington	Director, Personnel and Human Resources
Ricky D. Smith, Sr.	Director, Department of Port Control
Martin Flask	Director, Department of Public Safety
Jomarie Wasik	Director, Mayor's Office of Capital Projects
Barry A. Withers.	Director, Department of Public Utilities

CITY OF CLEVELAND, OHIO

City Council

Martin J. Sweeney.. President of Council /Ward 18

Patricia J. Britt .... Clerk of Council

Terrell H. Pruitt... Ward 1

Zachary Reed .... Ward 2

Joe Cimperman .... Ward 3

Kenneth L. Johnson .... Ward 4

Phyllis Cleveland .... Ward 5

Mamie J. Mitchell .... Ward 6

TJ Dow... Ward 7

Jeffrey Johnson .... Ward 8

Kevin Conwell .... Ward 9

Eugene R. Miller.. Ward 10

Michael D. Polensek .... Ward 11

Anthony Brancatelli... Ward 12

Kevin J. Kelly .... Ward 13

Brian J. Cummins... Ward 14

Matt Zone .... Ward 15

Jay Westbrook .... Ward 16

Dona Brady .... Ward 17

Martin J. Keane .... Ward 19

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cleveland
Ohio

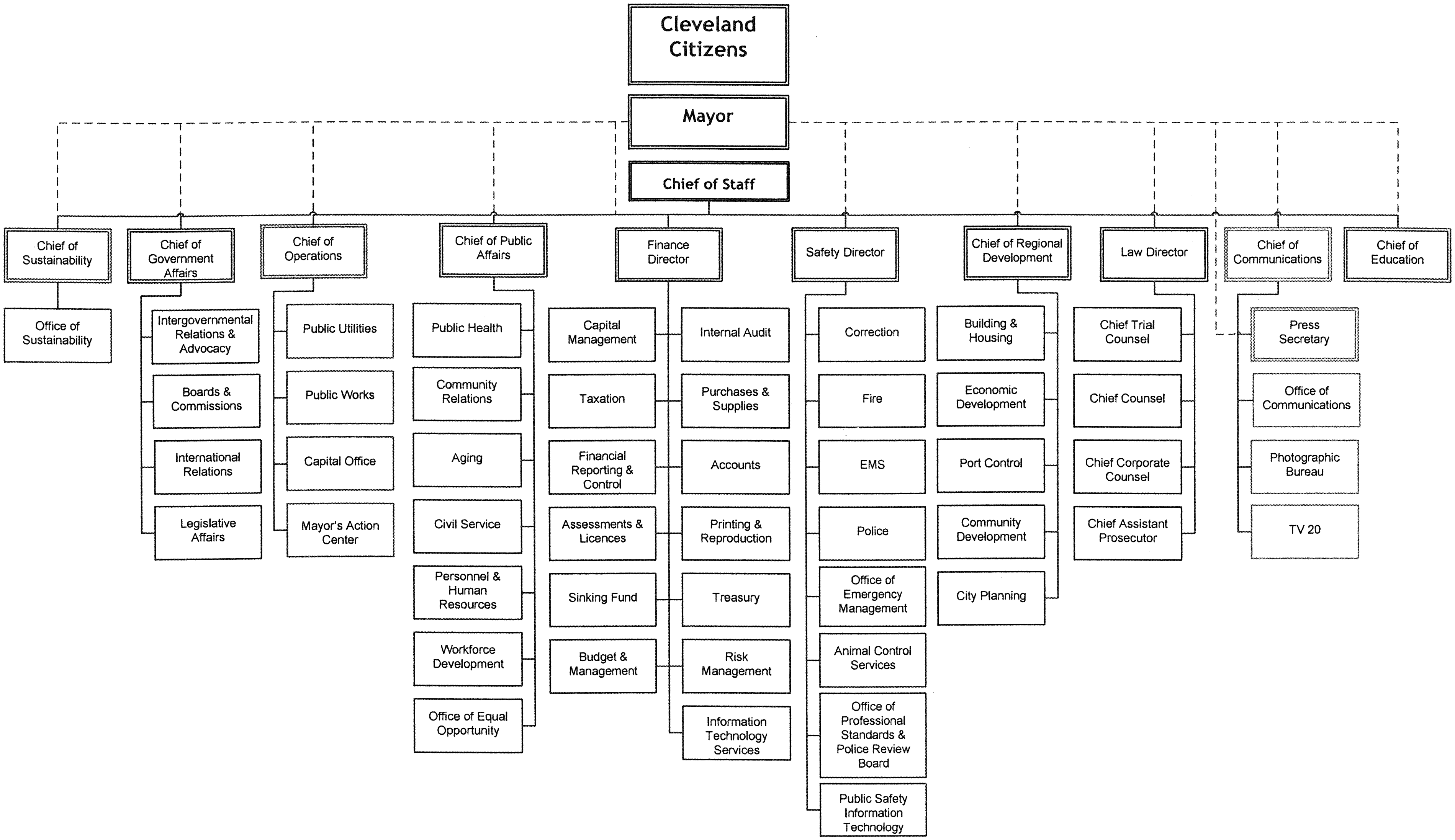
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

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

President

Executive Director

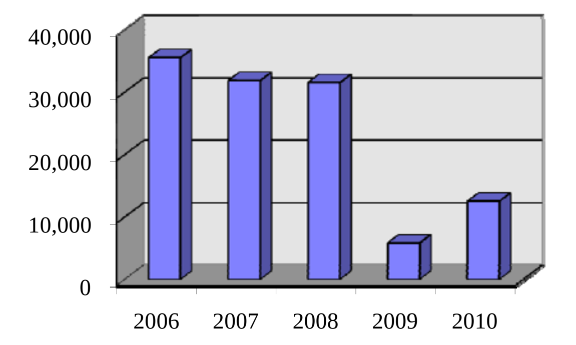
CITY OF CLEVELAND, OHIO
ADMINISTRATIVE ORGANIZATION CHART



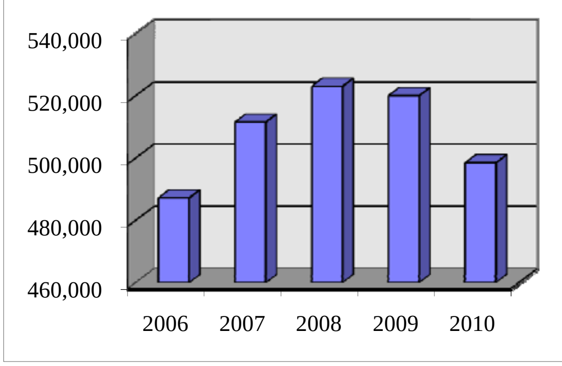
CITY OF CLEVELAND, OHIO

FINANCIAL HIGHLIGHTS
(Amounts in 000's)

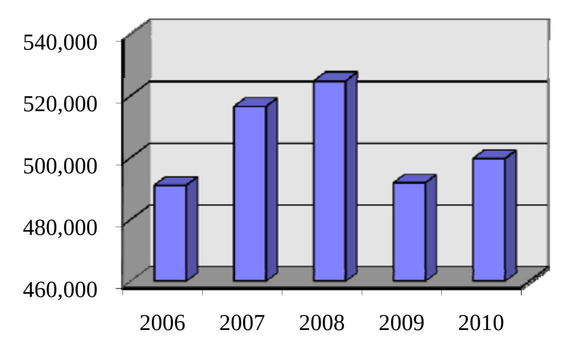
General Fund - Fund Balance**



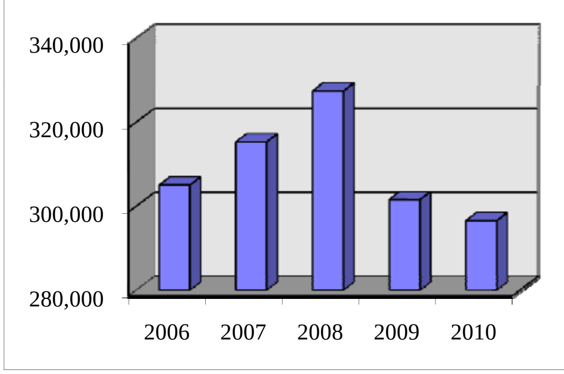
General Fund - Expenditures*



General Fund - Revenues*



Income Taxes***



For Year Ended	General Fund Fund Balance**	General Fund Revenues*	General Fund Expenditures*	Income Taxes***
2006	35,531	491,052	487,233	305,010
2007	31,854	516,551	511,567	315,262
2008	31,545	524,744	523,046	327,338
2009	5,865	491,827	520,036	301,559
2010	12,541	499,681	498,504	296,525

* *Budget Basis* - General Fund revenues and expenditures include other financing sources (uses).
** *GAAP Basis.*
*** *Budget Basis* - Income Taxes includes General Fund and Restricted Income Tax Fund.

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

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, Ohio (the City) as of and for the year ended December 31, 2010, 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 2, during the year ended December 31, 2010, the City implemented Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund thereof 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, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to described the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis on pages 29-46 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2011

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, 2010. 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, 2010 by approximately $2.413 billion (net assets). Of this amount, $371.8 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- Of the approximately $2.413 billion of net assets, governmental activities accounted for approximately $627 million of net assets, while business-type activities net assets accounted for approximately $1.786 billion.
- The City's net assets increased by $58.5 million as compared to 2009. The governmental activities net assets increased by $33.4 million and the business-type activities net assets increased by $25.1 million.
- At the end of the current year, unreserved fund balance for the General Fund had a deficit of $2.5 million, which represents a deficit in the amount available for spending at the City's discretion. The unreserved fund balance equals negative 0.5% of the total current General Fund expenditures and other financing uses.
- In 2010, the City's total long-term debt and other debt-related obligations net of premiums, discounts and unamortized loss on debt refunding decreased by $75.4 million. The decrease indicates that the City's debt service payments and debt refunded or defeased exceeded new debt issued in 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City principally include: General Government; Public Service; Public Safety; Community Development; Building and Housing; Public Health; Parks, Recreation and Properties; and Economic Development. The business-type activities of the City principally include: water; electricity; and airport facilities.

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

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

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

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

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

The City adopts an annually appropriated budget for its General Fund, Enterprise and Internal Service Funds. The City adopts an annually appropriated budget for some of its Special Revenue and Debt 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, postal services, 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 nonmajor 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 achieve 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 - 105 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Information regarding the government-wide net assets of the City is provided below:

Summary Statement of Net Assets
as of December 31, 2010 and 2009

	Governmental Activities		Business-Type Activities (Amounts in 000's)		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Assets:						
Current and other assets	$ 742,618	$ 682,608	$ 1,252,668	$ 1,257,848	$ 1,995,286	$ 1,940,456
Capital assets	911,132	924,106	2,854,499	2,815,050	3,765,631	3,739,156
Total assets	1,653,750	1,606,714	4,107,167	4,072,898	5,760,917	5,679,612
Liabilities:						
Long-term obligations	779,675	771,935	2,076,084	2,116,178	2,855,759	2,888,113
Other liabilities	246,894	240,946	244,843	195,621	491,737	436,567
Total liabilities	1,026,569	1,012,881	2,320,927	2,311,799	3,347,496	3,324,680
Net assets:						
Invested in capital assets, net of related debt	557,804	561,586	1,080,332	1,016,182	1,638,136	1,577,768
Restricted	159,942	166,280	243,511	275,907	403,453	442,187
Unrestricted	(90,565)	(134,033)	462,397	469,010	371,832	334,977
Total net assets	$ 627,181	$ 593,833	$ 1,786,240	$ 1,761,099	$ 2,413,421	$ 2,354,932

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 $2.413 billion at the close of the most recent fiscal year. This represents an increase of 2.5% in 2010. Of the City's net assets, 26.0% represents its governmental net assets and 74.0% represents its business-type net assets.

Of the net assets from governmental activities, $557.8 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, $159.9 million, represents resources that are subject to external restrictions on how they may be used. There was an increase in unrestricted net assets of $43.5 million.

In 2010, the total assets from governmental activities increased by $47.0 million. This increase is primarily attributed to an increase of $37.2 million of cash and cash equivalents and investments at year end and a $16.0 million increase in unamortized bond issuance costs. The total increases were partially offset by a decrease of $13.0 million in net capital assets.

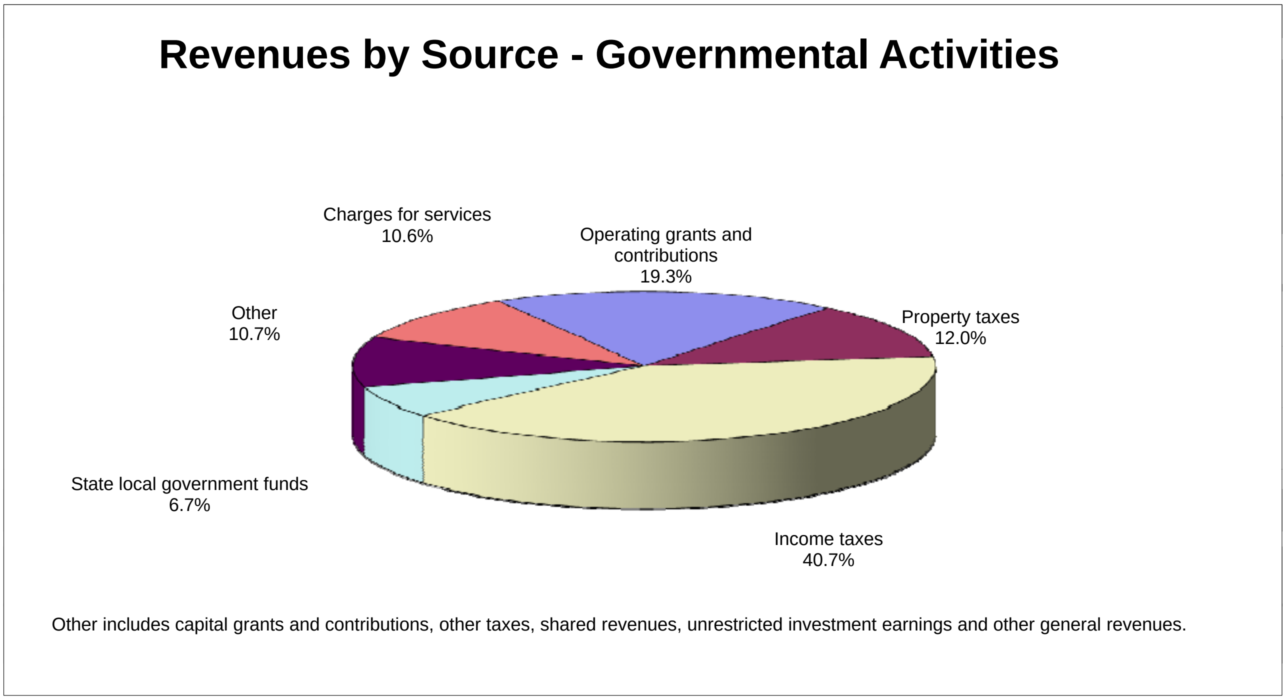
Also in 2010, the total liabilities from governmental activities increased by $13.7 million. This increase is primarily due to an increase of $45.9 million in due to other governments and an increase of $7.7 million in long-term obligations which was partially offset by a decrease of $34.6 million in deferred revenue and various decreases to other liability accounts.

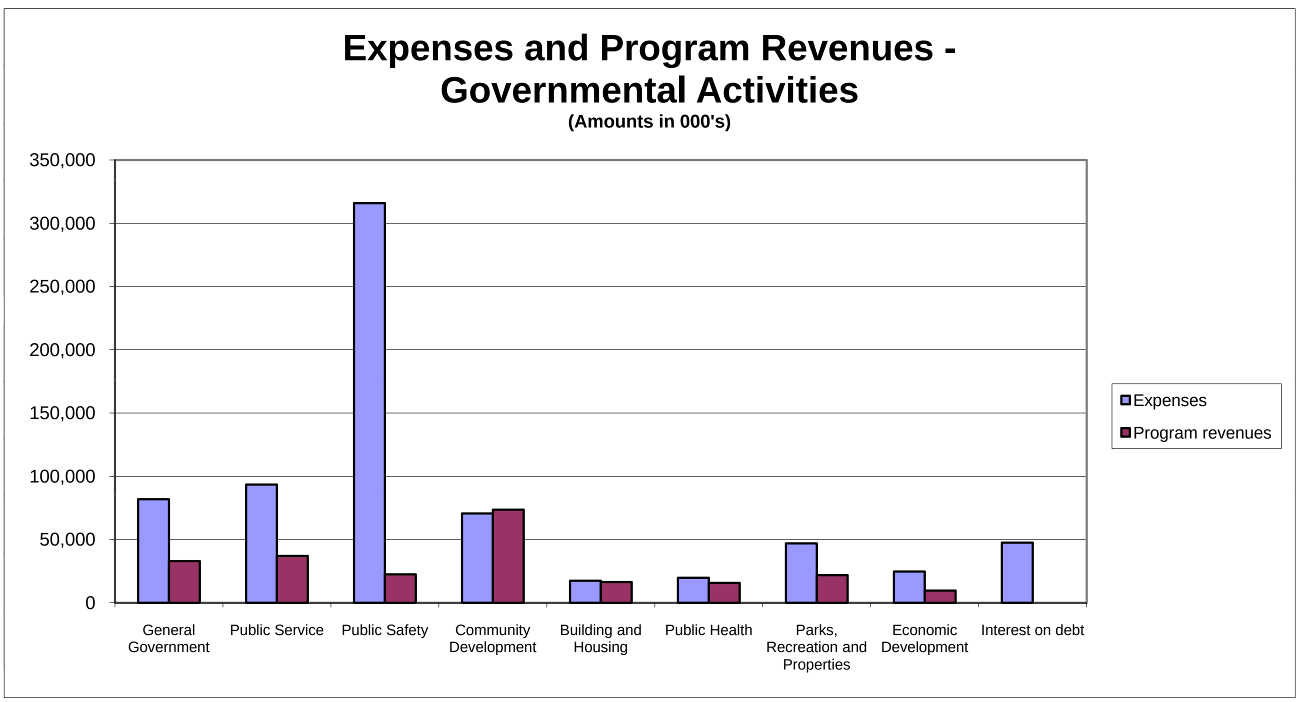
At the end of the current year, the City is able to report positive balances in total net assets for both its governmental activities and its business-type activities. Information regarding government-wide changes in net assets is provided below:

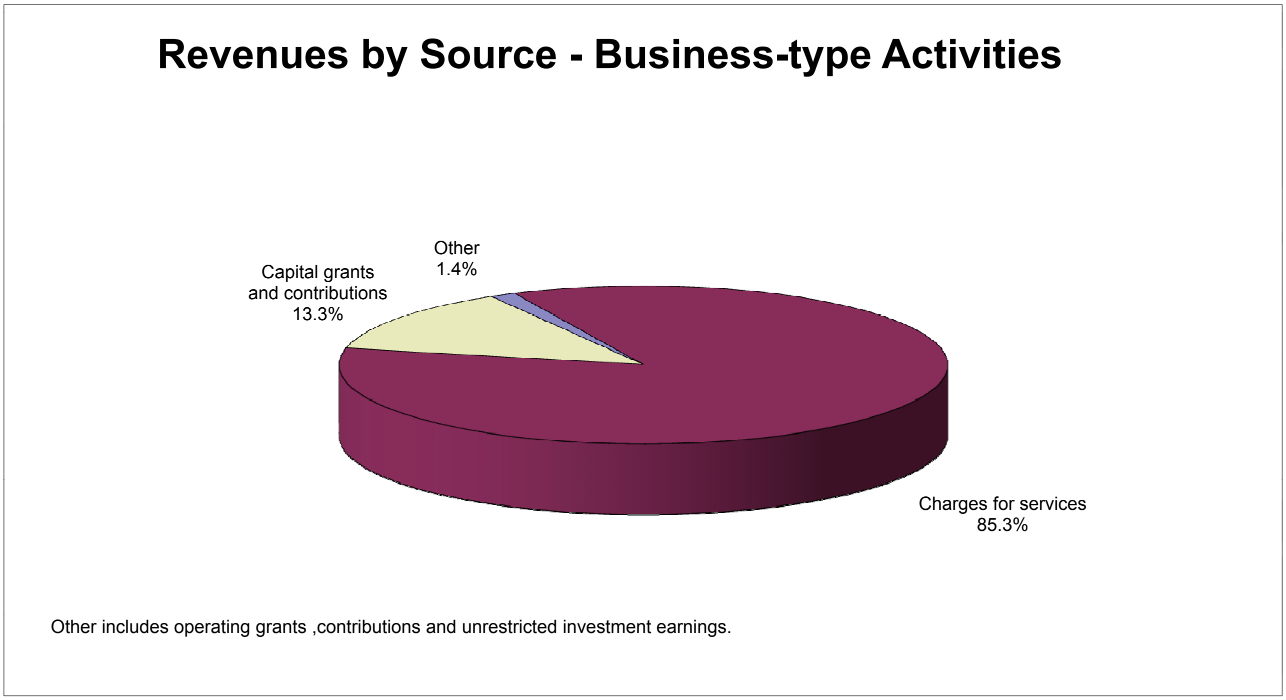
Changes in Net Assets
For Fiscal Years Ended December 31, 2010 and 2009

	Governmental Activities		Business-Type Activities (Amounts in 000's)		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Revenues:						
Program revenues:						
Charges for services	$ 77,309	$ 77,227	$ 549,989	$ 525,353	$ 627,298	$ 602,580
Operating grants and contributions	141,122	134,565	8,789	10,175	149,911	144,740
Capital grants and contributions	11,220	11,680	85,534	51,325	96,754	63,005
General revenues:						
Income taxes	298,209	296,507			298,209	296,507
Property taxes	88,087	63,573			88,087	63,573
Other taxes	28,450	25,053			28,450	25,053
Shared revenues	23,869	28,741			23,869	28,741
State local government funds	49,266	43,420			49,266	43,420
Unrestricted investment earnings	654	1,740	4	25	658	1,765
Other	14,104	10,207			14,104	10,207
Total revenues	732,290	692,713	644,316	586,878	1,376,606	1,279,591
Expenses:						
General Government	81,898	90,311			81,898	90,311
Public Service	93,425	85,947			93,425	85,947
Public Safety	315,900	329,765			315,900	329,765
Community Development	70,589	59,204			70,589	59,204
Building and Housing	17,445	20,925			17,445	20,925
Public Health	19,740	22,999			19,740	22,999
Parks, Recreation and Properties	46,963	58,799			46,963	58,799
Economic Development	24,729	38,083			24,729	38,083
Interest on debt	47,531	30,448			47,531	30,448
Water			232,862	224,269	232,862	224,269
Electricity			165,330	158,100	165,330	158,100
Airport facilities			158,262	168,734	158,262	168,734
Nonmajor activities			43,443	46,546	43,443	46,546
Total expenses	718,220	736,481	599,897	597,649	1,318,117	1,334,130
Changes in net assets before transfers	14,070	(43,768)	44,419	(10,771)	58,489	(54,539)
Transfers	19,278	(825)	(19,278)	825		
Changes in net assets	33,348	(44,593)	25,141	(9,946)	58,489	(54,539)
Net assets at beginning of year	593,833	638,426	1,761,099	1,771,045	2,354,932	2,409,471
Net assets at end of year	$ 627,181	$ 593,833	$ 1,786,240	$ 1,761,099	$ 2,413,421	$ 2,354,932

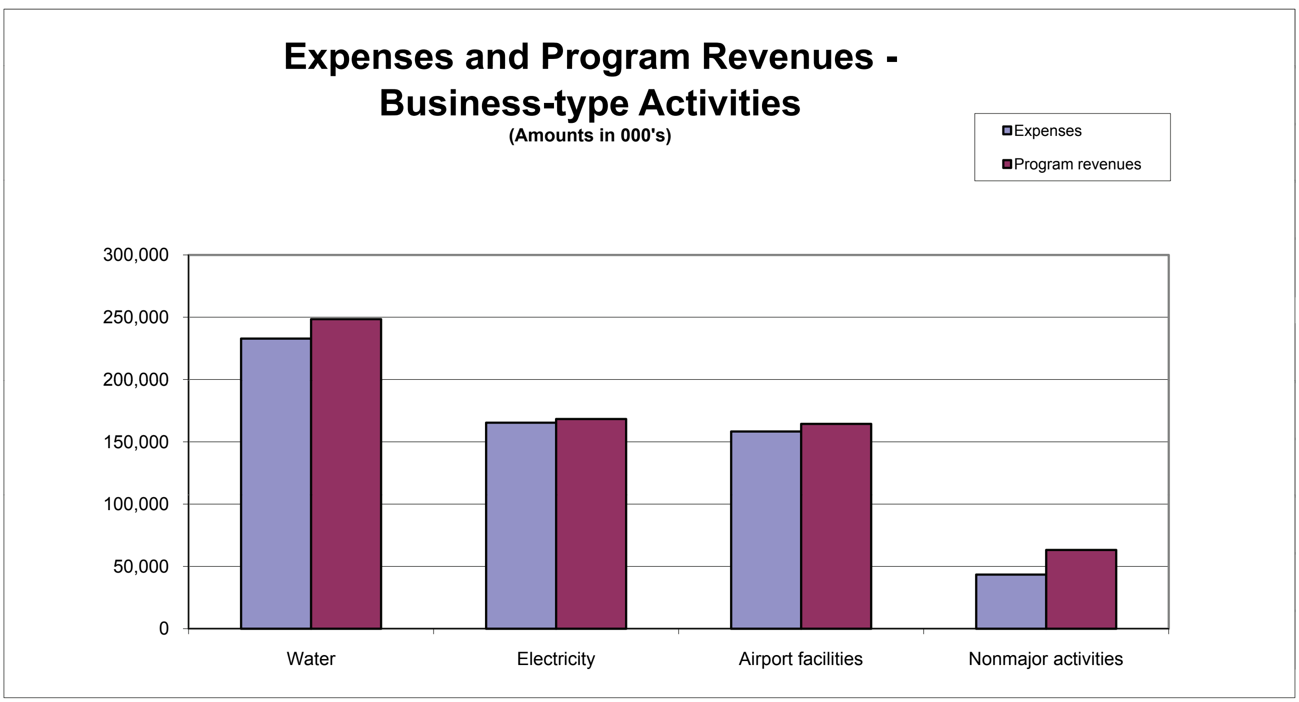
Business-type net assets increased $25.1 million in 2010. Of the business-type net assets, $1.080 billion represents its investment in capital assets, net of accumulated depreciation, less any related, still-outstanding debt issued to acquire, construct or improve those assets. These capital assets are 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. $243.5 million of net assets are subject to external restrictions on their use. The remaining balance of $462.4 million is unrestricted and may be used to meet the City's ongoing obligations to customers and creditors.


Revenues by Source - Governmental Activities
Charges for services 10.6%
Operating grants and contributions 19.3%
Other 10.7%
Property taxes 12.0%
State local government funds 6.7%
Income taxes 40.7%
Other includes capital grants and contributions, other taxes, shared revenues, unrestricted investment earnings and other general revenues.


Expenses and Program Revenues - Governmental Activities
(Amounts in 000's)
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
General Government
Public Service
Public Safety
Community Development
Building and Housing
Public Health
Parks, Recreation and Properties
Economic Development
Interest on debt
Expenses
Program revenues



Revenues by Source - Business-type Activities
Other
1.4%
Capital grants
and contributions
13.3%
Charges for services
85.3%
Other includes operating grants ,contributions and unrestricted investment earnings.



Expenses and Program Revenues -
Business-type Activities
(Amounts in 000's)
Expenses
Program revenues
300,000
250,000
200,000
150,000
100,000
50,000
0
Water
Electricity
Airport facilities
Nonmajor activities

In 2010, business-type total assets increased by $34.3 million primarily due to an increases in net receivables of $20.5 million, net capital assets of $39.4 million and deferred outflows of resources of $27.2 million. These increases were partially offset by a decrease in restricted assets of $44.1 million. Business-type total liabilities increased by $9.1 million primarily due to increases in due to other governments of $22.0 million and derivative instruments – interest rate swaps of $27.2 million. These increases were partially offset by a decrease in long-term obligations of $40.1 million.

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.

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 74 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. Operating revenue in 2010 increased approximately 4.0% to $237.3 million from $228.2 million in 2009. This increase was mainly attributed to a 2.1% increase in billed consumption. Operating expenses, exclusive of depreciation, increased to $149.5 million compared to $147.7 million in 2009.

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 2010 operating revenue increased 6.9% to $166.7 million from $155.9 million in 2009. Purchased power expense increased 4.5% to $94.6 million in 2010 from $90.6 million in 2009. Operating expenses, exclusive of depreciation and purchased power, increased 14.6% to $43.4 million compared to $37.9 million in 2009.

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 446 individuals in administration, airfield and building maintenance, vehicle maintenance and aircraft rescue and fire fighting. Currently, 27 passenger airlines provide scheduled airline service at Cleveland Hopkins International Airport. Burke Lakefront Airport, a federally certified commercial and general aviation reliever airport, provides the majority of its services to air taxi operators serving the City's downtown business activities. The airports' operating revenue in 2010 amounted to $106.7 million. This represents an 8.7% increase from 2009 operating revenues. Cleveland Hopkins International Airport served 9,492,455 passengers in 2010. This reflects a 2.3% decrease in the number of passengers served from 2009. This decrease is attributed to normal industry fluctuation and the economic recession.

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 $372.4 million, an increase of $8.2 million in comparison with the prior year. The total governmental unreserved fund balance is $99.6 million of which $71.2 million is undesignated. The components of the total undesignated governmental fund balance include a deficit of $2.6 million in the General Fund which indicates a deficit in the amount available for spending at the City's discretion; an additional $61.4 million of undesignated Special Revenue Funds available for expenditures that are legally restricted for a particular purpose; and the Capital Project Fund has $12.4 million of undesignated fund balance to be used for the acquisition or construction of major capital projects. An additional $28.4 million is designated for future capital improvements. The remaining $272.8 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 ($113.8 million), (2) to make future loans ($113.4 million), (3) to pay debt service ($35.8 million) and (4) for a variety of other restricted purposes ($9.8 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 a deficit of $2.5 million and the total fund balance was $12.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance represents negative 0.5% of total General Fund expenditures and transfers out, while total fund balance represents approximately 2.6% of that same amount.

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

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance Information - GAAP Basis

2010 and 2009

(Amounts in 000's)

	2010	2009
Revenues:		
Income taxes	$ 267,355	$ 265,377
Property taxes	38,568	41,918
State local government funds	47,972	45,590
Other shared revenues	44,143	47,164
Licenses and permits	10,581	11,631
Charges for services	25,826	15,878
Fines, forfeits and settlements	23,714	27,617
Investment earnings	351	1,602
Grants	2,569	2,122
Miscellaneous	11,331	13,085
Total revenues	472,410	471,984
Expenditures:		
General Government	72,063	77,690
Public Service	34,394	35,823
Public Safety	301,100	306,294
Community Development		1,860
Building and Housing	8,337	8,984
Public Health	5,240	5,645
Parks, Recreation and Properties	34,715	35,363
Economic Development	1,188	1,317
Other	11,490	10,446
Total expenditures	468,527	483,422
Excess (deficiency) of revenues over (under) expenditures	3,883	(11,438)
Other financing sources (uses):		
Transfers in	18,887	3,872
Transfers out	(16,164)	(18,391)
Sale of City assets	70	277
Net change in fund balance	6,676	(25,680)
Fund balance at beginning of year	5,865	31,545
Fund balance at end of year	$ 12,541	$ 5,865

Analysis of General Fund Revenues

General Fund revenues and other sources totaled $491.4 million in 2010, an increase of approximately $15.2 million from 2009. 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 2010, approximately 88% 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 $2.0 million in 2010 from 2009 due to an increase in income taxes receivable at December 31, 2010.

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.

As discussed in Note 11 – Property Taxes on pages 96 – 97, the tangible personal property (other than public utility) tax has been phased out for collection year 2010.

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

Tax Collection Year	Real Property	Tangible Personal (Other than Public Utility)	Public Utility Tangible Personal	Total Assessed Valuation
		(Amounts in 000's)		
2010	$ 5,279,349	$	$ 233,870	$ 5,513,219
2009	$ 5,496,719	$ 219,920	$ 220,820	$ 5,937,459

Property tax revenues decreased by $3.4 million in 2010 principally due to lower current tax collections and an increase in delinquencies in 2010.

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 decreased in total by approximately $639,000 in 2010.

Since 1993, the State Local Government Funds (LGF) 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.

Distributions from the State of Ohio and Cuyahoga County (as a conduit between the State and City) have generally decreased since 2000; however, in 2010 there was a slight increase in distributions over 2009 amounts.

Analysis of General Fund Expenditures

General Fund expenditures and other financing uses totaled $484.7 million in 2010, a decrease of 3.41% from 2009. 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:

Expenditures and Other Financing Uses	Actual 2010	% of Total	Actual 2009	% of Total	Increase (Decrease)	% Change
			(Amounts in 000's)			
Current:						
General Government	$ 72,063	14.87	$ 77,690	15.48	$ (5,627)	(7.24)
Public Service	34,394	7.10	35,823	7.14	(1,429)	(3.99)
Public Safety	301,100	62.12	306,294	61.04	(5,194)	(1.70)
Community Development			1,860	0.37	(1,860)	(100.00)
Building and Housing	8,337	1.72	8,984	1.79	(647)	(7.20)
Public Health	5,240	1.08	5,645	1.13	(405)	(7.17)
Parks, Recreation and Properties	34,715	7.16	35,363	7.05	(648)	(1.83)
Economic Development	1,188	0.25	1,317	0.26	(129)	(9.79)
Other	11,490	2.37	10,446	2.08	1,044	9.99
Transfers Out	16,164	3.33	18,391	3.66	(2,227)	(12.11)
Total Expenditures and Other Financing Uses	$ 484,691		$ 501,813		$ (17,122)	

The total expenditures and other financing uses decreased by $17.1 million. The decreases in General Government and Public Safety expenditures were due to decreases in full-time permanent personnel. In addition, temporary wage reductions related to the City-wide furlough further reduced expenditures in all functional areas in 2010. The decrease in Operating Transfers Out was due to a decrease in the transfer to the Stadium Fund, which was not needed in 2010.

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 $207.5 million, $58.3 million and $148.1 million, respectively, at December 31, 2010. The change in net assets for each of the respective funds amounted to increases of $15.8 million, $3.1 million and $6.2 million during 2010. 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, 2010 and 2009, the City had approximately 7,694 and 7,943 full-time employees, respectively. Of the 7,694 full-time employees, approximately 5,847 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 – 1,317 members; Cleveland Police Patrolmen's Association – 1,275 members; the Association of Cleveland Firefighters – 857 members; Municipal Foreman and Laborers Union, Local 1099 – 474 members; and Local 244 – 247 members.

There have been no significant labor disputes or work stoppages in the City within the last 27 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:

Year	**Amount Paid (Amounts in 000's)**
2010	$ 424,680
2009	$ 446,948

The decrease in salaries and wages in 2010 is primarily due to a decrease in the number of employees and a decrease in overtime usage.

Employee Retirement Benefits

City employees are members of one of two retirement systems. These retirement systems provide both pension and post-retirement 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 356,734 actively contributing members and total net assets of this pension system approximated $76.5 billion as of December 31, 2010, the latest information available. More data on this pension system is shown in Note 13 – Defined Benefit Pension Plans and Note 14 – Other Postemployment Benefits 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, 2009, the latest information available, management of the fund indicates membership of approximately 28,927 active members and assets of this pension fund approximated $11.6 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 Note 13 – Defined Benefit Pension Plans and Note 14 – Other Postemployment Benefits of this report.

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

	2010	2009
	(Amounts in 000's)	
Paid by City to:		
OPERS	$ 40,348	$ 41,333
OP&F	33,294	34,036
Total paid by City	73,642	75,369
Paid by employees to:		
OPERS	25,524	27,443
OP&F	15,719	16,142
Total paid by employees	41,243	43,585
Total	$ 114,885	$ 118,954

The City is current in all of its required contributions to the respective pension funds. The pension plans and other postemployment benefits for health care are explained in Note 13 – Defined Benefit Pension Plans and Note 14 – Other Postemployment Benefits.

GENERAL FUND BUDGETARY ANALYSIS

In 2010, 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).

In 2010, there were no major differences between the final amended budget and the actual total revenues, excluding transfers in. There was a $7.1 million difference in transfers in because the final amended budget included the Rainy Day Fund transfer of $7.1 million which was not used. There was a difference of $12.9 million between the final amended budget and actual total expenditures, including transfers out. Approximately $5.4 million of this was due to the impact of over 200 vacancies and benefit related savings and other "proactive" cost reduction activities resulting from the restructuring of operational clusters in the General Fund. The remaining $7.5 million was due to continued energy use reduction due to operational efficiency efforts and reductions in contractual and interdepartmental expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets: The City's investment in capital assets for its governmental and business-type activities as of December 31, 2010, amounts to $3.766 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 0.7% (a 1.4% decrease for governmental activities and a 1.4% increase for business-type activities). A summary of the City's capital assets at December 31, 2010 is as follows:

	Capital Assets, Net of Accumulated Depreciation		
	Governmental Activities	Business-Type Activities (Amounts in 000's)	Total
Land	$ 63,895	$ 199,129	$ 263,024
Land improvements	45,570	37,285	82,855
Utility plant		892,613	892,613
Buildings, structures and improvements	332,597	324,501	657,098
Furniture, fixtures, equipment and vehicles	55,202	486,533	541,735
Infrastructure	297,050	534,817	831,867
Construction in progress	116,818	379,621	496,439
Total	$ 911,132	$ 2,854,499	$ 3,765,631

Additions to construction in progress during the current fiscal year affecting the City's capital assets included the following:

- Cleveland Public Power incurred $24.2 million of capital expenditures relating to various projects, pole replacements, equipment and building betterments.
- The Division of Water had expenditures for capital improvements totaling $108.7 million. Major expenses were for continuing renovations and enhancements at the Morgan, Baldwin and Nottingham Plants, equipment and rehabilitation of water mains.
- Port Control expenditures for capital improvements totaled approximately $25.5 million. Major components were the Runway 10/28 Safety Improvement Project, security system enhancements and reconstruction and upgrading and enhancements of the terminal utilities.
- Water Pollution Control had capital expenditures of $3.0 million. Major initiatives included the various sewer line replacement projects.
- Major capital projects for Governmental Activities included land improvements, building improvements, vehicles and equipment, various computer system upgrades and infrastructure improvements.

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 – Capital Assets.

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 $2.765 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, 2010 is summarized below (excluding unamortized discounts, premiums and losses on debt refundings).

	Balance January 1, 2010	Debt Issued	Debt Refunded or Defeased (Amounts in 000's)	Debt Retired	Balance December 31, 2010
Governmental Activities:					
General Obligation Bonds	$ 326,230	$	$	$ (29,115)	$ 297,115
Urban Renewal Bonds	5,860			(495)	5,365
Subordinated Income Tax Bonds	58,460			(2,675)	55,785
Subordinate Lien Income Tax Bonds	57,630	27,380		(1,985)	83,025
Non-Tax Revenue Bonds	64,956			(3,161)	61,795
Annual Appropriation Bonds		11,000			11,000
Certificates of Participation	119,016	133,125	(108,390)	(8,214)	135,537
Capital Lease Obligations	5,320	6,690		(3,073)	8,937
Gateway Note Payable	1,750			(250)	1,500
Total Governmental Activities	639,222	178,195	(108,390)	(48,968)	660,059
Business –Type Activities:					
Revenue Bonds & Notes	2,032,178	155,345	(146,955)	(65,740)	1,974,828
Ohio Water Development Loans	107,654	18,731		(5,050)	121,335
Deferred Payment Obligation	11,830			(2,562)	9,268
Total Business –Type Activities	2,151,662	174,076	(146,955)	(73,352)	2,105,431
Total	$ 2,790,884	$ 352,271	$ (255,345)	$ (122,320)	$ 2,765,490

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 $20.09 million in 2010 which represents approximately 45% 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 55% of debt service requirements is retired from a portion of the City's restricted income tax proceeds, homestead and 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, 2010:

	Moody's Investors Service	**Standard & Poor's**	**Fitch Ratings**
General Obligation Bonds	A1*	AA	AA-***
Subordinate Lien Income Tax Bonds	A2*	AA	N/A
Waterworks Revenue Bonds	Aa1*	AA	N/A
Cleveland Public Power Revenue Bonds	A2	A-	N/A
Airport System Revenue Bonds	Baa1**	A-	A
Parking Revenue Bonds (Insured Ratings)	Aa3	AA+	N/A

* Rating upgraded in April 2010 as part of Moody's recalibration of municipal ratings to its global scale.
** On November 18, 2010, Moody's lowered its rating on Airport System Revenue Bonds from A3 to Baa1.
*** In May 2010, Fitch Ratings upgraded its rating on City GO Bonds as part of its recalibration of municipal bond ratings.

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 Fund. This data at December 31, 2010 was:

Net General Bonded Debt:	$294,923,000
Ratio of Net Bonded Debt to Assessed Valuation:	5.35%
Net General Bonded Debt Per Capita:	$743.23

The Ohio Revised Code provides that the net debt of the municipal corporation, whether or not approved by the electors, shall not exceed 10.50% 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 5.50% of total assessed value of property. The City's total debt limit (10.50%) is $578,888,037 and unvoted debt limit (5.50%) is $303,227,067. At December 31, 2010, the City had no 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.

In addition, the City has entered into various derivative or hedging agreements since 1996. Derivative instruments are contracts, the value of which depends on, or derives from, the value of an underlying asset, index or rate. The most common types of derivatives used by governments are interest rate swaps and interest rate locks. A detailed description of each outstanding derivative, including its terms, objectives, risks and fair value, can be found in Note 5 – Debt and Other Long-Term Obligations.

In accordance with the implementation of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the City has reported a deferred outflow and a liability in the amount of the fair value of the interest rate swaps, which reflect the prevailing interest rate environment at December 31, 2010. The specific terms and conditions of each swap have been provided by the respective counterparty for each swap and confirmed by the City's financial advisor.

Additional information on the City's long-term debt can be found in Note 5 – Debt and Other Long-Term Obligations.

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

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

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

On April 13, 2011, Fitch Ratings downgraded its rating on the City's outstanding general obligation bonds from AA- to A+ with a stable outlook. This rating applies to all of the City's outstanding general obligation bonds issued from 2002 through 2009.

On April 25, 2011, Fitch Ratings downgraded its rating on the City's outstanding airport system revenue bonds from A (negative outlook) to A- with a stable outlook. This rating covers various series of revenue bonds issued to make improvements to Cleveland Hopkins and Burke Lakefront Airports.

The City introduced legislation on May 9, 2011 which would authorize the sale of the Gateway North Garage, which is part of the City's parking facilities. The garage is one of two City-owned garages located in the Gateway neighborhood and is being sold to Rock Ohio Caesars Gateway LLC to facilitate the development of Phase I of the Horseshoe Casino Cleveland. City Council approved the legislation on June 6, 2011.

On May 16, 2011, City Council passed legislation authorizing the City to enter into an equipment lease agreement in an amount not to exceed $6,800,000. The City intends to purchase various police vehicles, heavy-duty vehicles and other apparatus. Lease payments will be made from the Restricted Income Tax Fund for a period of seven years.

Effective May 19, 2011, the City issued $31,260,000 Series 2011 Various Purpose General Obligation Bonds. Proceeds of the bonds will be used for various public improvements to roads and bridges, cemeteries, public facilities and parks and recreation facilities.

NEED ADDITIONAL INFORMATION

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

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BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2010
(Amounts in 000's)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 310,717	$ 337,735	$ 648,452
Investments		7,102	7,102
Receivables:			
Taxes	134,257		134,257
Accounts	22,612	219,545	242,157
Grants	31,394		31,394
Loans	176,849		176,849
Unbilled revenue		37,904	37,904
Accrued interest		65	65
Assessments	6,247		6,247
Less: Allowance for doubtful accounts	(12,089)	(31,784)	(43,873)
Receivables, net	359,270	225,730	585,000
Internal balances	2,612	(2,612)	
Due from other governments	40,613	722	41,335
Inventory of supplies	2,524	15,438	17,962
Prepaid expenses and other assets		1,521	1,521
Restricted assets:			
Cash and cash equivalents		603,358	603,358
Investments		5,601	5,601
Accrued interest receivable		102	102
Bond retirement reserve		53	53
Accrued passenger facility charge		2,470	2,470
Total restricted assets	-	611,584	611,584
Unamortized bond issuance costs	25,968	28,240	54,208
Deferred outflows of resources	914	27,208	28,122
Capital assets:			
Land and construction in progress	180,713	578,750	759,463
Other capital assets, net of accumulated depreciation	730,419	2,275,749	3,006,168
Total capital assets	911,132	2,854,499	3,765,631
Total assets	1,653,750	4,107,167	5,760,917
LIABILITIES			
Accounts payable	13,380	28,283	41,663
Accrued wages and benefits	48,735	13,631	62,366
Due to other governments	88,534	114,922	203,456
Accrued interest payable	11,763	40,026	51,789
Deferred revenue	69,157		69,157
Unearned revenue	11,851		11,851
Liabilities payable from restricted assets		20,773	20,773
Loans payable	2,560		2,560
Derivative instruments-interest rate swaps	914	27,208	28,122
Long-term obligations:			
Due within one year	82,446	132,806	215,252
Due in more than one year	697,229	1,943,278	2,640,507
Total liabilities	1,026,569	2,320,927	3,347,496
NET ASSETS			
Invested in capital assets, net of related debt	557,804	1,080,332	1,638,136
Restricted for:			
Debt service	26,265	217,939	244,204
Loans	113,418		113,418
Other purposes	20,259	25,572	45,831
Unrestricted (deficit)	(90,565)	462,397	371,832
Total net assets	$ 627,181	$ 1,786,240	$ 2,413,421

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, 2010
(Amounts in 000's)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Governmental activities:							
General Government	$ 81,898	$ 31,570	$ 1,348	$ 41	$ (48,939)	$	$ (48,939)
Public Service	93,425	12,024	13,821	11,179	(56,401)		(56,401)
Public Safety	315,900	13,839	8,647		(293,414)		(293,414)
Community Development	70,589		73,563		2,974		2,974
Building and Housing	17,445	7,327	9,064		(1,054)		(1,054)
Public Health	19,740	3,033	12,693		(4,014)		(4,014)
Parks, Recreation and Properties	46,963	8,047	13,830		(25,086)		(25,086)
Economic Development	24,729	1,469	8,156		(15,104)		(15,104)
Interest on debt	47,531				(47,531)		(47,531)
Total governmental activities	718,220	77,309	141,122	11,220	(488,569)	-	(488,569)
Business-type activities:							
Water	232,862	237,270	3,553	7,645		15,606	15,606
Electricity	165,330	166,665	566	1,035		2,936	2,936
Airport facilities	158,262	106,696	619	57,089		6,142	6,142
Nonmajor activities:							
Sewer	24,140	25,130	43	401		1,434	1,434
Convention Center	4,568	1,296	3,785	18,789		19,302	19,302
Westside Market	1,692	1,295	20			(377)	(377)
Eastside Market	82		1			(81)	(81)
Municipal Parking Lots	9,242	9,227	2	3		(10)	(10)
Cemeteries	1,858	1,327	72	572		113	113
Golf Courses	1,861	1,083	128			(650)	(650)
Total business-type activities	599,897	549,989	8,789	85,534	-	44,415	44,415
Total	$ 1,318,117	$ 627,298	$ 149,911	$ 96,754	(488,569)	44,415	(444,154)
General revenues:							
Income taxes					298,209		298,209
Property taxes					88,087		88,087
Other taxes					28,450		28,450
Shared revenues					23,869		23,869
State local government funds					49,266		49,266
Unrestricted investment earnings					654	4	658
Other					14,104		14,104
Transfers					19,278	(19,278)	
Total general revenues and transfers					521,917	(19,274)	502,643
Change in net assets					33,348	25,141	58,489
Net assets at beginning of year					593,833	1,761,099	2,354,932
Net assets at end of year					$ 627,181	$ 1,786,240	$ 2,413,421

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

CITY OF CLEVELAND, OHIO

BALANCE SHEET-GOVERNMENTAL FUNDS
DECEMBER 31, 2010
(Amounts in 000's)

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 16,400	$ 279,827	$ 296,227
Receivables:			
Taxes	99,483	34,774	134,257
Accounts	22,612		22,612
Grants		31,394	31,394
Loans		176,849	176,849
Assessments		6,247	6,247
Less: Allowance for doubtful accounts	(12,089)		(12,089)
Receivables, net	110,006	249,264	359,270
Due from other funds	12,630	13,064	25,694
Due from other governments	29,298	11,315	40,613
Inventory of supplies	77	1,168	1,245
TOTAL ASSETS	$ 168,411	$ 554,638	$ 723,049
LIABILITIES			
Accounts payable	$ 3,716	$ 7,945	$ 11,661
Accrued wages and benefits	44,491	3,157	47,648
Due to other governments	952	87,045	87,997
Deferred revenue	100,987	58,937	159,924
Unearned revenue		11,851	11,851
Due to other funds	5,724	25,822	31,546
Total liabilities	155,870	194,757	350,627
FUND BALANCES			
Reserved for:			
Loans		113,418	113,418
Inventory	77	1,168	1,245
Debt service		35,770	35,770
Encumbrances	6,461	107,340	113,801
Rainy day reserve fund	8,532		8,532
Unreserved, reported in:			
General Fund:			
Designated for future capital improvements	42		42
Undesignated	(2,571)		(2,571)
Special Revenue funds:			
Designated for future capital improvements		3,020	3,020
Undesignated		61,412	61,412
Capital Projects funds:			
Designated for future capital improvements		25,381	25,381
Undesignated		12,372	12,372
Total fund balances	12,541	359,881	372,422
TOTAL LIABILITIES AND FUND BALANCES	$ 168,411	$ 554,638	

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.	907,433
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	90,767
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.	(752,899)
The assets and liabilities of most of the internal service funds are included in the governmental activities in the statement of net assets.	9,458
Net assets of governmental activities	$ 627,181

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, 2010

(Amounts in 000's)

	General	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Income taxes	$ 267,355	$ 33,072	$ 300,427
Property taxes	38,568	20,092	58,660
State local government funds	47,972		47,972
Other shared revenues	44,143	35,477	79,620
Licenses and permits	10,581	2,948	13,529
Charges for services	25,826	7,953	33,779
Fines, forfeits and settlements	23,714	4,929	28,643
Investment earnings	351	270	621
Grants	2,569	114,351	116,920
Contributions		72	72
Miscellaneous	11,331	5,159	16,490
Total revenues	472,410	224,323	696,733
EXPENDITURES:			
Current:			
General Government	72,063	8,802	80,865
Public Service	34,394	19,173	53,567
Public Safety	301,100	7,221	308,321
Community Development		70,437	70,437
Building and Housing	8,337	9,064	17,401
Public Health	5,240	13,989	19,229
Parks, Recreation and Properties	34,715	3,107	37,822
Economic Development	1,188	23,447	24,635
Other	11,490		11,490
Capital outlay		56,227	56,227
Inception of capital lease		3,201	3,201
Debt service:			
Principal retirement		48,223	48,223
Interest		28,682	28,682
General Government		18,722	18,722
Other		795	795
Total expenditures	468,527	311,090	779,617
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,883	(86,767)	(82,884)
OTHER FINANCING SOURCES (USES):			
Transfers in	18,887	87,730	106,617
Transfers out	(16,164)	(71,988)	(88,152)
Issuance of debt		171,505	171,505
Premium on bonds and notes		1,885	1,885
Discount on bonds and notes		(237)	(237)
Payment to refund bonds and notes		(108,390)	(108,390)
Sale of City assets	70	1,057	1,127
Proceeds from capital lease		6,690	6,690
Total other financing sources (uses)	2,793	88,252	91,045
NET CHANGE IN FUND BALANCES	6,676	1,485	8,161
FUND BALANCES AT BEGINNING OF YEAR	5,865	358,396	364,261
FUND BALANCES AT END OF YEAR	$ 12,541	$ 359,881	$ 372,422

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, 2010

(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)	$ 8,161
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.	(15,436)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	33,877
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.	(32)
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.	9,956
The net revenue of certain activities of internal service funds is reported with governmental activities.	(3,178)
Change in net assets of governmental activities (page 51)	$ 33,348

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, 2010

(Amounts in 000's)

	Original Budget	Final Budget	Actual*	Variance- Positive (Negative)
REVENUES:				
Income taxes	$ 262,509	$ 262,509	$ 263,578	$ 1,069
Property taxes	39,009	39,009	38,568	(441)
State local government funds	45,730	45,730	47,268	1,538
Other shared revenues	43,340	43,340	45,476	2,136
Licenses and permits	11,265	11,265	10,673	(592)
Charges for services	28,024	28,024	26,350	(1,674)
Fines, forfeits and settlements	25,588	25,588	23,982	(1,606)
Investment earnings	1,011	1,011	326	(685)
Grants	4,821	4,821	2,569	(2,252)
Miscellaneous	20,149	20,149	21,934	1,785
Total revenues	481,446	481,446	480,724	(722)
EXPENDITURES:				
Current:				
General Government	79,322	79,531	75,739	3,792
Public Service	35,154	35,157	34,641	516
Public Safety	303,690	304,825	302,168	2,657
Building and Housing	9,428	9,428	8,578	850
Public Health	5,621	5,671	5,328	343
Parks, Recreation and Properties	36,889	36,889	34,974	1,915
Economic Development	1,289	1,289	1,207	82
Other	21,586	22,286	19,592	2,694
Total expenditures	492,979	495,076	482,227	12,849
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(11,533)	(13,630)	(1,503)	12,127
OTHER FINANCING SOURCES (USES):				
Transfers in	25,970	25,970	18,887	(7,083)
Transfers out	(18,375)	(16,278)	(16,277)	1
Sale of City assets	2	2	70	68
Total other financing sources (uses)	7,597	9,694	2,680	(7,014)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(3,936)	(3,936)	1,177	5,113
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			999	999
NET CHANGE IN FUND BALANCES	(3,936)	(3,936)	2,176	6,112
FUND BALANCES AT BEGINNING OF YEAR	3,968	3,968	3,968	-
FUND BALANCES AT END OF YEAR	$ 32	$ 32	$ 6,144	$ 6,112

***** On budgetary basis of accounting (see Note 2 - Summary of Significant Accounting Policies, "D" Budgetary Procedures).

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

CITY OF CLEVELAND, OHIO

BALANCE SHEET - PROPRIETARY FUNDS
DECEMBER 31, 2010
(Amounts in 000's)

	Business Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	$ 158,473	$ 54,212	$ 82,872	$ 41,196	$ 336,753	$ 15,472
Restricted cash and cash equivalents	15,727	1,271	3,775		20,773	
Investments	7,102				7,102	
Receivables:						
Accounts	68,952	18,305	14,519	117,769	219,545	
Unbilled revenue	28,700	2,492	4,415	2,297	37,904	
Accrued interest	65				65	
Less: Allowance for doubtful accounts	(19,611)	(4,647)	(1,986)	(5,540)	(31,784)	
Receivables, net	78,106	16,150	16,948	114,526	225,730	-
Due from other funds	11,864	2,505	96	519	14,984	8,674
Due from other governments			722		722	
Inventory of supplies	3,940	9,135	2,057	306	15,438	1,280
Prepaid expenses and other assets	1,073	116	332		1,521	
Total current assets	276,285	83,389	106,802	156,547	623,023	25,426
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	240,916	59,876	258,114	23,679	582,585	
Investments		3,572	2,029		5,601	
Accrued interest receivable	77		25		102	
Bond retirement reserve			53		53	
Accrued passenger facility charges			2,470		2,470	
Total restricted assets	240,993	63,448	262,691	23,679	590,811	-
Unamortized bond issuance costs	4,911	3,293	17,453	2,583	28,240	
Deferred outflow of resources	17,664		7,715	1,829	27,208	
Capital assets:						
Land	5,463	4,863	167,457	21,346	199,129	663
Land improvements	16,549	305	72,568	6,551	95,973	146
Utility plant	1,002,569	472,178		128,560	1,603,307	
Buildings, structures and improvements	219,953	18,699	328,738	118,079	685,469	2,673
Furniture, fixtures, equipment and vehicles	565,014	78,502	36,645	19,623	699,784	6,703
Infrastructure			910,907		910,907	
Construction in progress	310,919	42,642	16,815	9,245	379,621	988
Less: Accumulated depreciation	(650,909)	(282,694)	(632,622)	(154,249)	(1,720,474)	(6,692)
Total capital assets, net	1,469,558	334,495	900,508	149,155	2,853,716	4,481
Total noncurrent assets	1,733,126	401,236	1,188,367	177,246	3,499,975	4,481
TOTAL ASSETS	$ 2,009,411	$ 484,625	$ 1,295,169	$ 333,793	$ 4,122,998	$ 29,907

(Continued)

BALANCE SHEET - PROPRIETARY FUNDS
DECEMBER 31, 2010
(Amounts in 000's)

	Business-Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
LIABILITIES						
Current liabilities:						
Accounts payable	$ 12,466	$ 11,048	$ 2,510	$ 2,250	$ 28,274	$ 1,732
Accrued wages and benefits	10,423	3,781	4,129	2,135	20,468	2,549
Due to other funds	2,223	5,164	1,069	9,130	17,586	220
Due to other governments			6,492	108,430	114,922	537
Accrued interest payable	15,597	5,543	18,111	775	40,026	
Current payable from restricted assets	15,727	1,271	3,775		20,773	
Current portion of long-term obligations	93,407	10,495	17,472	3,911	125,285	
Total current liabilities	149,843	37,302	53,558	126,631	367,334	5,038
Long-term liabilities:						
Accrued wages and benefits	1,619	560	651	288	3,118	14,495
Construction loans payable	112,114			2,843	114,957	
Deferred payment obligation			6,500		6,500	
Revenue bonds payable	705,505	240,005	824,866	48,181	1,818,557	
Derivative instruments-interest rate swaps	17,664		7,715	1,829	27,208	
Total noncurrent liabilities	836,902	240,565	839,732	53,141	1,970,340	14,495
Total liabilities	986,745	277,867	893,290	179,772	2,337,674	19,533
NET ASSETS						
Invested in capital assets, net of related debt	713,285	144,257	124,506	97,501	1,079,549	4,481
Restricted for debt service	101,890	4,210	103,701	8,138	217,939	
Restricted for passenger facility charges			25,572		25,572	
Unrestricted	207,491	58,291	148,100	48,382	462,264	5,893
Total net assets	1,022,666	206,758	401,879	154,021	1,785,324	10,374
TOTAL LIABILITIES AND NET ASSETS	$ 2,009,411	$ 484,625	$ 1,295,169	$ 333,793		$ 29,907
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					916	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES					$ 1,786,240	

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, 2010

(Amounts in 000's)

	Business-Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
OPERATING REVENUES:						
Charges for services	$ 237,270	$ 166,665	$ 106,696	$ 39,338	$ 549,969	$ 37,763
Total operating revenue	237,270	166,665	106,696	39,338	549,969	37,763
OPERATING EXPENSES:						
Operations	99,610	24,199	66,439	22,690	212,938	39,380
Maintenance	49,903	19,212	3,713	9,050	81,878	2,399
Purchased power		94,619			94,619	
Depreciation	55,715	16,191	49,999	8,088	129,993	607
Total operating expenses	205,228	154,221	120,151	39,828	519,428	42,386
OPERATING INCOME (LOSS)	32,042	12,444	(13,455)	(490)	30,541	(4,623)
NON-OPERATING REVENUES (EXPENSES):						
Investment income	4,007	96	1,088	55	5,246	36
Interest expense	(27,410)	(10,966)	(30,442)	(3,183)	(72,001)	
Passenger facility charges			18,820		18,820	
Sound insulation program			(2,545)		(2,545)	
Gain (Loss) on disposal of capital assets	1			18,703	18,704	
Hotel tax				3,785	3,785	
Other revenues (expenses)	2,189	484	(5,053)	(131)	(2,511)	
Total non-operating revenues (expenses)	(21,213)	(10,386)	(18,132)	19,229	(30,502)	36
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	10,829	2,058	(31,587)	18,739	39	(4,587)
Capital contributions	5,001	1,021	37,800	1,048	44,870	107
Transfers in				694	694	813
Transfers out				(19,972)	(19,972)	
Change in net assets	15,830	3,079	6,213	509	25,631	(3,667)
NET ASSETS AT BEGINNING OF YEAR	1,006,836	203,679	395,666	153,512		14,041
NET ASSETS AT END OF YEAR	$ 1,022,666	$ 206,758	$ 401,879	$ 154,021		$ 10,374
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds					(490)	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES					$ 25,141	

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, 2010
(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	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	$ 226,973	$ 166,981	$ 96,848	$ 36,200	$ 527,002	$ 37,525
Cash payments to suppliers for goods or services	(65,037)	(15,862)	(36,896)	(13,808)	(131,603)	(23,892)
Cash payments to employees for services	(75,207)	(21,825)	(27,813)	(15,792)	(140,637)	(17,929)
Cash payments for purchased power		(95,227)			(95,227)	
Agency activity on behalf of NEORSD				6,298	6,298	
Other		(5,205)			(5,205)	
Net cash provided by (used for) operating activities	86,729	28,862	32,139	12,898	160,628	(4,296)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Cash payments for sound insulation of homes			(3,165)		(3,165)	
Cash received (paid) through transfers from/to other funds				(19,278)	(19,278)	813
Cash received from hotel tax				3,809	3,809	
Cash receipts (payments) from/to various parties		2,157	(3,154)	193	(804)	
Net cash provided by (used for) noncapital financing activities		2,157	(6,319)	(15,276)	(19,438)	813
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Cash receipts for passenger facility charges			18,798		18,798	
Proceeds from sale of revenue bonds, loans and notes	138,854	27,243			166,097	
Acquisition and construction of capital assets	(82,684)	(20,343)	(27,416)	(3,704)	(134,147)	
Sale of capital assets				20,003	20,003	
Principal paid on long-term debt	(36,191)	(8,045)	(52,480)	(3,767)	(100,483)	
Interest paid on long-term debt	(40,324)	(10,456)	(36,471)	(2,963)	(90,214)	
Cash paid to escrow agent for refunding	(91,009)	(27,081)			(118,090)	
Capital grant proceeds	5,001		39,092		44,093	
Net cash provided by (used for) capital and related financing activities	(106,353)	(38,682)	(58,477)	9,569	(193,943)	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of investment securities		(8,572)			(8,572)	
Proceeds from sale and maturity of investment securities	21,000	8,163	9,999		39,162	
Interest received on investments	5,070	106	1,666	55	6,897	36
Net cash provided by (used for) investing activities	26,070	(303)	11,665	55	37,487	36
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,446	(7,966)	(20,992)	7,246	(15,266)	(3,447)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	408,670	123,325	365,753	57,629	955,377	18,919
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 415,116	$ 115,359	$ 344,761	$ 64,875	$ 940,111	$ 15,472

(Continued)

CITY OF CLEVELAND, OHIO

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Amounts in 000's)

	Business-Type Activities - Enterprise Funds					Governmental
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Operating income (loss)	$ 32,042	$ 12,444	$ (13,455)	$ (490)	$ 30,541	$ (4,623)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	55,715	16,191	49,999	8,088	129,993	607
Non-cash rental income			(3,389)		(3,389)	
Changes in assets and liabilities:						
Receivables, net	(2,805)	(180)	(6,107)	(12,132)	(21,224)	
Due from other funds	(1,052)	47	(71)	(36)	(1,112)	2,079
Inventory of supplies	169	(471)	102	162	(38)	(14)
Prepaid expenses and other assets	828	(7)	251		1,072	
Accounts payable	802	618	(1,269)	1,085	1,236	431
Accrued wages and benefits	(1,210)	(552)	(93)	(391)	(2,246)	(3,041)
Due to other funds	(298)	777	(105)	1,001	1,375	37
Due to other governments				15,611	15,611	228
Accrued expenses and other liabilities	2,538	(5)	6,276		8,809	
Total adjustments	54,687	16,418	45,594	13,388	130,087	327
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 86,729	$ 28,862	$ 32,139	$ 12,898	$ 160,628	$ (4,296)

(Concluded)

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

CITY OF CLEVELAND, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2010
(Amounts in 000's)

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 33,282
Taxes receivable	20,072
Due from other governments	413
Total assets	53,767
LIABILITIES	
Due to other governments	27,350
Due to others	26,417
Total liabilities	$ 53,767

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

NOTE 1 – DESCRIPTION OF CITY OPERATIONS AND REPORTING ENTITY

***The City*:** The City of Cleveland, Ohio (the City) operates under an elected Mayor/Council (19 Council members) administrative/legislative form of government.

***Reporting Entity*:** The accompanying financial statements as of December 31, 2010 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 Cleveland 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 Cuyahoga 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. GASB Statement No. 34 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 the Utilities Administration Fund 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.

   Program revenues and expenses previously reported as "Other" program revenues and expenses in governmental activities on the statement of activities are now classified as General Government program revenues and expenses as appropriate.

Business-type activities on the government-wide statement of activities summarizes other Enterprise Funds as Nonmajor activities. These include Sewer, Convention Center, West Side Market, East Side Market, Municipal Parking Lots, Cemeteries and Golf Courses.

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.

   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 is 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 Project Funds –** The Capital Project 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) guidance 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 two appropriation amendments during 2010 which reallocated appropriations and increased the budget 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 2010 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)	$ 1,177
Adjustments:	
Revenue Accruals	(8,314)
Expenditure Accruals	7,023
Encumbrances and Pre-Encumbrances	6,790
Net Change in Fund Balance	$ 6,676

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 – Pooled And Segregated Cash And Investments) 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**:** Issuance of 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 land, 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 guidance provided by the Financial Accounting Standards Board. This guidance 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. This guidance is applied to Waterworks Improvement First Mortgage Revenue Bonds, its Public Power Improvement First Mortgage Revenue Bonds and its Airport Revenue Bonds.

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:

Assets	Years
Land improvements	15-100
Utility plant	10-100
Buildings, structures and improvements	5-60
Furniture, fixtures, equipment and vehicles	3-60
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 and 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. The City has implemented GASB 53 for the year ending December 31, 2010 and has accordingly recorded the fair value of each swap in the Government-wide financial statements. As further described in Note 5 – Debt And Other Long-Term Obligations, the City has six swap agreements outstanding at December 31, 2010, one for its Subordinated Income Tax Variable Rate Refunding Bonds, one on the Parking Facilities Refunding Revenue Bonds, one related to the Airport System Revenue Bonds Series 2008D, one related to the Airport System Revenue Bonds Series 2009D, two associated with the 2008 Water Revenue Bonds Series Q and 2010 Water Revenue Bonds Series U and V.

***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, 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, 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 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which is effective for the year ended December 31, 2010. The City has determined that GASB Statement No. 51 has no material impact on its financial statements as of December 31, 2010.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement requires governments to measure most derivative instruments at fair value in financial statements using the accrual basis of accounting. Specific criteria are used to determine whether a derivative instrument results in an effective hedge. Changes in fair value for effective hedges are to be recognized in the reporting period to which they relate and are reported as deferrals in the statement of net assets or the balance sheet. Derivative instruments that either do not meet the criteria for an effective hedge or are associated with investments that are already reported at fair value are to be classified as investment derivative instruments for financial reporting purposes with the change in fair value reported as part of investment revenue in the current period. As required, the City has implemented GASB 53 effective for the 2010 fiscal year.

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 $752.9 million difference are as follows:

	(Amounts in 000's)
Bonds payable	$ (641,706)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	25,968
Unamortized bond premium	(17,102)
Accrued interest payable	(11,763)
Capital leases payable	(8,937)
Loans payable	(2,560)
Claims and adjustments	(4,000)
Compensated absences	(92,799)
Net adjustments to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$ (752,899)

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 $15.4 million difference are as follows:

	(Amounts in 000's)
Capital outlay	$ 36,577
Depreciation expense	(51,965)
Capital asset disposal	(48)
Net adjustment to increase *net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities*	$ (15,436)

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	$ (56,890)
Current year deferred revenues	90,767
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 33,877

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 and in the treatment of long-term debt is $32,000 which is detailed as follows:

	(Amounts in 000's)
Debt issued or incurred:	
Issuance of general obligation bonds and other obligations	$ (173,153)
Accrued interest	614
Principal repayments:	
General obligation debt and other obligations	44,980
Payment on capital lease	3,073
Payment on loan	80
Refunding of general obligation bonds and other obligations	108,390
Amortization of debt issuance cost	15,984
Net adjustment to increase *net changes in fund balances - total* governmental funds to arrive at *changes in net assets of governmental activities*	$ (32)

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 $10.0 million difference are as follows:

	(Amounts in 000's)	
Compensated absences	$	9,602
Claims judgements		354
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	9,956

NOTE 4 – POOLED AND SEGREGATED CASH AND INVESTMENTS

Monies for the Debt Service Funds, certain Capital Project 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 Project 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, General 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 was $251,340,000 and the actual bank balance totaled $264,274,000. 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*, $264,274,000 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. The City does not have an investment policy dealing with investment custodial risk beyond the requirement in the State statue.

Credit Risk: The City's investments as of December 31, 2010 include U.S. Agencies, U.S. Treasury Bills, STAROhio, Victory Federal Money Market Funds, PNC Government Money Market Fund (A), mutual funds, guaranteed investment contracts and manuscript debt. The City maintains the highest ratings for its investments. Investments in FFCB agency securities are rated AAA by Standard & Poor's. Investments in the Victory Money Market Fund, PNC Government Money Market Fund (A) 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:

Type of Investment	Fair Value	Cost	Investment Maturities: Less than One Year	1 - 5 Years	5 Years or More
		(Amounts in 000's)			
U.S. Agency Obligations	$ 10,130	$ 9,996	$ 10,130	$	$
U.S. Treasury Bills	5,763	5,763	5,763		
STAROhio	316,283	316,283	316,283		
Investments in Mutual Funds	652,736	652,736	652,736		
Guaranteed Investment Contracts	51,850	51,850	15,000	36,850	
Manuscript Debt	6,695	6,695			6,695
Other	2,998	2,998	2,998		
Total Investments	1,046,455	1,046,321	1,002,910	36,850	6,695
Total Deposits	251,340	251,340	251,340		
Total Deposits and Investments	$ 1,297,795	$ 1,297,661	$ 1,254,250	$ 36,850	$ 6,695

Amounts represented by "Other" consist of deposits into a collective pool managed by Huntington Bank, 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, 2010, the investments in U.S. Agency Obligations, U.S. Treasury Bills, STAROhio, mutual funds, guaranteed investment contracts and manuscript debt are approximately 1%, 1%, 30%, 62%, 5% and 1%, 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	$ 648,452
Investments	7,102
Restricted:	
Cash and cash equivalents	603,358
Investments	5,601
Total	$ 1,264,513

Fund Financial Statements

	(Amounts in 000's)
Balance Sheet – Governmental Funds:	
Unrestricted:	
Cash and cash equivalents	$ 296,227
Balance Sheet – Proprietary Funds:	
Enterprise Funds:	
Unrestricted:	
Cash and cash equivalents	336,753
Investments	7,102
Restricted:	
Cash and cash equivalents	603,358
Investments	5,601
Internal Service Funds:	
Unrestricted:	
Cash and cash equivalents	15,472
Subtotal	1,264,513
Statement of Fiduciary Net Assets:	
Unrestricted:	
Cash and cash equivalents	33,282
Total	$ 1,297,795

NOTE 5 – DEBT AND OTHER LONG-TERM OBLIGATIONS

A summary of the changes in long-term debt and other long-term obligations of the City during the year ended December 31, 2010, are as follows:

	Balance January 1, 2010	Additions	(Reductions)	Balance December 31, 2010	Due Within One Year
		(Amounts in 000's)			
Governmental Activities					
General Obligation Bonds due through 2033	$ 326,230	$	$ (29,115)	$ 297,115	$ 29,715
Other Obligations:					
Urban Renewal Bonds due through 2018, 6.63% to 6.75%	5,860		(495)	5,365	530
Subordinated Income Tax Refunding Bonds due through 2024, 5.00% to 5.25%	58,460		(2,675)	55,785	2,810
Subordinate Lien Income Tax Bonds due through 2031, 2.00% to 6.34%	57,630	27,380	(1,985)	83,025	2,520
Non-Tax Revenue Bonds:					
Stadium due through 2020, 3.50% to 5.13%	13,740		(1,020)	12,720	1,055
Taxable Economic and Community Dev. (Core City Bonds) Series 2004 & 2008 due through 2033, .35% to 5.40%	43,080		(1,300)	41,780	1,385
Lower Euclid Ave. TIF 2003A&B due through 2032, 1.00% to 5.00%	8,136		(841)	7,295	764
Annual Appropriation Bonds - Flats East Bank due through 2035, 2.60% to 6.00%		11,000		11,000	
Certificates of Participation-Stadium due through 2028, 1.60% to 5.70%	119,016	133,125	(116,604)	135,537	5,990
Capital Lease Obligations, due through 2017, 3.04% to 3.26%	5,320	6,690	(3,073)	8,937	2,644
Gateway Note Payable, due through 2016	1,750		(250)	1,500	250
Accrued wages and benefits	59,036	14,331	(22,083)	51,284	30,255
Police and fire overtime	58,743		(4,959)	53,784	594
Fire deferred vacation	2,552	488	(177)	2,863	109
Estimated claims payable	4,354	1,392	(1,746)	4,000	3,825
	763,907	194,406	(186,323)	771,990	82,446
Unamortized loss on debt refunding	(9,797)	(4,237)	4,617	(9,417)	
Unamortized (discount)/premium - net	17,825	1,648	(2,371)	17,102	
Total Governmental Activities, Net	$ 771,935	$ 191,817	$ (184,077)	$ 779,675	$ 82,446

(Continued)

	Balance January 1, 2010	Additions	(Reductions)	Balance December 31, 2010	Due Within One Year
		(Amounts in 000's)			
Business-Type Activities (Enterprise Funds)					
Airport System Revenue Bonds:					
Series 2000 due through 2031, 4.00% to 5.00%	$ 437,485	$	$ (39,040)	$ 398,445	$
Series 2006 due through 2024, 5.00% to 5.25%	118,570		(1,120)	117,450	1,180
Series 2007B due through 2027, 4.00% to 5.00%	11,175		(495)	10,680	505
Series 2008D-H due through 2033, Variable Rate	86,230		(2,070)	84,160	2,180
Series 2009A-B due through 2027, Variable Rate	39,380		(1,105)	38,275	1,200
Series 2009C-D due through 2027, 2.50% to 5.00%	208,900		(8,650)	200,250	9,640
	901,740	-	(52,480)	849,260	14,705
Public Power System Revenue Bonds:					
Series 1994 due through 2013, Zero Coupon	25,095		(3,910)	21,185	6,535
Series 1996 due through 2011, 6.00%	2,045		(995)	1,050	1,050
Series 1998 due through 2017, 4.30% to 5.25%	26,425		(26,425)		
Series 2001 due through 2016, 4.15% to 5.50%	22,030		(3,140)	18,890	2,910
Series 2006 due through 2024, 4.25% to 5.00%	107,560			107,560	
Series 2008 due through 2038, 3.00% to 5.40%	93,713			93,713	
Series 2010 due through 2017, 3.00% to 5.00%		23,915		23,915	
	276,868	23,915	(34,470)	266,313	10,495
Waterworks Improvement Revenue Bonds:					
Series G 1993 due through 2021, 5.50%	107,760		(12,930)	94,830	13,605
Series H 1996 due through 2026, 5.50% to 5.75%	2,095		(75)	2,020	80
Series J 2001 due through 2016, 4.13% to 5.38%	53,050		(9,820)	43,230	365
Series K 2002 due through 2021, 3.70% to 5.25%	57,305		(4,495)	52,810	4,715
Series N 2005 due through 2023, 3.50% to 5.00%	45,855		(12,810)	33,045	
Series O 2007 due through 2037, 4.25% to 5.00%	138,725			138,725	2,585
Series P 2007 due through 2028, 4.00% to 5.00%	135,410			135,410	10,240
Series Q 2008 due through 2033, Variable Rate	90,800			90,800	
Series R 2009 due through 2033, 3.55% Swap Rate	54,735		(54,735)		
Series S 2009 due through 2033, 3.60% Swap Rate	26,295		(26,295)		
Series T 2009 due through 2021, 2.00% to 5.00%	84,625		(1,285)	83,340	5,925
Series U 2010 due through 2033, Variable Rate		54,935		54,935	
Series V 2010 due through 2033, Variable Rate		26,495		26,495	
	796,655	81,430	(122,445)	755,640	37,515
Ohio Water Development Authority and Public Works Commission Loans due through 2031, 0.00% to 4.18%	107,654	18,731	(5,050)	121,335	6,378
Parking Facilities Refunding Revenue Bonds:					
Series 2006 due through 2022, 4.00% to 5.25%	56,915		(3,300)	53,615	3,425
Deferred Payment Obligation	11,830		(2,562)	9,268	2,768
Accrued wages and benefits	11,364	771	(1,352)	10,783	7,520
	2,163,026	124,847	(221,659)	2,066,214	82,806
Unamortized loss on debt refunding	(84,404)	(1,215)	8,772	(76,847)	
Unamortized (discount)/premium - net	37,556	4,066	(4,905)	36,717	
Total Business-Type Activities, Net	$ 2,116,178	$ 127,698	$ (217,792)	$ 2,026,084	$ 82,806
Total Debt and Other Long-Term Obligations	$ 2,888,113	$ 319,515	$ (401,869)	$ 2,805,759	$ 165,252

(Concluded)

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, 2010, $1,222,679 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, 2010, $463,039 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 2010:

	Original Issue Amount	Balance January 1, 2010	Additions	(Reductions)	Balance December 31, 2010
			(Amounts in 000's)		
Governmental Activities Obligations:					
General Obligation Bonds					
Public Facilities	$ 87,495	$ 41,785	$	$ (3,930)	$ 37,855
Convention Center	1,010	1,010		(5)	1,005
Residential Redevelopment	30,060	16,115		(1,085)	15,030
Bridges and Roadways	151,825	73,960		(7,205)	66,755
Parks & Recreation	65,065	33,285		(2,350)	30,935
Refunding Bonds	264,100	142,155		(14,010)	128,145
Revitalization	6,020	5,745		(150)	5,595
Judgments/Settlements	18,515	12,175		(380)	11,795
Total Governmental Activities	$ 624,090	$ 326,230	$ -	$ (29,115)	$ 297,115
Business-Type Activities Obligations:					
Revenue Bonds / Notes					
Airports	$ 1,039,680	$ 901,740	$	$ (52,480)	$ 849,260
Public Power	654,778	276,868	23,915	(34,470)	266,313
Waterworks	1,395,045	796,655	131,430	(122,445)	805,640
Parking Facilities	57,520	56,915		(3,300)	53,615
Loans					
Waterworks	146,162	103,858	18,731	(4,583)	118,006
Water Pollution Control	8,378	3,796		(467)	3,329
Total Business-Type Activities	$ 3,301,563	$ 2,139,832	$ 174,076	$ (217,745)	$ 2,096,163

The following is a summary of the City's future debt service requirements as of December 31, 2010:

	Governmental Activities					
	General Obligation Bonds		Urban Renewal Bonds		Subordinated Income Tax Bonds	
Year Ending December 31	Principal	Interest	Principal	Interest	Principal	Interest
			(Amounts in 000's)			
2011	$ 29,715	$ 14,520	$ 530	$ 344	$ 5,330	$ 6,538
2012	27,470	13,137	565	307	6,260	6,323
2013	23,545	11,877	600	268	6,495	6,084
2014	22,000	10,786	640	226	6,750	5,830
2015	21,965	9,733	685	181	7,015	5,559
2016-2020	97,475	32,733	2,345	245	39,600	22,803
2021-2025	52,830	12,399			42,530	12,352
2026-2030	19,230	2,937			23,175	3,941
2031-2035	2,885	268			1,655	105
	$ 297,115	$ 108,390	$ 5,365	$ 1,571	$ 138,810	$ 69,535

	Non-Tax Revenue Bonds		City Annual Appropriation Bonds		Certificates of Participation	
Year Ending December 31	Principal	Interest	Principal	Interest	Principal	Interest
			(Amounts in 000's)			
2011	$ 3,204	$ 2,575	$	$ 575	$ 5,990	$ 7,397
2012	2,697	2,454	235	639	5,942	7,445
2013	2,786	2,387	240	633	5,935	7,448
2014	2,895	2,275	245	626	5,890	4,397
2015	2,954	2,149	260	612	6,185	4,103
2016-2020	17,767	8,599	1,545	2,820	35,695	15,737
2021-2025	12,281	4,849	2,055	2,310	42,650	8,001
2026-2030	8,799	2,648	2,745	1,616	27,250	1,606
2031-2035	8,412	667	3,675	689		
	$ 61,795	$ 28,603	$ 11,000	$ 10,520	$ 135,537	$ 56,134

	Capital Lease Obligations		Gateway Note Payable		Governmental Activities Total	
Year Ending December 31	Principal	Interest	Principal	Interest	Principal	Interest
			(Amounts in 000's)			
2011	$ 2,644	$ 245	$ 250	$	$ 47,663	$ 32,194
2012	1,896	170	250		45,315	30,475
2013	1,002	127	250		40,853	28,824
2014	1,035	94	250		39,705	24,234
2015	1,069	60	250		40,383	22,397
2016-2020	1,291	26	250		195,968	82,963
2021-2025					152,346	39,911
2026-2030					81,199	12,748
2031-2035					16,627	1,729
	$ 8,937	$ 722	$ 1,500	$ -	$ 660,059	$ 275,475

	Business-Type Activities			
Year Ending	Revenue Bonds / Notes		Construction Loans	
December 31	Principal	Interest	Principal	Interest
	(Amounts in 000's)			
2011	$ 116,140	$ 88,635	$ 6,378	$ 3,929
2012	69,235	86,334	6,590	3,717
2013	76,020	83,298	6,808	3,498
2014	86,045	79,778	7,035	3,271
2015	86,930	75,622	7,218	3,036
2016-2020	461,200	311,349	37,720	11,533
2021-2025	463,522	200,683	39,587	5,187
2026-2030	416,647	116,109	12,079	593
2031-2035	169,038	43,421		
2036-2040	30,051	18,126		
	$ 1,974,828	$ 1,103,355	$ 123,415	$ 34,764

Year Ending	Deferred Payment Obligations (Note 6)		Business-Type Activities Total	
December 31	Principal	Interest	Principal	Interest
	(Amounts in 000's)			
2011	$ 2,768	$ 621	$ 125,286	$ 93,185
2012	2,990	399	78,815	90,450
2013	3,230	159	86,058	86,955
2014	280	2	93,360	83,051
2015			94,148	78,658
2016-2020			498,920	322,882
2021-2025			503,109	205,870
2026-2030			428,726	116,702
2031-2035			169,038	43,421
2036-2040			30,051	18,126
	$ 9,268	$ 1,181	$ 2,107,511	$ 1,139,300

The schedule of minimum principal and interest payments for construction loans includes the amortization on fourteen 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, 2010, 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 $2,080,000.

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 $303,227,067 of additional unvoted debt at December 31, 2010.

Effective May 5, 2009, the City issued $58,400,000 Various Purpose and Refunding General Obligation Bonds, Series 2009A. Of this total amount, $44,580,000 of the bonds were issued to pay costs of various public improvements to roads and bridges, public facilities, parks and recreation facilities, cemeteries and the Convention Center and to pay the costs of issuing the bonds. In addition, $13,820,000 of the bonds was used to refund $13,525,000 outstanding Series 1998 Various Purpose General Obligation Bonds and to pay issuance costs. Proceeds in the amount of $13,766,544 were placed in an irrevocable escrow account to 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 this refunding to reduce its total debt service by $725,000 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of $790,000.

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 Variable Rate Refunding Bonds**:** Effective June 1, 1994, the City issued $74,700,000 of Subordinated Income Tax Variable Rate Refunding Bonds, Series 1994. 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.

Effective August 6, 2008, the City issued $59,960,000 Subordinate Lien Unrestricted Income Tax Bonds, Series 2008 (Police and Fire Pension Payment) to refund all the outstanding Subordinated Income Tax Variable Rate Refunding Bonds, Series 1994. The interest rate swap related to the Series 1994 Bonds was terminated by the City on July 28, 2008 and the termination payment of $4,325,000 owed to Ambac Financial Services, LLC, the swap counterparty, was paid from the proceeds of the Series 2008 Bonds. The City refunded the Series 1994 Bonds in order to address the increased interest rates incurred on the bonds as a result of the downgrade of the bond insurer. The Bonds are not general obligations of the City and are not secured by its full faith and credit. The Series 2008 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.

Interest Rate Swap Transaction:

<u>*Terms:*</u> 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 Subordinated Income Tax Variable Rate Refunding Bonds, Series 1994. The swaption will now be associated with the Series 2008 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 what would have been the outstanding notional amount of the original 1994 Bonds of $52,600,000 at December 31, 2010, at a rate equal to the weekly Securities Industry and Financial Markets Association (SIFMA) 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 Subordinate Lien Unrestricted Income Tax Bonds, Series 2008, 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 is approximately 29 basis points less than the fixed rate being paid on the Series 2008 Bonds. This transaction would leave the City paying the weekly SIFMA rate plus 29 basis points.

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, 2010 as reported by JPM was $914,000 which would be payable by the City.

***Subordinate Lien Income Tax Bonds*:** Effective June 23, 2010, the City issued $27,380,000 Subordinate Lien Income Tax Bonds, Series 2010. The proceeds of the bonds will be used to pay costs of various municipal improvements including public facilities, parks and recreation, and bridges and roadways. The $5,405,000 Series 2010A-1 Bonds were issued as traditional tax-exempt debt. The City took advantage of several new financing programs created by the American Recovery and Reinvestment Act (ARRA) when issuing the remaining portion of the bonds. The $5,385,000 Series 2010A-2 Bonds were issued as taxable Build America Bonds while the $8,245,000 Series 2010B Bonds and the $8,345,000 Series 2010C Bonds were issued using the City's allocation of taxable Recovery Zone Bonds. Pursuant to these programs, the City will receive federal cash subsidies in amounts equal to a portion of the interest on these bonds.

These bonds are special obligations of the City and are not general obligation debt and are not secured by a pledge of the full faith and credit of the City. The bonds are payable from the City's municipal income tax revenues to the extent those revenues are not needed to pay debt service charges on the City's unvoted general obligation debt or unvoted general obligation debt issued in the future. It is the City's intention to pay the debt service on these bonds and the Series 2008 Subordinate Lien Income Tax Bonds from the Restricted Income Tax collections.

***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. 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 Avenue 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, (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):

Effective July 24, 2008, the City issued $28,160,000 Taxable Economic and Community Development Refunding Revenue Bonds, Series 2008 (Core City Fund). The proceeds of these bonds were used to refund the outstanding $26,900,000 Series 2003 Taxable Economic and Community Development Revenue Bonds, to fund a bond reserve fund and to pay the costs of issuing the bonds. As a result, the refunded bonds have been defeased and the liability for these bonds has been removed from long-term debt. The Series 2003 Bonds were refunded in order to address increased interest rates incurred on the bonds due to the collapse of the auction rate securities market. The Series 2008 Bonds, which are special obligations of the City, were issued as variable rate demand obligations secured by a letter of credit provided by Citizens Bank. The Bonds are payable from the City's non-tax revenues and net project revenues.

On November 10, 2004, the City issued Taxable Economic and Community Development Revenue Bonds, Series 2004 (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 Series 2004 Bonds were issued as fixed rate securities and are special obligations of the City, payable from non-tax revenues and net project revenues.

Annual Appropriation Bonds – Flats East Bank: On December 21, 2010, the City issued $11,000,000 City Annual Appropriation Bonds through the Cleveland-Cuyahoga County Port Authority. The proceeds of the bonds are being used to provide funds for land purchase and public improvements in the area of the Flats East Development Project. The bonds are special obligations of the Port Authority payable from appropriation payments made by the City under a cooperative agreement. The City's obligation to make payments is subject to and dependent upon annual appropriations being made by the City. The City intends to make these debt service payments from the Restricted Income Tax collections.

Certificates of Participation (COPS) - 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, COPS 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 COPS, 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 COPS, Series 2007, to currently refund $105,800,000 of the outstanding COPS, 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.

Due to the downgrade of the bond insurers beginning in late 2007 and the collapse of the auction rate securities market, the COPS, Series 2007 experienced failed auctions and interest rates as high as 12% in early 2008. To address these issues, the City converted all of the outstanding $108,390,000 COPS, Series 2007 Auction Rate Certificates to Weekly Rate Certificates effective May 29, 2008. The payment of principal and interest was secured by a direct-pay letter of credit provided by Wachovia Bank, National Association.

Effective April 22, 2010, the City issued $63,225,000 COPS, Series 2010A and $69,900,000 COPS, Series 2010B to refund all of the outstanding $108,390,000 COPS, Series 2007 upon the expiration of the Wachovia letter of credit. Proceeds of the COPS, Series 2010 were used to currently refund the COPS, Series 2007 on the day of closing, to fund a required debt service reserve fund in the amount of $8,324,045, to make a termination payment on the existing hedge agreement with UBS in the amount of $17,322,000 and to pay costs of issuing the COPS. This refunding was undertaken 1) to remove Ambac as the bond and swap insurer and eliminate the risk of early termination of the hedge agreement due to Ambac's possible insolvency, 2) to obtain lower credit enhancement costs and 3) to restructure debt service payments. The COPS, Series 2010A were issued as fixed rate obligations. The COPS, Series 2010B were purchased by Wells Fargo Bank, National Association, as floating rate obligations, the interest on which is reset weekly based on the SIFMA index plus a spread of 135 basis points. As a result of this refunding, the City achieved an economic gain (the difference between the present values of the old and new debt service payments) of approximately $3,461,000 or 3.19%.

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 COPS, Series 2007. Under the swap agreement, the City was the fixed rate payor, paying fixed rates of interest (initially 4.77%) that equate the estimated periodic swap payments plus amortizing principal of the COPS, Series 2007 to the debt service previously being paid on the COPS, Series 1997 (Cleveland Stadium Project). UBS was 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 COPS, 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 received 67% of LIBOR from UBS and the City issued tax-exempt variable rate debt that should price at approximately the SIFMA index. While historically the relationship between SIFMA and LIBOR 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 from Ambac Assurance Corporation to mitigate much of the risk associated with termination due to the event of a rating downgrade of the City. However, the multiple downgrades of Ambac's ratings since 2008 resulted in a situation where the City's ratings are higher than those of the insurer and are preventing a termination event. If Ambac becomes insolvent, UBS has the option to terminate the swap.

__Fair Value__: The swap was terminated at the City's option on April 22, 2010 at a value of $17,322,000 which was payable by the City to UBS. This amount is included as General Government Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

***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 made lease payments from the Restricted Income Tax Fund for a period of seven years, ended in April 2010.

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 Fund 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 resulted in the City purchasing approximately $8,425,000 of heavy duty vehicles and apparatus. Lease payments will be made from the Restricted Income Tax Fund for a period of seven years. In February 2010, the City entered into a fourth equipment lease agreement. This lease agreement is with The Fifth Third Leasing Company and resulted in the City purchasing approximately $6,690,000 of heavy duty vehicles and apparatus. The lease payments will be made over a period of seven years from the Restricted Income Tax Fund.

The assets recorded by the City under Capital Leases were as follows as of December 31, 2010:

	Governmental Activities (Amounts in 000's)
Furniture, fixtures and equipment	$ 25,580
Less – accumulated depreciation	(10,576)
Net book value	$ 15,004

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, 2010, follow:

	Overtime		Deferred Vacation	
Division	**Hours**	**Dollars**	**Hours**	**Dollars**
		(Amounts in 000's)		
Police	1,533	$ 46,538		$
Fire	246	7,246	96	2,863
Total	1,779	$ 53,784	96	$ 2,863

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.

Effective March 5, 2009, the City issued $24,710,000 Airport System Revenue Bonds, Series 2009A (AMT), and $14,670,000 Airport System Revenue Bonds, Series 2009B (Taxable). Proceeds of the Series 2009A Bonds were used to refund a portion of the outstanding Airport System Revenue Bonds, Series 1997D, in the aggregate principal amount of $24,340,000 and to pay issuance costs. Proceeds of the Series 2009B Bonds were used to refund all of the outstanding $14,425,000 Series 1997E Airport System Revenue Bonds and to pay issuance costs. The City retired the remaining $10,570,000 Series 1997D Bonds using other available funds of the Airport System (Passenger Facility Charge revenues). The City also funded a required deposit to the bond reserve fund from available funds on hand. The Series 1997 Bonds were refunded in order to replace the existing liquidity provider. The Series 2009A&B Bonds were issued as weekly variable rate demand obligations and are secured by direct pay letters of credit provided by U.S. Bank National Association.

Effective August 27, 2009, the City issued $159,875,000 Airport System Revenue Bonds, Series 2009C and $49,025,000 Airport System Revenue Bonds, Series 2009D. Proceeds of the Series 2009C Bonds were used to currently refund the outstanding $148,555,000 variable rate Series 2008A-C Airport System Revenue Bonds on the date of closing. As a result, the refunded bonds have been defeased and the liability for these bonds has been removed from long-term debt. In addition, the City used proceeds of the Series 2009C Bonds to pay amounts owed to counterparties upon the early termination, at the City's option, of interest rate hedge agreements relating to the Series 2008A&B Bonds, to fund a deposit to the Bond Service Reserve Fund and to pay issuance costs. The Series 2009C Bonds were issued as fixed rate bonds. The City obtained an economic gain (the difference between the present values of the old and new debt service payments) of approximately $4,793,000 or 3.23% as a result of the refunding.

The Series 2009D Bonds were issued to currently refund the outstanding $49,025,000 Airport System Revenue Bonds, Series 2008E on August 27, 2009. The City issued the 2009D Bonds in order to take advantage of provisions of the American Recovery and Reinvestment Act (ARRA). As a result of ARRA, the City was able to refund the Series 2008E Bonds, which had been originally issued subject to the Alternative Minimum Tax (AMT), as Non-AMT Bonds and thereby achieve debt service savings. The Series 2009D Bonds were issued as variable rate demand bonds secured by a letter of credit provided by KBC Bank N.V.

In December 2009, the Airport System, under its right to optional redemption, deposited cash on hand into the Series 2000 principal payment account in an amount sufficient to redeem, prior to maturity, all of the outstanding Series 2000B Bonds. Cash totaling $30,330,300 was placed into the account to pay principal in the amount of $30,030,000 and redemption premium in the amount of $300,300 on January 1, 2010. An irrevocable notice of full redemption of the bonds was issued by the trustee on November 30, 2009.

Interest Rate Swap Transactions:

Series 2008A&B Bonds (previously Series 2007A Bonds):

In conjunction with the refunding on August 27, 2009 of the Series 2008A&B Bonds by the Series 2009C Bonds, the interest rate exchange agreements associated with the Series 2008A&B Bonds were terminated at the City's option. The City paid a total of $9,960,000 to Morgan Stanley Capital Services, Inc., Goldman Sachs Capital Markets, LP and RFPC Capital Services, LLC (the swap counterparties) upon early termination of the hedge agreements.

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 Airport System Revenue Bonds, Series 2007A, 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. (Morgan Stanley), Goldman Sachs Capital Markets LP (Goldman Sachs) and RFPC Capital Services, LLC (RFPC) served as the counterparties on the transaction. Under the swap agreements associated with the Series 2008A&B Bonds, the City was the fixed rate payor, paying a fixed rate of 4.04%. Each counterparty was a floating rate payor, paying the City a floating rate equal to the SIFMA index plus 5 basis points. Net payments were exchanged on the first of each month. The obligation of the City to make periodic payments (but not any termination payment) was 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 realized by the City depended 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 were 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 was greatly reduced. The amount received on the Series 2008A&B Bonds incorporated an additional five 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 were less than the amount of interest paid on the bonds, the City was required to 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 was 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 have been 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 swaps were terminated effective August 27, 2009 at a value of $9,960,000 which was payable to the three counterparties.

Series 2008D and Series 2009D Bonds (previously Series 2003A and Series 2008E Bonds):

In conjunction with the refunding of the Series 2003A-C Bonds, the interest rate exchange agreements associated with the Series 2003A&B Bonds are now identified by the City to relate to the Series 2008D and Series 2009D Bonds.

Terms: Simultaneously with the issuance of the City's $140,600,000 Airport System Revenue Bonds, Series 2003A-C 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. (Bear Stearns) was the counterparty on a five-eighths pro-rata share of the notional amount of each Series 2003A&B Bonds while JPMorgan Chase Bank, N.A. (JPM) was the counterparty on the remaining three-eighths of the notional amount. In 2008, Bear Stearns was acquired by JPM and the Bear Stearns swaps have been assumed by JPM. In conjunction with the refunding of the Series 2003A&B Bonds, the interest rate exchange agreements associated with the Series 2003A&B Bonds are now identified by the City to relate to the Series 2008D and Series 2009D Bonds. Under the swap agreement which is now identified with the Series 2008D Bonds, the Airport System is the fixed rate payor, paying a fixed rate of 4.17% semiannually, while the counterparty pays the Airport System at the SIFMA index every 35 days. The swap agreement which is now associated with the Series 2009D Bonds requires the Airport System to pay a fixed rate of 4.27% semiannually and the counterparty pays 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. 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 reduced. The amount received on the Series 2009D Bonds incorporates an additional 10 basis points to take into account the fact that the originally issued underlying bonds had been subject to the "Alternative Minimum Tax". The Series 2009D Bonds were issued as non-AMT Bonds pursuant to the ARRA.

Counterparty Risk: The City selected highly rated counterparties in order to minimize this risk. However, in the wake of the subprime mortgage crisis, Bear Stearns was acquired by JPM. The City's swap has now been assumed by JPM. 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. 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 (including accrued amounts) at December 31, 2010 as reported by JPM collectively was $2,054,000 for Series 2008D Bonds and $5,661,000 for Series 2009D 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.

On September 8, 2010, the City issued $23,915,000 of Public Power System Revenue Bonds, Series 2010. Proceeds of these bonds were used to refund all of the outstanding $26,425,000 Public Power System Bonds, Series 1998. Net proceeds of the Series 2010 Bonds in the amount of $27,081,033 were placed in an irrevocable escrow account to pay the principal and interest on the refunded 1998 Bonds on October 8, 2010. As a result, the refunded bonds were defeased and the liability for these bonds has been removed from long-term debt. The City completed the refunding in order to achieve debt service savings of approximately $3,138,000 or an economic gain (the difference between the present values of the old and new debt service payments) of approximately $3,055,000.

The City entered into a basis swap on a portion of the Series 2006A-1 Bonds when the bonds were issued.

Interest Rate Swap Transaction:

Terms: Simultaneously with the issuance of the City's $95,265,000 Public Power System Refunding Revenue Bonds, Series 2006A-1 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. (Lehman Brothers) was 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 three months 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 three months LIBOR rate of interest, the City has undertaken basis risk associated with a change in tax rates and structure. While the average relationship between SIFMA (tax-exempt) and LIBOR (taxable) interest rates has been 67%, this relationship may not always apply. As a result of the turmoil in the financial markets since 2008, the SIFMA/LIBOR ratio has been significantly higher than 67% for portions of the year. 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, in September 2008, Lehman Brothers filed for Chapter 11 bankruptcy protection. This event did not trigger an automatic termination which would have required a payment on the part of the City. Throughout 2009 and part of 2010, at the City's option, Lehman Brothers and the City were negotiating the assignment of the swap to another highly rated counterparty or a termination of the swap.

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 swap was terminated on April 6, 2010 with no payment required by either party.

On September 15, 2008, Lehman Brothers instituted bankruptcy proceedings. Under the hedge agreement, the City had the right to terminate the swap. The City chose to exercise its right to terminate. After more than a year of negotiations with the Lehman bankruptcy estate, the City and Lehman Brothers consensually agreed to terminate the swap on April 6, 2010. No payments were exchanged as part of the termination and the City agreed to withdraw its claim on the bankruptcy estate.

***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 December 30, 2010, the Division issued $54,935,000 Water Revenue Bonds, Series U, and $26,495,000 Water Revenue Bonds, Series V. Proceeds of these bonds were used to refund the outstanding Water Revenue Bonds, Series R, 2009 and Water Revenue Bonds, Series S, 2009. The Series U bonds were issued in order to eliminate high letter of credit fees and the Series V Bonds were issued to address higher than expected interest rates caused by the downgrade of the letter of credit bank. The City negotiated a direct purchase of all of the Series U Bonds by U.S. Bank at an index rate of 75% of LIBOR plus 63.75 basis points. The City negotiated a direct purchase of the Series V Bonds by PNC Bank at an index rate of 65% of LIBOR plus 81.25 basis points. Both rates will be reset monthly and the bonds can be tendered for purchase after three years. The City obtained an economic gain (the difference between the present values of the old and new debt service payments) of approximately $2.7 million or 3.329% as a result of the refundings.

Effective February 12, 2009, the City issued $54,735,000 Water Revenue Bonds, Series R, and $26,295,000 Water Revenue Bonds, Series S. Proceeds of these bonds were used to currently refund $54,340,000 and $26,055,000, respectively, of outstanding Series M Bonds in order to address the increased interest rates incurred on the bonds as a result of the downgrade of the bond insurer and liquidity provider. The Series R and Series S Bonds were issued as weekly variable rate demand bonds. The Series R Bonds are secured by a direct pay letter of credit issued by BNP Paribas and the Series S Bonds are secured by a letter of credit provided by Allied Irish Banks, p.l.c. In conjunction with the issuance of the Series R and Series S Bonds, the City issued $84,625,000 Water Revenue Bonds, Series T, effective February 25, 2009 to currently refund the remaining $90,635,000 Series M Bonds. The Series T Bonds were issued as fixed rate bonds and produced $9.6 million of debt service savings or an economic gain (the difference between the present values of the old and new debt service payments) of approximately $7.6 million or 8.4%. Upon the issuance of the Series R, Series S and Series T Bonds, the Series M Bonds were defeased and the liability for these bonds has been removed from long-term debt. Additionally, in conjunction with these refundings, the interest rate swap associated with the Series M Bonds was transferred to the Series Q, Series R and Series S Bonds.

In December 2010, the Division of Water utilized cash on hand to defease $9,470,000 principal amount of outstanding Series J Bonds. The Division placed $9,979,000 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.

Interest Rate Swap Transactions:

Series Q, Series R and Series S Bonds (previously Series M Bonds):

Upon the refunding of the Series M Bonds in 2009, the Division's swap became associated with the Series Q, Series R and Series S Bonds. When the Series R and Series S Bonds were refunded in 2010, the swap was transferred to a portion of the new Series U and Series V Bonds.

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. (Bear Stearns) (which has since been acquired by JPMorgan Chase Bank, N.A. (JPM)) was the counterparty on a two-thirds pro-rata share of the transaction and Morgan Stanley Capital Services Inc. (Morgan Stanley) is the counterparty on a one-third pro-rata share of the transaction. Under the original swap agreements for the Series M Bonds, the Water System was 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 were 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 Financial Security Assurance (FSA).

As part of the refunding of the Series M Bonds, the City amended and restated the original swap agreements to (a) eliminate the swap insurance and related insurer rights, (b) modify the payment frequency, (c) transfer the original swap agreement from Bear Stearns to JPM and (d) split each original swap agreement into two separate interest rate swaps in order to hedge separate series of bonds. The original Bear Stearns swap which has been assumed by JPM hedged the entire principal amount of Series R and certain maturities of the Series Q Bonds. The original Morgan Stanley swap hedged the entire principal amount of Series S and a portion of the Series Q Bonds. The floating rate received by the City was not altered. However, the fixed rate paid by the City was adjusted to 3.553% for the JPM swap and 3.5975% for the Morgan Stanley swap. The termination date for the swaps associated with Series Q is January 1, 2021 while the termination date for the Series R and Series S swaps is January 1, 2033. Net payments are now exchanged monthly. With the refunding of the Series R and Series S Bonds, the JPM swap now hedges all but $200,000 of the Series U Bonds and the Morgan Stanley swap hedges all but $200,000 of the Series V Bonds.

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 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 SIFMA (tax-exempt) and LIBOR (taxable) interest rates has been 67%, this relationship may not always 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. As a result of the turmoil in the financial markets since 2008, the SIFMA/LIBOR ratio was significantly higher than 67% for portions of the year. 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 highly rated counterparties in order to minimize this risk. However, in the wake of the sub-prime mortgage crisis, Bear Stearns was acquired by JPM. The portion of the City's swap with Bear Stearns as the counterparty has been assumed by JPM. Over the long-term it is possible that the credit strength of JPM 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 JPM and Morgan Stanley or by JPM 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 (including accrued amounts) at December 31, 2010 as reported by JPM and Morgan Stanley totaled $17,664,000, which would be payable by the City.

Short-term Obligation: At the end of 2010, the Division of Water had $50,000,000 of Subordinated Lien Revenue Notes outstanding. The notes, which are subordinate to the Division's outstanding revenue bonds, are due on July 28, 2011 and are backed by the revenues generated by the Division.

***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 2010, Water expended the remaining $11,842,470 for the Morgan Pretreatment and Residuals Project and $6,889,185 out of an expected $9,000,000 for the Baldwin Residuals and Fairmount Reservoir. Both are 20 year loans, with the first at an interest rate of 3.52% with payments beginning in 2010 and the second is a zero percent interest loan.

***Parking Facilities Revenue Bonds*:** These bonds are payable from net revenues generated from certain parking facilities and other operating revenues of the Division of Parking Facilities, 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 Parking Facilities Refunding Revenue Bonds, Series 1996. 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 $1,340,000 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 Parking Facilities Refunding Revenue Bonds, Series 2006 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 Refunding Revenue Bonds, Series 2006, 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 the SIFMA (tax-exempt) and LIBOR (taxable) interest rates has been 67%, this relationship may not always apply. Since late 2008, this relationship has been significantly higher due to the disruptions in the financial markets. 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 the 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 downgrade of the City's bond rating. 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, 2010 as reported by UBS totaled $1,829,000, 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, 2010 is as follows:

Bond Issue	(Amounts in 000's)		Bond Issue	(Amounts in 000's)	
Waterworks Improvement Bonds:			Unvoted Tax Supported GO:		
Series J, 2001	$	9,470	Series 2002	$	26,080
Series K, 2002		68,325	Series 2003		24,970
Series N, 2005		8,815	Series 2004		7,530
			Public Power Bonds:		
			Series 1994A	$	790

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 $849,260,000 in various Airport System Revenue Bonds issued in various years since 2000. 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 62 percent of net revenues. The total principal and interest remaining to be paid on the various Airport System Revenue Bonds is $1,381,060,000. Principal and interest paid for the current year and total net revenues were $51,092,000 and $81,901,000, respectively.

The City has pledged future power system revenues, net of specified operating expenses, to repay $266,313,000 in various Public Power System Revenue Bonds issued in various years since 1994. Proceeds from the bonds provided financing for Public Power System improvements. The bonds are payable from Public Power System net revenues and are payable through 2038. Annual principal and interest payments on the bonds are expected to require less than 62 percent of net revenues. The total principal and interest remaining to be paid on the various Power System Revenue Bonds is $448,951,000. Principal and interest paid for the current year and total net revenues were $17,916,000 and $28,731,000, respectively

The City has pledged future Water System revenues, net of specified operating expenses, to repay $805,640,000 in various Water Improvement Revenue Bonds and Notes issued in various years since 1993. Proceeds from the bonds provided financing for Water System improvements. 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 76 percent of net revenues. The total principal and interest remaining to be paid on the various Water Improvement Revenue Bonds and Notes is $1,175,105,000. Principal and interest paid for the current year and total net revenues were $69,597,000 and $91,764,000, respectively.

The City has pledged future revenues from certain parking facilities, net of specified operating expenses, and other operating revenues to repay $53,615,000 in Parking Facilities Refunding Revenue Bonds issued in 2006. Proceeds from the bonds initially issued provided financing for the construction of parking facilities. 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 Parking Facilities Revenue Bonds is $73,067,000. Principal and interest paid for the current year (including net swap payments) and total net revenues were $6,136,000 and $5,331,000 respectively.

In 2010, no additional pledged revenue was required to meet the debt service on the Parking Facilities Refunding Revenue Bonds. The trust indenture requires, among other things, that the Division will fix parking rates and will charge and collect fees for the use of the parking facilities and will restrict operating expenses. As of December 31, 2010, the Division of Parking Facilities was in compliance with the terms and requirements of the trust indenture.

Derivative Instruments

Derivative instruments are contracts, the value of which depends on, or derives from, the value of an underlying asset, index or rate. The most common types of derivatives used by governments are interest rate swaps and interest rate locks. The City has entered into various derivative or hedging agreements since 1996. A detailed description of each outstanding derivative, including its terms, objectives, risks and fair value, can be found in the section discussing the bonds to which the derivative relates.

The table below presents the fair value balances and notional amounts of the City's derivative instruments outstanding at December 31, 2010, classified by type, and the changes in fair value of these derivatives during fiscal year 2010 as reported in the 2010 financial statements. The fair values of the interest rate swaps, which reflect the prevailing interest rate environment at December 31, 2010 and the specific terms and conditions of each swap, have been provided by the respective counterparty for each swap and confirmed by the City's financial advisor.

	Changes in Fair Value		Fair Value at December 31, 2010		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities:			(Amounts in 000's)		
Fair Value Hedge:					
Fixed to floating interest rate swap					
2003 Subordinated Income Tax Swaption	Deferred inflow	$ 249	Debt	$ (914)	$ 52,600
Business Type Activities:					
Cash flow hedges:					
Floating to fixed interest rate swaps					
2008 Q Water Swap	Deferred outflow	(1,510)	Debt	(7,951)	88,640
2010 U Water Swap	Deferred outflow	(2,054)	Debt	(6,437)	54,735
2010 V Water Swap	Deferred outflow	(1,023)	Debt	(3,276)	26,295
2008D Airport Swap	Deferred outflow	(159)	Debt	(2,054)	17,025
2009D Airport Swap	Deferred outflow	(564)	Debt	(5,661)	46,600
Floating to floating interest rate swap					
2006 Parking Basis Swap	Deferred outflow	(285)	Debt	(1,829)	53,615

The table below presents the objective and significant terms of the City's derivative instruments at December 31, 2010, along with the credit rating of each swap counterparty.

Bonds	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Subordinated Income Tax Bonds	Receive Fixed Interest Rate Swaption	Hedge of changes in fair value of Series 1994 Subordinated Income Tax Bonds	$ 52,600,000	2/11/2003	5/15/2024	If option is exercised, Receive 4.88%, pay SIFMA	Aa1/AA-/AA-
2006 Parking Bonds	Basis Swap - Pay Floating/Receive Floating	Exchange floating rate payments on Series 2006 Parking System Bonds	$ 53,615,000	8/15/2006	9/15/2022	Pay SIFMA, receive 67% of LIBOR	Aa3/A+/A+
Water Series Q	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series Q Water System Bonds	$ 58,365,000	8/10/2004	1/1/2021	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa1/AA-/AA-
Water Series Q	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series Q Water System Bonds	$ 30,275,000	8/10/2004	1/1/2021	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	A2/A/A
Water Series U	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series U Water System Bonds	$ 54,735,000	2/12/2009	1/1/2033	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa1/AA-/AA-
Water Series V	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series V Water System Bonds	$ 26,295,000	2/12/2009	1/1/2033	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	A2/A/A
Airport 2008D	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series 2008D Airport System Bonds	$ 17,025,000	10/23/2003	1/1/2024	Pay 4.169%, receive SIFMA	Aa1/AA-/AA-
Airport 2009D	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series 2009D Airport System Bonds	$ 46,600,000	10/23/2003	1/1/2024	Pay 4.273%, receive SIFMA + 10 bps	Aa1/AA-/AA-

The following table presents the aggregate debt service requirements on the City's hedged debt and net receipts/payments on the associated hedging derivative instruments as of December 31, 2010. These amounts assume that the interest rates on variable rate bonds and the reference rates in existence as of December 31, 2010 remain the same for the life of the hedging agreement. However, these rates will vary over time and the actual interest payments on the variable rate bonds and the net receipts/payments on the hedging derivative instruments will deviate from the numbers presented below.

Aggregate Cash Flows on Hedging Derivative Instruments

Fiscal Year Ending December 31	Principal	Interest	Hedging Derivatives, Net	Total
		(Amounts in 000's)		
2011	$ 3,425	$ 790	$ 7,500	$ 11,715
2012	3,400	778	7,199	11,377
2013	3,725	765	6,859	11,349
2014	3,725	753	6,434	10,912
2015	4,075	739	6,029	10,843
2016-2020	22,900	3,471	24,954	51,325
2021-2025	88,480	9,588	10,187	108,255
2026-2030	69,895	941	843	71,679
2031-2033	35,830	74	67	35,971
Total	$ 235,455	$ 17,899	$ 70,072	$ 323,426

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 demolish the building 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 2010. Of this amount $827,000 was offset against interest expense and $2,562,000 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 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 proprietary 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, 2010 and 2009 were as follows:

	2010	2009
	(Amounts in 000's)	
Estimated claims payable, January 1	$ 4,889	$ 7,133
Current year claims (including IBNRs) and changes in estimates	857	3,562
Claim payments	(1,746)	(5,806)
Estimated claims payable, December 31	$ 4,000	$ 4,889

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 2010. There was no significant decrease in any insurance coverage in 2010. 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 its workers' compensation program. The total estimated claims liability outstanding at December 31, 2010 was $23,371,675. Of this amount, $9,462,476 was recorded as a fund liability within each respective fund. The remaining $13,909,199 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 – Risk Management), while those claims that are considered "reasonably possible" are disclosed but not accrued.

As of December 31, 2010, the City had no claims for which an unfavorable outcome is deemed to be reasonably possible.

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

***Contingent Liabilities*:** In November 2009, participants in the American Municipal Power Generating Station (AMPGS) voted to terminate development of the 1,000 MW coal-fired generating station that was to be located on the Ohio River in Meigs County, Ohio. The City was one of 81 member participants in the project and had committed to receive an 80 MW share of the project's output. The City and the other members participated in the project through "take of pay" contracts with AMP and are obligated to pay for the project cost based on each member's allocation. The total final cost to participants has not yet been determined. AMP anticipates that any such costs that are not recovered through participation in a replacement project will be financed by AMP and recovered from the AMPGS participants over a period of time yet to be determined.

AMP has rolled over a portion of the Meigs County facility cost into the Fremont Energy Center ("Fremont"), a natural gas generating station under construction that AMP is purchasing this year. Under legislation pending before

City Council, the City will purchase power from the Fremont project, pay about half of its allocable share of AMPGS costs as power costs purchased from Fremont, and include the costs in bills to customers over time. The City's remaining share of the AMPGS costs, $3,986,624, is anticipated to be paid by the City to AMP from operation funds over a period of time yet to be determined. The legislation is expected to pass in mid-2011.

***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.

In addition to the federally assisted Investment Act Grant Programs, the City received a portion of the American Recovery and Reinvestment Act (ARRA) funds. These funds were funded through existing programs. The ARRA funds are subject to financial and compliance audits by the grantor or their representative and are subject to availability.

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, 2010, transfers consisted of the following:

Transfers Out	**Transfers In**					
	Total	**General Fund**	**Other Govern-mental Funds**	**Total Govern-mental Funds**	**Enterprise Funds**	**Internal Service Funds**
	(Amounts in 000's)					
Governmental Funds:						
General	$ 16,164	$	$ 14,657	$ 14,657	$ 694	$ 813
Other Governmental	71,988	18,887	53,101	71,988		
Total Governmental Funds	88,152	18,887	67,758	86,645	694	813
Proprietary Funds:						
Enterprise Funds	19,972		19,972	19,972		
Total	$ 108,124	$ 18,887	$ 87,730	$ 106,617	$ 694	$ 813

The transfer out of Enterprise Funds to the Other Governmental Funds was from the sale of the Convention Center to Cuyahoga County and was approved by city ordinance.

Interfund Balances: Interfund balances at December 31, 2010 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, 2010 are as follows:

		Due From								
Due To	**Total**	**General Fund**	**Other Governmental Funds**	**Total Governmental Funds**	**Division of Water Fund**	**Cleveland Public Power Fund**	**Department of Port Control Fund**	**Other Enterprise Funds**	**Total Enterprise Funds**	**Internal Service Funds**
					(Amounts in 000's)					
Governmental Funds:										
General	$ 5,724	$ 36	$ 1	$ 37	$ 9	$ 1,282	$ 96	$ 109	$ 1,496	$ 4,191
Other Governmental	25,822	12,169	12,954	25,123		7		41	48	651
Total Governmental	$ 31,546									
Enterprise Funds:										
Division of Water	$ 2,223	17	78	95		1,069		251	1,320	808
Cleveland Public Power	5,164	13	2	15	3,885			10	3,895	1,254
Department of Port Control	1,069	238		238		19		82	101	730
Other Enterprise	9,130	152	29	181	7,970	120		16	8,106	843
Total Enterprise	17,586									
Internal Service Funds	220	5		5		8		10	18	197
Total Due To/Due From	$ 49,352	$ 12,630	$ 13,064	$ 25,694	$ 11,864	$ 2,505	$ 96	$ 519	$ 14,984	$ 8,674

NOTE 10 – INCOME TAXES

During 2010, 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 2010 levy was based upon an assessed valuation of approximately $5.513 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 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 2009. 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 2010, the percentage used to determine taxable value of personal property and inventory was reduced to 6.25% in 2008 and 0% in 2009 and 2010 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, 2010, the various components of deferred revenue reported in the governmental funds on the modified accrual approach were as follows:

	Unavailable	Eligibility Requirements Not Met	Total
		(Amounts in 000's)	
Governmental Funds:			
General Fund:			
Income taxes receivable	$ 16,641	$	$ 16,641
Property taxes receivable	56,415		56,415
Local government receivable	15,915		15,915
Estate tax receivable	99		99
Homestead rollback	4,053		4,053
Emergency medical service receivable	897		897
Special assessments receivable	6,967		6,967
Total General Fund	100,987	-	100,987
Other Governmental Funds:			
Income taxes receivable	2,079		2,079
Special assessments receivable	13,936		13,936
Property taxes receivable	29,390		29,390
Advances received under grants		11,553	11,553
Motor vehicle taxes receivable	1,324		1,324
Municipal gas tax receivable	1,074		1,074
State gasoline tax receivable	2,135		2,135
Homestead rollback	2,111		2,111
Grant receivable		298	298
Due from other governments	6,888		6,888
Total Other Governmental Funds	58,937	11,851	70,788
Total Deferred and Unearned Revenue	$ 159,924	$ 11,851	$ 171,775

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 – a cost-sharing, multiple-employer defined benefit pension plan.
2) The Member-Directed Plan – 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 – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions 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 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, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2010, 2009 and 2008. The employer contribution rates were 14.00% of covered payroll in 2010, 2009 and 2008.

The City's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2010, 2009 and 2008 were $25,698,844, $23,986,453 and $19,449,811 each year, respectively. The required payments due in 2010, 2009 and 2008 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 10.00% of their annual covered salary, while the City is required to contribute 19.50% for police officers and 24.00% for firefighters. The City's contributions to the OP&F for the years ended December 31, 2010, 2009 and 2008 were $22,678,219, $23,177,060 and $22,622,140, respectively. The required payments due in 2010, 2009, and 2008 have been made.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS

***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: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – 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 postemployment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postemployment 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 Postemployment Benefit (OPEB) as described in GASB Statement 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 writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides the 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 funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2010, 2009 and 2008. 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 Postemployment 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 postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 5.50% from January 1, 2010 through February 28, 2010 and 5.00% from March 1, 2010 through December 31, 2010 and 7.00% from January 1, 2009 through March 31, 2009 and 5.50% from April 1, 2009 through December 31, 2009, and 7.00% in 2008. 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 their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's actual contributions to OPERS to fund postemployment benefits were $14,648,933 in 2010, $17,346,339 in 2009 and $19,449,811 in 2008.

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 health care program; a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care 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 health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Postemployment 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 health care 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 24.00% 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 24.00% of covered payroll for firefighters. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are 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 Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by provisions of Sections 115 and 401(h). The OP&F Board of Trustees is authorized to establish requirements for contributions to the health care 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 that was allocated to the health care plan was $10,615,539 for the year ending December 31, 2010, $10,858,674 for 2009 and $10,596,145 for 2008.

NOTE 15 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance January 1, 2010	Additions (Amount in 000's)	Reductions	Balance December 31, 2010
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 63,917	$	$ (22)	$ 63,895
Construction in progress	92,719	26,971	(2,872)	116,818
Total capital assets, not being depreciated	156,636	26,971	(2,894)	180,713
Capital assets, being depreciated:				
Land improvements	135,267	825		136,092
Buildings, structures and improvements	596,726	525		597,251
Furniture, fixtures, equipment and vehicles	172,539	9,459	(1,489)	180,509
Infrastructure	498,311	4,615		502,926
Total capital assets, being depreciated	1,402,843	15,424	(1,489)	1,416,778
Less accumulated depreciation for:				
Land improvements	(85,278)	(5,244)		(90,522)
Buildings, structures and improvements	(250,580)	(14,074)		(264,654)
Furniture, fixtures, equipment and vehicles	(113,034)	(13,693)	1,420	(125,307)
Infrastructure	(186,481)	(19,395)		(205,876)
Total accumulated depreciation	(635,373)	(52,406)	1,420	(686,359)
Total capital assets being depreciated, net	767,470	(36,982)	(69)	730,419
Governmental activities capital assets, net	$ 924,106	$ (10,011)	$ (2,963)	$ 911,132

	Balance January 1, 2010	Reclass	Additions (Amount in 000's)	Reductions	Balance December 31, 2010
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	$ 199,140	$ (12)	$ 1	$	$ 199,129
Construction in progress	385,961		161,595	(167,935)	379,621
Total capital assets, not being depreciated	585,101	(12)	161,596	(167,935)	578,750
Capital assets, being depreciated:					
Land improvements	98,572	(2,966)	367		95,973
Utility plant	1,744,690	(271,985)	130,602		1,603,307
Buildings, structures and improvements	741,278	(24,121)	7,308	(38,996)	685,469
Furniture, fixtures, equipment and vehicles	389,086	299,084	13,249	(470)	700,949
Infrastructure	885,928		24,979		910,907
Total capital assets, being depreciated	3,859,554	12	176,505	(39,466)	3,996,605
Less accumulated depreciation for:					
Land improvements	(56,425)		(2,263)		(58,688)
Utility plant	(676,009)		(34,685)		(710,694)
Buildings, structures and improvements	(385,587)		(13,834)	38,453	(360,968)
Furniture, fixtures, equipment and vehicles	(175,976)		(38,889)	449	(214,416)
Infrastructure	(335,608)		(40,482)		(376,090)
Total accumulated depreciation	(1,629,605)	-	(130,153)	38,902	(1,720,856)
Total capital assets being depreciated, net	2,229,949	12	46,352	(564)	2,275,749
Business-Type activities capital assets, net	$2,815,050	$ -	$ 207,948	$ (168,499)	$2,854,499

The additions to accumulated depreciation may not match depreciation expense due to assets transferred between Business-Type Activities and Governmental Activities, if the transferred assets have been depreciated prior to this year.

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

		(Amounts in 000's)
Governmental Activities:		
General Government	$	8,621
Public Service		23,986
Public Safety		10,636
Building and Housing		111
Community Development		1,009
Public Health		344
Parks, Recreation and Properties		7,139
Economic Development		119
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		415
Total depreciation expense charged to governmental activities	$	52,380
Business-Type Activities:		
Water	$	55,715
Electricity		16,191
Airport Facilities		49,999
Nonmajor activities		8,088
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		192
Total depreciation expense charged to business-type activities	$	130,185

Capital Commitments: Significant commitments of the City as of December 31, 2010 are composed of the following:

Project Description		Spent-to-Date		Remaining Commitment
		(Amounts in 000's)		
Governmental Activities:				
Superior Avenue Rehabilitation	$	232	$	10,109
New Police Facility				9,457
Broadway Road Rehabilitation		12,101		9,134
800 MHz System				7,500
Collinwood-Lakeshore		4,494		5,887
Fulton Road Rehabilitation				5,490
League Park Renovations				4,700
E. 152				4,500
Cedar Avenue		27		4,474
New Financial Management System		6,510		4,317
East 30th Street Rehabilitation		449		3,479
ISG Coke Plant		1,888		3,304

Project Description		Spent-to-Date		Remaining Commitment
		(Amounts in 000's)		
Business-Type Activities:				
Meter Automation and Replacement Program	$	2,078	$	53,422
Runway 10/28 Phase 5 & EMAS				27,093
Lake Road		8,046		24,404
Runway 10/28 Phase IV				22,263
Environmental Requirements		18,334		17,923
Sound Insulation of Homes		92,465		17,533
Crown Water Plant		676		14,324
Wetland and Stream Mitigation		21,476		14,025
Baldwin Residuals & Fairmount		3,239		13,806
Harvard Substation				13,527
Morgan Chemical Facility		4,362		13,159
Suburban Water Main Renewal Program		17,724		12,276
Morgan Pretreatment and Residuals		30,593		11,867

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, 2010, the State funded $147,192,000 of road and bridge improvement projects and $4,710,000 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 2010, interest expense incurred for the Enterprise Funds was $97,977,000 of which $25,929,000 was capitalized net of $47,000 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	$ 2,164
Restricted assets	16,002
Other noncurrent assets	4,412
Capital assets, net	53,748
Total assets	$ 76,326
Liabilities:	
Current liabilities	$ 4,983
Long-term liabilities	50,041
Total liabilities	55,024
Net assets:	
Invested in capital assets, net of related debt	5,423
Restricted for debt service	8,138
Unrestricted	7,741
Total net assets	21,302
Total liabilities and net assets	$ 76,326

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

	Municipal Parking Lots (Amounts in 000's)
Charges for services	$ 9,227
Depreciation (expense)	(1,716)
Other operating (expenses)	(4,126)
Operating income (loss)	3,385
Nonoperating revenues (expenses):	
Investment income	5
Interest expense	(3,044)
Other revenue (expenses)	(356)
Change in net assets	(10)
Net assets at beginning of year	21,312
Net assets at end of year	$ 21,302

Condensed Statement of Cash Flows Information

	Municipal Parking Lots (Amounts in 000's)
Net cash provided by (used for):	
Operating activities	$ 5,586
Capital and related financing activities	(6,120)
Investing activities	5
Net increase (decrease) in cash and cash equivalents	(529)
Beginning cash and cash equivalents	18,545
Ending cash and cash equivalents	$ 18,016

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

Purpose	Division of Water	Cleveland Public Power	Department of Port Control	Municipal Parking Lots	Cemeteries	Water Pollution Control
			(Amounts in 000's)			
Construction activities	$ 154,753	$ 60,262	$ 72,836	$ 3,281	$	$ 1,250
Debt retirement	101,890	4,210	103,701	8,138		
Accrued passenger facility charges			25,572			
Other	77	247	64,357	4,583	6,427	
Total	$ 256,720	$ 64,719	$ 266,466	$ 16,002	$ 6,427	$ 1,250

NOTE 17 – GATEWAY ECONOMIC DEVELOPMENT CORPORATION

In accordance with an agreement with Gateway Economic Development Corporation (Gateway), Gateway is required to reimburse the City for the excess of the debt service requirements of the Parking Facilities Refunding Revenue Bonds attributed to the two Gateway garages over the net revenues generated by the two Gateway garages.

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 2010, net revenues generated by the two Gateway garages were less than the debt service payments attributed to those garages by $1,983,000. Cumulative debt service payments funded by the City that are due from Gateway totaled $40,810,000 at December 31, 2010. 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.

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, 2010, the City pledged $3,981,000.

NOTE 18 – COMPLIANCE AND ACCOUNTABILITY

At December 31, 2010, the Cleveland Stadium Operations had a fund balance deficiency of $51,000. This deficiency will be eliminated through an operating transfer in. In addition, the Sinking Fund Administration fund had a net assets deficiency of $8,000. This deficiency will be eliminated through an operating transfer in.

NOTE 19 – SUBSEQUENT EVENTS

On April 13, 2011, Fitch Ratings downgraded its rating on the City's outstanding general obligation bonds from AA- to A+ with a stable outlook. This rating applies to all of the City's outstanding general obligation bonds issued from 2002 through 2009.

On April 25, 2011, Fitch Ratings downgraded its rating on the City's outstanding airport system revenue bonds from A (negative outlook) to A- with a stable outlook. This rating covers various series of revenue bonds issued to make improvements to Cleveland Hopkins and Burke Lakefront Airports.

The City introduced legislation on May 9, 2011 which would authorize the sale of the Gateway North Garage which is part of the City's parking facilities. The garage is one of two City-owned garages located in the Gateway neighborhood and is being sold to Rock Ohio Caesars Gateway LLC to facilitate the development of Phase I of the Horseshoe Casino Cleveland. City Council approved the legislation on June 6, 2011.

On May 16, 2011, City Council passed legislation authorizing the City to enter into an equipment lease agreement in an amount not to exceed $6,800,000. The City intends to purchase various police vehicles, heavy-duty vehicles and other apparatus. Lease payments will be made from the Restricted Income Tax Fund for a period of seven years.

Effective May 19, 2011, the City issued $31,260,000 Series 2011 Various Purpose General Obligation Bonds. Proceeds of the bonds will be used for various public improvements to roads and bridges, cemeteries, public facilities and parks and recreation facilities.

SUPPLEMENTARY INFORMATION

CITY OF CLEVELAND, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)- GENERAL FUND-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2010

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
REVENUES:				
Income taxes	$ 262,509	$ 262,509	$ 263,578	$ 1,069
Property taxes	39,009	39,009	38,568	(441)
State local government funds	45,730	45,730	47,268	1,538
Other shared revenues	43,340	43,340	45,476	2,136
Licenses and permits	11,265	11,265	10,673	(592)
Charges for services	28,024	28,024	26,350	(1,674)
Fines, forfeits and settlements	25,588	25,588	23,982	(1,606)
Investment earnings	1,011	1,011	326	(685)
Grants	4,821	4,821	2,569	(2,252)
Miscellaneous	20,149	20,149	21,934	1,785
Total revenues	481,446	481,446	480,724	(722)
EXPENDITURES:				
Current:				
General Government:				
Council and clerk of council:				
Personnel	4,587	4,617	4,597	20
Other	1,676	1,646	1,436	210
Total council and clerk of council	6,263	6,263	6,033	230
Office of the mayor:				
Personnel	2,144	2,144	2,023	121
Other	138	138	116	22
Total office of the mayor	2,282	2,282	2,139	143
Office of consumer affairs:				
Personnel	275	275	128	147
Other	41	41	29	12
Total office of consumer affairs	316	316	157	159
Office of personnel:				
Personnel	1,065	1,065	954	111
Other	588	588	509	79
Total office of personnel	1,653	1,653	1,463	190
Landmarks commission:				
Personnel	172	172	171	1
Other	4	4	3	1
Total landmarks commission	176	176	174	2
Board of building standards and appeals:				
Personnel	108	108	105	3
Other	7	9	9	-
Total board of building standards and appeals	115	117	114	3

(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, 2010

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Division of harbors:				
Personnel	$ 94	$ 94	$ 92	$ 2
Other	149	149	142	7
Total division of harbors	243	243	234	9
Boxing and wrestling commission:				
Personnel	6	6	5	1
Total boxing and wrestling commission	6	6	5	1
Board of zoning appeals:				
Personnel	186	186	173	13
Other	12	12	12	-
Total board of zoning appeals	198	198	185	13
Civil service commission:				
Personnel	546	546	542	4
Other	753	808	794	14
Total civil service commission	1,299	1,354	1,336	18
Community relations board:				
Personnel	1,081	1,081	1,079	2
Other	81	81	55	26
Total community relations board	1,162	1,162	1,134	28
City planning commission:				
Personnel	1,437	1,437	1,400	37
Other	76	76	53	23
Total city planning commission	1,513	1,513	1,453	60
Office of equal opportunity:				
Personnel	518	520	520	
Other	25	25	16	9
Total office of equal opportunity	543	545	536	9
Municipal court-judicial division:				
Personnel	20,072	20,072	19,512	560
Other	2,562	2,562	2,505	57
Total municipal court-judicial division	22,634	22,634	22,017	617
Municipal court-housing division:				
Personnel	3,137	3,137	2,989	148
Other	159	159	126	33
Total municipal court-housing division	3,296	3,296	3,115	181

(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, 2010

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Municipal court-clerks division:				
Personnel	$ 9,136	$ 8,956	$ 8,820	$ 136
Other	5,286	5,466	5,413	53
Total municipal court-clerks division	14,422	14,422	14,233	189
Office of budget and management:				
Personnel	596	596	563	33
Other	166	166	158	8
Total office of budget and management	762	762	721	41
Department of aging:				
Personnel	735	735	647	88
Other	129	129	110	19
Total department of aging	864	864	757	107
Department of law:				
Personnel	6,557	6,557	6,468	89
Other	1,687	2,137	2,077	60
Total department of law	8,244	8,694	8,545	149
Finance administration:				
Personnel	778	778	668	110
Other	64	64	18	46
Total finance administration	842	842	686	156
Division of accounts:				
Personnel	1,261	1,261	1,259	2
Other	632	632	622	10
Total division of accounts	1,893	1,893	1,881	12
Division of assessments and licenses:				
Personnel	2,297	1,997	1,972	25
Other	912	912	614	298
Total division of assessments and licenses	3,209	2,909	2,586	323
Division of treasury:				
Personnel	575	575	362	213
Other	87	87	73	14
Total division of treasury	662	662	435	227
Division of purchases and supplies:				
Personnel	515	515	482	33
Other	35	35	27	8
Total division of purchases and supplies	550	550	509	41

(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, 2010

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Bureau of internal audit:				
Personnel	$ 568	$ 568	$ 465	$ 103
Other	372	372	224	148
Total bureau of internal audit	940	940	689	251
Division of financial reporting and control:				
Personnel	1,301	1,301	1,210	91
Other	33	33	18	15
Total division of financial reporting and control	1,334	1,334	1,228	106
Office of information and technology planning:				
Personnel	156	156	154	2
Other	16	16	4	12
Total office of information and technology planning:	172	172	158	14
` Division of information system services:				
Personnel	2,099	2,099	1,916	183
Other	1,630	1,630	1,300	330
Total division of information system services	3,729	3,729	3,216	513
TOTAL GENERAL GOVERNMENT	79,322	79,531	75,739	3,792
Public Service:				
Public service administration:				
Personnel	375	378	376	2
Other	25	25	7	18
Total public service administration	400	403	383	20
Division of architecture:				
Personnel	522	522	439	83
Other	28	28	9	19
Total division of architecture	550	550	448	102
Division of waste collection and disposal:				
Personnel	15,126	15,126	14,991	135
Other	10,447	10,447	10,366	81
Total division of waste collection and disposal	25,573	25,573	25,357	216
Division of engineering and construction:				
Personnel	4,263	4,263	4,214	49
Other	477	477	464	13
Total division of engineering and construction	4,740	4,740	4,678	62
Division of traffic engineering:				
Personnel	2,898	2,898	2,883	15
Other	993	993	892	101
Total division of traffic engineering	3,891	3,891	3,775	116
TOTAL PUBLIC SERVICE	35,154	35,157	34,641	516

(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, 2010

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Public Safety:				
Public safety administration:				
Personnel	$ 2,328	$ 2,228	$ 2,222	$ 6
Other	1,091	1,091	1,059	32
Total public safety administration	3,419	3,319	3,281	38
Division of police:				
Personnel	165,221	165,521	165,466	55
Other	8,602	8,602	7,636	966
Total division of police	173,823	174,123	173,102	1,021
Division of fire:				
Personnel	86,343	87,118	86,671	447
Other	2,851	3,001	2,837	164
Total division of fire	89,194	90,119	89,508	611
Division of emergency medical services:				
Personnel	19,133	18,633	18,542	91
Other	2,296	2,196	2,109	87
Total division of emergency medical services	21,429	20,829	20,651	178
Division of correction:				
Personnel	11,340	11,450	11,213	237
Other	3,417	3,917	3,403	514
Total division of correction	14,757	15,367	14,616	751
Division of dog pound:				
Personnel	823	823	795	28
Other	245	245	215	30
Total division of dog pound	1,068	1,068	1,010	58
TOTAL PUBLIC SAFETY	303,690	304,825	302,168	2,657
Building and Housing:				
Director's office:				
Personnel	1,512	1,512	1,376	136
Other	352	352	332	20
Total director's office	1,864	1,864	1,708	156
Division of code enforcement:				
Personnel	5,831	5,831	5,224	607
Other	175	175	170	5
Total division of code enforcement	6,006	6,006	5,394	612
Division of construction permitting:				
Personnel	1,540	1,540	1,459	81
Other	18	18	17	1
Total division of construction permitting	1,558	1,558	1,476	82
TOTAL BUILDING AND HOUSING	9,428	9,428	8,578	850

(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, 2010

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
Public Health:				
Public health administration:				
Personnel	$ 573	$ 573	$ 551	$ 22
Other	260	260	256	4
Total public health administration	833	833	807	26
Division of health:				
Personnel	1,948	1,948	1,812	136
Other	1,254	1,304	1,268	36
Total division of health	3,202	3,252	3,080	172
Division of environment:				
Personnel	1,005	1,005	906	99
Other	154	154	132	22
Total division of environment	1,159	1,159	1,038	121
Division of air quality:				
Personnel	146	146	125	21
Other	281	281	278	3
Total division of air quality	427	427	403	24
TOTAL PUBLIC HEALTH	5,621	5,671	5,328	343
Parks, Recreation and Properties:				
Parks, recreation and properties administration:				
Personnel	550	550	534	16
Other	145	145	140	5
Total parks, recreation and properties administration	695	695	674	21
Division of research, planning and development:				
Personnel	664	664	534	130
Other	76	76	67	9
Total division of research, planning and development	740	740	601	139
Division of recreation:				
Personnel	9,333	9,333	9,019	314
Other	3,869	3,869	3,515	354
Total division of recreation	13,202	13,202	12,534	668
Division of parking facilities:				
Personnel	1,198	1,198	1,117	81
Other	60	60	32	28
Total division of parking facilities	1,258	1,258	1,149	109

(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, 2010
(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance-Positive (Negative)
Division of park maintenance and properties:				
Personnel	$ 7,988	$ 7,988	$ 7,960	$ 28
Other	4,544	4,544	4,125	419
Total division of park maintenance and properties	12,532	12,532	12,085	447
Division of property management:				
Personnel	5,651	5,651	5,403	248
Other	2,811	2,811	2,528	283
Total division of property management	8,462	8,462	7,931	531
TOTAL PARKS, RECREATION AND PROPERTIES	36,889	36,889	34,974	1,915
Economic Development:				
Economic development administration:				
Personnel	1,225	1,225	1,190	35
Other	64	64	17	47
Total economic development administration	1,289	1,289	1,207	82
TOTAL ECONOMIC DEVELOPMENT	1,289	1,289	1,207	82
Non-Departmental Expenditures:				
Other	21,586	22,286	19,592	2,694
TOTAL NON-DEPARTMENTAL EXPENDITURES	21,586	22,286	19,592	2,694
TOTAL EXPENDITURES	492,979	495,076	482,227	12,849
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(11,533)	(13,630)	(1,503)	12,127
OTHER FINANCING SOURCES (USES):				
Transfers in	25,970	25,970	18,887	(7,083)
Transfers out	(18,375)	(16,278)	(16,277)	1
Sale of City assets	2	2	70	68
TOTAL OTHER FINANCING SOURCES (USES)	7,597	9,694	2,680	(7,014)
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			999	999
NET CHANGE IN FUND BALANCES	(3,936)	(3,936)	2,176	6,112
FUND BALANCES AT BEGINNING OF YEAR	3,968	3,968	3,968	-
FUND BALANCES AT END OF YEAR	$ 32	$ 32	$ 6,144	$ 6,112

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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.
Cleveland Stadium Debt Service Fund	To account for the accumulation of resources earmarked for the repayment of debt related to Cleveland Browns Stadium.
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. These bonds do not require a vote of the electors, other than self-supporting obligations. They are 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 Certificates of Participation (COPS) - Stadium 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.

DEBT SERVICE FUNDS (Continued)

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.
Subordinate Lien Income Tax Fund	To account for the accumulation of resources for the payment of Subordinate Lien Income Tax Bonds payable from pledged income taxes.
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 (COPS) 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, 2010
(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	$ 261	$	$ 8,532	$	$ 176	$ 8,969
Investments						-
Receivables:						
Taxes		5,384				5,384
Accounts						-
Grants						-
Loans						-
Assessments						-
Receivables, net	-	5,384	-	-	-	5,384
Due from other funds	109	8,534				8,643
Due from other governments	6,649					6,649
Inventory of supplies	1,168					1,168
TOTAL ASSETS	$ 8,187	$ 13,918	$ 8,532	$ -	$ 176	$ 30,813
LIABILITIES						
Accounts payable	$ 901	$ 166	$	$	$	$ 1,067
Accrued wages and benefits	1,578					1,578
Due to other governments					227	227
Deferred revenue	4,533	2,079				6,612
Unearned revenue						-
Due to other funds	650	5	8,532			9,187
Total liabilities	7,662	2,250	8,532	-	227	18,671
FUND BALANCES						
Reserves for:						
Loans						-
Inventory	1,168					1,168
Debt service						-
Encumbrances	247	6,147			176	6,570
Unreserved:						
Designated for future capital improvements		2,054				2,054
Undesignated	(890)	3,467			(227)	2,350
Total fund balances	525	11,668	-	-	(51)	12,142
TOTAL LIABILITIES AND FUND BALANCES	$ 8,187	$ 13,918	$ 8,532	$ -	$ 176	$ 30,813

Special Revenue Funds - Non-Budgeted							
Community Development Block Grants	Community Development Funds	Building and Housing Funds	Urban Development Action Funds	Economic Development Funds	Home Weatherization Grants	WIA Grants	General Government Funds
$	$ 1,474	$	$ 21,891	$ 41,874	$	$	$ 12,363
5,178	1,599	4,699		404	382	2,164	173
11,160	8,550		57,233	18,949			
1,480	1,754	3,013					
17,818	11,903	7,712	57,233	19,353	382	2,164	173
2,378							88
				2,181		1	102
$ 20,196	$ 13,377	$ 7,712	$ 79,124	$ 63,408	$ 382	$ 2,165	$ 12,726
$ 30	$ 28	$ 458	$ 363	$ 44	$	$ 15	$ 604
554	67				12	138	153
87	2,343			36,149			162
12,139	1,797	2,917		2,145			36
2,800	999	687		602	8	1,216	557
4,586		3,650	6		362	796	54
20,196	5,234	7,712	369	38,940	382	2,165	1,566
	5,975		57,233	12,800			
			1,561				
			9,706	7,106			1,775
			67	356			319
	2,168		10,188	4,206			9,066
-	8,143	-	78,755	24,468	-	-	11,160
$ 20,196	$ 13,377	$ 7,712	$ 79,124	$ 63,408	$ 382	$ 2,165	$ 12,726

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010
(Amounts in 000's)

	Special Revenue Funds - Non-Budgeted					
	Public Service Funds	Public Safety Funds	Public Health Funds	Parks, Recreation and Properties Funds	Cleveland Stadium Debt Service Fund	Gateway Shared Income Tax Funds
ASSETS						
Cash and cash equivalents	$ 1,767	$	$ 96	$ 21,504	$ 21,818	$ 1,572
Investments						
Receivables:						
Taxes						
Accounts						
Grants		9,266	2,880	26		
Loans				92		
Accrued interest						
Assessments						
Receivables, net	-	9,266	2,880	118	-	-
Due from other funds			1,955			
Due from other governments						94
Inventory of supplies						
TOTAL ASSETS	$ 1,767	$ 9,266	$ 4,931	$ 21,622	$ 21,818	$ 1,666
LIABILITIES						
Accounts payable	$ 2	$ 271	$ 40	$ 40	$	$
Accrued wages and benefits		123	508			
Due to other governments		1	3			812
Deferred revenue			1,599			191
Unearned revenue	16	2,139	2,204	255		
Due to other funds		2,583	10			663
Total liabilities	18	5,117	4,364	295	-	1,666
FUND BALANCE						
Reserves for:						
Loans						
Inventory						
Debt service					21,818	
Encumbrances	11	763	25	257		
Unreserved:						
Designated for future capital improvements	82			17		
Undesignated	1,656	3,386	542	21,053		
Total fund balances	1,749	4,149	567	21,327	21,818	-
TOTAL LIABILITIES AND FUND BALANCES	$ 1,767	$ 9,266	$ 4,931	$ 21,622	$ 21,818	$ 1,666

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**	**Lower Euclid Avenue TIF**
$ 4,115	$ 10,280	$ 3,645	$ 142,399	$ 151,368	$ 2,192	$	$ 2,357	$ 45
			-	-				
			-	5,384	29,390			
			-	-				
		206	26,977	26,977				
18,449	18,961	43,455	176,849	176,849				
			-	-				
			6,247	6,247				
18,449	18,961	43,661	210,073	215,457	29,390	-	-	-
			4,421	13,064				
			2,378	9,027	2,111			
			-	1,168				
$ 22,564	$ 29,241	$ 47,306	$ 359,271	$ 390,084	$ 33,693	$ -	$ 2,357	$ 45
$	$	$	$ 1,895	$ 2,962	$	$	$	$
		24	1,579	3,157				
		47,212	86,769	86,996				
			20,824	27,436	31,501			
		70	11,553	11,553				
			12,710	21,897				
-	-	47,306	135,330	154,001	31,501	-	-	-
18,449	18,961		113,418	113,418				
			-	1,168				
			23,379	23,379	2,192		2,357	45
2,615	4,858		27,116	33,686				
3	122		966	3,020				
1,497	5,300		59,062	61,412				
22,564	29,241	-	223,941	236,083	2,192	-	2,357	45
$ 22,564	$ 29,241	$ 47,306	$ 359,271	$ 390,084	$ 33,693	$ -	$ 2,357	$ 45

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010
(Amounts in 000's)

	Debt Service Funds Budgeted			Debt Service Funds Non-Budgeted			
	Core City Bonds	Subordinate Lien Income Tax Fund	Total Budgeted Funds	Urban Renewal Fund	Urban Renewal Reserve Fund	Total Non-Budgeted Funds	Total Debt Service Funds
ASSETS							
Cash and cash equivalents	$ 3,117	$ 1,732	$ 9,443	$ 753	$ 2,199	$ 2,952	$ 12,395
Receivables:							
Taxes			29,390			-	29,390
Grants			-			-	-
Loans			-			-	-
Assessments			-			-	-
Receivables, net	-	-	29,390	-	-	-	29,390
Due from other funds			-			-	-
Due from other governments			2,111			-	2,111
Inventory of supplies			-			-	-
TOTAL ASSETS	$ 3,117	$ 1,732	$ 40,944	$ 753	$ 2,199	$ 2,952	$ 43,896
LIABILITIES							
Accounts payable	$ 4	$	$ 4	$	$	$ -	$ 4
Accrued wages and benefits			-			-	-
Due to other governments			-			-	-
Deferred revenue			31,501			-	31,501
Unearned revenue			-			-	-
Due to other funds			-			-	-
Total liabilities	4	-	31,505	-	-	-	31,505
FUND BALANCE							
Reserve for:							
Loans			-			-	-
Inventory			-			-	-
Debt service	3,113	1,732	9,439	753	2,199	2,952	12,391
Encumbrances			-			-	-
Unreserved:							
Designated for future capital improvements			-			-	-
Undesignated			-			-	-
Total fund balances	3,113	1,732	9,439	753	2,199	2,952	12,391
TOTAL LIABILITIES AND FUND BALANCES	$ 3,117	$ 1,732	$ 40,944	$ 753	$ 2,199	$ 2,952	$ 43,896

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
$ 103,086	$	$ 4,660	$ 3,833	$ 4,485	$ 116,064	$ 279,827
					-	34,774
	4,417				4,417	31,394
					-	176,849
					-	6,247
-	4,417	-	-	-	4,417	249,264
					-	13,064
		177			177	11,315
					-	1,168
$ 103,086	$ 4,417	$ 4,837	$ 3,833	$ 4,485	$ 120,658	$ 554,638
$ 2,009	$ 219	$ 2,496	$ 255	$	$ 4,979	$ 7,945
					-	3,157
49					49	87,045
					-	58,937
	273	25			298	11,851
	3,925				3,925	25,822
2,058	4,417	2,521	255	-	9,251	194,757
					-	113,418
					-	1,168
					-	35,770
72,828		184		642	73,654	107,340
25,092		75		214	25,381	28,401
3,108		2,057	3,578	3,629	12,372	73,784
101,028	-	2,316	3,578	4,485	111,407	359,881
$ 103,086	$ 4,417	$ 4,837	$ 3,833	$ 4,485	$ 120,658	$ 554,638

(Concluded)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2010
(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
REVENUES:						
Income taxes	$	$ 33,072	$	$	$	$ 33,072
Property taxes						-
Other shared revenues	13,500				13,486	26,986
Licenses and permits	1,516					1,516
Charges for services	1,332				250	1,582
Fines, forfeits and settlements						-
Investment earnings		40			2	42
Grants						-
Contributions						-
Miscellaneous						
Total revenues	16,348	33,112	-	-	13,738	63,198
EXPENDITURES:						
Current:						
General Government						-
Public Service	19,065					19,065
Public Safety						-
Community Development						-
Building and Housing						-
Public Health						-
Parks, Recreation and Properties				1,000	1,252	2,252
Economic Development						-
Capital outlay		5,631				5,631
Debt service:						
Principal retirement		2,579				2,579
Interest		125				125
General Government						-
Other						-
Total expenditures	19,065	8,335	-	1,000	1,252	29,652
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,717)	24,777	-	(1,000)	12,486	33,546
OTHER FINANCING SOURCES (USES):						
Transfers in	3,902			1,000	502	5,404
Transfers out		(24,611)			(26,827)	(51,438)
Issuance of debt						-
Premium on bonds and notes						-
Payment to refund bonds and notes						-
Sale of City assets						-
Total other financing sources (uses)	3,902	(24,611)	-	1,000	(26,325)	(46,034)
NET CHANGE IN FUND BALANCES	1,185	166	-	-	(13,839)	(12,488)
FUND BALANCES AT BEGINNING OF YEAR	(660)	11,502			13,788	24,630
FUND BALANCES AT END OF YEAR	$ 525	$ 11,668	$ -	$ -	$ (51)	$ 12,142

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
$	$	$	$	$	$	$	$
				2,396			8
			28				
1,802	803						2,152
							3,571
1	1			10			31
28,252	26,432	9,064		885	14,396	3,491	1,330
							15
			1,188	1,025			161
30,055	27,236	9,064	1,216	4,316	14,396	3,491	7,268
							8,128
29,955	26,086				14,396		
		9,064					
			9,707	3,767		3,491	
100			5				
30,055	26,086	9,064	9,712	3,767	14,396	3,491	8,128
-	1,150	-	(8,496)	549	-	-	(860)
							91
			(1,305)	(1,366)			(1,535)
-	-	-	(1,305)	(1,366)	-	-	(1,444)
-	1,150	-	(9,801)	(817)	-	-	(2,304)
	6,993		88,556	25,285			13,464
$ -	$ 8,143	$ -	$ 78,755	$ 24,468	$ -	$ -	$ 11,160

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2010
(Amounts in 000's)

	Special Revenue Funds - Non-Budgeted					
	Public Service Funds	Public Safety Funds	Public Health Funds	Parks, Recreation and Properties Funds	Cleveland Stadium Debt Service Fund	Gateway Shared Income Tax Funds
REVENUES:						
Income taxes	$	$	$	$	$	$
Property taxes						
Other shared revenues						674
Licenses and permits			1,400	4		
Charges for services	211					
Fines, forfeits and settlements		1,358				
Investment earnings	7	91	3	2	4	
Grants	13	6,084	12,693	344		
Contributions		16				
Miscellaneous			50	47		
Total revenues	231	7,549	14,146	397	4	674
EXPENDITURES:						
Current:						
General Government						674
Public Service	108					
Public Safety		7,221				
Community Development						
Building and Housing						
Public Health			13,989			
Parks, Recreation and Properties				430	425	
Economic Development						
Capital outlay	572		113	25		
Debt service:						
Principal retirement					8,213	
Interest					4,718	
General Government					18,234	
Other						
Total expenditures	680	7,221	14,102	455	31,590	674
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(449)	328	44	(58)	(31,586)	-
OTHER FINANCING SOURCES (USES):						
Transfers in				19,622	26,827	
Transfers out						
Issuance of debt					133,125	
Issuance of refunding bonds						
Premium on bonds and notes					1,842	
Payment to refund bonds and notes					(108,390)	
Sale of City assets						
Proceeds from capital lease						
Total other financing sources (uses)	-	-	-	19,622	53,404	-
NET CHANGE IN FUND BALANCES	(449)	328	44	19,564	21,818	-
FUND BALANCES AT BEGINNING OF YEAR	2,198	3,821	523	1,763		
FUND BALANCES AT END OF YEAR	$ 1,749	$ 4,149	$ 567	$ 21,327	$ 21,818	$ -

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	Lower Euclid Avenue TIF
$	$	$	$ -	$ 33,072	$	$	$	$
			-	-	20,092			
240	156		3,474	30,460	5,017			
			1,432	2,948				
	1,403		6,371	7,953				
			4,929	4,929				
6	22	1	179	221	14			
		188	103,172	103,172				
			31	31				
	1,221	78	3,770	3,770				
246	2,802	267	123,358	186,556	25,123	-	-	-
			8,802	8,802				
			108	19,173				
			7,221	7,221				
			70,437	70,437				
			9,064	9,064				
			13,989	13,989				
			855	3,107				
3,462	2,753	267	23,447	23,447				
	49		864	6,495				
			8,213	10,792	29,115	1,020	2,675	841
			4,718	4,843	15,915	613	2,928	185
			18,234	18,234				
			-	-				
3,462	2,802	267	165,952	195,604	45,030	1,633	5,603	1,026
(3,216)	-	-	(42,594)	(9,048)	(19,907)	(1,633)	(5,603)	(1,026)
			46,540	51,944	19,500	1,619	5,666	991
	(16,343)		(20,549)	(71,987)				
			133,125	133,125				
			-	-				
			1,842	1,842				
			(108,390)	(108,390)				
	1,057		1,057	1,057				
			-	-				
-	(15,286)	-	53,625	7,591	19,500	1,619	5,666	991
(3,216)	(15,286)		11,031	(1,457)	(407)	(14)	63	(35)
25,780	44,527		212,910	237,540	2,599	14	2,294	80
$ 22,564	$ 29,241	$ -	$ 223,941	$ 236,083	$ 2,192	$ -	$ 2,357	$ 45

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2010
(Amounts in 000's)

	Debt Service Funds Budgeted			Debt Service Funds Non-Budgeted			
	Core City Bonds	Subordinate Lien Income Tax Fund	Total Budgeted Funds	Urban Renewal Fund	Urban Renewal Reserve Fund	Total Non-Budgeted Funds	Total Debt Service Funds
REVENUES:							
Income taxes	$	$	$ -	$	$	$ -	$ -
Property taxes			20,092			-	20,092
Other shared revenues			5,017			-	5,017
Licenses and permits			-			-	-
Charges for services			-			-	-
Fines, forfeits and settlements			-			-	-
Investment earnings	1		15		1	1	16
Grants			-			-	-
Contributions			-			-	-
Miscellaneous		149	149	976		976	1,125
Total revenues	1	149	25,273	976	1	977	26,250
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	1,300	1,985	36,936	495		495	37,431
Interest	909	2,807	23,357	378		378	23,735
General Government	316		316	172		172	488
Other			-			-	-
Total expenditures	2,525	4,792	60,609	1,045	-	1,045	61,654
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,524)	(4,643)	(35,336)	(69)	1	(68)	(35,404)
OTHER FINANCING SOURCES (USES):							
Transfers in	1,698	5,111	34,585		1	1	34,586
Transfers out			-	(1)		(1)	(1)
Issuance of debt			-			-	-
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)	1,698	5,111	34,585	(1)	1	-	34,585
NET CHANGE IN FUND BALANCES	(826)	468	(751)	(70)	2	(68)	(819)
FUND BALANCES AT BEGINNING OF YEAR	3,939	1,264	10,190	823	2,197	3,020	13,210
FUND BALANCES AT END OF YEAR	$ 3,113	$ 1,732	$ 9,439	$ 753	$ 2,199	$ 2,952	$ 12,391

Capital Projects Funds Non-Budgeted						
Capital/ Urban Renewal Bond Construction	Grant Improvement	Capital Improvement	Certificates of Participation/ Capital Leases	Cleveland Stadium Construction	Total Capital Projects Funds	Total Nonmajor Governmental Funds
$	$	$	$	$	$ -	$ 33,072
					-	20,092
					-	35,477
					-	2,948
					-	7,953
					-	4,929
21		4	3	5	33	270
	11,179				11,179	114,351
		41			41	72
		264			264	5,159
21	11,179	309	3	5	11,517	224,323
					-	8,802
					-	19,173
					-	7,221
					-	70,437
					-	9,064
					-	13,989
					-	3,107
					-	23,447
37,595	11,179	266		692	49,732	56,227
			3,201		3,201	3,201
					-	48,223
			104		104	28,682
					-	18,722
795					795	795
38,390	11,179	266	3,305	692	53,832	311,090
(38,369)	-	43	(3,302)	(687)	(42,315)	(86,767)
		350		850	1,200	87,730
						(71,988)
38,380					38,380	171,505
43					43	1,885
(237)					(237)	(237)
						(108,390)
						1,057
			6,690		6,690	6,690
38,186	-	350	6,690	850	46,076	88,252
(183)	-	393	3,388	163	3,761	1,485
101,211		1,923	190	4,322	107,646	358,396
$ 101,028	$ -	$ 2,316	$ 3,578	$ 4,485	$ 111,407	$ 359,881

(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, 2010

(Amounts in 000's)

	Division of Streets				Restricted Income Tax			
	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
REVENUES:								
Income taxes	$	$	$	$ -	$ 32,814	$ 32,814	$ 32,947	$ 133
Other shared revenues	13,203	13,203	13,555	352				-
Licenses and permits	1,698	1,698	1,408	(290)				-
Charges for services	30	1,332	1,326	(6)				-
Investment earnings	1	1	-	(1)	100	100	40	(60)
Miscellaneous	400	48	6	(42)				-
Total revenues	15,332	16,282	16,295	13	32,914	32,914	32,987	73
EXPENDITURES:								
Public Service:								
Personnel	13,592	14,542	14,324	218				-
Other	6,073	6,073	5,884	189				-
Parks, Recreation and Properties:								
Other				-				-
Capital outlay				-	5,438	5,438	5,430	8
Principal retirement				-	2,580	2,580	2,579	1
Interest				-	125	125	125	-
Total expenditures	19,665	20,615	20,208	407	8,143	8,143	8,134	9
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,333)	(4,333)	(3,913)	420	24,771	24,771	24,853	82
OTHER FINANCING SOURCES (USES):								
Transfers in	4,321	4,321	3,902	(419)				-
Transfers out				-	(24,775)	(24,775)	(24,611)	164
Total other financing sources (uses)	4,321	4,321	3,902	(419)	(24,775)	(24,775)	(24,611)	164
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(12)	(12)	(11)	1	(4)	(4)	242	246
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES				-			1	1
FUND BALANCES AT BEGINNING OF YEAR	12	12	12	-	4	4	4	-
FUND BALANCES AT END OF YEAR	$ -	$ -	$ 1	$ 1	$ -	$ -	$ 247	$ 247

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)
$	$	$	$ -	$	$	$	$ -
			-				-
			-				-
			-				-
		25	25				-
			-				-
-	-	25	25	-	-	-	-
			-				-
			-				-
			-	1,000	1,000	1,000	-
			-				-
			-				-
			-				-
			-	1,000	1,000	1,000	-
-	-	25	25	(1,000)	(1,000)	(1,000)	-
			-	1,000	1,000	1,000	-
	(7,500)		7,500				-
-	(7,500)	-	7,500	1,000	1,000	1,000	-
	(7,500)	25	7,525				-
			-				-
8,507	8,507	8,507	-				-
$ 8,507	$ 1,007	$ 8,532	$ 7,525	$ -	$ -	$ -	$ -

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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 SPECIAL REVENUE FUNDS-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2010

(Amounts in 000's)

	Cleveland Stadium Operations				Totals			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:								
Income taxes	$	$	$	$ -	$ 32,814	$ 32,814	$ 32,947	$ 133
Other shared revenues	13,000	13,000	13,486	486	26,203	26,203	27,041	838
Licenses and permits				-	1,698	1,698	1,408	(290)
Charges for services	250	250	250	-	280	1,582	1,576	(6)
Investment earnings			2	2	101	101	67	(34)
Miscellaneous				-	400	48	6	(42)
Total revenues	13,250	13,250	13,738	488	61,496	62,446	63,045	599
EXPENDITURES:								
Public Service:								
Personnel				-	13,592	14,542	14,324	218
Other				-	6,073	6,073	5,884	189
Parks, Recreation and Properties:								
Other	1,915	1,915	1,025	890	2,915	2,915	2,025	890
Capital outlay				-	5,438	5,438	5,430	8
Principal retirement				-	2,580	2,580	2,579	1
Interest				-	125	125	125	-
Total expenditures	1,915	1,915	1,025	890	30,723	31,673	30,367	1,306
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,335	11,335	12,713	1,378	30,773	30,773	32,678	1,905
OTHER FINANCING SOURCES (USES):								
Transfers in	3,500	3,500	502	(2,998)	8,821	8,821	5,404	(3,417)
Transfers out	(26,890)	(26,890)	(26,827)	63	(51,665)	(59,165)	(51,438)	7,727
Total other financing sources (uses)	(23,390)	(23,390)	(26,325)	(2,935)	(42,844)	(50,344)	(46,034)	4,310
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(12,055)	(12,055)	(13,612)	(1,557)	(12,071)	(19,571)	(13,356)	6,215
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES				-			1	1
FUND BALANCES AT BEGINNING OF YEAR	13,612	13,612	13,612	-	22,135	22,135	22,135	-
FUND BALANCES AT END OF YEAR	$ 1,557	$ 1,557	$ -	$ (1,557)	$ 10,064	$ 2,564	$ 8,780	$ 6,216

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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, 2010

(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	$ 20,051	$ 20,051	$ 20,092	$ 41	$	$	$	$ -
Other shared revenues	5,149	5,149	5,017	(132)				-
Investment earnings	20	20	14	(6)				-
Grants				-				-
Miscellaneous				-				-
Total revenues	25,220	25,220	25,123	(97)	-	-	-	-
EXPENDITURES:								
Principal retirement	29,115	29,115	29,115	-	1,020	1,020	1,020	-
Interest	15,915	15,915	15,915	-	613	613	613	-
General Government				-				-
Total expenditures	45,030	45,030	45,030	-	1,633	1,633	1,633	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(19,810)	(19,810)	(19,907)	(97)	(1,633)	(1,633)	(1,633)	-
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds				-	1,633	1,633	1,619	(14)
Restricted income tax fund	20,500	19,500	19,500	-				-
Transfers out:								
To other subfunds				-				-
Issuance of Debt				-				-
Payment to refund bonds and notes				-				-
Premium on bonds and notes				-				-
Total other financing sources (uses)	20,500	19,500	19,500	-	1,633	1,633	1,619	(14)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	690	(310)	(407)	(97)	-	-	(14)	(14)
FUND BALANCES AT BEGINNING OF YEAR	2,599	2,599	2,599	-	14	14	14	-
FUND BALANCES AT END OF YEAR	$ 3,289	$ 2,289	$ 2,192	$ (97)	$ 14	$ 14	$ -	$ (14)

Subordinated Income Tax Fund				Lower Euclid Avenue TIF				Core City Bonds			
Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
$	$	$	$ -	$	$	$	$ -	$	$	$	$ -
			-				-				-
			-				-	5	5	1	(4)
			-				-				-
			-				-				-
-	-	-	-	-	-	-	-	5	5	1	(4)
2,675	2,675	2,675	-	841	841	841	-	1,300	1,300	1,300	-
2,928	2,928	2,928	-	185	185	185	-	1,907	1,832	909	923
			-				-	245	320	312	8
5,603	5,603	5,603	-	1,026	1,026	1,026	-	3,452	3,452	2,521	931
(5,603)	(5,603)	(5,603)	-	(1,026)	(1,026)	(1,026)	-	(3,447)	(3,447)	(2,520)	927
5,591	5,671	5,666	(5)	946	946	991	45	1,897	1,712	1,698	(14)
			-				-				-
			-				-				-
			-				-				-
			-				-				-
			-				-				-
5,591	5,671	5,666	(5)	946	946	991	45	1,897	1,712	1,698	(14)
(12)	68	63	(5)	(80)	(80)	(35)	45	(1,550)	(1,735)	(822)	913
2,294	2,294	2,294	-	80	80	80	-	3,939	3,939	3,939	-
$ 2,282	$ 2,362	$ 2,357	$ (5)	$ -	$ -	$ 45	$ 45	$ 2,389	$ 2,204	$ 3,117	$ 913

(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, 2010

(Amounts in 000's)

	Subordinate Lien Income Tax Bonds				Totals			
	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
REVENUES:								
Property taxes	$	$	$	$ -	$ 20,051	$ 20,051	$ 20,092	$ 41
Other shared revenues				-	5,149	5,149	5,017	(132)
Investment earnings				-	25	25	15	(10)
Grants				-	-	-	-	-
Miscellaneous		148	149	1	-	148	149	1
Total revenues	-	148	149	1	25,225	25,373	25,273	(100)
EXPENDITURES:								
Principal retirement	1,985	1,985	1,985	-	36,936	36,936	36,936	-
Interest	3,083	3,083	2,807	276	24,631	24,556	23,357	1,199
General Government				-	245	320	312	8
Total expenditures	5,068	5,068	4,792	276	61,812	61,812	60,605	1,207
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,068)	(4,920)	(4,643)	277	(36,587)	(36,439)	(35,332)	1,107
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds				-	10,067	9,962	9,974	12
Restricted income tax fund	4,275	5,162	5,111	(51)	24,775	24,662	24,611	(51)
Transfers out:								
To other subfunds				-	-	-	-	-
Issuance of Debt				-	-	-	-	-
Payment to refund bonds and notes				-	-	-	-	-
Premium on bonds and notes				-	-	-	-	-
Total other financing sources (uses)	4,275	5,162	5,111	(51)	34,842	34,624	34,585	(39)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(793)	242	468	226	(1,745)	(1,815)	(747)	1,068
FUND BALANCES AT BEGINNING OF YEAR	1,264	1,264	1,264	-	10,190	10,190	10,190	-
FUND BALANCES AT END OF YEAR	$ 471	$ 1,506	$ 1,732	$ 226	$ 8,445	$ 8,375	$ 9,443	$ 1,068

(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, 2010
(Amounts in 000's)

	Water Pollution Control	Convention Center	West Side Market	East Side Market
ASSETS				
Current assets:				
Cash and cash equivalents	$ 37,449	$ 799	$ 653	$ 146
Investments				
Receivables:				
Accounts	117,290	458	1	
Unbilled revenue	2,297			
Accrued interest				
Less: Allowance for doubtful accounts	(5,250)	(290)		
Receivables, net	114,337	168	1	-
Due from other funds	418	2		
Inventory of supplies	245			
Total current assets	152,449	969	654	146
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	1,250			
Investments				
Accrued interest receivable				
Total restricted assets	1,250	-	-	-
Unamortized bond issuance costs				
Deferred outflow of resources				
Capital assets:				
Land	297	4,261	198	414
Land improvements				484
Utility plant	128,560			
Buildings, structures and improvements	8,948	20,165	12,898	2,400
Furniture, fixtures, equipment and vehicles	12,974	1,171	1,647	450
Construction in progress	7,403		24	
Less: Accumulated depreciation	(89,016)	(21,239)	(5,827)	(2,284)
Total capital assets, net	69,166	4,358	8,940	1,464
Total noncurrent assets	70,416	4,358	8,940	1,464
TOTAL ASSETS	$ 222,865	$ 5,327	$ 9,594	$ 1,610

Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ 2,014	$ 32	$ 103	$ 41,196
20			117,769
			2,297
			-
			(5,540)
20	-	-	114,526
99			519
31	1	29	306
2,164	33	132	156,547
16,002	6,427		23,679
			-
			-
16,002	6,427	-	23,679
2,583			2,583
1,829			1,829
13,095	1,259	1,822	21,346
1,256	778	4,033	6,551
			128,560
65,757	6,096	1,815	118,079
1,309	876	1,196	19,623
	1,818		9,245
(27,669)	(3,148)	(5,066)	(154,249)
53,748	7,679	3,800	149,155
74,162	14,106	3,800	177,246
$ 76,326	$ 14,139	$ 3,932	$ 333,793

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET - NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2010
(Amounts in 000's)

	Water Pollution Control	Convention Center	West Side Market	East Side Market
LIABILITIES				
Current liabilities:				
Accounts payable	$ 1,587	$ 190	$ 127	$ 7
Accrued wages and benefits	1,584	145	34	
Due to other funds	8,849	103	12	
Due to other governments	108,245			
Accrued interest payable				
Current portion of long-term obligations	486			
Total current liabilities	120,751	438	173	7
Long-term liabilities:				
Accrued wages and benefits	167	25	3	
Construction loans payable	2,843			
Revenue bonds payable				
Derivative instruments-interest rate swaps				
Total liabilities	123,761	463	176	7
NET ASSETS				
Invested in capital assets, net of related debt	65,837	4,358	8,940	1,464
Restricted for debt service				
Unrestricted	33,267	506	478	139
Total net assets	99,104	4,864	9,418	1,603
TOTAL LIABILITIES AND NET ASSETS	$ 222,865	$ 5,327	$ 9,594	$ 1,610

Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ 315	$ 10	$ 14	$ 2,250
140	151	81	2,135
143	17	6	9,130
185			108,430
775			775
3,425			3,911
4,983	178	101	126,631
31	30	32	288
			2,843
48,181			48,181
1,829			1,829
55,024	208	133	179,772
5,423	7,679	3,800	97,501
8,138			8,138
7,741	6,252	(1)	48,382
21,302	13,931	3,799	154,021
$ 76,326	$ 14,139	$ 3,932	$ 333,793

(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, 2010

(Amounts in 000's)

	Water Pollution Control	Convention Center	West Side Market	East Side Market
OPERATING REVENUES:				
Charges for services	$ 25,110	$ 1,296	$ 1,295	$
Total operating revenue	25,110	1,296	1,295	-
OPERATING EXPENSES:				
Operations	9,998	4,312	988	22
Maintenance	8,927	14	23	
Depreciation	5,001	241	681	60
Total operating expenses	23,926	4,567	1,692	82
OPERATING INCOME (LOSS)	1,184	(3,271)	(397)	(82)
NON-OPERATING REVENUE (EXPENSES):				
Investment income	41		1	1
Interest expense	(139)			
Hotel tax		3,785		
Gain (Loss) on disposal of capital assets		18,703		
Other revenues (expenses)	13		19	
Total non-operating revenues (expenses)	(85)	22,488	20	1
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,099	19,217	(377)	(81)
Capital contributions	390	86		
Transfers in				
Transfers out		(19,972)		
CHANGE IN NET ASSETS	1,489	(669)	(377)	(81)
NET ASSETS AT BEGINNING OF YEAR	97,615	5,533	9,795	1,684
NET ASSETS AT END OF YEAR	$ 99,104	$ 4,864	$ 9,418	$ 1,603

Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ 9,227	$ 1,327	$ 1,083	$ 39,338
9,227	1,327	1,083	39,338
4,087	1,656	1,627	22,690
39	2	45	9,050
1,716	200	189	8,088
5,842	1,858	1,861	39,828
3,385	(531)	(778)	(490)
5	7		55
(3,044)			(3,183)
			3,785
			18,703
(356)	65	128	(131)
(3,395)	72	128	19,229
(10)	(459)	(650)	18,739
	572		1,048
	315	379	694
			(19,972)
(10)	428	(271)	509
21,312	13,503	4,070	153,512
$ 21,302	$ 13,931	$ 3,799	$ 154,021

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Amounts in 000's)

	Water Pollution Control	Convention Center	West Side Market	East Side Market
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 21,275	$ 1,474	$ 1,297	$
Cash payments to suppliers for goods or services	(6,074)	(2,763)	(678)	(20)
Cash payments to employees for services	(10,352)	(1,793)	(352)	
Agency activity on behalf of NEORSD	6,298			
Net cash provided by (used for) operating activities	11,147	(3,082)	267	(20)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received (paid) through transfers from/to other funds		(19,972)		
Cash received from hotel tax		3,809		
Cash receipts (payments) from/to various parties				
Net cash provided by (used for) noncapital financing activities	-	(16,163)	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(3,704)			
Sale of capital assets		20,000		
Principal paid on long-term debt	(467)			
Interest paid on long-term debt	(140)			
Net cash provided by (used for) capital and related financing activities	(4,311)	20,000	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	41	1	1	
Net cash provided by (used for) investing activities	41	1	1	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,877	756	268	(20)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	31,822	43	385	166
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 38,699	$ 799	$ 653	$ 146

Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ 9,743	$ 1,328	$ 1,083	$ 36,200
(3,080)	(438)	(755)	(13,808)
(1,077)	(1,252)	(966)	(15,792)
			6,298
5,586	(362)	(638)	12,898
	315	379	(19,278)
			3,809
	65	128	193
-	380	507	(15,276)
			(3,704)
3			20,003
(3,300)			(3,767)
(2,823)			(2,963)
(6,120)	-	-	9,569
5	7		55
5	7	-	55
(529)	25	(131)	7,246
18,545	6,434	234	57,629
$ 18,016	$ 6,459	$ 103	$ 64,875

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Amounts in 000's)

	Water Pollution Control	Convention Center	West Side Market	East Side Market
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	$ 1,184	$ (3,271)	$ (397)	$ (82)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	5,001	241	681	60
Changes in assets and liabilities:				
Receivables, net	(12,371)	175		
Due from other funds	25	(1)		
Inventory of supplies	(54)			
Accounts payable	982	(42)	3	2
Accrued wages and benefits	(195)	(192)	(22)	
Due to other funds	938	8	2	
Due to other governments	15,637			
Total adjustments	9,963	189	664	62
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 11,147	$ (3,082)	$ 267	$ (20)

Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ 3,385	$ (531)	$ (778)	$ (490)
1,716	200	189	8,088
62	2		(12,132)
(60)			(36)
220		(4)	162
137	(6)	9	1,085
92	(22)	(52)	(391)
59	(4)	(2)	1,001
(25)	(1)		15,611
2,201	169	140	13,388
$ 5,586	$ (362)	$ (638)	$ 12,898

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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, 2010
(Amounts in 000's)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
ASSETS				
Current assets:				
Cash and cash equivalents	$ 2,498	$ 496	$ 105	$ 982
Due from other funds	1,783	180	60	
Inventory of supplies	1,116	164		
Total current assets	5,397	840	165	982
Capital assets:				
Land	663			
Land improvements	146			
Buildings, structures and improvements	2,673			
Furniture, fixtures, equipment and vehicles	4,335	1,061		1,165
Construction in progress	104	884		
Less: Accumulated depreciation	(5,383)	(798)		(382)
Total capital assets, net	2,538	1,147	-	783
Total noncurrent assets	2,538	1,147	-	783
TOTAL ASSETS	$ 7,935	$ 1,987	$ 165	$ 1,765

	Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Total
	$	$ 1,632	$ 951	$ 938	$ 7,870	$ 15,472
	60		419	133	6,039	8,674
						1,280
	60	1,632	1,370	1,071	13,909	25,426
						663
						146
						2,673
			117	25		6,703
						988
			(117)	(12)		(6,692)
	-	-	-	13	-	4,481
	-	-	-	13	-	4,481
	$ 60	$ 1,632	$ 1,370	$ 1,084	$ 13,909	$ 29,907

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET - ALL INTERNAL SERVICE FUNDS
DECEMBER 31, 2010
(Amounts in 000's)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse	Utilities Administration
LIABILITIES				
Current liabilities				
Accounts payable	$ 821	$ 44	$ 2	$ 12
Accrued wages and benefits	767	101	25	684
Due to other funds	18	30	18	9
Due to other governments				
Total current liabilities	1,606	175	45	705
Long-term liabilities				
Accrued wages and benefits	204	20	2	144
Total liabilities	1,810	195	47	849
NET ASSETS				
Invested in capital assets, net of related debt	2,538	1,147		783
Unrestricted	3,587	645	118	133
Total net assets	6,125	1,792	118	916
TOTAL LIABILITIES AND NET ASSETS	$ 7,935	$ 1,987	$ 165	$ 1,765

Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Total
$ 5	$ 130	$ 379	$ 339	$	$ 1,732
39	713	162	58		2,549
	142		3		220
	537				537
44	1,522	541	400	-	5,038
24	110	53	29	13,909	14,495
68	1,632	594	429	13,909	19,533
			13		4,481
(8)		776	642		5,893
(8)	-	776	655	-	10,374
$ 60	$ 1,632	$ 1,370	$ 1,084	$ 13,909	$ 29,907

(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, 2010
(Amounts in 000's)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse
OPERATING REVENUES:			
Charges for services	$ 15,148	$ 1,899	$ 814
Total operating revenue	15,148	1,899	814
OPERATING EXPENSES:			
Operations	15,942	1,868	964
Maintenance	858	24	
Depreciation	299	113	
Total operating expenses	17,099	2,005	964
OPERATING INCOME (LOSS)	(1,951)	(106)	(150)
NON-OPERATING REVENUES:			
Investment income	12	2	
Total non-operating revenues	12	2	-
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,939)	(104)	(150)
Capital contributions	104	3	
Transfers in			
CHANGE IN NET ASSETS	(1,835)	(101)	(150)
NET ASSETS AT BEGINNING OF YEAR	7,960	1,893	268
NET ASSETS AT END OF YEAR	$ 6,125	$ 1,792	$ 118

Utilities Administration	Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Total
$ 5,097	$ 229	$ 7,725	$ 5,474	$ 1,377	$	$ 37,763
5,097	229	7,725	5,474	1,377	-	37,763
5,331	1,009	7,698	5,827	741		39,380
66		40	370	1,041		2,399
192				3		607
5,589	1,009	7,738	6,197	1,785	-	42,386
(492)	(780)	(13)	(723)	(408)	-	(4,623)
2		13	4	3		36
2	-	13	4	3	-	36
(490)	(780)	-	(719)	(405)	-	(4,587)
						107
	813					813
(490)	33	-	(719)	(405)	-	(3,667)
1,406	(41)		1,495	1,060		14,041
$ 916	$ (8)	$ -	$ 776	$ 655	$ -	$ 10,374

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Amounts in 000's)

	Motor Vehicle Maintenance	Printing and Reproduction	City Storeroom and Warehouse
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 14,924	$ 1,836	$ 802
Cash payments to suppliers for goods or services	(11,280)	(1,306)	(882)
Cash payments to employees for services	(5,817)	(814)	(55)
Net cash provided by (used for) operating activities	(2,173)	(284)	(135)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received (paid) through transfers from/to other funds			
Net cash provided by (used for) noncapital financing activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	12	2	
Net cash provided by investing activities	12	2	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,161)	(282)	(135)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,659	778	240
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,498	$ 496	$ 105
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	$ (1,951)	$ (106)	$ (150)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	299	113	
Change in assets and liabilities:			
Receivables, net			
Due from other funds	(224)	(63)	(12)
Due from other governments			
Inventory of supplies	(15)	1	
Accounts payable	(89)	(155)	
Accrued wages and benefits	(149)	(41)	18
Due to other funds	(44)	(33)	9
Due to other governments			
Total adjustments	(222)	(178)	15
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (2,173)	$ (284)	$ (135)

Utilities Administration	Sinking Fund Administration	Municipal Income Tax Administration	Telephone Exchange	Radio Communications	Workers' Compensation Reserve	Total
$ 5,097	$ 170	$ 7,953	$ 5,172	$ 1,571	$	$ 37,525
(767)	(842)	(2,754)	(4,769)	(1,292)		(23,892)
(4,672)	(174)	(4,888)	(1,119)	(390)		(17,929)
(342)	(846)	311	(716)	(111)	-	(4,296)
	813					813
-	813	-	-	-	-	813
2		13	4	3		36
2	-	13	4	3	-	36
(340)	(33)	324	(712)	(108)	-	(3,447)
1,322	33	1,308	1,663	1,046	7,870	18,919
$ 982	$ -	$ 1,632	$ 951	$ 938	$ 7,870	$ 15,472
$ (492)	$ (780)	$ (13)	$ (723)	$ (408)	$	$ (4,623)
192				3		607
	(60)		(302)	(28)	2,768	2,079
						(14)
4	(2)	16	329	328		431
(52)	(4)	(17)	(20)	(8)	(2,768)	(3,041)
6		97		2		37
		228				228
150	(66)	324	7	297	-	327
$ (342)	$ (846)	$ 311	$ (716)	$ (111)	$ -	$ (4,296)

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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, 2010
(Amounts in 000's)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
MUNICIPAL COURTS				
ASSETS				
Cash and cash equivalents	$ 6,623	$ 23,402	$ 23,168	$ 6,857
Total assets	$ 6,623	$ 23,402	$ 23,168	$ 6,857
LIABILITIES				
Due to others	$ 6,623	$ 23,402	$ 23,168	$ 6,857
Total liabilities	$ 6,623	$ 23,402	$ 23,168	$ 6,857
CENTRAL COLLECTION AGENCY				
ASSETS				
Cash and cash equivalents	$ 4,962	$ 6,865	$ 4,962	$ 6,865
Taxes receivable	20,114	20,072	20,114	20,072
Due from other governments	712	413	712	413
Total assets	$ 25,788	$ 27,350	$ 25,788	$ 27,350
LIABILITIES				
Due to other governments	$ 25,788	$ 27,350	$ 25,788	$ 27,350
Total liabilities	$ 25,788	$ 27,350	$ 25,788	$ 27,350

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Amounts in 000's)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
OTHER AGENCIES				
ASSETS				
Cash and cash equivalents	$ 17,392	$ 332,361	$ 330,193	$ 19,560
Total assets	$ 17,392	$ 332,361	$ 330,193	$ 19,560
LIABILITIES				
Due to others	$ 17,392	$ 332,361	$ 330,193	$ 19,560
Total liabilities	$ 17,392	$ 332,361	$ 330,193	$ 19,560
TOTALS-ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 28,977	$ 362,628	$ 358,323	$ 33,282
Taxes receivable	20,114	20,072	20,114	20,072
Due from other governments	712	413	712	413
Total assets	$ 49,803	$ 383,113	$ 379,149	$ 53,767
LIABILITIES				
Due to other governments	$ 25,788	$ 27,350	$ 25,788	$ 27,350
Due to others	24,015	355,763	353,361	26,417
Total liabilities	$ 49,803	$ 383,113	$ 379,149	$ 53,767

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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, 2010
(Amounts in 000's)

Governmental Funds Capital Assets:	
Land	$ 63,232
Land improvements	135,946
Buildings, structures and improvements	594,578
Furniture, fixtures, equipment and vehicles	174,971
Infrastructure	502,926
Construction in progress	115,830
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 1,587,483
Investment in Governmental Funds Capital Assets by Source:	
General obligation bonds	$ 714,859
General Fund and other revenues	369,289
Special Revenue Fund revenues:	
Restricted income taxes	144,300
Federal grants	321,841
Certificates of participation	13,768
Gifts	23,426
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 1,587,483

* 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, 2010
(Amounts in 000's)

	Total	Land	Land Improvements	Buildings, Structures and Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Construction In Progress
General Government:							
General government	$ 337,925	$ 208	$	$ 303,799	$ 23,764	$ 3,745	$ 6,409
City Hall	20,896	877		19,258			761
Justice Center	29,768			28,922	846		
Charles V. Carr Municipal Center	647		15	632			
Total general government	389,236	1,085	15	352,611	24,610	3,745	7,170
Public Service:							
Waste collection	27,701	499		8,259	17,331	1,460	152
Engineering and construction	467,072		20,963		2,621	383,111	60,377
Streets	136,735	1,540	11,495	14,393	17,909	90,783	615
Traffic engineering	5,202			813	2,172	2,200	17
Other	49,538	2,669		32,470	949		13,450
Total public service	686,248	4,708	32,458	55,935	40,982	477,554	74,611
Public Safety:							
Police	109,988	4,805	447	58,595	44,595	162	1,384
Fire	62,149	1,670		29,016	31,315		148
Emergency medical service	16,426			784	9,743	5,614	285
Correction	7,628	264		6,570	755		39
Dog pound	1,154			662	283		209
Total public safety	197,345	6,739	447	95,627	86,691	5,776	2,065
Public Health:							
Health and environment	12,312	1,112	36	9,341	1,455		368
Total public health	12,312	1,112	36	9,341	1,455	-	368
Parks, Recreation and Properties:							
Park maintenance and properties	97,658	34,552	23,251	16,995	16,974	234	5,652
Research, planning and development	59,045	903	39,786	3,162	90	2,997	12,107
Recreation	94,148	976	32,952	51,781	2,550		5,889
Total parks, recreation and properties	250,851	36,431	95,989	71,938	19,614	3,231	23,648
Community Development:							
Community development	38,640	7,130	6,726	8,990	1,374	8,660	5,760
Total community development	38,640	7,130	6,726	8,990	1,374	8,660	5,760
Economic Development:							
Economic development	8,705	6,027	275	136		379	1,888
Total economic development	8,705	6,027	275	136	-	379	1,888
Building and Housing:							
Building and housing	4,146				245	3,581	320
Total building and housing	4,146	-	-	-	245	3,581	320
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 1,587,483	$ 63,232	$ 135,946	$ 594,578	$ 174,971	$ 502,926	$ 115,830

* 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, 2010
(Amounts in 000's)

	Balance January 1, 2010	Additions	Deductions	Transfers	Balance December 31, 2010
General Government:					
General government	$ 333,760	$ 4,288	$ (149)	$ 26	$ 337,925
City Hall	20,135	761			20,896
Justice Center	29,768				29,768
Charles V. Carr Municipal Center	647				647
Total general government	384,310	5,049	(149)	26	389,236
Public Service:					
Waste collection	27,563	155	(17)		27,701
Engineering and construction	454,513	12,593	(58)	24	467,072
Streets	132,746	6,102	(2,113)		136,735
Traffic engineering	4,868	412	(78)		5,202
Other	49,552			(14)	49,538
Total public service	669,242	19,262	(2,266)	10	686,248
Public Safety:					
Police	108,616	2,350	(997)	19	109,988
Fire	60,490	1,720	(42)	(19)	62,149
Emergency medical service	15,679	772	(25)		16,426
Correction	7,643	37	(52)		7,628
Dog pound	866	294	(6)		1,154
Total public safety	193,294	5,173	(1,122)	-	197,345
Public Health:					
Health and environment	11,858	466		(12)	12,312
Total public health	11,858	466	-	(12)	12,312
Parks, Recreation and Properties:					
Park maintenance and properties	94,366	4,099	(807)		97,658
Research, planning and development	59,045				59,045
Recreation	89,111	5,037			94,148
Total parks, recreation and properties	242,522	9,136	(807)	-	250,851
Community Development:					
Community development	36,455	2,229	(20)	(24)	38,640
Total community development	36,455	2,229	(20)	(24)	38,640
Economic Development:					
Economic development	7,799	906			8,705
Total economic development	7,799	906	-	-	8,705
Building and Housing:					
Building and housing	4,146				4,146
Total building and housing	4,146	-	-	-	4,146
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 1,549,626	$ 42,221	$ (4,364)	$ -	$ 1,587,483

* 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

CITY OF CLEVELAND, OHIO
Statistical Section

This part of the City'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.

Contents **Page**

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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City of Cleveland, Ohio

Net Assets By Component

Last Nine Years

(Accrual Basis of Accounting)

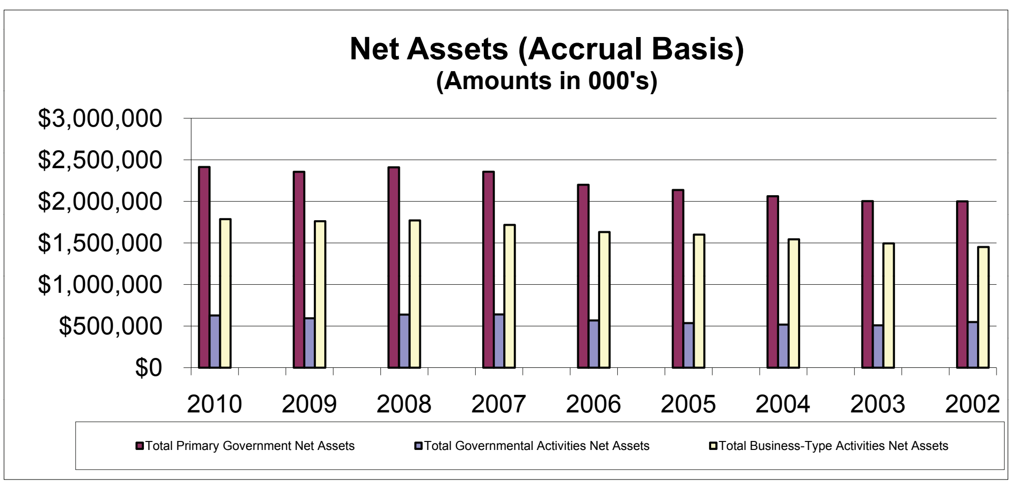
(Amounts in 000's)

	2010	2009	2008	2007	2006
Governmental Activities					
Invested in capital assets,					
net of related debt	$557,804	$561,586	$555,076	$484,758	$412,430
Restricted	159,942	166,280	179,318	214,811	211,361
Unrestricted	(90,565)	(134,033)	(95,968)	(59,630)	(56,318)
Total Governmental Activities Net Assets	$627,181	$593,833	$638,426	$639,939	$567,473
Business-Type Activities					
Invested in capital assets,					
net of related debt	$1,080,332	$1,016,182	$985,556	$957,587	$886,978
Restricted	243,511	275,907	272,613	252,514	247,802
Unrestricted	462,397	469,010	512,876	506,745	496,624
Total Business-Type Activities Net Assets	$1,786,240	$1,761,099	$1,771,045	$1,716,846	$1,631,404
Primary Government					
Invested in capital assets,					
net of related debt	$1,638,136	$1,577,768	$1,540,632	$1,442,345	$1,299,408
Restricted	403,453	442,187	451,931	467,325	459,163
Unrestricted	371,832	334,977	416,908	447,115	440,306
Total Primary Government Net Assets	$2,413,421	$2,354,932	$2,409,471	$2,356,785	$2,198,877

Note:

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

2005	2004	2003	2002
$395,600	$371,601	$365,946	$373,702
193,529	199,038	193,872	185,761
(52,676)	(53,281)	(50,673)	(11,246)
$536,453	$517,358	$509,145	$548,217
$838,164	$780,436	$706,207	$677,907
287,039	285,256	298,663	291,732
474,875	478,229	489,211	481,714
$1,600,078	$1,543,921	$1,494,081	$1,451,353
$1,233,764	$1,152,037	$1,072,153	$1,051,609
480,568	484,294	492,535	477,493
422,199	424,948	438,538	470,468
$2,136,531	$2,061,279	$2,003,226	$1,999,570



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

	2010	2009	2008	2007	2006
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	$31,570	$34,937	$36,824	$30,470	$32,311
Public Service	12,024	5,517	5,517	4,490	5,158
Public Safety	13,839	18,296	21,709	21,087	12,773
Community Development			5,440	1,203	2
Building and Housing	7,327	13,402	12,323	10,528	10,701
Public Health	3,033	3,187	2,893	2,979	2,898
Parks, Recreation and Properties	8,047	1,129	1,351	1,160	746
Economic Development	1,469	759	1,057	471	4,496
Subtotal - Charges for Services	77,309	77,227	87,114	72,388	69,085
Operating Grants and Contributions:					
General Government	1,348	1,121	1,789	1,994	1,508
Public Service	13,821	13,469	14,317	14,459	14,230
Public Safety	8,647	13,192	7,448	5,789	9,364
Human Resources					
Community Development	73,563	41,490	42,129	50,344	56,882
Building and Housing	9,064	11,857	1,106	3,353	3,407
Public Health	12,693	15,048	12,786	14,079	13,838
Parks, Recreation and Properties	13,830	14,404	16,417	16,123	16,232
Economic Development	8,156	23,984	33,121	21,077	40,397
Subtotal - Operating Grants and Contributions	141,122	134,565	129,113	127,218	155,858
Capital Grants and Contributions:					
General Government	41		3,057	5,380	23,839
Public Service	11,179	11,680	13,094	75,871	
Community Development				1,315	
Parks, Recreation and Properties					
Subtotal - Capital Grants and Contributions	11,220	11,680	16,151	82,566	23,839
Total Governmental Activities Program Revenues	229,651	223,472	232,378	282,172	248,782
Business-Type Activities:					
Charges for Services:					
Water	237,270	228,235	242,872	242,014	209,694
Electricity	166,665	155,865	158,237	155,559	146,293
Airport facilities	106,696	98,143	111,402	105,887	105,711
Nonmajor activities	39,358	43,110	41,950	40,614	33,821
Subtotal - Business-Type Activities	549,989	525,353	554,461	544,074	495,519
Operating Grants and Contributions:					
Water	3,553	4,917	8,384	11,033	8,242
Electricity	566	169	2,118	2,589	1,796
Airport facilities	619	1,232	3,809	3,718	2,944
Nonmajor activities	4,051	3,857	5,557	6,399	1,616
Subtotal - Operating Grants and Contributions	8,789	10,175	19,868	23,739	14,598
Capital Grants and Contributions:					
Water	7,645	1,677	3,460	7,906	6,817
Electricity	1,035		2,803	1,485	1,135
Airport facilities	57,089	44,219	54,646	73,358	53,280
Nonmajor activities	19,765	5,429	3,155	2,591	6,201
Subtotal - Capital Grants and Contributions	85,534	51,325	64,064	85,340	67,433
Total Business-Type Activities Program Revenues	644,312	586,853	638,393	653,153	577,550
Total Primary Government Program Revenues	$873,963	$810,325	$870,771	$935,325	$826,332

2005	2004	2003	2002
$22,174	$22,143	$32,878	$26,784
6,208	5,030	4,802	4,259
15,953	16,046	18,822	11,273
			7,081
10,871	11,948	9,673	
2,918	2,262	2,861	2,504
913	692	1,228	896
46	118	2,269	107
59,083	58,239	72,533	52,904
1,876	1,865	2,588	1,060
14,234	13,798	12,873	14,832
9,153	7,561	9,677	7,718
			21,545
51,848	59,734	63,295	75,083
10,963	8,778	7,357	8,323
354	2,427	343	222
42,164	30,704	30,551	20,629
130,592	124,867	126,684	149,412
26,899	14,745	13,203	9,369
			2
89	125	66	543
26,988	14,870	13,269	9,914
216,663	197,976	212,486	212,230
222,635	209,622	203,748	215,709
150,263	141,143	139,660	141,690
111,087	110,882	89,958	86,277
33,843	35,079	33,628	33,201
517,828	496,726	466,994	476,877
			10,465
			1,034
7,726			4,200
100	48	790	76
7,826	48	790	15,775
12,408	5,448	6,687	241
2,285	1,079	1,585	8,633
40,975	50,377	51,211	51,990
5,505	4,698	7,317	4,891
61,173	61,602	66,800	65,755
586,827	558,376	534,584	558,407
$803,490	$756,352	$747,070	$770,637

(Continued)

City of Cleveland, Ohio
Changes in Net Assets
Last Nine Years
(Amounts in 000's)

	2010	2009	2008	2007	2006
Expenses					
Governmental Activities:					
General Government	$81,898	$90,311	$101,878	$99,311	$99,187
Public Service	93,425	85,947	87,154	86,435	81,248
Public Safety	315,900	329,765	329,922	322,840	301,208
Human Resources					
Community Development	70,589	59,204	44,550	54,425	62,701
Building and Housing	17,445	20,925	15,831	13,999	13,832
Public Health	19,740	22,999	20,351	21,412	27,674
Parks, Recreation and Properties	46,963	58,799	61,628	54,332	45,546
Economic Development	24,729	38,083	53,944	39,168	44,739
Interest on debt	47,531	30,448	32,896	27,763	32,162
Total Governmental Activities Expenses	718,220	736,481	748,154	719,685	708,297
Business-Type Activities					
Water	232,862	224,269	213,335	205,470	204,994
Electricity	165,330	158,100	154,426	148,832	141,546
Airport facilities	158,262	168,734	172,274	167,967	157,976
Nonmajor activities	43,443	46,546	44,507	45,762	42,112
Total Business-Type Activities Expenses	599,897	597,649	584,542	568,031	546,628
Total Primary Government Program Expenses	1,318,117	1,334,130	1,332,696	1,287,716	1,254,925
Net (Expense)/Revenue					
Governmental Activities	(488,569)	(513,009)	(515,776)	(437,513)	(459,515)
Business-Type Activities	44,415	(10,796)	53,851	85,122	30,922
Total Primary Government Net Expense	(444,154)	(523,805)	(461,925)	(352,391)	(428,593)
General Revenues and Other Changes in Net Assets					
Governmental Activities					
Taxes:					
Income taxes	298,209	296,507	329,316	317,268	302,084
Property taxes	88,087	63,573	65,398	69,313	66,762
Other taxes	28,450	25,053	25,918	28,567	26,492
Shared revenues	23,869	28,741	28,587	23,805	16,949
Grants and contributions not restricted to specific programs					
State and local government funds	49,266	43,420	52,450	51,164	55,905
Unrestricted investment earnings	654	1,740	3,344	5,670	4,273
Other	14,104	10,207	9,556	14,482	18,460
Transfers	19,278	(825)	(306)	(290)	(390)
Total Governmental Activities	521,917	468,416	514,263	509,979	490,535
Business-Type Activities					
Unrestricted investment earnings	4	25	42	30	14
Other					
Transfers	(19,278)	825	306	290	390
Total Business-Type Activities Expenses	(19,274)	850	348	320	404
Total Primary Government General Revenues and Other Changes in Net Assets	502,643	469,266	514,611	510,299	490,939
Change in Net Assets					
Governmental Activities	33,348	(44,593)	(1,513)	72,466	31,020
Business-Type Activities	25,141	(9,946)	54,199	85,442	31,326
Total Primary Government Change in Net Assets	$58,489	($54,539)	$52,686	$157,908	$62,346

Note:

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

Program revenues and expenses previously reported as “Other” program revenues and expenses in Governmental activities on the Statement of Activities are now classified as General Government program revenues and expenses as appropriate.

Business-type activities on the Government-wide Statement of Activities summarizes other Enterprise Funds as Nonmajor activities. These include Water Pollution Control, Convention Center, West Side Market, East Side Market, Municipal Parking Lots, Cemeteries and Golf Courses.

2005	2004	2003	2002
$97,544	$88,587	$96,757	$94,329
80,888	78,634	80,698	76,100
293,242	281,140	315,811	305,289
			21,545
56,413	65,603	62,543	87,478
10,650	10,703	12,932	
24,950	22,537	22,750	22,137
44,840	42,734	47,725	45,365
41,030	49,372	38,850	28,468
27,557	30,815	29,065	28,535
677,114	670,125	707,131	709,246
192,187	188,118	173,179	170,009
153,676	136,927	134,120	133,182
146,807	145,749	143,147	131,683
41,526	41,333	42,606	42,091
534,196	512,127	493,052	476,965
1,211,310	1,182,252	1,200,183	1,186,211
(460,451)	(472,149)	(494,645)	(497,016)
52,631	46,249	41,532	81,442
(407,820)	(425,900)	(453,113)	(415,574)
288,191	293,387	277,086	275,321
64,390	69,483	63,498	74,229
25,051	22,011	23,266	25,720
22,468	20,470	20,799	7,707
1	94	101	2,501
55,696	57,072	56,792	54,809
2,989	1,273	1,443	1,207
21,135	18,855	8,855	22,874
(375)	(2,283)	3,733	(502)
479,546	480,362	455,573	463,866
2,205	1,215	717	2,136
946	93	4,212	1,194
375	2,283	(3,733)	502
3,526	3,591	1,196	3,832
483,072	483,953	456,769	467,698
19,095	8,213	(39,072)	(33,150)
56,157	49,840	42,728	85,274
$75,252	$58,053	$3,656	$52,124

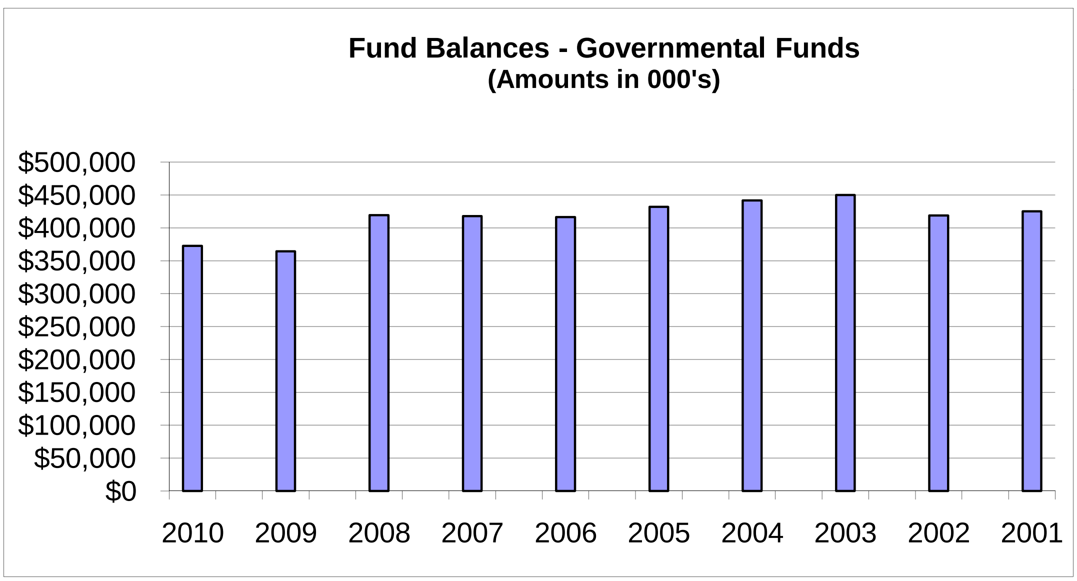
(Concluded)

City of Cleveland, Ohio

Fund Balances, Governmental Funds
Last Ten Years
(Modified Accrual Basis of Accounting)
(Amounts in 000's)

	2010	2009	2008	2007
General Fund				
Reserved	$15,070	$15,513	$14,689	$14,455
Unreserved	(2,529)	(9,648)	16,856	17,399
Total General Fund	12,541	5,865	31,545	31,854
All Other Governmental Funds				
Reserved	257,696	263,059	272,039	277,669
Unreserved reported in:				
Special Revenue funds	64,432	45,781	72,421	77,223
Capital Projects funds	37,753	49,556	43,438	31,136
Total All Other Governmental Funds	359,881	358,396	387,898	386,028
Total Governmental Funds	$372,422	$364,261	$419,443	$417,882

2006	2005	2004	2003	2002	2001
$13,029	$11,520	$13,258	$9,719	$17,800	$31,519
22,502	24,693	21,376	14,932	32,037	7,731
35,531	36,213	34,634	24,651	49,837	39,250
278,984	280,042	272,122	276,518	258,546	344,350
77,287	65,786	89,325	88,251	53,221	37,215
24,458	49,750	45,522	60,462	57,375	4,225
380,729	395,578	406,969	425,231	369,142	385,790
$416,260	$431,791	$441,603	$449,882	$418,979	$425,040



City of Cleveland, Ohio

Changes in Fund Balances, Governmental Funds

Last Ten Years

(Modified Accrual Basis of Accounting)

(Amounts in 000's)

	2010	2009	2008	2007
Revenues				
Income taxes	$300,427	$298,546	$326,464	$311,784
Property taxes	58,660	63,754	65,258	69,254
State and local government funds	47,972	45,590	52,269	53,506
Other shared revenues	79,620	81,440	81,200	80,789
Licenses and permits	13,529	17,061	15,047	13,802
Charges for services	33,779	22,136	26,000	24,388
Fines, forfeits and settlements	28,643	32,321	34,763	31,246
Investment earnings	621	2,691	8,871	16,875
Grants	116,920	112,024	94,769	167,125
Contributions	72	659	549	549
Miscellaneous	16,490	25,811	27,649	18,581
Total Revenues	696,733	702,033	732,839	787,899
Expenditures				
Current:				
General Government	80,865	90,074	91,664	84,578
Public Service	53,567	58,229	60,105	60,700
Public Safety	308,321	319,334	318,339	311,606
Human Resources				
Community Development	70,437	58,101	43,677	53,668
Building and Housing	17,401	20,841	15,691	13,892
Public Health	19,229	22,460	19,724	21,014
Parks, Recreation and Properties	37,822	39,598	42,593	40,494
Economic Development	24,635	36,849	51,921	33,787
Other	11,490	10,446	10,627	9,206
Capital outlay	56,227	66,720	60,513	120,680
Inception of capital lease	3,201			3,933
Debt issuance cost				
Interest expense				
Debt service:				
Principal retirement	48,223	53,048	51,566	44,258
Interest	28,682	32,942	34,318	30,075
General Government	18,722	477	5,394	
Other	795	475	1,868	2,438
Total Expenditures	779,617	809,594	808,000	830,329
Excess (Deficiency) of Revenues Over (Under) Expenditures	(82,884)	(107,561)	(75,161)	(42,430)
Other Financing Sources (Uses)				
Transfers in	106,617	53,414	57,550	61,064
Transfers out	(88,152)	(54,525)	(58,243)	(61,894)
Issuance of debt	171,505	44,580		
Issuance of refunding bonds		13,820		
Proceeds from sale of debt			266,160	
Premium on bonds and notes	1,885	2,289	4,042	3,730
Discount on bonds and notes	(237)		(386)	(18)
Payment to refund bonds and notes	(108,390)	(13,767)	(192,675)	(140,457)
Proceeds from sale of general obligation bonds and notes				181,420
Sale of development bonds				
Loan proceeds				
Sale of City assets	1,127	6,568	274	207
Proceeds from capital lease	6,690			
Inception of capital lease				
Premium on interest rate swap agreement				
Total Other Financing Sources (Uses)	91,045	52,379	76,722	44,052
Net Change in Fund Balances	$8,161	($55,182)	$1,561	$1,622
Debt Service as a Percentage of Noncapital Expenditures	10.6%	11.6%	11.5%	10.5%

2006	2005	2004	2003	2002	2001
$303,446	$292,193	$294,200	$278,719	$279,186	$277,687
66,787	66,055	67,999	63,353	72,683	71,610
55,908	55,899	55,808	55,462	56,436	59,252
73,810	59,576	57,213	55,030	44,664	43,341
14,520	14,806	16,033	13,727	10,656	8,967
20,973	23,182	18,707	21,345	21,672	18,798
27,877	19,985	19,611	25,689	24,946	13,096
13,809	8,774	3,758	3,634	4,762	10,425
137,278	126,139	118,228	120,379	139,953	106,965
3,113	3,650	6,131	101	2,500	
18,683	14,394	21,462	17,013	19,099	54,249
736,204	684,653	679,150	654,452	676,557	664,390
74,905	71,107	71,291	74,128	71,551	74,752
58,739	60,049	56,044	56,761	55,939	50,209
293,093	282,684	272,752	302,707	283,172	273,951
					13,425
62,031	55,688	65,034	61,227	21,545	82,194
13,668	10,472	10,497	11,935	86,641	
26,903	24,121	21,862	21,870	21,176	19,796
37,817	35,503	32,934	37,829	36,088	39,951
44,632	40,446	46,966	33,728	27,245	41,466
9,256	11,212	11,510	14,197	12,973	16,373
65,216	84,438	82,780	64,738	63,171	74,329
3,302	4,130	9,271			
			818		
			228		
37,648	39,384	40,865	32,949	62,347	31,463
31,462	29,822	32,002	27,400	26,748	28,312
662	2,338	1,778	719	922	
759,334	751,394	755,586	741,234	769,518	746,221
(23,130)	(66,741)	(76,436)	(86,782)	(92,961)	(81,831)
41,853	43,245	47,256	59,368	96,056	69,156
(42,665)	(43,697)	(50,271)	(59,773)	(100,365)	(68,346)
				(740)	
	121,395	35,115			
	13,306	1,504	7,585		
	(54)	(200)	3,156	2,648	
	(94,145)				
		16,760	64,100	76,675	4,060
			32,315		
		11,365			
8,411	8,454				
	8,425	6,628	6,254		
			(419)		
			5,100		
7,599	56,929	68,157	117,686	74,274	4,870
($15,531)	($9,812)	($8,279)	$30,904	($18,687)	($76,961)
10.0%	10.4%	10.8%	8.9%	12.6%	9.1%

City of Cleveland, Ohio

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

	Real Property			Tangible Personal Property	
	Assessed Value			Public Utility	
Collection Year	Residential/ Agricultural	Commercial Industrial/PU	Estimated Actual Value	Assessed Value	Estimated Actual Value
2010	$2,693,686	$2,585,663	$15,083,857	$233,870	$265,761
2009	3,062,170	2,434,549	15,704,911	220,820	250,932
2008	3,041,791	2,438,801	15,658,834	210,970	239,739
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

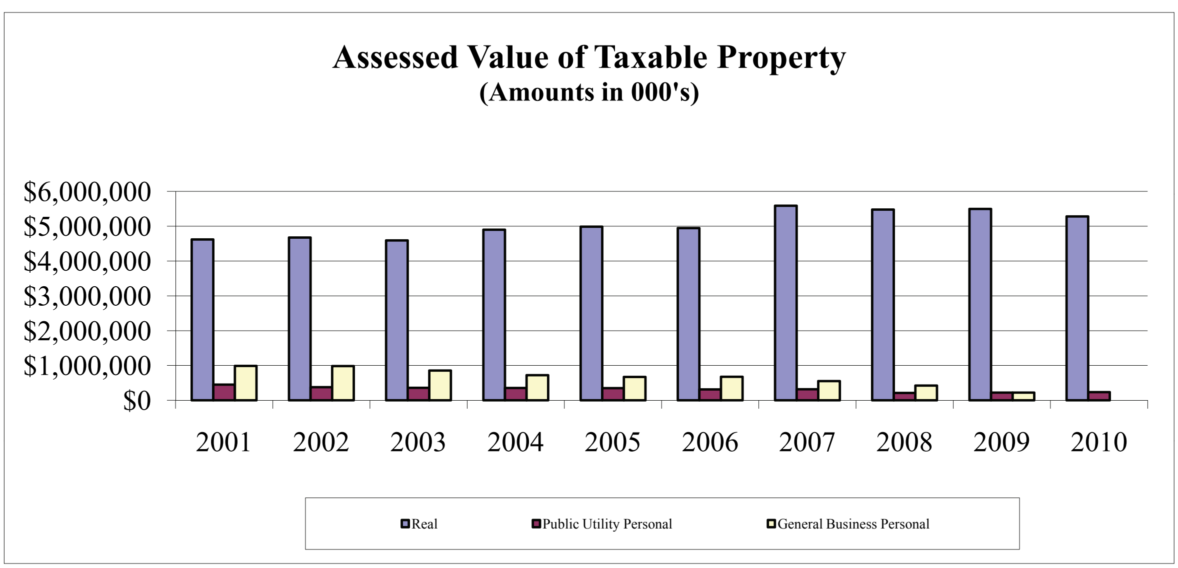
The assessed valuation level for real property in Cuyahoga County is 35% of appraised market value, except for certain agricultural land and public utility property.

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 12.50%, and in 2008 to 6.25%. The percentage decreased to 0% in 2009. This percentage remained at 0% in 2010.

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 of Ohio from State resources. All taxable property remained at 88% true value.

Source: Cuyahoga County Auditor's Office.

Tangible Personal Property				
General Business		Total		
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Ratio
$0	$0	$5,513,219	$15,349,618	35.9 %
219,920	3,518,720	5,937,459	19,474,563	30.5
422,770	6,764,320	6,114,332	22,662,893	27.0
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



City of Cleveland, Ohio

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

	2010	2009	2008	2007
Unvoted Millage				
Debt	4.350000	4.350000	4.350000	4.350000
Fire Pension	0.050000	0.050000	0.050000	0.050000
Total Unvoted Millage	4.400000	4.400000	4.400000	4.400000
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
Total Charter Millage	8.300000	8.300000	8.300000	8.300000
Total Millage	12.700000	12.700000	12.700000	12.700000
Overlapping Rates by Taxing District				
City School District				
Residential/Agricultural Real	31.506887	31.460074	29.076676	29.050497
Commercial/Industrial and Public Utility Real	44.362102	44.661412	44.661009	44.592555
General Business and Public Utility Personal	64.800000	64.800000	64.800000	64.800000
County				
Residential/Agricultural Real	13.186617	13.178886	12.660733	11.868868
Commercial/Industrial and Public Utility Real	12.841251	12.845700	12.815297	12.453559
General Business and Public Utility Personal	13.320000	13.320000	13.320000	13.420000
Special Taxing Districts (1)				
Residential/Agricultural Real	11.207637	10.723710	10.330071	9.059500
Commercial/Industrial and Public Utility Real	11.236434	10.859248	10.838537	10.191700
General Business and Public Utility Personal	11.880000	11.580000	11.580000	11.580000

Note:

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 County Port Authority, Cleveland Public Library and Cuyahoga Community College. Prior to 2003, Cleveland Metropolitan Parks District and Cleveland Public Library only.

Source: Cuyahoga County Auditor's Office.

2006	2005	2004	2003	2002	2001
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
29.002818	31.588821	31.586780	31.559197	34.359166	34.356020
44.858685	48.826505	48.636211	48.764909	48.821444	48.257023
64.800000	64.800000	64.800000	64.800000	64.800000	64.800000
11.865485	11.722742	10.975355	10.989859	12.460892	11.381449
12.494099	12.588063	11.984633	12.043316	12.876350	12.002276
13.420000	13.520000	13.520000	13.520000	14.650000	14.650000
9.045800	9.853500	9.851200	9.168300	4.306000	4.307000
10.252900	11.084900	11.011300	10.525300	4.886300	4.822800
11.580000	11.580000	11.580000	11.280000	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
2010	$107,119,066	$59,078,863	55.15 %	$5,259,959	$64,338,822
2009	107,873,764	63,707,028	59.06	5,351,909	69,058,937
2008	107,071,494	66,210,703	61.84	6,416,603	72,627,306
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

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

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

Source: Cuyahoga County Auditor's Office.

Percent of Total Tax Collections To Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Delinquent Taxes to Total Tax Levy
60.06 %	$39,704,298	37.07 %
64.02	36,999,445	34.30
67.83	31,984,896	29.87
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

City of Cleveland, Ohio

Principal Taxpayers - Real Estate Tax

2010 and 2001

	2010	
Taxpayer	Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
Cleveland Clinic Foundation	$241,141,560	4.57 %
Key Center Properties LLC	83,619,320	1.58
City of Cleveland, Ohio	76,531,460	1.45
Cleveland Financial Associates	46,967,070	0.89
Board of County Commissioners	39,698,830	0.75
City of Cleveland Executive	36,508,320	0.69
National City Bank	36,391,080	0.69
Hub North Point Properties LLC	33,309,480	0.63
ISG Cleveland West Inc.	26,892,690	0.51
Optima One Cleveland	25,857,270	0.49
Total	$646,917,080	12.25 %
Total Real Property Assessed Valuation	$5,279,349,000	

	2001	
Taxpayer	Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
City of Cleveland, Ohio	$98,621,290	2.14 %
ZML-Cleve Public Sq LLC	56,305,130	1.22
PMW LTD Partnership	36,610,000	0.79
Cleveland Clinic Foundation	33,157,070	0.72
BRE.City Center LLC	33,051,760	0.72
LTV Steel Company, Incorporated	32,987,400	0.71
GSA	31,034,190	0.67
600 Superior Place Partnership	25,970,770	0.56
CG Erieview	25,202,210	0.55
Bishop James Hickey	22,353,030	0.48
Total	$395,292,850	8.56 %
Total Real Property Assessed Valuation	$4,618,339,000	

(1) The amounts presented represent the assessed values upon which 2010 and 2001 collections were based.

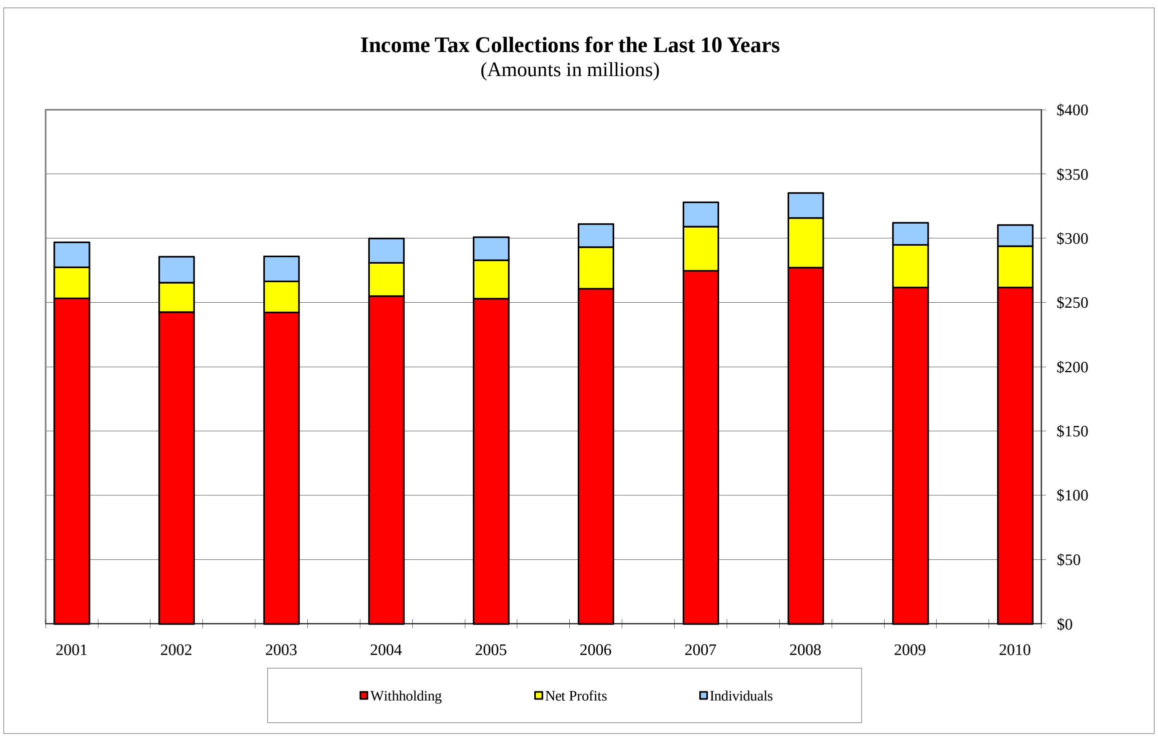
Source: Cuyahoga County Auditor's Office.

City of Cleveland, Ohio

Income Tax Revenue Base and Collections

Last Ten Years

Tax Year	Tax Rate	Total Tax Collected (1)	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
2010	2.00%	$310,339,588	$261,801,977	84.36%	$32,095,566	10.34%	$16,442,045	5.30%
2009	2.00	312,129,641	261,878,357	83.90	33,065,140	10.59	17,186,144	5.51
2008	2.00	335,310,894	277,203,932	82.67	38,709,596	11.54	19,397,366	5.78
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



Note:

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

(1) Gross collections.

Source: Central Collection Agency.

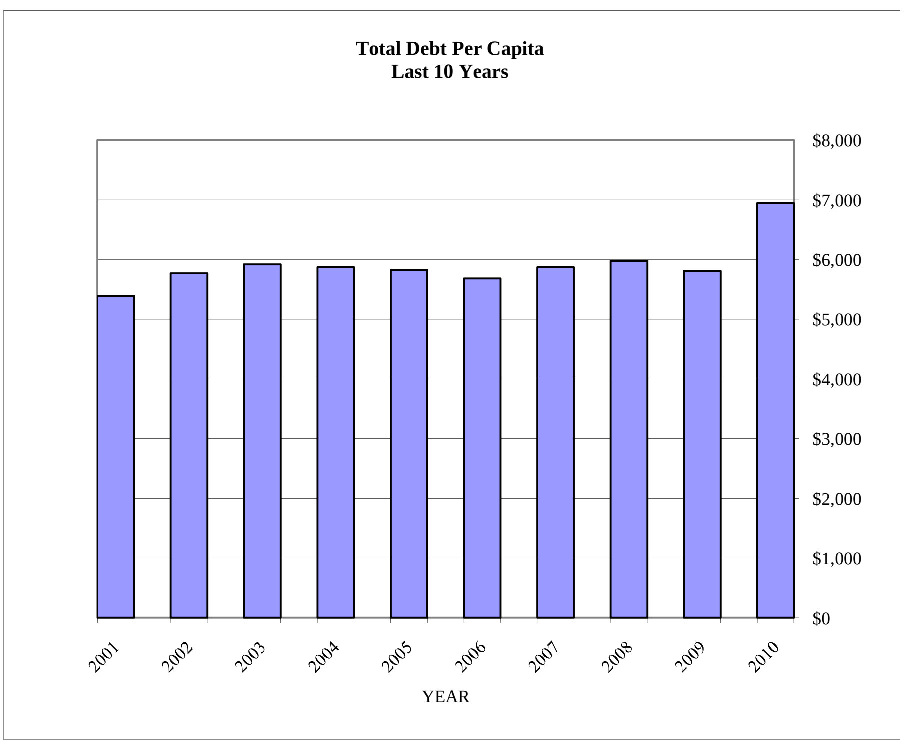
City of Cleveland, Ohio

Ratio of Outstanding Debt to
Total Personal Income and Debt Per Capita
Last Ten Years

	Governmental Activities						
Year	General Obligation Bonds	Urban Renewal Bonds/Notes	Non-Tax Revenue Bonds/Notes	Capital Leases	Subordinated Income Tax Refunding Bonds	Certificates of Participation	Subordinate Lien Income Tax Bonds
2010	$297,115,000	$5,365,000	$61,795,000	$8,937,000	$55,785,000	$135,537,000	$83,025,000
2009	326,230,000	5,860,000	64,956,000	5,320,000	58,460,000	119,016,000	57,630,000
2008	313,630,000	6,325,000	67,617,000	8,604,000	59,960,000	129,949,000	59,560,000
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	

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

	Business-Type Activities				
Annual Appropriation Bonds	Revenue Bonds / Notes	OWDA/ OPWC Loans	Total Debt	Percentage of Personal Income	Per Capita
$11,000,000	$1,974,828,000	$121,335,000	$2,754,722,000	48.58%	$6,942
	2,032,178,000	107,654,000	2,777,304,000	40.62	5,805
	2,100,768,000	112,275,000	2,858,688,000	41.81	5,975
	2,075,755,000	110,070,000	2,809,066,000	41.09	5,872
	1,995,045,000	103,415,000	2,718,485,000	39.76	5,682
	2,049,820,000	78,498,000	2,785,991,000	40.75	5,824
	2,102,986,000	52,616,000	2,809,467,000	41.09	5,873
	2,160,842,000	33,045,000	2,831,246,000	41.41	5,918
	2,181,898,000	16,746,000	2,758,936,000	40.35	5,767
	2,018,731,000	13,117,000	2,578,386,000	37.71	5,390



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	Ratio of Net Bonded Debt to Estimated Actual Value of Taxable Property	Net Bonded Debt Per Capita
2010	396,815	(a)	$5,513,219	$294,923,000	5.35 %	$743.23
2009	478,403	(b)	5,937,459	323,631,000	5.45	676.48
2008	478,403	(b)	6,114,332	311,134,000	5.09	650.36
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)	6,007,614	348,004,000	5.79	727.43
2004	478,403	(b)	5,977,141	339,209,000	5.68	709.04
2003	478,403	(b)	5,804,047	352,569,000	6.07	736.97
2002	478,403	(b)	6,031,559	316,220,000	5.24	660.99
2001	478,403	(b)	6,058,646	292,608,000	4.83	611.63

Note:

Net Bonded Debt includes all general obligation bonded debt less balance in debt service fund.

Sources:

(1) U. S. Bureau of Census, Census of Population:
(a) 2010 Federal Census
(b) 2000 Federal Census
(2) Cuyahoga County Fiscal Officer's Office.

City of Cleveland, Ohio

Computation of Direct and Overlapping Governmental Activities Debt

December 31, 2010

Jurisdiction	Governmental Activities Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City
Direct - City of Cleveland			
General Obligation Bonds	$297,115,000	100.00 %	$297,115,000
Revenue Notes/Bonds	1,974,828,000	100.00	1,974,828,000
OWDA/OPWC Loans	121,335,000	100.00	121,335,000
Capital Leases	8,937,000	100.00	8,937,000
Urban Renewal Bonds/Notes	5,365,000	100.00	5,365,000
Subordinated Income Tax Refunding Bonds	55,785,000	100.00	55,785,000
Subordinate Lien Income Tax Bonds	83,025,000	100.00	83,025,000
Non-tax Revenue Bonds	61,795,000	100.00	61,795,000
Annual Appropriation Bonds	11,000,000	100.00	11,000,000
Total Direct Debt	2,619,185,000		2,619,185,000
Overlapping			
Cleveland Municipal School District			
General Obligation Bonds	187,664,706	96.95	181,940,932
Cuyahoga County			
General Obligation Bonds	302,130,000	18.60	56,196,180
Regional			
Transit Authority	152,760,000	18.60	28,413,360
Total Overlapping Debt	642,554,706		266,550,472
Total	$3,261,739,706		$2,885,735,472

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

Source: Cuyahoga County Fiscal Officer's Office.

City of Cleveland, Ohio

Legal Debt Margin

Last Ten Years

	2010	2009	2008	2007
Total Assessed Property Value	$5,513,219,400	$5,937,458,591	$6,114,332,281	$6,457,247,750
Overall Legal Debt Limit				
(10½% of Assessed Valuation)	578,888,037	623,433,152	642,004,890	678,011,014
Debt Outstanding:				
General Obligation Bonds	297,115,000	326,230,000	313,630,000	336,990,000
Revenue Notes/Bonds	1,974,828,000	2,032,178,000	2,100,768,000	2,075,755,000
Urban Renewal Bonds/Notes	5,365,000	5,860,000	6,325,000	6,760,000
Subordinated Income Tax Refunding Bonds	55,785,000	58,460,000	59,960,000	58,900,000
Subordinate Lien Income Tax Bonds	83,025,000	57,630,000	59,560,000	
OWDA/OPWC Loans	121,335,000	107,654,000	112,275,000	110,070,000
Non-tax Revenue Bonds	61,795,000	64,956,000	67,617,000	68,091,000
Annual Appropriation Bonds	11,000,000			
Total Gross Indebtedness	2,610,248,000	2,652,968,000	2,720,135,000	2,656,566,000
Less:				
General Obligation Bonds	297,115,000	326,230,000	313,630,000	336,990,000
Revenue Notes/Bonds	1,974,828,000	2,032,178,000	2,100,768,000	2,075,755,000
Urban Renewal Bonds/Notes	5,365,000	5,860,000	6,325,000	6,760,000
Subordinated Income Tax Refunding Bonds	55,785,000	58,460,000	59,960,000	58,900,000
Subordinate Lien Income Tax Bonds	83,025,000	57,630,000	59,560,000	
OWDA/OPWC Loans	121,335,000	107,654,000	112,275,000	110,070,000
Non-tax Revenue Bonds	61,795,000	64,950,000	67,617,000	68,091,000
Annual Appropriation Bonds	11,000,000			
General Obligation Bond Retirement Fund Balance	2,192,000	2,599,000	2,496,000	3,167,000
Total Net Debt Applicable to Debt Limit*	-	-	-	-
Legal Debt Margin Within 10½% Limitations	$578,888,037	$623,433,152	$642,004,890	$678,011,014
Legal Debt Margin as a Percentage of the Debt Limit	100.00%	100.00%	100.00%	100.00%
Unvoted Debt Limitation	$303,227,067	$326,560,223	$336,288,276	$355,148,626
(5½% of Assessed Valuation)				
Total Gross Indebtedness	2,610,248,000	2,652,968,000	2,720,135,000	2,656,566,000
Less:				
General Obligation Bonds	297,115,000	326,230,000	313,630,000	336,990,000
Revenue Notes/Bonds	1,974,828,000	2,032,178,000	2,100,768,000	2,075,755,000
Urban Renewal Bonds/Notes	5,365,000	5,860,000	6,325,000	6,760,000
Subordinated Income Tax Refunding Bonds	55,785,000	58,460,000	59,960,000	58,900,000
Subordinate Lien Income Tax Bonds	83,025,000	57,630,000	59,560,000	
OWDA/OPWC Loans	121,335,000	107,654,000	112,275,000	110,070,000
Non-tax Revenue Bonds	61,795,000	64,950,000	67,617,000	68,091,000
Annual Appropriation Bonds	11,000,000			
General Obligation Bond Retirement Fund Balance	2,192,000	2,599,000	2,496,000	3,167,000
Net Debt Within 5½% Limitations*	-	-	-	-
Unvoted Legal Debt Margin Within 5½% Limitations	$303,227,067	$326,560,223	$336,288,276	$355,148,626
Unvoted legal Debt Margin as a Percentage of the Unvoted Debt Limitation	100.00%	100.00%	100.00%	100.00%

* 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.

Source: City Financial Records.

	2006	2005	2004	2003	2002	2001
	$5,939,704,867	$6,007,616,318	$5,977,142,243	$5,804,048,750	$6,031,560,000	$6,058,647,000
	623,669,011	630,799,713	627,599,936	609,425,119	633,313,800	636,157,935
	323,795,000	353,325,000	346,700,000	356,900,000	319,085,000	293,380,000
	1,995,045,000	2,049,820,000	2,102,986,000	2,160,842,000	2,181,898,000	2,018,731,000
	7,170,000	7,555,000	12,215,000	12,555,000	12,825,000	13,075,000
	60,700,000	62,400,000	64,000,000	65,500,000	66,900,000	68,200,000
	103,415,000	78,498,000	52,616,000	33,045,000	16,746,000	13,117,000
	69,353,000	70,085,000	70,715,000	45,600,000	10,000,000	10,000,000
	2,559,478,000	2,621,683,000	2,649,232,000	2,674,442,000	2,607,454,000	2,416,503,000
	323,795,000	353,325,000	346,700,000	356,900,000	318,340,000	291,210,000
	1,995,045,000	2,049,820,000	2,102,986,000	2,160,842,000	2,181,898,000	2,018,731,000
	7,170,000	7,555,000	12,215,000	12,555,000	12,825,000	13,075,000
	60,700,000	62,400,000	64,000,000	65,500,000	66,900,000	68,200,000
	103,415,000	78,498,000	52,616,000	33,045,000	16,746,000	13,117,000
	69,353,000	70,085,000	70,715,000	45,600,000	10,000,000	10,000,000
	3,530,000	5,321,000	7,491,000	4,331,000	2,865,000	772,000
	-	-	-	-	-	1,398,000
	$623,669,011	$630,799,713	$627,599,936	$609,425,119	$633,313,800	$634,759,935
	100.00%	100.00%	100.00%	100.00%	100.00%	99.78%
	$326,683,768	$330,418,898	$328,742,823	$319,222,681	$331,735,800	$333,225,585
	2,559,478,000	2,621,683,000	2,649,232,000	2,674,442,000	2,607,454,000	2,416,503,000
	323,795,000	353,325,000	346,700,000	356,900,000	318,340,000	291,210,000
	1,995,045,000	2,049,820,000	2,102,986,000	2,160,842,000	2,181,898,000	2,018,731,000
	7,170,000	7,555,000	12,215,000	12,555,000	12,825,000	13,075,000
	60,700,000	62,400,000	64,000,000	65,500,000	66,900,000	68,200,000
	103,415,000	78,498,000	52,616,000	33,045,000	16,746,000	13,117,000
	69,353,000	70,085,000	70,715,000	45,600,000	10,000,000	10,000,000
	3,530,000	5,321,000	7,491,000	4,331,000	2,865,000	772,000
	-	-	-	-	-	1,398,000
	$326,683,768	$330,418,898	$328,742,823	$319,222,681	$331,735,800	$331,827,585
	100.00%	100.00%	100.00%	100.00%	100.00%	99.58%

City of Cleveland, Ohio

Pledged Revenue Coverage

Airport Revenue Bonds

Last Ten Years

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service Principal	Debt Service Interest	Coverage
2010	$152,053,000	$70,152,000	$81,901,000	$14,705,000	$36,386,915	1.60
2009	167,358,000	68,432,000	98,926,000	22,450,000	37,622,000	1.65
2008	160,455,000	74,885,000	85,570,000	16,830,000	40,497,264	1.49
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

(1) Gross revenues include operating revenues plus interest income. Beginning in 2001, a minimum of 40% of passenger facility charges, as well as grant funds from the FAA for the new runway, are dedicated to the payment of debt service charges and are 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 the 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 Principal	Debt Service Interest	Coverage
2010	$166,761,000	$138,030,000	$28,731,000	$8,045,000	$9,871,011	1.60
2009	156,034,000	128,436,000	27,598,000	8,530,000	9,009,810	1.57
2008	160,224,000	124,161,000	36,063,000	8,335,000	9,054,492	2.07
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

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

(2) Direct operating expenses are calculated in accordance with the 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	
2010	$241,277,000	$149,513,000	$91,764,000	$37,150,000	$32,447,214	1.32
2009	232,357,000	147,716,000	84,641,000	31,945,000	33,200,509	1.30
2008	252,660,000	143,833,000	108,827,000	27,285,000	38,139,614	1.66
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

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

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

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

2010

Employer	Employees	Percentage of Total County Employment
The Cleveland Clinic Foundation	34,000	5.30%
University Hospitals of Cleveland	13,224	2.06
Cuyahoga County	8,036	1.25
United States Postal Service	7,641	1.19
City of Cleveland	7,580	1.18
Cleveland Municipal School District	7,385	1.15
KeyCorp	5,553	0.87
The MetroHealth System	5,408	0.84
Case Western Reserve University	4,449	0.69
Sherwin-Williams Co.	3,058	0.49
Total	96,334	15.02%
Total Employment within the County	641,200	

2000

Employer	Employees	Percentage of Total County Employment
Cleveland Clinic Health Systems	19,739	2.85%
University Hospitals Health System	14,048	2.02
Cuyahoga County	9,682	1.40
Cleveland City School District	9,483	1.37
KeyCorp	8,606	1.24
City of Cleveland	8,314	1.20
United States Postal Service	6,484	0.93
The MetroHealth System	5,422	0.78
LTV Corp.	5,370	0.77
National City Corp.	4,897	0.71
Total	92,045	13.27%
Total Employment within the County	693,700	

Note:
Largest employers headquartered in the City ranked by FTE employees.

Source: Number of employees from Crain's Cleveland:
Book of Lists 2011, Largest Cuyahoga County Employers; FTEs 06/30/2009 - 06/30/2010
Book of Lists 2001, Largest Cuyahoga County Employers; FTEs 01/01/1999 - 01/01/2000

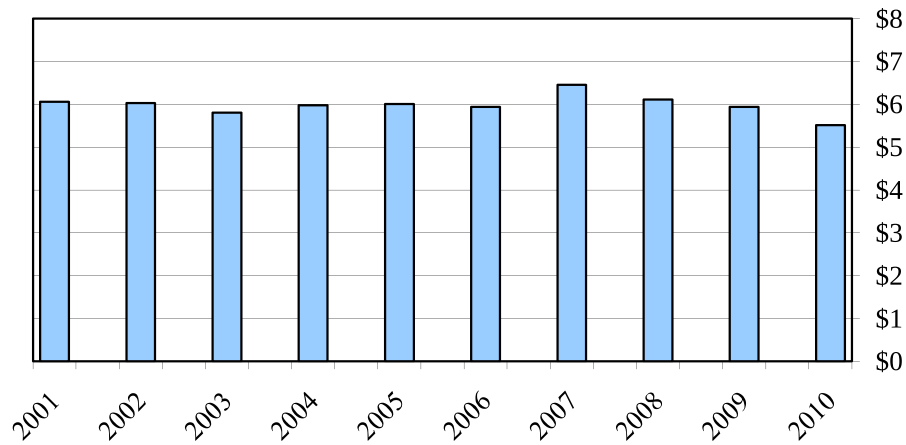
City of Cleveland, Ohio

Demographic and Economic Statistics

Last Ten Years

Year	Population		Total Personal Income (6)	Personal Income Per Capita (2)	Median Household Income (2)	Median Age	
2010	396,815	(1)	$5,670,883,165	$14,291	$25,928	35.7	(1)
2009	478,403	(2)	6,836,857,273	14,291	25,928	33	(2)
2008	478,403	(2)	6,836,857,273	14,291	25,928	33	(2)
2007	478,403	(2)	6,836,857,273	14,291	25,928	33	(2)
2006	478,403	(2)	6,836,857,273	14,291	25,928	33	(2)
2005	478,403	(2)	6,836,857,273	14,291	25,928	33	(2)
2004	478,403	(2)	6,836,857,273	14,291	25,928	33	(2)
2003	478,403	(2)	6,836,857,273	14,291	25,928	33	(2)
2002	478,403	(2)	6,836,857,273	14,291	25,928	33	(2)
2001	478,403	(2)	6,836,857,273	14,291	25,928	33	(2)

Total Assessed Property Value
(Amounts in billions)



(1) Source: U. S. Census Bureau. 2010 Census

(2) Source: U. S. Census Bureau. 2000 Census (data unavailable on 2010 Census at this time)

(3) Source: Ohio Department of Education Website: "**http://www.ode.state.oh.us/**".

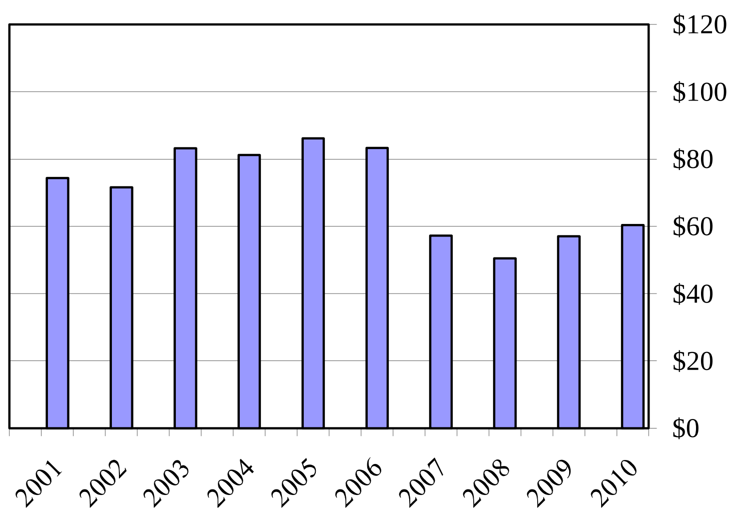
(4) Source: Ohio Labor Market Info, Website: "**http://lmi.state.oh.us/laus/LAUS.html**".

(5) Source: Cuyahoga County Auditor's Office.

(6) Computation of per capita personal income multiplied by population.

Educational Attainment: Bachelor's Degree or Higher (2)	School Enrollment (3)	City Unemployment Rate (4)	Average Sales Price of Residential Property (5)	Total Assessed Property Value (5) (Amount in 000's)
11.4%	47,615	11.5%	$60,398	$5,513,219
11.4	74,615	10.6	57,075	5,937,459
11.4	50,078	8.8	50,515	6,114,332
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	6,007,614
11.4	69,655	8.3	81,185	5,977,141
11.4	71,616	8.3	83,216	5,804,047
11.4	73,001	10.2	71,562	6,031,559
11.4	74,226	8.2	74,346	6,058,646

Average Sales Price of Residential Property
(Amounts in 000's)



City of Cleveland, Ohio

Full-Time Equivalent City Government Employees by Function/Program

Last Seven Years (1)

Function/Program	2010	2009	2008	2007	
General Government					
Council	62.00	65.50	64.50	62.50	
Mayor's Office	25.50	25.50	27.50	26.00	
Landmarks Commission	5.50	5.50	5.50	5.50	
Building Standards and Appeals	5.50	5.50	5.50	5.50	
Board of Zoning Appeals	4.00	4.50	4.50	4.50	
Civil Service Commission	11.00	10.50	10.00	11.50	
Community Relations Board	30.50	29.00	27.50	27.00	
City Planning Commission	24.00	24.00	23.00	26.00	
Equal Employment Opportunity	10.00	10.00	11.00	13.00	
Court	531.00	542.50	541.50	551.00	
Office of Budget Administration	7.00	5.50	7.00	8.00	
Aging	24.50	21.50	21.00	22.50	
Personnel and Human Resources	16.50	15.00	17.00	20.00	
Consumer Affairs	3.00	5.00	6.00	5.00	
Law	87.00	88.50	86.50	89.50	
Finance	241.50	248.50	250.50	255.00	
Security of Persons and Property					
Administration	40.00	39.00	39.00	42.50	
Police	1,983.50	2,079.00	2,095.50	2,105.00	
Fire	875.00	894.00	883.00	902.00	
EMS	218.00	236.00	252.00	288.00	
Dog Pound	16.00	15.00	14.50	14.50	
House of Corrections	170.00	188.00	176.50	183.50	(3)
Public Health Services	159.50	168.50	169.50	168.50	(3)
Leisure Time Activities					
Parks, Recreation and Property Administration	7.00	7.00	7.00	8.00	
Research, Planning and Development	6.00	8.00	9.00	9.00	
Recreation	230.00	238.00	233.50	238.00	
Convention Center, Westside Market and Cleveland Stadium	27.50	31.00	54.50	59.50	
Parking Facilities	42.50	41.00	44.50	49.00	
Property Management	81.50	84.50	87.50	89.50	
Parks Maintenance	140.00	141.00	151.00	164.00	
Community Development	87.00	86.00	77.50	78.50	
Building and Housing	134.50	142.00	147.00	161.00	
Economic Development	34.00	68.00	73.00	88.00	
Public Service					
Public Service Administration	4.50	4.50	5.00	5.00	
Architecture	6.00	6.00	7.00	8.00	
Waste Collection and Disposal	238.50	253.50	225.50	252.50	
Engineering and Construction	59.50	61.50	60.50	65.50	
Motor Vehicle Maintenance	81.00	85.00	86.00	95.00	
Streets	257.50	271.50	283.50	306.00	
Traffic Engineering	38.00	39.00	40.00	41.00	
Port Control	446.50	447.50	406.50	386.00	
Basic Utility Services					
Water	1,164.50	1,179.50	1,215.50	1,194.00	
Cleveland Public Power	345.00	343.00	340.00	341.00	
Water Pollution Control	158.00	157.00	150.00	157.00	
Totals:	8,139.50	8,420.50	8,442.50	8,632.00	

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.

Source: City Payroll Department.

2006	2005		2004
63.50	65.00		66.00
25.00	29.50		27.00
5.00	4.50		4.50
5.00	6.00		6.00
4.50	5.50		5.50
10.00	10.50		12.50
28.50	23.50		24.50
23.00	26.00		27.00
13.00	14.00		12.00
544.00	541.50		534.50
7.00	7.00		8.00
20.50	18.00		18.00
19.00	18.00		91.50
5.00	3.00		4.00
88.50	89.00		93.00
255.00	255.50		245.50
39.50	39.00		41.50
2,176.50	2,179.00		2,145.50
915.00	916.00		913.00
292.00	297.00		298.00
14.50	13.00		13.00
N/A	N/A		N/A
260.00	253.00		261.50
8.00	7.00		9.00
9.00	10.00		10.00
165.00	170.50		176.00
49.50	54.00		49.50
46.50	47.50		56.00
93.00	100.00		99.50
161.00	170.00		167.00
81.00	87.50	(2)	271.50
165.00	170.00	(2)	0.00
94.00	98.00		29.00
5.00	5.00		6.00
9.00	9.00		9.00
244.50	225.50		223.50
65.50	69.50		70.00
102.00	100.00		102.00
288.50	303.00		287.00
44.00	44.00		3.00
369.50	377.50		402.00
1,207.00	1,216.00		1,263.50
337.00	341.00		347.00
144.00	147.00		147.00
8,502.00	8,565.50		8,579.50

City of Cleveland, Ohio

Operating Indicators by Function/Program

Last Nine Years (1)

Function/Program	2010	2009	2008	2007
General Government				
Council and Clerk				
Number of ordinances passed	621	772	771	784
Number of resolutions passed	747	776	304	363
Number of planning commission docket items (5)	298	309	444	441
Zoning board of appeals docket items	274	267	242	263
Finance Department				
Number of payments issued	37,944	44,289	47,670	47,985
Total amount of payments	$1,276,014,604	$1,307,460,874	$1,251,719,916	$1,287,268,015
Interest earnings for fiscal year (cash basis)	$7,507,827	$13,219,445	$45,366,880	$63,335,510
Number of receiving warrants (9)	31,497	16,369	16,141	15,300
Number of journal entries issued (9)	192,281	41,238	41,217	43,619
Number of budget adjustments issued	2	2	5	2
Agency ratings - Standard & Poor's (2)	AA	AA	AA	A
Agency ratings - Moody's Financial Services (2)	A1	A2	A2	A2
Health insurance costs vs. General Fund expenditures %	17%	15%	14%	14%
General Fund receipts (cash basis in thousands)	$480,724	$487,678	$517,796	$509,616
General Fund expenditures (cash basis in thousands)	$482,227	$501,758	$501,124	$485,410
General Fund cash balances (in thousands)	$16,400	$12,327	$40,685	$41,885
Income Tax Department				
Number of individual returns	202,232	211,241	232,210	238,319
Number of business returns	26,881	26,326	29,014	28,335
Number of business withholding accounts	13,835	14,542	14,653	14,469
Amount of penalties and interest collected	$1,754,501	$1,884,453	$2,357,490	$1,912,554
Annual number of corporate withholding forms processed	149,584	144,493	151,256	152,334
Annual number of balance due statements forms processed	36,188	38,610	44,637	39,767
Annual number of estimated payment forms processed	42,767	47,841	51,527	57,092
Annual number of reconciliations of withholdings processed	11,357	12,213	12,198	12,488
Engineer Contracted Services				
Dollar amount of construction overseen by engineer (3)	$34,000,000	$32,000,000	$159,540,000	$251,305,000
Municipal Court				
Number of civil cases	19,280	16,375	19,890	18,569
Number of criminal cases	167,563	120,131	120,077	113,661
Vital Statistics				
Certificates filed (4)				
Number of births	15,528	16,403	16,942	17,235
Number of deaths	12,296	12,101	12,354	12,086
Number of fetal deaths	454	401	447	399
Certificates issued (4)				
Number of births	62,507	69,785	77,967	102,140
Number of deaths	59,689	60,465	65,149	64,436
Civil Service				
Number of police entry tests administered	0	1	0	1
Number of fire entry tests administered	1	0	0	0
Number of police promotional tests administered	0	0	3	0
Number of fire promotional tests administered	0	0	0	0
Number of hires of police officers from certified lists	0	56	106	73
Number of hires of fire/medics from certified lists	0	22	0	0
Number of promotions from police certified lists	0	20	40	0
Number of promotions from fire certified lists	0	0	10	49

2006	2005	2004	2003	2002
846	899	891	1,028	1,085
361	306	292	349	404
768	725	669	538	535
265	394	337	349	372
49,533	50,541	48,808	51,922	51,756
$1,284,108,296	$1,266,586,217	$1,211,743,500	$1,211,440,564	$1,271,734,980
$53,988,258	$42,035,213	$38,154,383	$39,688,080	$48,324,784
14,799	14,485	14,344	58,967	55,652
43,186	39,839	41,543	54,095	43,435
3	5	4	4	5
A	A	A	A	A+
A2	A2	A2	A2	A1
14%	14%	12%	12%	10%
$490,927	$471,755	$455,775	$459,365	$460,237
$465,162	$451,323	$484,856	$437,964	$468,504
$30,957	$29,738	$24,058	$17,676	$27,222
248,108	267,712	287,904	299,081	315,848
30,567	25,763	30,584	29,825	27,677
16,200	14,942	15,503	15,520	15,986
$1,999,859	$1,990,879	$2,471,464	$2,233,996	$2,727,029
169,933	136,931	148,779	147,478	148,702
45,909	47,252	53,458	58,689	63,829
56,163	55,036	62,115	64,780	64,709
18,929	9,075	14,723	13,000	11,737
$141,733,000	$52,741,000	$78,562,000	$49,716,000	$45,905,000
22,909	21,567	22,418	23,133	19,591
121,676	121,791	113,822	151,395	166,288
17,645	17,638	18,191	18,542	18,897
11,992	12,343	12,296	11,825	12,089
312	361	294	477	516
98,545	101,284	58,452	N/A	N/A
84,615	66,268	38,684	N/A	N/A
0	0	0	0	0
0	0	0	0	0
0	0	0	0	1
0	0	0	0	1
0	0	0	0	0
0	0	0	0	0
0	39	19	23	18
0	0	0	0	0

(Continued)

City of Cleveland, Ohio

Operating Indicators by Function/Program

Last Nine Years (1)

Function/Program	2010	2009	2008	2007
Building Department Indicators				
Construction permits issued	6,829	8,334	10,631	8,397
Estimated value of construction	$729,883,689	$919,923,776	$814,646,916	$648,592,297
Number of other permits issued	8,629	8,290	9,710	8,971
Amount of revenue generated from permits	$6,078,922	$7,332,522	$7,364,794	$7,112,426
Number of contract registrations issued	2,895	2,847	2,783	2,887
Annual apartment/rooming house license fees	$1,571,317	$1,281,530	$1,331,940	$1,427,208
Security of Persons and Property				
Police				
Number of traffic citations issued	75,362	77,037	79,089	62,652
Number of parking citations issued	48,691	59,598	49,012	49,669
Number of criminal arrests	39,657	38,613	39,596	39,087
Number of accident reports completed	14,761	14,804	15,525	16,239
Part 1 offenses (major offenses)	38,003	38,586	39,237	41,400
DUI arrests	729	738	695	847
Prisoners	39,156	37,864	38,629	38,142
Motor vehicle accidents	14,761	14,804	15,525	16,239
Fatalities from motor vehicle accidents	49	38	52	34
Community diversion program youths	196	139	169	229
Fire				
Fire calls - incoming for services (7)	60,076	60,306	60,263	63,403
Fires	2,869	2,794	2,790	3,343
Fires with loss	1,266	843	1,095	1,807
Fires with losses exceeding $10K	219	237	362	479
Fire losses $	$12,035,650	$12,312,407	$11,242,477	$19,115,824
Fire safety inspections	13,631	13,982	8,110	9,764
Number of times mutual aid given to fire	29	17	11	5
EMS				
EMS calls - incoming for service	92,230	89,632	88,934	88,506
Ambulance billing collections (net)	$10,832,204	$9,649,887	$12,091,087	$11,394,837
Public Health and Welfare				
Number of health inspections				
Barber shops	238	219	227	263
Food	7,624	8,684	9,611	7,914
Hotels/motels	36	34	37	31
Marinas	11	11	11	11
Mobile home parks	5	5	5	5
Laundries	69	58	62	81
Nuisance	24,130	27,544	17,205	23,402
Pools	120	142	127	131
Schools	390	349	195	274
Day care inspections	223	209	98	109
Maternity inspections	4	4	4	4
Abortion inspections	6	6	6	5
Cemetery burials	0	3	17	54
Cemetery cremations	169	155	149	144

2006	2005	2004	2003	2002
9,163	9,699	10,020	9,471	10,427
$743,566,106	$652,537,749	$558,278,403	$487,768,588	$382,584,866
9,157	9,272	9,489	9,767	10,260
$7,399,513	$7,504,979	$8,661,198	$6,353,990	$4,611,214
3,077	3,700	2,200	5,492	2,252
$1,290,830	$1,367,157	$1,433,689	$1,399,415	$1,155,597
77,003	82,642	77,424	106,970	119,632
59,311	51,947	54,268	173,185	220,966
40,678	39,002	38,090	45,205	50,092
17,374	18,878	20,655	21,898	21,915
44,018	42,352	39,933	32,198	33,218
577	705	660	1,075	1,355
39,851	38,259	37,426	43,765	47,856
17,374	18,878	20,655	21,898	21,915
39	38	49	42	32
177	155	273	263	127
61,702	65,825	56,236	3,703	3,831
3,296	3,195	3,202	N/A	N/A
1,708	1,904	1,641	1,777	1,832
362	379	316	261	286
$21,567,578	$18,292,877	$18,140,355	$12,179,966	$13,819,600
5,901	6,027	6,198	6,989	7,074
0	87	39	92	72
86,010	91,161	87,009	89,380	87,085
$10,698,730	$10,075,142	$8,830,211	$7,243,765	$8,412,319
251	237	230	199	195
8,143	8,140	8,175	8,207	8,010
31	27	29	24	21
11	11	11	11	11
5	5	5	5	5
68	59	46	46	42
20,057	18,317	18,299	17,539	16,512
129	146	129	129	129
235	376	225	225	225
104	95	101	113	92
3	4	4	4	4
5	5	5	5	5
27	49	73	77	83
83	45	32	19	10

(Continued)

City of Cleveland, Ohio

Operating Indicators by Function/Program

Last Nine (1) Years

Function/Program	2010	2009	2008	2007
Leisure Time Activities				
Recreation men and women leagues receipts	$5,145	$5,070	$6,825	$6,375
Economic Development				
Grant amounts received (Amounts in 000's)	$18,772	$14,645	$16,194	$16,044
Public Service				
Street improvements - asphalt overlay (linear feet) (10)	0	101,000	113,772	65,000
Crackseal coating program (linear feet) (10)	679,450	200,640	158,400	126,720
Street repair (curbs, aprons, berms, asphalt) (hours)	76,000	80,000	95,000	95,000
Guardrail repair (hours)	2,500	2,500	3,000	1,100
Paint striping				
Lane line (miles)	855	936	630	650
Crosswalks (each)	5,172	6,950	5,700	6,000
Arrows (each)	4,210	3,716	2,800	3,000
Street sweeper (hours)	46,000	55,000	49,000	36,000
Cold patch (hours)	22,000	24,000	31,000	31,000
Snow and ice removal regular hours	128,000	128,000	132,000	132,000
Snow and ice removal overtime hours	21,139	14,400	15,000	18,000
Leaf collection (hours)	18,300	18,000	20,000	17,000
Holiday lights setup (hours) (8)	0	0	4	5
Equipment repair/body shop (hours)	5,076	2,663	1,010	809
Tons of snow melting salt purchased November-March	53,322	67,000	85,000	82,000
Cost of salt purchased	$2,321,118	$2,700,000	$3,330,000	$2,640,000
Refuse disposal per year (in tons) August through July	232,241	236,225	266,035	293,801
Refuse disposal costs per year August through July	$6,079,532	$6,928,858	$7,790,729	$7,944,516
Annual recycling tonnage (excluding leaf, and compost items)	7,227	6,039	9,000	8,584
Percentage of waste recycled	3.13%	4.12%	3.39%	2.93%
Port Control				
Cleveland Hopkins Airport				
Landed weight (in thousands of pounds)	5,907,546	6,265,656	7,256,242	7,380,384
Total operations	192,683	200,268	235,975	244,719
Total passengers	9,492,455	9,715,604	11,106,194	11,458,898
Total enplaned passengers	4,745,308	4,855,129	5,545,205	5,722,338
Burke Lakefront Airport				
Landed weight	N/A	N/A	N/A	N/A
Total operations	64,358	68,456	69,231	68,137
Total passengers	174,598	166,965	188,171	204,582
Total enplaned passengers	87,012	83,438	93,772	102,039
Water Department				
Water rates per 1st 1000 cubic feet of water used (6)	$12.58	$11.59	$10.63	$9.62
Average number of water accounts billed monthly (cubic feet)	133,626	135,675	137,528	138,727
Total water collections annually (including P&I)	$210,264,218	$221,967,799	$218,285,825	$214,378,311
Payments to Cleveland for bulk water purchases	$20,660,824	$18,093,912	$18,399,096	$20,353,610
Wastewater Department				
Sewer and sanitary calls for service	7,272	8,021	8,275	7,585
After hours sewer calls (hours)	185	103	147	384

(1) Information prior to 2002 is not available.
(2) General obligation bond rating.
(3) Amounts are new construction starts. The majority of engineering and construction projects are multi-year projects.
(4) Includes entire area serviced by the Division of Vital Statistics (i.e., Cleveland + suburbs).
(5) Beginning 2007, administratively approved cases no longer included.
(6) This is the rate for the City of Cleveland residents only.
(7) "Fire Calls" was changed to "Fire calls-Incoming for service" and all years adjusted beginning 2004 to reflect all calls for service received.
(8) Holiday light setup was contracted to an outside ageny in 2009 and 2010.
(9) The City went "live" on a new financial system in January 2010. The new system creates journal entries at the transaction level instead of at the summary level like the prior financial system.
(10) No program was available for asphalt overlay in 2010 and a new program was implemented for crackseal coating.
N/A - Information not available.

2006	2005	2004	2003	2002
$5,730	$7,140	$10,455	$20,720	$31,290
$17,386	$20,701	$16,857	$17,839	$24,730
40,000	162,800	101,000	135,100	127,500
79,200	316,800	211,200	264,000	253,440
95,000	95,000	95,000	95,000	95,000
1,600	1,000	800	800	2,600
650	650	633	630	600
6,000	6,000	5,900	5,800	5,800
3,000	3,000	2,800	2,500	2,500
30,000	30,000	15,000	12,000	12,000
31,000	31,000	31,000	31,000	31,000
132,000	132,000	132,000	132,000	132,000
8,000	30,000	23,000	17,000	16,000
17,000	17,000	17,000	17,000	17,000
5	5	5	5	5
1,066	1,179	1,664	1,811	2,606
64,500	83,000	40,000	95,000	40,000
$2,128,363	$2,750,034	$1,321,066	$2,819,235	$1,237,889
303,196	333,497	316,083	296,139	302,969
$8,662,913	$7,761,318	$7,461,798	$7,135,942	$7,628,883
16,435	16,088	12,825	14,500	11,176
5.42%	4.82%	4.06%	4.90%	3.69%
7,467,746	7,910,706	8,074,843	7,827,776	8,193,727
249,967	258,926	263,561	258,460	262,108
11,321,050	11,463,391	11,264,937	10,555,387	10,795,270
5,646,470	5,724,440	5,613,255	5,257,224	5,405,497
N/A	N/A	N/A	N/A	N/A
77,593	73,064	84,101	94,626	94,462
214,947	188,381	199,194	215,601	216,406
107,786	93,941	99,563	107,931	108,940
$8.71	$8.71	$8.41	$8.13	$7.85
139,129	140,166	138,338	138,441	138,002
$192,386,791	$202,615,763	$190,316,017	$187,482,239	$196,125,873
$19,632,453	$21,102,439	$19,422,375	$19,041,420	$18,989,684
6,515	6,188	5,481	7,802	6,684
448	526	437	N/A	N/A

(Concluded)

City of Cleveland, Ohio

Capital Assets Statistics by Function/Program

Last Ten Years

Function/Program	2010	2009	2008	2007
General Government				
Square footage occupied	3,700,000	3,700,000	3,700,000	3,700,000
Administrative vehicles	26	28	27	26
Police				
Stations	5	5	6	6
Square footage of buildings (1)	553,100	553,100	769,536	769,536
Vehicles	808	830	764	921
Fire				
Stations	26	26	26	26
Square footage of buildings	313,224	313,224	313,224	313,224
Vehicles	120	127	132	155
EMS				
Stations (headquarters)	1	1	1	1
Square footage of buildings	33,000	33,000	33,000	33,000
Vehicles	44	49	46	49
Port Control (Hopkins)				
Runways	3	3	3	3
Terminal area (approximate square footage)	935,000	935,000	935,000	935,000
Gates	96	96	96	96
Parking spaces (approximately)				
Long term	2,576	2,647	2,500	2,500
Short term	3,895	4,088	4,200	4,200
Surface	615	390	500	500
Total parking spaces	7,086	7,125	7,200	7,200
Vehicles	324	325	325	326
Other Public Works				
Streets (miles)	1,319	1,319	1,319	1,319
Service vehicles	754	773	741	760

2006	2005	2004	2003	2002	2001
2,310,732	2,310,732	2,187,420	2,187,420	2,187,420	2,187,420
28	26	25	23	21	21
6	6	6	6	6	6
769,536	769,536	769,536	769,536	769,536	769,536
958	979	905	872	897	892
26	26	26	26	26	26
313,224	313,224	313,224	313,224	313,224	313,224
153	152	147	154	135	138
1	1	N/A	N/A	N/A	N/A
33,000	33,000	N/A	N/A	N/A	N/A
57	53	47	46	44	45
4	4	4	4	4	3
935,000	935,000	935,000	935,000	935,000	935,000
96	96	96	96	96	96
2,500	2,500	2,500	2,500	2,500	2,500
4,200	4,200	4,200	4,200	4,200	4,200
500	0	0	0	0	0
7,200	6,700	6,700	6,700	6,700	6,700
362	345	321	314	299	294
1,280	1,280	1,240	1,210	1,210	1,200
828	842	859	857	931	903

City of Cleveland, Ohio

Capital Assets Statistics by Function/Program

Last Ten Years

Function/Program	2010	2009	2008	2007
Recreation				
Number of parks	154	154	155	154
Number of playgrounds	109	109	110	110
Number of baseball diamonds	133	134	134	138
Number of tennis courts	111	114	114	120
Number of basketball courts				
Full	108	110	110	111
Half	10	10	10	10
Number of soccer fields	7	7	7	7
Number of recreation centers	19	19	19	19
Number of pools				
Indoor	18	18	18	18
Outdoor	23	23	23	23
Number of aquatic playgrounds	9	9	8	8
Number of golf courses (3)	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	1,492	1,487	1,491	1,490
Vehicles	156	160	157	161
Wastewater				
Sanitary sewers (miles)	170	170	156	156
Storm sewers (miles)	199	199	164	164
Combined sewers (miles)	1,065	1,065	920	920
Vehicles	108	111	114	128
Electric Power				
Vehicles	252	272	291	308
Water Department				
Water lines (miles) (2)	2,704	2,493	2,321	2,321
Vehicles	744	745	759	811

(1) Includes Dog Kennels, Inspection Garage and House of Corrections.

(2) 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.) where, by definition, Cleveland owns the local distribution main within the suburban corporate boundaries. The included suburbs are: Bedford Heights, Brunswick, East Cleveland, Euclid, Hunting Valley, Orange, Parma Heights, Shaker Heights and University Heights. What is not included in this calculation is distribution mains in any other direct service suburbs and in master meter communities.

(3) In 2010 the City leased one of the golf courses to Cleveland Metropolitan Parks.

N/A - Information not available.

2006	2005	2004	2003	2002	2001
150	150	146	146	145	145
111	112	111	109	111	112
140	140	141	141	142	142
120	120	131	134	136	134
118	120	123	121	N/A	N/A
12	16	18	18	N/A	N/A
12	12	12	11	11	8
19	19	19	18	18	18
18	18	18	17	17	17
22	22	22	22	23	24
7	6	6	4	4	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
1,477	1,477	1,440	1,444	1,414	1,421
163	154	145	143	137	123
171	171	171	171	171	171
199	199	199	199	199	199
1,065	1,065	1,065	1,065	1,065	1,065
83	82	81	81	81	81
306	287	269	276	269	267
2,172	2,168	2,042	2,040	2,039	2,039
832	827	814	801	804	828

(Concluded)

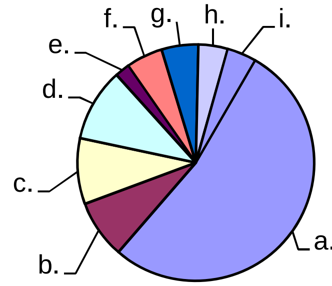
CITY OF CLEVELAND, OHIO

SCHEDULE OF STATISTICS-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

OPERATING RATIOS: GENERAL FUND-BUDGET BASIS

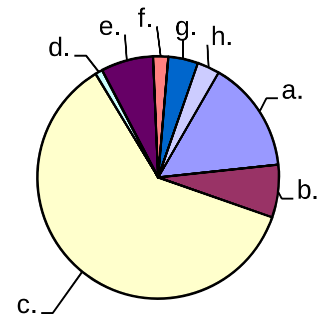
REVENUE DOLLAR BY SOURCE
Where the money came from

a. Income taxes	a.	$0.53
b. Property taxes	b.	0.08
c. State local government funds	c.	0.09
d. Other shared revenues	d.	0.10
e. Licenses and permits	e.	0.02
f. Charges for services	f.	0.05
g. Fines, forfeits and settlements	g.	0.05
h. Miscellaneous	h.	0.04
i. Transfers in	i.	0.04
		$1.00



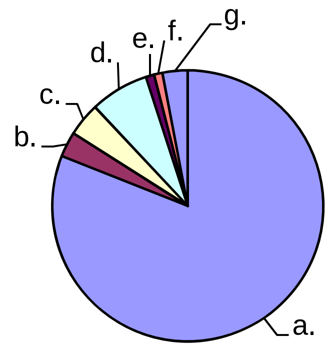
EXPENDITURE DOLLAR BY FUNCTION
Where the money was spent

a. General Government	a.	$0.15
b. Public Service	b.	0.07
c. Public Safety	c.	0.61
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.	0.03
		$1.00



EXPENDITURE DOLLAR BY OBJECT
What the money was spent on

a. Salaries, wages and related benefits	a.	$0.81
b. Interdepartmental charges	b.	0.03
c. Utilities	c.	0.04
d. Contractual services	d.	0.07
e. Materials and supplies	e.	0.01
f. Maintenance	f.	0.01
g. Transfers out	g.	0.03
		$1.00



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CITY OF CLEVELAND, OHIO

CENTRAL COLLECTION AGENCY

DEPARTMENT OF FINANCE
DIVISION OF TAXATION

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2010 and 2009

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CITY OF CLEVELAND, OHIO

CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Central Collection Agency
Division of Taxation
City of Cleveland, Ohio:

We have audited the accompanying basic financial statements of the Central Collection Agency's Internal Service and Agency Funds, Division of Taxation, City of Cleveland, Ohio (the Agency) as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit. The basic financial statements of the Agency as of December 31, 2009 were audited by other auditors whose report dated June 28, 2010, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the financial statements present only the financial position and the changes in financial position and cash flows of the Agency and do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2010 and 2009, and the respective changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United State of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Central Collection Agency's Internal Service and Agency Funds, Division of Taxation, City of Cleveland, Ohio as of December 31, 2010, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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The management's discussion and analysis on pages 3-7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2011

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Finance, Division of Taxation, Central Collection Agency (the Agency), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Agency for the years ended December 31, 2010 and December 31, 2009. Please read this information in conjunction with the Agency's financial statements and footnotes that begin on page 11.

The Division of Taxation was created in 1966 by the enactment of the City of Cleveland's Income Tax Ordinance providing the City's Income Tax Administrator with the authority to enter into agreements with any other municipal corporation to administer income tax laws and to provide for a central income tax collection facility. The Agency began with 14 member communities and during 2010 provided a full range of tax collection services for 48 member communities throughout 15 Ohio counties. The Agency employs more than 100 individuals to process approximately 1 million returns, estimated payments, and tax assessments. In 2010, the Agency collected approximately $404 million and approximately $402 million and $438 million in 2009 and 2008, respectively.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEARS' DATA

FINANCIAL HIGHLIGHTS

- The assets and the liabilities of the Agency equal $81,201,634, $76,665,484 and $84,514,058, at December 31, 2010, 2009, and 2008, respectively.

- The Agency's total assets increased by $4,536,150 in 2010. Its total assets decreased by $7,848,574 and $21,847,701 in 2009 and 2008, respectively. The increase in 2010 was due to an increase in cash and cash equivalents due to timing differences in the receipt of cash and distribution to member communities.

- The agency fund total cash receipts were approximately $404 million, $402 million, and $438 million in 2010, 2009 and 2008, respectively. In 2010, cash receipts consisted of $326 million of employer withholding, $38 million of business profits, $32 million of individual payments and $5 million of other payments.

- The Agency's total operational cost was $7,738,182, $8,173,716, and $8,520,998, in 2010, 2009 and 2008, respectively. In 2010, operational costs consisted of $4,921,124 of employee's wages and benefits, $1,115,576 of allocated charges and $1,701,482 of other miscellaneous expenses.

- The Agency provides a mechanism for member municipalities to maximize efficiencies, minimize costs and capitalize from economies of scale. Pooling tax collections and investing at current market rates allows the operational costs of the Agency to be reduced by interest income. The Agency's member municipalities also benefit by printing and mailing large volumes of income tax forms to their taxpayers.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's financial statements. The accompanying financial statements present financial information for the City of Cleveland's Division of Taxation Fund, in which the City of Cleveland accounts for the operations of the Department of Finance, Division of Taxation. 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.

The Agency operates two funds. The operating fund is considered an internal service proprietary fund because the operations of this fund are similar to a private-sector business enterprise. Accordingly, in accounting for the operating activities within this fund, the economic resources measurement focus and the accrual basis of accounting is used. This is similar to businesses in the private sector. The second fund is an agency fund, which is used to account for the collection and remittance of income taxes for the member municipalities. For accounting measurement purposes, the agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of operations.

The financial statements of the Agency can be found on pages 11-13 of this report.

The notes to the financial statements and accompanying schedules provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements and accompanying schedules can be found on pages 14-25 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION

Provided below is condensed balance sheet information for the internal service and agency funds of the Agency as of December 31, 2010, 2009 and 2008:

	2010	2009	2008
Assets:			
Cash and cash equivalents	$ 11,474,868	$ 6,270,426	$ 6,402,549
Taxes receivable	68,776,540	69,682,853	76,806,269
Accrued interest			3,969
Due from CCA internal service fund	536,515	309,028	887,346
Due from member municipalities	413,711	403,177	413,925
Total assets	$ 81,201,634	$ 76,665,484	$ 84,514,058
Liabilities:			
Accounts payable	$ 130,198	$ 114,189	$ 117,840
Due to CCA agency fund	536,515	309,028	887,346
Due to the City of Cleveland	52,361,519	49,299,727	54,012,615
Due to member municipalities	27,349,724	26,102,296	28,605,014
Accrued wages and benefits - current	713,714	721,172	
Accrued wages and benefits - long-term	109,964	119,072	891,243
Total liabilities	$ 81,201,634	$ 76,665,484	$ 84,514,058

Assets: The Agency collects and disburses income tax receipts monthly, except for the City of Cleveland which receives collections of tax receipts in advance of the regular monthly distribution date. Assets primarily consist of cash on hand and anticipated income tax receivable. During 2010, the increase in assets is attributable to an increase in cash and cash equivalents due to timing differences in the receipt of cash and distribution to member communities. During 2009, the decrease in assets is attributable to a decrease in taxes receivable due to lower anticipated collections in 2010.

Liabilities: Liabilities primarily consist of amounts owed to member municipalities (including the City of Cleveland). During 2010, the increase in liabilities was due to an increase in Due to the City of Cleveland, which reflects the timing differences in the receipt of cash and distribution to the City. During 2009, liabilities decreased by approximately $7.8 million which was primarily due to decreases in Due to the City of Cleveland and Due to member municipalities which reflects the timing differences in the receipt of cash and distribution to the member communities.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Provided below is statement of revenue, expenses and changes in net assets for the internal service fund of the Agency for the years ended December 31, 2010, 2009 and 2008:

	Internal Service Fund		
	2010	**2009**	**2008**
Operating Revenues			
Charges for services	$ 7,725,279	$ 8,131,635	$ 8,076,890
Total operating revenues	7,725,279	8,131,635	8,076,890
Operating Expenses			
Salaries and wages	3,572,148	3,756,584	4,048,496
Employee benefits	1,348,976	1,289,994	1,372,295
Postage and office supplies	256,730	347,766	269,494
Allocation of City of Cleveland costs	1,115,576	1,322,421	1,246,837
Other administrative expenses	1,444,752	1,456,951	1,583,876
Total operating expense	7,738,182	8,173,716	8,520,998
Operating loss	(12,903)	(42,081)	(444,108)
Non-operating Revenue			
Interest income	12,903	42,081	444,108
Change in net assets	-	-	-
Net assets at beginning of year			
Net assets at end of year	$ -	$ -	$ -

2010:

The decrease in postage and office supplies of $91,036 is a result of the decreases of approximately $49,000 in the postage expense and approximately $42,000 in office supply expense.

The decrease in allocation of City of Cleveland costs expense of $206,845 was primarily due to decreases in charges from printing and reproduction and charges from telephone exchange.

Due to economic factors and declining interest rates, interest income decreased $29,178 in 2010. This is a decrease of approximately 69%.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (Continued)

2009:

The increase in postage and office supplies of $78,272 is a result of the increases of approximately $46,000 in the postage expense and approximately $32,000 in office supply expense.

The decrease in other administrative expense of $126,925 was due to decreases in professional service costs, costs associated with bank service fees, and just-in-time office supplies.

Due to economic factors and declining interest rates, interest income decreased $402,027 in 2009. This is a decrease of approximately 90%.

FACTORS EXPECTED TO IMPACT THE DIVISION'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATION

The Agency continues to face the challenges of an economic recession. The Agency's most significant task is dealing with the complications of rising basic operating costs. However, the Agency is attempting to reduce the impact of these increasing expenses by continuing to aggressively collect income taxes due, thereby spreading the incremental cost over a larger base. The Agency's collections for the first quarter of 2011 are approximately 4% more than the collections in the same period in 2010. The Agency will continue to strive for increased delinquency collections, while trying to maintain operational expenses at their current level.

The operating budget for the Agency as approved by the Cleveland City Council for 2011 provides for an overall decrease in budgeted expenditures of approximately 5%.

ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of the Agency'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.

FINANCIAL STATEMENTS

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CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

STATEMENTS OF ASSETS AND LIABILITIES - ALL FUND TYPES
For the Years Ended December 31, 2010 and 2009

	2010		2009	
	Proprietary Fund Type	Fiduciary Fund Type	Proprietary Fund Type	Fiduciary Fund Type
	Internal Service	Agency	Internal Service	Agency
ASSETS				
Cash and cash equivalents	$ 1,631,819	$ 9,843,049	$ 1,308,163	$ 4,962,263
Taxes receivable		68,776,540		69,682,853
Due from CCA internal service fund		536,515		309,028
Due from member municipalities		413,711		403,177
TOTAL ASSETS	$ 1,631,819	$ 79,569,815	$ 1,308,163	$ 75,357,321
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	$ 130,198	$	$ 114,189	$
Due to CCA agency fund	536,515		309,028	
Due to the City of Cleveland	141,428	52,220,091	44,702	49,255,025
Due to member municipalities		27,349,724		26,102,296
Accrued wages and benefits - current	713,714		721,172	
TOTAL CURRENT LIABILITIES	1,521,855	79,569,815	1,189,091	75,357,321
LONG-TERM LIABILITIES				
Accrued wages and benefits	109,964		119,072	
TOTAL LIABILITIES	$ 1,631,819	$ 79,569,815	$ 1,308,163	$ 75,357,321

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

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUND
For the Years Ended December 31, 2010 and 2009

	2010	2009
OPERATING REVENUES		
Charges for services	$ 7,725,279	$8,131,635
OPERATING EXPENSES		
Salaries and wages	3,572,148	3,756,584
Employee benefits	1,348,976	1,289,994
Postage and office supplies	256,730	347,766
Allocation of City of Cleveland costs	1,115,576	1,322,421
Other administrative expenses	1,444,752	1,456,951
TOTAL OPERATING EXPENSES	7,738,182	8,173,716
OPERATING LOSS	(12,903)	(42,081)
NON-OPERATING REVENUE		
Interest income	12,903	42,081
CHANGE IN NET ASSETS	-	-
NET ASSETS AT BEGINNING OF YEAR		
NET ASSETS AT END OF YEAR	$ -	$ -

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

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

STATEMENTS OF CASH FLOWS - INTERNAL SERVICE FUND
For the Years Ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from member municipalities	$ 7,952,766	$ 7,553,317
Cash payments to suppliers of goods and services	(2,754,235)	(3,091,484)
Cash payments for employee services and benefits	(4,887,778)	(5,103,845)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	310,753	(642,012)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	12,903	46,050
NET CASH PROVIDED BY INVESTING ACTIVITIES	12,903	46,050
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	323,656	(595,962)
Cash and cash equivalents at beginning of year	1,308,163	1,904,125
Cash and cash equivalents at end of year	$ 1,631,819	$ 1,308,163
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATIONS		
OPERATING LOSS	$ (12,903)	$ (42,081)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Changes in assets and liabilities:		
Increase (decrease) in accounts payable	16,009	(3,651)
Increase (decrease) in due to CCA agency fund	227,487	(578,318)
Increase (decrease) in due to City of Cleveland	96,726	33,037
Increase (decrease) in accrued wages and benefits	(16,566)	(50,999)
TOTAL ADJUSTMENTS	323,656	(599,931)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 310,753	$ (642,012)

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

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

NOTE A--DESCRIPTION OF OPERATIONS AND BASIS OF PRESENTATION

The Central Collection Agency, Division of Taxation, City of Cleveland, Ohio (the Agency) is reported as part of the City of Cleveland's primary government and was created for the purpose of collecting city income taxes and disbursing those funds to the respective member municipalities (members) after payment of related expenses. Allocations of tax collections to members are based upon information provided by the taxpayers on the returns and supporting data. Such allocations are subject to adjustments in the subsequent year, dependent upon final returns filed by taxpayers and final review by the Agency. Refunds for overpayments are offset against allocated collections as amounts are determined.

Basis of Presentation: The financial statements are presented in accordance with Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification) which requires financial statements by fund type. These financial statements present a columnar total for all fund types included in the statement of assets and liabilities.

The following fund types are used by the Agency:

Proprietary Fund Type--Internal Service Fund: This fund is used to account for the services provided to members on a cost-reimbursement basis.

Fiduciary Fund Type--Agency Fund: This fund is used to account for assets held by the Agency as an agent for others.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and financial reporting practices of the Agency comply with accounting principles generally accepted in the United States of America applicable to governmental units. In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which is effective for the year ended December 31, 2009. The Agency has determined that GASB Statement No. 52 has no impact on its financial statements as of December 31, 2009. In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which is effective for the year ended December 31, 2010. The Agency has determined that GASB Statement No. 51 has no impact on its financial statements as of December 31, 2010. In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is effective for the year ended December 31, 2010. The Agency has determined that GASB Statement No. 53 has no impact on its financial statements as of December 31, 2010.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2010 and 2009

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting: All financial transactions of the Agency are reported on the accrual basis of accounting. Under this accounting method, assets and the related liabilities at the end of the year primarily consist of individual income taxes receivable arising from payroll tax withholdings in December and a receivable for quarterly and annual payments of income taxes pertaining to net profits, self-employment and residents taxes earned in the prior years. For accounting purposes, the agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of operations. Financial transactions for the internal service fund are reported on the accrual basis of accounting; revenues are recognized when earned and measurable, and expenses are recognized as incurred. For accounting purposes, the operations of the internal service fund are similar to a private-sector business enterprise. Accordingly, in accounting for the operating activities, the economic resources measurement focus is used.

With respect to proprietary activities, the Agency has adopted GASB 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units that Use Proprietary Accounting*. The Agency has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board guidance issued on or before November 30, 1989, unless that guidance conflicts or contradicts GASB pronouncements. The Agency has chosen the option not to apply future FASB guidance (including amendments to earlier guidance).

Supplies: Supplies are expensed when purchased.

Statement of Cash Flows: The Agency utilizes the direct method of reporting for the statement of cash flows as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* for its internal service fund. In a statement of cash flows, cash receipts and cash payments are classified according to operating, non-capital financing, capital and related financing, and investing activities.

For purposes of this statement, cash and cash equivalents include highly liquid investments with a maturity of three months or less when purchased and all of the Agency's share of the City of Cleveland's pooled cash accounts.

Allocation of Expenses: The Agency allocates all operating expenses, net of interest income, to members based upon the arithmetic mean of the percentage of each municipality's transactions to total transactions and the percentage of each municipality's revenue to total revenue.

Allocation of Interest Income: Excess funds are invested on a daily basis and interest income earned on such investments is allocated to members based on the percentage of each municipality's revenue to total revenue. The City of Cleveland receives collections of tax receipts in advance of the regular monthly distribution date, and accordingly, interest income is allocated exclusively to the other members.

Compensated Absences: The Agency 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*. These amounts are recorded as accrued wages and benefits in the accompanying balance sheets.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Normally, all vacation time is to be taken in the year available. The Agency 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.

NOTE C--POOLED AND SEGREGATED CASH AND INVESTMENTS

Deposits: The carrying amount of the Agency's deposits at December 31, 2010 and December 31, 2009 totaled ($1,781,728) and $555,618, respectively, and the Agency's bank balances were $1,894,125 and $3,210,021, respectively. The differences represent 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 Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $1,894,125 and $3,210,021 of the bank balances at December 31, 2010 and 2009, respectively, were 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 Agency will not be able to recover deposits or collateral for securities that are in possession of an outside party. At year end, the Agency'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 Treasury Asset Reserve of Ohio (STAROhio); guaranteed investment contracts and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded in segregated accounts by way of book entry through the banks' commercial or trust department and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the Agency, 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; significant changes in market conditions could materially affect portfolio value.

NOTE C--POOLED AND SEGREGATED CASH AND INVESTMENTS (Continued)

Interest rate risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the Agency invests primarily in short-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity. Investment maturities are discussed in the 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 Agency will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The Agency does not have an investment policy dealing with investment custodial credit risk beyond the requirement in the state statute.

Credit Risk: 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 Agency's position in STAROhio is equal to the value of the shares the Agency owns in the investment pool. Investments in 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 Agency has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: The Agency places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. The Agency had the following investments at December 31, 2010 and 2009, which include those classified as cash and cash equivalents in the Statements of Assets and Liabilities in accordance with the provisions of GASB Statement No. 9 since they have a maturity of three months or less:

Type of Investment	2010 Fair Value	2010 Cost	2009 Fair Value	2009 Cost	Investment Maturities Less Than One Year
STAROhio	$ 4,669,708	$ 4,669,708	$ 5,690,141	$ 5,690,141	$ 4,669,708
Investment in Mutual Funds	5,608,348	5,608,348	24,667	24,667	5,608,348
Total Investments	10,278,056	10,278,056	5,714,808	5,714,808	10,278,056
Total Deposits	(1,781,728)	(1,781,728)	555,618	555,618	(1,781,728)
Total Deposits and Investments	$ 8,496,328	$ 8,496,328	$ 6,270,426	$ 6,270,426	$ 8,496,328

These amounts are monies invested by the City Treasurer on behalf of the Agency and are used in daily operations with excess monies invested daily in STAROhio and mutual funds. These investments are carried at cost which approximates market value. Monies due to member agencies are disbursed from these funds on a monthly basis.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2010 and 2009

NOTE C--POOLED AND SEGREGATED CASH AND INVESTMENTS (Continued)

As of December 31, 2010, the investments in STAROhio and mutual funds are approximately 45.4% and 54.6%, respectively, of the Agency's total investments. As of December 31, 2009, the investments in STAROhio and mutual funds are approximately 99.6% and 0.4%, respectively, of the Agency's total investments.

NOTE D--DUE TO AND DUE FROM TRANSACTIONS

During the course of normal operations, the Agency has numerous transactions between its own funds and the municipalities which it serves, including transfers of resources to provide services. Such transactions are generally reflected as due to or due from account balances in the accompanying financial statements.

Individual fund due to and payables balances as of December 31, 2010 are as follows:

	Internal Service Fund	Agency Fund	Total
Due to the CCA agency fund	$ 536,515	$	$ 536,515
Due to the City of Cleveland	141,428	52,620,554	52,761,982
Due to member municipalities		23,020,495	23,020,495
Total Due To	$ 677,943	$ 75,641,049	$ 76,318,992

Individual fund due to and due from receivables and payables balances as of December 31, 2009 are as follows:

	Internal Service Fund	Agency Fund	Total
Due from CCA internal service fund	$	$ 309,028	$ 309,028
Due from member municipalities		403,177	403,177
Total Due From	$ -	$ 712,205	$ 712,205
Due to the CCA agency fund	$ 309,028	$	$ 309,028
Due to the City of Cleveland	44,702	49,255,025	49,299,727
Due to member municipalities		26,102,296	26,102,296
Total Due To	$ 353,730	$ 75,357,321	$ 75,711,051

NOTE E--DEFINED BENEFIT PENSION PLAN

***Ohio Public Employees Retirement System*:** All full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1) The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.
2) The Member-Directed Plan – 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 – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions 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 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, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2010, 2009 and 2008. The employer contribution rates were 14.00% of covered payroll in 2010, 2009 and 2008. The Agency’s required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2010, 2009 and 2008 were approximately $364,000, $327,000 and $279,000 each year, respectively. The required payments due in 2010, 2009 and 2008 have been made.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2010 and 2009

NOTE F-- OTHER POSTEMPLOYMENT BENEFITS

***Ohio Public Employees Retirement System*:** All full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – 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 postemployment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postemployment 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 Postemployment Benefit (OPEB) as described in GASB Statement 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 writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides the 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 funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2010, 2009 and 2008. 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 Postemployment 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 postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 5.50% from January 1, 2010 through February 28, 2010 and 5.00% from March 1, 2010 through December 31, 2010 and 7.00% from January 1, 2009 through March 31, 2009 and 5.50% from April 1, 2009 through December 31, 2009, and 7.00% in 2008. 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 their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Division’s actual contributions to OPERS to fund postemployment benefits were approximately $207,000, $237,000 and $279,000 in 2010, 2009 and 2008, respectively.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2010 and 2009

NOTE G--RELATED PARTY TRANSACTIONS

The Agency is provided various services by the City of Cleveland. Charges are based on actual use or on a reasonable pro rata basis. These costs, as reported in the statement of revenues and expenses of the internal service fund for the years ended December 31, 2010 and 2009 were as follows:

	2010	2009
City administration	$425,484	$452,118
Office rent	373,948	373,948
Telephone	9,358	46,734
Cleveland Public Power	23,865	22,604
Parking Facilities	2,434	2,684
Printing services	273,231	411,409
Motor Vehicle Maintenance	7,256	12,924
Total	$1,115,576	$1,322,421

NOTE H--DUE FROM MEMBER CITIES

The Agency has recorded certain liabilities in the internal service fund related to compensated absences totaling $413,711 at December 31, 2010 and $403,177 at December 31, 2009 as accrued wages and benefits.

NOTE I--CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Agency for personal injuries, property damage and other matters. The City is responsible for the lawsuits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Agency's financial position, results of operations or cash flows.

Risk Management: The Agency 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 Agency is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2010 or 2009.

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. The City participates in the State of Ohio workers' compensation retrospective rating program.

NOTE I--CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

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. 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. Claims liability for the Agency is immaterial.

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

SCHEDULES OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
For the Years Ended December 31, 2010 and 2009

	Balance 1/1/2010	Additions	Deductions	Balance 12/31/2010
ASSETS				
Cash and cash equivalents	$ 4,962,263	$ 403,631,775	$ (398,750,989)	$ 9,843,049
Taxes receivable	69,682,853	68,776,540	(69,682,853)	68,776,540
Due from the CCA internal service fund	309,028	536,515	(309,028)	536,515
Due from member municipalities	403,177	413,711	(403,177)	413,711
TOTAL ASSETS	$ 75,357,321	$ 473,358,541	$ (469,146,047)	$ 79,569,815
LIABILITIES				
Due to the City of Cleveland	$ 49,255,025	$ 364,146,169	$ (361,181,103)	$ 52,220,091
Due to member municipalities	26,102,296	109,212,372	(107,964,944)	27,349,724
TOTAL LIABILITIES	$ 75,357,321	$ 473,358,541	$ (469,146,047)	$ 79,569,815

	Balance 1/1/2009	Additions	Deductions	Balance 12/31/2009
ASSETS				
Cash and cash equivalents	$ 4,498,424	$ 402,364,097	$ (401,900,258)	$ 4,962,263
Taxes receivable	76,806,269	69,682,853	(76,806,269)	69,682,853
Due from the CCA internal service fund	887,346	309,028	(887,346)	309,028
Due from member municipalities	413,925	403,177	(413,925)	403,177
TOTAL ASSETS	$ 82,605,964	$ 472,759,155	$ (480,007,798)	$ 75,357,321
LIABILITIES				
Due to the City of Cleveland	$ 54,000,950	$ 367,760,306	$ (372,506,231)	$ 49,255,025
Due to member municipalities	28,605,014	104,998,849	(107,501,567)	26,102,296
TOTAL LIABILITIES	$ 82,605,964	$ 472,759,155	$ (480,007,798)	$ 75,357,321

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULE OF CASH RECEIPTS AND DISTRIBUTION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Members	Balance Collected and Due Members January 1,2010	Cash Receipts Net	Total Cash Receipts	Cash Disbursed	Allocation of Net Operating Expenses	Total Disbursements and Expenses	Balance Collected And Due Members December 31,2010
Ada	$ 66,169.61	$ 999,613.66	$ 1,065,783.27	$ 957,732.27	$ 38,925.57	$ 996,657.84	$ 69,125.43
Alger	691.36	44,367.78	45,059.14	40,574.78	4,970.56	45,545.34	(486.20)
Antwerp	22,503.95	225,185.20	247,689.15	215,956.38	17,917.04	233,873.42	13,815.73
Barberton	957,669.90	10,897,928.14	11,855,598.04	10,750,431.03	265,526.26	11,015,957.29	839,640.75
Bedford		9,332.16	9,332.16	7,146.81	1,665.04	8,811.85	520.31
Bradner	6,011.02	115,725.09	121,736.11	109,033.61	9,109.24	118,142.85	3,593.26
Bratenahl	106,184.96	1,301,433.31	1,407,618.27	1,182,238.68	33,713.41	1,215,952.09	191,666.18
Burton	36,267.03	430,881.01	467,148.04	415,088.22	23,953.15	439,041.37	28,106.67
Cairo	2,225.16	34,782.91	37,008.07	31,844.09	4,680.36	36,524.45	483.62
Chardon	368,796.08	4,703,960.25	5,072,756.33	4,571,573.68	140,547.82	4,712,121.50	360,634.83
Cleveland	(313,451.46)	307,132,926.77	306,819,475.31	297,686,671.07	4,847,091.09	302,533,762.16	4,285,713.15
Cridersville	15,614.82	291,776.22	307,391.04	273,190.49	20,367.45	293,557.94	13,833.10
Dayton	21,592.72	226,547.45	248,140.17	201,284.96	25,423.32	226,708.28	21,431.89
Elida	24,775.59	410,929.58	435,705.17	388,723.81	26,254.51	414,978.32	20,726.85
Gates Mills	158,699.36	1,376,029.76	1,534,729.12	1,282,962.89	48,415.16	1,331,378.05	203,351.07
Geneva-on-the-Lake	4,236.22	127,286.37	131,522.59	117,871.81	12,693.19	130,565.00	957.59
Grand Rapids	13,485.93	207,665.68	221,151.61	193,049.25	17,800.44	210,849.69	10,301.92
Grand River	13,772.48	194,243.29	208,015.77	184,746.81	7,186.94	191,933.75	16,082.02
Highland Hills	135,660.58	2,957,169.37	3,092,829.95	2,807,433.60	43,262.78	2,850,696.38	242,133.57
Huntsville	3,136.71	50,734.27	53,870.98	48,956.52	4,810.67	53,767.19	103.79
Lakewood		8,682.73	8,682.73	8,157.70	2,063.25	10,220.95	(1,538.22)
Liberty Center	11,615.30	156,034.67	167,649.97	153,940.42	12,672.89	166,613.31	1,036.66
Linndale	5,149.84	91,538.04	96,687.88	87,502.86	2,624.46	90,127.32	6,560.56
Madison	63,852.76	865,649.31	929,502.07	815,702.10	49,667.91	865,370.01	64,132.06
Medina	919,541.07	11,853,747.04	12,773,288.11	11,508,475.20	418,995.75	11,927,470.95	845,817.16
Mentor-on-the-Lake	59,737.00	834,762.73	894,499.73	779,261.87	40,296.34	819,558.21	74,941.52
Metamora	6,639.53	8,809.50	15,449.03	15,032.60	812.42	15,845.02	(395.99)
Middlefield	129,238.48	1,321,663.59	1,450,902.07	1,412,777.07	38,125.00	1,450,902.07	-
Munroe Falls	84,046.64	1,006,304.52	1,090,351.16	929,823.51	45,698.47	975,521.98	114,829.18
Northfield	88,760.05	1,027,930.64	1,116,690.69	1,017,909.42	42,638.00	1,060,547.42	56,143.27
North Baltimore	37,163.45	641,030.49	678,193.94	617,124.98	28,953.66	646,078.64	32,115.30
North Perry	69,191.76	907,964.49	977,156.25	891,883.78	17,942.93	909,826.71	67,329.54
North Randall	618.41	943,588.23	944,206.64	868,023.22	26,768.03	894,791.25	49,415.39
Norton	284,630.85	4,008,125.58	4,292,756.43	3,872,182.95	146,911.08	4,019,094.03	273,662.40
Village of Oakwood	9,056.64	59,106.87	68,163.51	60,139.26	7,039.48	67,178.74	984.77
Orwell	53,209.42	644,404.44	697,613.86	624,967.93	18,786.86	643,754.79	53,859.07
Painesville	636,601.27	7,483,369.30	8,119,970.57	7,314,610.61	195,462.95	7,510,073.56	609,897.01
Paulding	27,332.15	398,770.87	426,103.02	382,585.33	36,244.79	418,830.12	7,272.90
Peninsula	18,195.85	285,109.87	303,305.72	270,184.83	15,742.55	285,927.38	17,378.34
Rocky River	613,521.12	7,896,122.38	8,509,643.50	7,615,543.64	312,427.47	7,927,971.11	581,672.39
Russells Point	12,134.53	199,749.36	211,883.89	188,245.69	15,022.26	203,267.95	8,615.94
Seville	63,999.19	922,449.87	986,449.06	880,964.53	41,424.40	922,388.93	64,060.13
South Russell	117,257.21	891,428.75	1,008,685.96	860,331.91	53,269.10	913,601.01	95,084.95
Stow		27,084.95	27,084.95	21,960.94	3,734.21	25,695.15	1,389.80
Timberlake	4,955.69	74,328.34	79,284.03	71,168.22	7,490.19	78,658.41	625.62
Trotwood	2,967.23	193,497.62	196,464.85	179,333.49	24,453.31	203,786.80	(7,321.95)
Wadsworth	498,011.58	6,445,570.11	6,943,581.69	6,178,684.84	282,808.64	6,461,493.48	482,088.21
Warrensville Heights	912,773.85	12,516,607.57	13,429,381.42	12,190,231.80	235,681.63	12,425,913.43	1,003,467.99
Waynesfield	6,919.98	112,244.52	119,164.50	107,015.45	7,207.08	114,222.53	4,941.97
Totals	$ 6,381,162.87	$ 393,564,194.65	$ 399,945,357.52	$ 381,390,276.91	$ 7,725,279.11	$ 389,115,556.02	$ 10,829,801.50

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULE OF ALLOCATION OF NET OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

Members	Cost Allocation Percent	Interest Allocation Percent	Cost Allocation Before Interest Income	Interest Income of Municipalities Other Than Cleveland	Allocation of Net Operating Expenses
Ada	0.504991%	1.174502%	$ 39,077.11	$ 151.54	$ 38,925.57
Alger	0.064321%	0.052130%	4,977.29	6.73	4,970.56
Antwerp	0.231982%	0.264583%	17,951.18	34.14	17,917.04
Barberton	3.452728%	12.804581%	267,178.39	1,652.13	265,526.26
Bedford	0.021535%	0.010965%	1,666.45	1.41	1,665.04
Bradner	0.117945%	0.135972%	9,126.78	17.54	9,109.24
Bratenahl	0.438226%	1.529126%	33,910.71	197.30	33,713.41
Burton	0.310389%	0.506266%	24,018.47	65.32	23,953.15
Cairo	0.060552%	0.040868%	4,685.63	5.27	4,680.36
Chardon	1.825506%	5.526944%	141,260.94	713.12	140,547.82
Cleveland	62.666438%	0.000000%	4,847,091.09	-	4,847,091.09
Cridersville	0.263779%	0.342824%	20,411.68	44.23	20,367.45
Dayton	0.328988%	0.266183%	25,457.66	34.34	25,423.32
Elida	0.340090%	0.482824%	26,316.81	62.30	26,254.51
Gates Mills	0.628362%	1.616774%	48,623.77	208.61	48,415.16
Geneva-on-the-Lake	0.164283%	0.149556%	12,712.49	19.30	12,693.19
Grand Rapids	0.230441%	0.243998%	17,831.92	31.48	17,800.44
Grand River	0.093257%	0.228227%	7,216.39	29.45	7,186.94
Highland Hills	0.564875%	3.474542%	43,711.09	448.31	43,262.78
Huntsville	0.062267%	0.059611%	4,818.36	7.69	4,810.67
Lakewood	0.026680%	0.010202%	2,064.57	1.32	2,063.25
Liberty Center	0.164077%	0.183334%	12,696.54	23.65	12,672.89
Linndale	0.034095%	0.107553%	2,638.34	13.88	2,624.46
Madison	0.643551%	1.017099%	49,799.14	131.23	49,667.91
Medina	5.437877%	13.927626%	420,792.78	1,797.03	418,995.75
Mentor-on-the-Lake	0.522382%	0.980809%	40,422.89	126.55	40,296.34
Metamora	0.010516%	0.010351%	813.76	1.34	812.42
Middlefield	0.464880%	0.000000%	38,125.00	-	38,125.00
Munroe Falls	0.592530%	1.182363%	45,851.03	152.56	45,698.47
Northfield	0.553022%	1.207773%	42,793.83	155.83	42,638.00
North Baltimore	0.375422%	0.753182%	29,050.84	97.18	28,953.66
North Perry	0.233654%	1.066818%	18,080.58	137.65	17,942.93
North Randall	0.347770%	1.108674%	26,911.08	143.05	26,768.03
Norton	1.906374%	4.709369%	147,518.71	607.63	146,911.08
Village of Oakwood	0.091086%	0.069448%	7,048.44	8.96	7,039.48
Orwell	0.244044%	0.757147%	18,884.55	97.69	18,786.86
Painesville	2.540615%	8.792626%	196,597.43	1,134.48	195,462.95
Paulding	0.469170%	0.468538%	36,305.24	60.45	36,244.79
Peninsula	0.203998%	0.334991%	15,785.77	43.22	15,742.55
Rocky River	4.052948%	9.277593%	313,624.52	1,197.05	312,427.47
Russells Point	0.194523%	0.234697%	15,052.54	30.28	15,022.26
Seville	0.537132%	1.083838%	41,564.24	139.84	41,424.40
South Russell	0.690139%	1.047389%	53,404.24	135.14	53,269.10
Stow	0.048310%	0.031824%	3,738.32	4.11	3,734.21
Timberlake	0.096941%	0.087332%	7,501.46	11.27	7,490.19
Trotwood	0.316388%	0.227351%	24,482.64	29.33	24,453.31
Wadsworth	3.667345%	7.573258%	283,785.79	977.15	282,808.64
Warrensville Heights	3.070219%	14.706457%	237,579.15	1,897.52	235,681.63
Waynesfield	0.093357%	0.131882%	7,224.10	17.02	7,207.08
Totals	100.000000%	100.000000%	$ 7,738,181.73	$ 12,902.62	$ 7,725,279.11

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTIONS AGENCY
DIVISION OF TAXATION

SCHEDULES OF INCOME TAXES RECEIVABLE
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Income Taxes Receivable Dec. 31, 2010	Income Taxes Receivable Dec. 31, 2009
Ada	$ 189,554.98	$ 189,617.19
Alger	23,774.84	20,876.34
Antwerp	113,663.83	136,812.43
Barberton	1,792,199.55	1,722,987.19
Bedford	2,266.36	
Bradner	44,513.32	58,752.42
Bratenahl	635,840.97	412,708.40
Burton	135,865.82	137,904.52
Cairo	16,864.80	19,086.86
Chardon	1,049,999.31	1,069,122.51
Cleveland	48,705,035.77	49,568,476.06
Cridersville	108,524.12	106,892.77
Dayton	119,843.66	23,214.25
Elida	180,255.19	202,343.09
Gates Mills	576,170.42	591,896.27
Geneva-on-the-Lake	49,239.83	50,653.88
Grand Rapids	66,013.30	65,525.75
Grand River	39,462.13	42,466.98
Highland Hills	408,793.21	362,157.99
Huntsville	17,431.23	7,253.09
Lakewood	2,695.77	
Liberty Center	40,694.55	41,815.88
Lima	111.16	
Linndale	13,490.38	10,765.81
Lorain	8,766.03	
Madison	316,753.31	309,738.39
Medina	3,266,555.23	3,416,535.71
Mentor-on-the-Lake	205,473.57	201,567.76
Metamora		42,757.35
Middlefield		367,509.84
Munroe Falls	242,214.78	230,496.56
Northfield	257,930.12	274,844.51
North Baltimore	121,042.58	104,887.30
North Perry	99,908.61	148,207.44
North Randall	155,149.61	148,637.40
Norton	1,045,515.21	970,300.24
Village of Oakwood	22,309.86	40,342.70
Orwell	89,794.10	92,457.24
Painesville	1,209,310.31	1,356,494.35
Paulding	98,814.40	107,256.27
Peninsula	70,395.69	67,971.27
Rocky River	2,264,192.58	2,278,158.94
Russells Point	78,579.29	78,257.24
Seville	289,054.54	286,278.03
South Russell	376,491.93	411,033.01
Stow	2,823.85	
Timberlake	33,113.42	31,980.25
Trotwood	22,582.04	20,251.55
Troy	7,752.45	
Wadsworth	1,646,650.46	1,602,725.86
Warren	6,016.91	
Warrensville Heights	2,470,149.14	2,207,134.81
Waynesfield	36,895.57	45,699.27
	$ 68,776,540.09	$ 69,682,852.97

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2010 and 2009

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PARKS, RECREATION & PROPERTIES
DIVISION OF PARKING FACILITIES

TABLE OF CONTENTS

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Division of Parking Facilities
Department of Parks, Recreation and Properties
City of Cleveland, Ohio:

We have audited the accompanying basic financial statements of the Division of Parking Facilities, Department of Parks, Recreation and Properties, City of Cleveland, Ohio (the Division) as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit. The basic financial statements of the Division as of December 31, 2009 were audited by other auditors whose report dated June 28, 2010, expressed an unqualified opinion on those financial statements. As discussed in Note A to the basic financial statements, the Division has adjusted its 2009 financial statements to retrospectively apply Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The other auditors reported on the financial statements before the retrospective adjustment.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the financial statements present only the financial position and the changes in financial position and cash flows of the Division and do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2010 and 2009, and the respective changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note A, during the year ended December 31, 2010, the Division implemented Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Division of Parking Facilities, Department of Parks, Recreation and Properties, City of Cleveland, Ohio as of December 31, 2010, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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We also audited the adjustment to the 2009 financial statements to retrospectively apply the change in accounting as described in Note A. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the Division's 2009 financial statements other than with respect to the adjustment and, accordingly, we do not express an opinion or other form of assurance on the 2009 financial statements as a whole.

The management's discussion and analysis on pages 3-10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2011

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Parks, Recreation and Properties, Division of Parking Facilities (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the years ended December 31, 2010 and 2009. Please read this information in conjunction with the Division's financial statements and footnotes which begin on page 13.

The Division was created for the purpose of providing moderately priced off-street parking facilities and on-street metered parking to citizens, visitors and those who work in the City. The Division's operating revenues are derived primarily from charges for parking at its facilities and from parking meter collections. In 2010 and 2009, the Division's facilities included four parking garages and four surface lots.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEARS' DATA

FINANCIAL HIGHLIGHTS

- The assets of the Division exceeded its liabilities (net assets) by $21,302,000, $21,312,000, and $21,327,000 at December 31, 2010, 2009 and 2008, respectively. Of these amounts, $7,741,000, $9,082,000 and $10,116,000 (unrestricted net assets) at December 31, 2010, 2009 and 2008, respectively, may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's total net assets decreased by $10,000 during 2010, decreased by $15,000 during 2009 and increased by $811,000 during 2008. In 2010, operating expenses increased by approximately 6.5%, which resulted in a decrease in net operating income of $346,000. Net non-operating expenses decreased by $351,000 which was mainly attributable to a decrease in interest expense payments and amortization on long-term debt associated with the revenue bonds. In 2009, there was a decrease in operating income of $678,000, which was attributable to a decrease in parking revenues and an increase in operating expenses. In addition, net non-operating expenses increased by $148,000 which was mainly attributable to a decrease in investment income.

- The Division's total bonded debt decreased by $3,300,000 (5.8%), $3,120,000 (5.2%) and $2,945,000 (4.7%) during 2010, 2009 and 2008, respectively. These amounts represent the principal payments made in 2010, 2009 and 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Division's basic financial statements. The accompanying financial statements present financial information for the City of Cleveland's Division of Parking Facilities Fund, in which the City accounts for the activities of off-street parking operations and meter revenue collections. 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Division of Parking Facilities Fund is considered an Enterprise Fund because the operations of the Division are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and the accrual basis of accounting is used. This is similar to businesses in the private sector.

The basic financial statements of the Division can be found on pages 13 - 18 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 20 - 35 of this report.

CONDENSED BALANCE SHEET INFORMATION

Provided below is condensed balance sheet information for the Division as of December 31, 2010, 2009 and 2008:

	2010	2009	2008
	(Amounts in 000's)		
Assets:			
Current assets	$ 2,164	$ 2,420	$ 2,111
Restricted assets	16,002	16,497	17,703
Unamortized bond issuance costs	2,583	2,953	3,338
Deferred outflow of resources	1,829	1,544	4,168
Capital assets, net	53,748	55,425	56,999
Total assets	76,326	78,839	84,319
Net Assets and Liabilities:			
Liabilities:			
Current liabilities	4,983	4,635	4,574
Long-term liabilities	50,041	52,892	58,418
Total liabilities	55,024	57,527	62,992
Net Assets:			
Invested in capital assets, net of related debt	5,423	4,088	2,959
Restricted for debt service	8,138	8,142	8,252
Unrestricted	7,741	9,082	10,116
Total net assets	21,302	21,312	21,327
Total liabilities and net assets	$ 76,326	$ 78,839	$ 84,319

CONDENSED BALANCE SHEET INFORMATION (Continued)

Assets:

Current, restricted and other non-capital assets: The Division's current assets have decreased from 2009 to 2010 and have increased from 2008 to 2009 and restricted assets have had moderate decreases over the same periods. The decrease in current assets in 2010 is primarily due to decreases in cash and cash equivalents at year end due to increased operating expenses and a decrease in the inventory of supplies, which reflects the Division's ongoing attempts to decrease costs by using the supplies on hand rather than incurring additional expenses for supplies. These decreases were partially offset by the increase in the amounts due from other City departments, divisions or funds. There was also a decrease in unamortized bond issuance costs associated with the issuance of the refunding bonds. The increase in current assets in 2009 is primarily due to the increase in cash and cash equivalents at year end. This increase was partially offset by the decrease in restricted cash and cash equivalents at year end. There was also a decrease in unamortized bond issuance costs associated with the issuance of the refunding bonds.

Capital assets*:* The Division's investment in capital assets (net of accumulated depreciation) as of December 31, 2010 and 2009 amounted to $53,748,000 and $55,425,000, respectively. The total decrease in the Division's investment in capital assets was $1,677,000 (3.0%) and $1,574,000 (2.8%) in 2010 and 2009, respectively. The decreases in 2010 and 2009 were due to depreciation expense exceeding asset additions.

A summary of the activity in the Division's capital assets during the year ended December 31, 2010 is as follows:

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
		(Amounts in 000's)		
Land	$ 13,095	$	$	$ 13,095
Land improvements	1,256			1,256
Buildings, structures and improvements	65,757			65,757
Furniture, fixtures, equipment and vehicles	1,281	39	(11)	1,309
Total	81,389	39	(11)	81,417
Less: Accumulated depreciation	(25,964)	(1,716)	11	(27,669)
Capital assets, net	$ 55,425	$ (1,677)	$ -	$ 53,748

CONDENSED BALANCE SHEET INFORMATION (Continued)

A summary of the activity in the Division's capital assets during the year ended December 31, 2009 is as follows:

	Balance January 1, 2009	Additions	Deletions	Balance December 31, 2009
	(Amounts in 000's)			
Land	$ 12,929	$ 166	$	$ 13,095
Land improvements	1,256			1,256
Buildings, structures and improvements	65,757			65,757
Furniture, fixtures, equipment and vehicles	1,313		(32)	1,281
Total	81,255	166	(32)	81,389
Less: Accumulated depreciation	(24,256)	(1,740)	32	(25,964)
Capital assets, net	$ 56,999	$ (1,574)	$ -	$ 55,425

There were no major events during the last three years affecting the Division's capital assets.

Additional information on the Division's capital assets can be found in Note A – Summary of Significant Accounting Policies and Note E – Capital Assets.

Liabilities:

Long-term debt: At the end of 2010 and 2009, the Division had total bonded debt outstanding of $53,615,000 and $56,915,000 respectively. This current debt was incurred to refund debt previously issued to construct two new parking garages around the Gateway site and a new Willard Park Garage behind City Hall. The City's first garage on the Gateway site was completed in January 1994. The second garage was completed in August 1994. The Willard Park Garage construction was completed in April 1996. The bonds are backed by the net revenues from these facilities. In addition, the City has pledged additional revenues, which consist of various non-tax revenues, to meet debt service requirements, if necessary. In 2010 and 2009, no additional pledged revenue was required to meet the debt service requirements on the parking bonds.

CONDENSED BALANCE SHEET INFORMATION (Continued)

The activity in the Division's debt obligation outstanding during the year ended December 31, 2010 is summarized below:

	Balance January 1, 2010	Debt Retired	Balance December 31, 2010
	(Amounts in 000's)		
Parking Facilities Improvement			
Revenue Bonds	$ 56,915	$ (3,300)	$ 53,615

The activity in the Division's debt obligation outstanding during the year ended December 31, 2009 is summarized below:

	Balance January 1, 2009	Debt Retired	Balance December 31, 2009
	(Amounts in 000's)		
Parking Facilities Improvement			
Revenue Bonds	$ 60,035	$ (3,120)	$ 56,915

The bond ratings for the Division's revenue bonds are as follows:

	Moody's Investors Service	Standard & Poor's	Fitch Investors Service
Series 2006 Bonds	Aa3	AA+	-

The bond ratings indicated above are insured ratings only, reflecting the ratings of Assured Guaranty Municipal Corp. (formerly Financial Security Assurance, Inc.). The Division has no ratings on its bonds based solely on its own credit.

In addition, the Division entered into a derivative or hedging agreement in 2003. Derivative instruments are contracts, the value of which depends on, or derives from, the value of an underlying asset, index or rate. The most common types of derivatives used by governments are interest rate swaps and interest rate locks. A detailed description of the outstanding derivative, including its terms, objectives, risks and fair value, can be found in Note B – Long-Term Debt.

CONDENSED BALANCE SHEET INFORMATION (Continued)

In accordance with the implementation of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* the Division has reported an asset and a liability in the amount of the fair value of the interest rate swap, which reflects the prevailing interest rate environment at December 31, 2010 and December 31, 2009. The fair value of the swap has been provided by the counterparty and confirmed by the City's financial advisor.

Additional information on the Division's long-term debt can be found in Note B – Long-Term Debt.

Net Assets: Net assets serve as a useful indicator of a government's financial position. In the case of the Division, assets exceeded liabilities by $21,302,000, $21,312,000 and $21,327,000 at December 31, 2010, 2009 and 2008, respectively.

Of the Division's net assets at December 31, 2010, $8,138,000 represents resources that are classified as restricted since their use is limited by the bond indentures. In addition, the Division has a net balance of $5,423,000 that reflects its investment in capital assets (e.g., land, buildings, furniture) net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The $7,741,000 balance of unrestricted net assets may be used to meet the Division's ongoing obligations to customers and creditors.

Of the Division's net assets at December 31, 2009, $8,142,000 represents resources that are classified as restricted since their use is limited by the bond indentures. In addition, the Division has a net balance of $4,088,000 that reflects its investment in capital assets (e.g., land, buildings, furniture) net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The $9,082,000 balance of unrestricted net assets may be used to meet the Division's ongoing obligations to customers and creditors.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION

The Division's operations during 2010 decreased net assets by $10,000 and during 2009 decreased net assets by $15,000. Provided below are key elements of the Division's results of operations as of and for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
	(Amounts in 000's)		
Operating revenues	$ 9,227	$ 9,214	$ 9,523
Operating expenses	5,842	5,483	5,114
Operating income	3,385	3,731	4,409
Non-operating revenue (expense):			
Investment income	5	16	441
Interest expense	(3,044)	(3,544)	(3,656)
Other non-operating revenue (expense)	11	(6)	21
Sale of scrap	3	6	1
Capital contributions		166	
Amortization of bond issuance costs	(370)	(384)	(405)
Total non-operating revenue (expense), net	(3,395)	(3,746)	(3,598)
Increase (decrease) in net assets	(10)	(15)	811
Net assets, beginning of year	21,312	21,327	20,516
Net assets, end of year	$ 21,302	$ 21,312	$ 21,327

Operating revenues: From 2009 to 2010, operating revenues increased $13,000, or 0.1%. Collections from the various revenue sources remained fairly consistent from 2009 to 2010.

From 2008 to 2009, operating revenues decreased $309,000, or 3.2%. This was due to a decrease in attendance at events held at Cleveland Browns Stadium and at Gateway. These decreases were partially offset by the modest increase in parking meter collections.

Operating expenses: In 2010, operating expenses increased $359,000, or 6.5%. This is primarily due to an increase in operations due to an increase in purchases of various supplies and services which was partially offset by a decrease in maintenance and depreciation expense.

In 2009, operating expenses increased $369,000, or 7.2%. This is primarily due to an increase in operations due to an increase in purchases of various supplies and an increase in depreciation expense.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION (Continued)

Non-operating revenues and expenses: From 2009 to 2010, net non-operating expenses decreased $351,000 or approximately 9.4%. This decrease was due to a decrease in interest expense payments and amortization on long-term debt associated with the revenue bonds.

From 2008 to 2009, net non-operating expenses increased $148,000 or approximately 4.1%. This increase was due to a decrease in investment income, which was partially offset by decreases in interest expense payments and amortization on long-term debt associated with the revenue bonds.

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

Operating revenues are derived primarily from fees charged to users of City-owned parking garages and facilities operated by the Division including the net income from the Gateway garages and on-street parking meter revenue.

The Division continues to assess their operations to improve efficiencies, identify additional revenue sources and improve existing revenue sources in this time of economic recession. City Council has the authority to further increase parking fees when deemed necessary to assist the Division in meeting operational and debt commitments as economic circumstances dictate.

On May 9, 2011, the City introduced legislation which would authorize the sale of the Gateway North Garage, which is part of the City's parking facilities. The garage is one of two City-owned garages located in the Gateway neighborhood and is to be sold to Rock Ohio Caesars Gateway LLC to facilitate the development of Phase I of the Horseshoe Casino Cleveland. This legislation was approved by City Council on June 6, 2011.

ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES
BALANCE SHEETS
December 31, 2010 and 2009

	(Amounts in 000's) 2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,014	$ 2,048
Accounts receivable - net of allowance	20	82
Due from other City of Cleveland departments, divisions or funds	99	39
Inventory of supplies, at cost	31	251
TOTAL CURRENT ASSETS	2,164	2,420
RESTRICTED ASSETS		
Cash and cash equivalents	16,002	16,497
UNAMORTIZED BOND ISSUANCE COSTS	2,583	2,953
DEFERRED OUTFLOW OF RESOURCES	1,829	1,544
CAPITAL ASSETS		
Land	13,095	13,095
Land improvements	1,256	1,256
Buildings, structures and improvements	65,757	65,757
Furniture, fixtures, equipment and vehicles	1,309	1,281
	81,417	81,389
Less: Accumulated depreciation	(27,669)	(25,964)
CAPITAL ASSETS, NET	53,748	55,425
TOTAL ASSETS	$ 76,326	$ 78,839

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PARKS, RECREATION & PROPERTIES
DIVISION OF PARKING FACILITIES
BALANCE SHEETS
December 31, 2010 and 2009

	(Amounts in 000's) 2010	2009
LIABILITIES AND NET ASSETS		
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	$ 3,425	$ 3,300
Accounts payable	315	178
Due to other governments	185	93
Due to other City of Cleveland departments, divisions or funds	143	84
Accrued interest payable	775	814
Accrued wages and benefits	140	166
TOTAL CURRENT LIABILITIES	4,983	4,635
LONG-TERM LIABILITIES		
Revenue bonds - excluding amount due within one year	48,181	51,318
Derivative instruments - interest rate swaps	1,829	1,544
Accrued wages and benefits	31	30
TOTAL LONG-TERM LIABILITIES	50,041	52,892
TOTAL LIABILITIES	55,024	57,527
NET ASSETS		
Invested in capital assets, net of related debt	5,423	4,088
Restricted for debt service	8,138	8,142
Unrestricted	7,741	9,082
TOTAL NET ASSETS	21,302	21,312
TOTAL LIABILITIES AND NET ASSETS	$ 76,326	$ 78,839

(Concluded)

See notes to financial statements.

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2010 and 2009

	(Amounts in 000's)	
	2010	**2009**
OPERATING REVENUES		
Charges for services	$ 9,227	$ 9,214
TOTAL OPERATING REVENUES	9,227	9,214
OPERATING EXPENSES		
Operations	4,087	3,697
Maintenance	39	46
Depreciation	1,716	1,740
TOTAL OPERATING EXPENSES	5,842	5,483
OPERATING INCOME	3,385	3,731
NON-OPERATING REVENUE (EXPENSE)		
Investment income	5	16
Interest expense	(3,044)	(3,544)
Other non-operating revenue (expense)	11	(6)
Sale of scrap	3	6
Capital contribution		166
Amortization of bond issuance costs	(370)	(384)
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET	(3,395)	(3,746)
INCREASE (DECREASE) IN NET ASSETS	(10)	(15)
NET ASSETS, beginning of year	21,312	21,327
NET ASSETS, end of year	$ 21,302	$ 21,312

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	(Amounts in 000's) 2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 9,743	$ 9,856
Cash payments to suppliers for goods or services	(3,080)	(3,053)
Cash payments to employees for services	(1,077)	(1,071)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,586	5,732
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Sale of scrap	3	6
Principal paid on long-term debt	(3,300)	(3,120)
Interest paid on long-term debt	(2,823)	(3,199)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(6,120)	(6,313)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	5	26
NET CASH PROVIDED BY INVESTING ACTIVITIES	5	26
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(529)	(555)
CASH AND CASH EQUIVALENTS, beginning of year	18,545	19,100
CASH AND CASH EQUIVALENTS, end of year	$ 18,016	$ 18,545

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	(Amounts in 000's) 2010	2009
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 3,385	$ 3,731
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,716	1,740
Changes in assets and liabilities:		
Accounts receivable, net	62	35
Due from other City of Cleveland departments, divisions or funds	(60)	57
Inventory of supplies	220	241
Accounts payable	137	33
Due to other governments	92	(92)
Due to other City of Cleveland departments, divisions or funds	59	(18)
Accrued wages and benefits	(25)	5
TOTAL ADJUSTMENTS	2,201	2,001
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 5,586	$ 5,732

(Concluded)

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Parking Facilities (the Division) is reported as an Enterprise Fund of the City of Cleveland's (the City) Department of Parks, Recreation and Properties and is a part of the City's primary government. The Division was created for the purpose of providing moderately priced off-street parking facilities and on-street metered parking to citizens, visitors and those who work in the City. The following is a summary of the more significant accounting policies.

Reporting Model and Basis of Accounting: The accounting policies and financial reporting practices of the Division comply with accounting principles generally accepted in the United States of America applicable to governmental units. In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which is effective for the year ended December 31, 2009. The Division has determined that GASB Statement No. 52 has no impact on its financial statements as of December 31, 2009. In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which is effective for the year ended December 31, 2010. The Division has determined that GASB Statement No. 51 has no impact on its financial statements as of December 31, 2010. In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is effective for the year ended December 31, 2010. The Division has implemented GASB Statement No. 53 and its effects have been included in its financial statements as of December 31, 2010 and December 31, 2009.

The Division's net assets are accounted for in the accompanying balance sheets and the net assets are divided into the following categories:

- Amount invested in capital assets, net of related debt
- Amount restricted for debt service
- Remaining unrestricted amount

In addition, certain additional financial information regarding the Division is included in these footnotes. The implementation of the new GASB statements did not result in a change in the Division's beginning net asset/equity balance as previously reported.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009 (Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Activities*, all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either (1) choosing not to apply future FASB guidance (including amendments of earlier guidance), or (2) continuing to follow new FASB guidance (unless they conflict with GASB pronouncements). The City has chosen not to apply future FASB guidance.

Revenues: Revenues are derived primarily from fees charged to users of City-owned parking garages and facilities operated by the Division including the Gateway garages and on-street parking meter revenue. Parking rates are authorized by City Council. Parking fees are collected on a daily basis or monthly basis.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable 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, capital and related financing and investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

Investments: The Division follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. Fair values of investments at year end are based on market quotes, where available.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2010 and 2009. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2010 and 2009.

Restricted Assets: Proceeds from debt and amounts set aside in various fund accounts for payment of debt are classified as restricted assets since their use is limited by the underlying bond indenture.

Inventory of Supplies: Inventory is valued at cost using the first in/first out method. Inventory costs are charged to operations when consumed.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009 (Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as a tangible item with a useful life in excess of one year and an individual cost of more than $5,000 for land, furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed of, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations.

The estimated useful lives are as follows:

Land improvements	15 to 20 years
Buildings, structures and improvements	20 to 50 years
Furniture, fixtures, equipment and vehicles	5 to 20 years

Compensated Absences: The Division 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*. These amounts are recorded as accrued wages and benefits in the accompanying balance sheets. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

Normally, all vacation time is to be taken in the year available. The Division 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.

Bond Issuance Costs, Discounts and Unamortized Loss on Debt Refunding: Bond issuance costs are initially recorded as deferred expenses and unamortized original issuance discounts are netted against long-term debt. Both are amortized over the lives of the related bonds. Unamortized loss on debt refunding is netted against long-term debt and is amortized over the shorter of the remaining life of the defeased bond or the newly issued bond.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009 (Continued)

NOTE B – LONG-TERM DEBT

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

	Interest Rate	Original Issuance	2010	2009
			(Amounts in 000's)	
Parking Facilities Refunding Revenue Bonds				
Series 2006, due through 2022	4.00%-5.25%	$ 57,520	$ 53,615	$ 56,915
Unamortized loss on debt refunding			(4,534)	(5,184)
Unamortized discount and premium			2,525	2,887
Current portion			(3,425)	(3,300)
Total Long-Term Debt			$ 48,181	$ 51,318

Summary: Changes in long-term obligations for the year ended December 31, 2010 are as follows:

	Balance January 1, 2010	Increase	Decrease	Balance December 31, 2010	Due Within One Year
			(Amounts in 000's)		
Parking Facilities Refunding Revenue Bonds					
Series 2006, due through 2022	$ 56,915	$	$ (3,300)	$ 53,615	$ 3,425
Accrued wages and benefits	196	13	(38)	171	140
Total	$ 57,111	$ 13	$ (3,338)	$ 53,786	$ 3,565

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009 (Continued)

NOTE B – LONG-TERM DEBT (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2009 are as follows:

	Balance January 1, 2009	Increase	Decrease	Balance December 31, 2009	Due Within One Year
			(Amounts in 000's)		
Parking Facilities Refunding Revenue Bonds					
Series 1996, due through 2009	$ 2,915	$	$ (2,915)	$ -	$ -
Series 2006, due through 2022	57,120		(205)	56,915	3,300
Total revenue bonds	60,035	-	(3,120)	56,915	3,300
Accrued wages and benefits	191	27	(22)	196	166
Total	$ 60,226	$ 27	$ (3,142)	$ 57,111	$ 3,466

Minimum principal and interest payments on outstanding long-term debt are as follows:

	Principal	Interest (Amounts in 000's)	Total
2011	$ 3,425	$ 2,657	$ 6,082
2012	3,570	2,520	6,090
2013	3,715	2,377	6,092
2014	3,900	2,192	6,092
2015	4,085	1,997	6,082
2016-2020	23,635	6,812	30,447
2021-2022	11,285	897	12,182
Total	$ 53,615	$ 19,452	$ 73,067

The Parking Facilities Refunding Revenue Bonds are payable from net revenues generated from certain parking facilities and other operating revenues of the Division of Parking Facilities, 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.

NOTE B – LONG-TERM DEBT (Continued)

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 Parking Facilities Refunding Revenue Bonds, Series 1996. 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 $1,340,000 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 Parking Facilities Refunding Revenue Bonds, Series 2006 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 Securities Industry Financial Markets Association (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 revenue as defined in the trust indenture securing the Parking Facilities Refunding Revenue Bonds, Series 2006, 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 the 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 the SIFMA (tax-exempt) and LIBOR (taxable) interest rates has been 67%, this relationship may not always apply. Since late 2008, this relationship has been significantly higher due to disruptions in the financial markets. 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 the 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 the part of the City.

NOTE B – LONG-TERM DEBT (Continued)

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 downgrade of the City's bond rating. 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, 2010 and 2009 reported by UBS was $1,829,000 and $1,544,000, respectively, which would be payable by the City.

The City has pledged future revenues from certain parking facilities, net of specified operating expenses, and other operating revenues to repay $53,615,000 of Parking Facilities Refunding Revenue Bonds issued in 2006. Proceeds from the bonds initially issued provided financing for the construction of parking facilities. 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 amount of net pledged revenues. The total principal and interest remaining to be paid on the Parking Facilities Refunding Revenue Bonds is $73,067,000. Principal and interest paid for the current year (including net swap payments) and total net revenues were $6,136,000 and $5,331,000, respectively.

In 2010 and 2009, no additional pledged revenue was required to meet the debt service on the Parking Facilities Refunding Revenue Bonds. The trust indenture requires, among other things, that the Division will fix parking rates and will charge and collect fees for the use of the parking facilities and will restrict operating expenses. As of December 31, 2010 and 2009, the Division was in compliance with the terms and requirements of the trust indenture.

Derivative Instruments

Derivative instruments are contracts, the value of which depends on, or derives from, the value of an underlying asset, index or rate. The most common types of derivatives used by governments are interest rate swaps and interest rate locks. The Division entered into a derivative or hedging agreement in 2003. A detailed description of the outstanding derivative, including its terms, objectives, risks and fair value, can be found in the preceding section.

The Division has reported an asset and a liability in the amount of the fair value of the interest rate swap, which reflects the prevailing interest rate environment at December 31, 2010 and December 31, 2009. The fair value of the swap has been provided by the counterparty and confirmed by the City's financial advisor.

NOTE B – LONG-TERM DEBT (Continued)

The tables below present the fair value balances and notional amounts of the Division's derivative instrument outstanding at December 31, 2010 and December 31, 2009, classified by type and the change in fair value of this derivative during FYs 2010 and 2009 as reported in the respective financial statements. The fair values of the interest rate swap, which reflect the prevailing interest rate environment at December 31, 2010 and December 31, 2009 and the specific terms and conditions of the swap, have been provided by the counterparty and confirmed by the City's financial advisor.

	Changes in Fair Value		Fair Value at December 31, 2010		
	Classification	Amount	Classification	Amount	Notional
	(Amounts in 000's)				
Floating to floating interest rate swap					
2006 Parking Basis Swap	Deferred outflow	(285)	Debt	(1,829)	53,615

	Changes in Fair Value		Fair Value at December 31, 2009		
	Classification	Amount	Classification	Amount	Notional
	(Amounts in 000's)				
Floating to floating interest rate swap					
2006 Parking Basis Swap	Deferred inflow	2,624	Debt	(1,544)	56,915

The table below presents the objective and significant terms of the Division's derivative instrument at December 31, 2010, along with the credit rating of the swap counterparty.

Bonds	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
			(Amounts in 000's)				
2006 Parking Bonds	Basis Swap - Pay Floating/ Receive Floating	Exchange floating rate payments on Series 2006 Parking System Bonds	$ 53,615	8/15/2006	9/15/2022	Pay SIFMA, receive 67% of LIBOR	Aa3/A+/A+

NOTE C – RECEIVABLE FROM GATEWAY ECONOMIC DEVELOPMENT CORPORATION

In accordance with an agreement with Gateway Economic Development Corporation (Gateway), Gateway is required to reimburse the City for the excess of the debt service requirements of the Parking Facilities Refunding Revenue Bonds attributed to the two Gateway garages over the net revenues generated by the two Gateway garages. 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.

NOTE C – RECEIVABLE FROM GATEWAY ECONOMIC DEVELOPMENT CORPORATION (Continued)

In 2010 and 2009, net revenues generated by the two Gateway garages were less than the debt service payments attributed to those garages by $1,983,000 and $2,357,000, respectively. Cumulative debt service payments funded by the City that are due from Gateway totaled $40,810,000 and $38,827,000 at December 31, 2010 and 2009, respectively. 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.

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, 2010, the City pledged $3,981,000.

NOTE D – DEPOSITS AND INVESTMENTS

Deposits: The carrying amount of the Division's deposits at December 31, 2010 and 2009 totaled $1,307,000 and $555,000, respectively, and the Division's bank balances were $1,435,000 and $554,000, respectively. The differences represent normal reconciling items.

Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $1,435,000 and $554,000 of the bank balances at December 31, 2010 and 2009, respectively, were 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 Division will not be able to recover deposits or collateral for securities that are in possession of an outside party. At year end, the Division'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 Treasury Asset Reserve of Ohio Fund (STAROhio); guaranteed investment contracts and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded in segregated accounts by way of book entry through the banks' commercial or trust department and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio statutes prohibit the use of reverse repurchase agreements.

NOTE D – DEPOSITS AND INVESTMENTS (Continued)

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 Division limits its exposure to fair value losses caused by rising interest rates, the Division invests primarily in short-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity. Investment maturities are disclosed in the table on the following page.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Division will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The Division does not have an investment policy dealing with investment custodial credit risk beyond the requirement in the state statute.

Credit Risk: Investments in 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 Division has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: The Division places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. The Division had the following investments at December 31, 2010 and 2009, which include those classified as cash and cash equivalents in the balance sheet in accordance with the provisions of GASB Statement No. 9 since they have a maturity of three months or less:

Type of Investment	2010 Fair Value	2010 Cost	2009 Fair Value	2009 Cost	Investment Maturities for 2010 Less than One Year
	(Amounts in 000's)				
STAROhio	$ 708	$ 708	$ 1,516	$ 1,516	$ 708
Investment in Mutual Funds	16,001	16,001	16,474	16,474	16,001
Total Investments	16,709	16,709	17,990	17,990	16,709
Total Deposits	1,307	1,307	555	555	1,307
Total Deposits and Investments	$ 18,016	$ 18,016	$ 18,545	$ 18,545	$ 18,016

These amounts are monies invested by the City Treasurer on behalf of the Division and are used in daily operations with excess monies invested daily in STAROhio and mutual funds. These investments are carried at cost which approximates market value.

As of December 31, 2010, the investments in mutual funds and in STAROhio are approximately 96% and 4%, respectively, of the Division’s total investments. As of December 31, 2009, the investments in mutual funds and in STAROhio are approximately 92% and 8%, respectively, of the Division’s total investments.

NOTE E – CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
	(Amounts in 000's)			
Capital assets, not being depreciated:				
Land	$ 13,095	$	$	$ 13,095
Total capital assets, not being depreciated	13,095	-	-	13,095
Capital assets, being depreciated:				
Land improvements	1,256			1,256
Buildings, structures and improvements	65,757			65,757
Furniture, fixtures, equipment and vehicles	1,281	39	(11)	1,309
Total capital assets, being depreciated	68,294	39	(11)	68,322
Less: Accumulated depreciation	(25,964)	(1,716)	11	(27,669)
Total capital assets being depreciated, net	42,330	(1,677)	-	40,653
Capital assets, net	$ 55,425	$ (1,677)	$ -	$ 53,748

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009 (Continued)

NOTE E – CAPITAL ASSETS (Continued)

Capital Asset Activity: Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance January 1, 2009	Additions	Deletions	Balance December 31, 2009
	(Amounts in 000's)			
Capital assets, not being depreciated:				
Land	$ 12,929	$ 166	$	$ 13,095
Total capital assets, not being depreciated	12,929	166	-	13,095
Capital assets, being depreciated:				
Land improvements	1,256			1,256
Buildings, structures and improvements	65,757			65,757
Furniture, fixtures, equipment and vehicles	1,313		(32)	1,281
Total capital assets, being depreciated	68,326	-	(32)	68,294
Less: Accumulated depreciation	(24,256)	(1,740)	32	(25,964)
Total capital assets being depreciated, net	44,070	(1,740)	-	42,330
Capital assets, net	$ 56,999	$ (1,574)	$ -	$ 55,425

NOTE F – PENSION AND RETIREMENT PLANS

All full-time employees 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.

NOTE F – PENSION AND RETIREMENT PLANS (Continued)

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 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, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2010, 2009 and 2008. The employer contribution rates were 14.00% of covered payroll in 2010, 2009 and 2008. The Division's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2010, 2009 and 2008 were approximately $77,000, $67,000 and $58,000 each year, respectively. The required payments due in 2010, 2009 and 2008 have been made.

NOTE G – OTHER POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System: All full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – 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 postemployment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postemployment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten 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 Postemployment 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 writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

NOTE G – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code provides the 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 funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2010, 2009 and 2008. 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 Postemployment 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 postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 5.50% from January 1, 2010 through February 28, 2010 and 5.00% from March 1, 2010 through December 31, 2010 and 7.00% from January 1, 2009 through March 31, 2009 and 5.50% from April 1, 2009 through December 31, 2009, and 7.00% in 2008. 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 their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Division's actual contributions to OPERS to fund postemployment benefits were approximately $44,000, $49,000 and $58,0000 in 2010, 2009 and 2008, respectively.

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.

NOTE H – RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides parking facilities at usual and customary rates to various departments and divisions of the City. The Division operates certain garages and parking lots on behalf of other City divisions. The professional management fees recorded by the Division to operate the garages and parking lots are as follows:

	2010	2009
	(Amounts in 000's)	
Division of Convention Center and Department of Community Development	$ 290	$ 227

NOTE H – RELATED PARTY TRANSACTIONS (Continued)

Operating Expenses: The Division is provided various services by other City divisions. Charges are based on actual usage or on a reasonable pro-rata basis. The more significant expenses included in the statements of operations for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
	(Amounts in 000's)	
Parks Maintenance	$ 70	$ 61
Motor Vehicle Maintenance	29	13
Cleveland Public Power	177	171
Maintenance	15	14
Telephone	18	13

NOTE I – CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Division for personal injuries, property damage and other matters. The City is responsible for the lawsuits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Division's financial position, results of operations or cash flows.

Risk Management: The Division 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 Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2010 or 2009.

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. The City participates in the State of Ohio workers' compensation retrospective rating program.

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. 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. Claims liability for the Division is immaterial.

NOTE J – LEASES

The Division leases the land for various parking facilities to management companies under non-cancelable lease agreements, which expire at various times through the year 2056. Revenues generated from such leases totaled $180,000 in 2010 and 2009. Future minimum rentals on non-cancelable leases are as follows:

	(Amounts in 000's)	
2011	$	180
2012		180
2013		180
2014		180
2015		180
Thereafter		5,100
	$	6,000

NOTE K – SUBSEQUENT EVENTS

The City introduced legislation on May 9, 2011 which would authorize the sale of the Gateway North Garage which is part of the Division's parking facilities. The garage is one of two City-owned garages located in the Gateway neighborhood and is being sold to Rock Ohio Caesars Gateway LLC to facilitate the development of Phase I of the Horseshoe Casino Cleveland. This legislation was approved by City Council on June 6, 2011.

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND BURKE LAKEFRONT AIRPORTS

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2010 and 2009

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

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INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Divisions of Cleveland Hopkins International and Burke Lakefront Airports
Department of Port Control
City of Cleveland, Ohio:

We have audited the accompanying basic financial statements of the Divisions of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio (the Divisions) as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the Divisions' management. Our responsibility is to express an opinion on these financial statements based on our audit. The basic financial statements of the Divisions as of December 31, 2009 were audited by other auditors whose report dated June 28, 2010, expressed an unqualified opinion on those financial statements. As discussed in Note A to the basic financial statements, the Divisions have adjusted its 2009 financial statements to retrospectively apply Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The other auditors reported on the financial statements before the retrospective adjustment.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the financial statements present only the financial position and the changes in financial position and cash flows of the Divisions and do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2010 and 2009, and the respective changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note A, during the year ended December 31, 2010, the Divisions implemented Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Divisions of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio as of December 31, 2010, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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We also audited the adjustment to the 2009 financial statements to retrospectively apply the change in accounting as described in Note A. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the Divisions' 2009 financial statements other than with respect to the adjustment and, accordingly, we do not express an opinion or other form of assurance on the 2009 financial statements as a whole.

The management's discussion and analysis on pages 3-14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of airport revenues and operating expenses as defined in the airline use agreement for the year ended December 31, 2010 is presented for purposes of additional analysis and is not a required part of the Divisions' financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Divisions' basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the Divisions' basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2011

CITY OF CLEVELAND
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Port Control, Divisions of Cleveland Hopkins International (CLE) and Burke Lakefront (BKL) Airports (the Divisions), we offer readers of the Divisions' financial statements this narrative overview and analysis of the financial activities of the Divisions for the years ended December 31, 2010 and December 31, 2009. Please read this information in conjunction with the Divisions' basic financial statements and notes that begin on page 16.

The Divisions are charged with the administration and control of, among other facilities, the municipally owned airport of the City. The Divisions operate a major public airport and a reliever airport serving not only the City of Cleveland, but also suburban municipalities in Cuyahoga, Medina, Summit and Geauga counties. In 2010, the Divisions were served by 27 scheduled airlines and three cargo airlines. There were 90,000 scheduled landings with landed weight amounting to 5,907,546,000 pounds. There were 4,745,000 passengers enplaned at Cleveland Hopkins International Airport, and 87,000 passengers enplaned at Burke Lakefront Airport during 2010. In 2009, the Divisions were served by 29 scheduled airlines and three cargo airlines. There were 93,000 scheduled landings with landed weight amounting to 6,265,656,000 pounds. There were 4,855,000 passengers enplaned at Cleveland Hopkins International Airport, and 83,000 passengers enplaned at Burke Lakefront Airport during 2009.

COMPARISON OF CURRENT YEAR AND PREVIOUS YEAR DATA

FINANCIAL HIGHLIGHTS

- The assets of the Divisions exceeded its liabilities (net assets) by $401,879,000, $395,666,000 and $420,858,000 at December 31, 2010, 2009 and 2008, respectively. Of these amounts, $148,100,000, $136,953,000 and $143,845,000 (unrestricted net assets) at December 31, 2010, 2009 and 2008, respectively, may be used to meet the Divisions ongoing obligations to customers and creditors.

- The Divisions' total net assets increased by $6,213,000 in 2010. In 2010, net assets restricted for debt service decreased due to the decrease in long-term debt due within one year, resulting from accelerating the payment of Airport System Revenue Bonds Series 2000B in January 2010. These funds were transferred to the bond trustee prior to the close of 2009. Also in 2010, net assets restricted for passenger facility charges increased slightly due a decrease in the amount of passenger facility charges expended in 2010.

- Additions to construction in progress totaled $25,497,000, $41,086,000 and $40,036,000 in 2010, 2009 and 2008, respectively. The major capital expenditures during 2010 were for the Taxiway Q and Hold Pad, extension of Runway 6R/24L, Runway 10/28 Safety Improvements, and sound insulation of homes.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

- Approximately, 48.9% was spent on the construction of Taxiway Q and Hold Pad, 8.4% was spent on sound insulation of homes, and 7.7% was spent on Runway 10/28 Safety Improvements. The major capital expenditures during 2009 were for the upgrading and enhancement of the terminal utilities, extension of Runway 6R/24L, Taxiway L reconstruction, and sound insulation of homes.

- The Divisions total bonded debt decreased by $52,480,000, $15,465,000 and $8,755,000 during 2010, 2009 and 2008, respectively. The key factor for this decrease was the payment of principal on the Series 1997, 2000, 2003, 2006, and 2007 Airport System Revenue Bonds and the accelerated payment of the principal on the Series 2000B bonds**.** In 2009, the City issued $248,280,000 of Airport System Revenue Bonds, Series A through D, which refunded the Series 1997E Bonds, a portion of the Series 1997D Bonds and the Series 2008A, B, C and E Bonds. In 2008, the key factors for the decrease in total bonded debt were the payment of principal on the Series 1997, 2000, 2003, 2006 and 2007 Airport System Revenue Bonds. The City issued $288,780,000 of Airport System Revenue Bonds in 2008, which refunded a portion of the Series 2007A and Series 2003A-C Airport System Revenue Bonds. (See Note B - Long-Term Obligations for additional information).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Divisions' basic financial statements. The accompanying financial statements present financial information for the City of Cleveland's Divisions of Cleveland Hopkins International and Burke Lakefront Airports Fund, in which the City accounts for the operations of the Department of Port Control. 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.

The Divisions are considered an Enterprise Fund because the operations of the Divisions are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Divisions, the economic resources measurement focus and the accrual basis of accounting is used. This is similar to businesses in the private sector.

The basic financial statements of the Divisions can be found on pages 16-21 of this report.

The notes to the financial statements provide additional information that is essential to gain a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 23-46 of this report.

CONDENSED BALANCE SHEET INFORMATION

Provided below is condensed balance sheet information for the Divisions as of December 31, 2010, 2009 and 2008:

	2010	2009	2008
		(Amounts in 000's)	
Assets:			
Current assets	$ 106,802	$ 98,294	$ 101,470
Restricted assets	262,691	298,372	336,548
Unamortized bond issuance costs	17,453	19,240	7,776
Deferred outflows of resources	7,715	6,992	9,800
Capital assets, net	900,508	917,922	935,445
Total assets	$ 1,295,169	$ 1,340,820	$ 1,391,039
Net assets and liabilities:			
Liabilities:			
Current liabilities	$ 53,558	$ 89,227	$ 59,636
Long-term obligations	839,732	855,927	910,545
Total liabilities	893,290	945,154	970,181
Net assets:			
Invested in capital assets, net of related debt	124,506	94,145	117,883
Restricted for debt service	103,701	141,879	108,323
Restricted for passenger facility charges	25,572	22,689	50,807
Unrestricted	148,100	136,953	143,845
Total net assets	401,879	395,666	420,858
Total net assets and liabilities	$ 1,295,169	$ 1,340,820	$ 1,391,039

Assets: Total assets decreased $45,651,000 and $50,219,000 during 2010 and 2009, respectively. The decrease in capital assets, net of accumulated depreciation, accounted for $17,414,000 or 38.1% of this change**.** This decrease was primarily due to depreciation recognized in 2010, which was partially offset by capital asset additions. Unamortized bond issuance costs decreased in 2010 due to the recognition of amortization of the bond issuance costs. Unamortized bond issuance costs increased in 2009 due to the increase of bond issuance cost in relation to the issuance of the Series 2009 Bonds and the termination of the swap relating to the 2008 Series A and B bonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION (Continued)

Capital assets: The Divisions' investment in capital assets as of December 31, 2010 amounted to $900,508,000 (net of accumulated depreciation), which is a decrease of 1.9%. The Divisions' investment in capital assets as of December 31, 2009 amounted to $917,922,000 (net of accumulated depreciation), which was a decrease of 1.9%. These investments in capital assets include: land; land improvements; buildings, structures and improvements; furniture, fixtures and equipment; infrastructure, vehicles, and construction in progress. A summary of the activity in the Divisions' capital assets during the year ended December 31, 2010 is as follows:

	Balance January 1, 2010	Additions	Reductions	Balance December 31, 2010
	(Amounts in 000's)			
Land	$ 167,457		$	$ 167,457
Land improvements	72,568			72,568
Buildings, structures and improvements	328,738			328,738
Furniture, fixtures, and equipment	22,801	14		22,815
Infrastructure	885,928	24,979		910,907
Vehicles	13,534	296		13,830
Total	1,491,026	25,289		1,516,315
Less: Accumulated depreciation	(582,623)	(49,999)		(632,622)
Total	908,403	(24,710)		883,693
Construction in progress	9,519	25,497	(18,201)	16,815
Capital assets, net	$ 917,922	$ 787	$ (18,201)	$ 900,508

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION (Continued)

A summary of the activity in the Divisions' capital assets during the year ended December 31, 2009 is as follows:

	Balance January 1, 2009	Additions	Reductions	Balance December 31, 2009
	(Amounts in 000's)			
Land	$ 167,123	$ 334	$	$ 167,457
Land improvements	72,568			72,568
Buildings, structures and improvements	318,288	10,450		328,738
Furniture, fixtures, and equipment	19,687	3,114		22,801
Infrastructure	870,685	15,243		885,928
Vehicles	13,535		(1)	13,534
Total	1,461,886	29,141	(1)	1,491,026
Less: Accumulated depreciation	(530,418)	(52,205)		(582,623)
Total	931,468	(23,064)	(1)	908,403
Construction in progress	3,977	41,086	(35,544)	9,519
Capital assets, net	$ 935,445	$ 18,022	$ (35,545)	$ 917,922

Major events during 2010 and 2009 affecting the Divisions' capital assets included the following:

- Runway 10/28 Safety Improvement project will provide incremental enhancements to the safety area surrounding Runway 10/28, including installation of an Engineered Material Arresting System (EMAS) and relocation of the approach lighting system (ALS). Estimated cost: $38.3 million.

- The Airport Utility Upgrade project will include both retrofitting existing terminal space and adding additional space for the purpose of increasing the square footage available for airport concessions throughout the terminal and concourses. This project will also include relocation of the airport chapel and a new telephone system. However, the majority of the project costs will be incurred expanding the capacity of the utilities on various concourses to accommodate the new concession locations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION (Continued)

- The SIDA Security System Enhancements project will complete the third phase of a comprehensive series of security improvements at the Airport. The third phase will provide a fiber security backbone for the northern and southern portions of the airfield in order to integrate perimeter fence, remote parking areas and out buildings on the perimeter into the existing security system. Benefits of this program will include video security of critical airfield, perimeter and other security areas not currently covered, as well as the enhancement of the computer capacity in order to integrate and store security system data.

- In order to facilitate the construction of a new air traffic control tower at the Airport, the City was awarded a $16.3 million grant from the FAA through the American Recovery and Reinvestment Act (ARRA), in April 2009, to construct Taxiway Q and Hold Pad. The construction began the 3rd quarter of 2009 with completion of the project in the 4th quarter of 2010.

Additional information on the Divisions' capital assets, including commitments made for future capital expenditures can be found in Note A – Summary of Significant Accounting Policies and Note F – Capital Assets to the basic financial statements.

Liabilities: In 2010 and 2009, total liabilities decreased $51,864,000 and $25,027,000, respectively. In 2010, the decrease in long-term obligations was $16,195,000 or 1.9%. Current liabilities decreased $35,669,000 or 40.0% as the current portion of long-term debt, which in 2009 resulted from accelerated debt payment redeeming Airport System Revenue Bonds Series 2000B with a principal balance of $30,030,000 did not occur in 2010. Long-term obligations decreased due to the payment of principal on the Series 2000, 2006, 2007, 2008 and 2009 Airport System Revenue Bonds. In 2009, the decrease in long-term obligations was $54,618,000 or 6.0%. Current liabilities increased $29,591,000 or 49.6% due to the recognition of additional current portion of long-term debt, due within one year. The increase is the result of an accelerated debt payment redeeming Airport System Revenue Bonds Series 2000B with a principal balance of $30,030,000 at December 31, 2009. Long-term obligations decreased due to the payment of principal on the Series 1997, 2000, 2006, 2007, and 2008 Airport System Revenue Bonds.

Long-term debt: At December 31, 2010 and 2009, the Divisions had $849,260,000 and $901,740,000, respectively, in total bonded debt outstanding. The Airport System Revenue Bonds are secured by the pledge of all airport revenues, as defined in the revenue bond indenture.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION (Continued)

The activity in the Divisions' debt obligations outstanding during the year ended December 31, 2010 is summarized below:

	Balance January 1, 2010	Debt Issued	Debt Retired	Balance December 31, 2010
	(Amounts in 000's)			
Airport System Revenue Bonds:				
Series 2000	$ 437,485		$ (39,040)	$ 398,445
Series 2006	118,570		(1,120)	117,450
Series 2007	11,175		(495)	10,680
Series 2008	86,230		(2,070)	84,160
Series 2009	248,280		(9,755)	238,525
Total	$ 901,740	$	$ (52,480)	$ 849,260

The activity in the Divisions' debt obligations outstanding during the year ended December 31, 2009 is summarized below:

	Balance January 1, 2009	Debt Issued	Debt Retired	Balance December 31, 2009
	(Amounts in 000's)			
Airport System Revenue Bonds:				
Series 1997	$ 52,485	$	$ (52,485)	$ -
Series 2000	446,020		(8,535)	437,485
Series 2006	118,665		(95)	118,570
Series 2007	11,255		(80)	11,175
Series 2008	288,780		(202,550)	86,230
Series 2009		248,280		248,280
Total	$ 917,205	$ 248,280	$ (263,745)	$ 901,740

CONDENSED BALANCE SHEET INFORMATION (Continued)

The bond ratings from Moody's Investors Service, Standard & Poor's Rating Service, and Fitch Ratings are as follows:

Moody's Investors Service	Standard & Poor's Rating Service	Fitch Ratings
Baa1	A-	A

On November 18, 2010, Moody's Investors Service lowered its rating on the Airport System Revenue Bonds from A3 to Baa1.

The ratio of net revenue available for debt service to debt service requirements (revenue bond coverage) is a useful indicator of the Divisions' debt position to management, customers and creditors. The Divisions' revenue bond coverage for 2010, 2009 and 2008, was 160%, 165% and 149%, respectively.

In addition, the Divisions entered into two derivative or hedging agreements in 2003. Derivative instruments are contracts, the value of which depends on, or derives from, the value of an underlying asset, index or rate. The most common types of derivatives used by governments are interest rate swaps and interest rate locks. A detailed description of the outstanding derivative, including its terms, objectives, risks and fair value, can be found in Note B – Long-Term Debt to the basic financial statements.

In accordance with the implementation of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the Divisions have reported a deferred outflow and a liability in the amount of the fair value of the interest rate swaps, which reflects the prevailing interest rate environment at December 31, 2010 and December 31, 2009. The fair values of the swaps have been provided by the counterparty and confirmed by the City's financial advisor.

Additional information on the Divisions' long-term debt can be found in Note B – Long-Term Obligations to the basic financial statements.

Net Assets: Net assets serve as a useful indicator of an entity's financial position. In the case of the Divisions, assets exceed liabilities by $401,879,000, $395,666,000 and $420,858,000 at December 31, 2010, 2009 and 2008, respectively. Of the Divisions' net assets at December 31, 2010 and 2009, $124,506,000 and $94,145,000, respectively, reflects its investment in capital assets (e.g., land, land improvements, buildings, fixtures, equipment, infrastructure, and vehicles), net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The Divisions use these capital assets to provide services to their customers. Consequently, these assets are not available for future spending.

Although the Divisions' 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION (Continued)

An additional portion of the Divisions' net assets represents resources that are subject to external restrictions. At December 31, 2010 and 2009 these restricted net assets amounted to $129,273,000 and $164,568,000, respectively. These restricted net assets include amounts set aside in various fund accounts for payment of revenue bonds, which are limited by the bond indentures, and passenger facility charges imposed and collected at Cleveland Hopkins International Airport based on an approved Federal Aviation Administration application. Passenger facility charges are restricted for designated capital projects and approved debt service. The remaining balance of unrestricted net assets, $148,100,000 and $136,953,000 for December 31, 2010 and 2009, respectively, may be used to meet the Divisions' ongoing obligations to customers and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION

The Divisions operations during 2010 and 2009 increased its net assets by $6,213 and decreased $25,192,000, respectively. Provided below are key elements of the Divisions results of operations as of and for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
	(Amounts in 000's)		
Operating revenues			
Landing fees	$ 26,356	$ 28,678	$ 30,825
Terminal and concourse rentals	52,670	43,646	40,660
Concessions	21,496	21,535	27,517
Utility sales and other	6,174	4,284	12,388
Total operating revenues	106,696	98,143	111,390
Operating expenses	120,151	120,636	129,076
Operating income (loss)	(13,455)	(22,493)	(17,686)
Non-operating revenue (expense):			
Passenger facility charges revenue	18,820	19,378	21,828
Non-operating expense	(2,299)	(9,062)	(2,041)
Sound insulation program	(2,545)	(4,215)	(996)
Rebate arbitrage expense			(342)
Interest income	1,088	1,915	11,865
Interest expense	(30,442)	(31,127)	(37,694)
Amortization of bond issuance expense, bond discounts and loss on debt refundings	(2,754)	(3,746)	(2,093)
Total non-operating revenue (expense), net	(18,132)	(26,857)	(9,473)
Capital and other contributions	37,800	24,158	24,762
Increase (decrease) in net assets	6,213	(25,192)	(2,397)
Net assets, beginning of year	395,666	420,858	423,255
Net assets, end of year	$ 401,879	$ 395,666	$ 420,858

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION (Continued)

Operating revenues*:* Of the 2010 operating revenues of $106,696,000, $25,037,000 or 23.5% represented landing fees received from signatory airlines. This is a decrease of 6.2% from the prior year. Signatory terminal rentals accounted for $36,387,000, or 34.1% of total operating revenues. The increase in signatory terminal rent of 32.7% is a result of an increase in terminal rates and charges attributed to the signatory airlines enplaned passenger credit. Parking revenues increased 6.1% over the prior year due to an increase in the demand for airport parking. Parking revenues amounted to $12,601,000 or 11.8% of total operating revenues for 2010. The fourth largest airport revenue source, rental cars, accounted for 8.7% of total operating revenues, which is an increase of 1.9% from 2009.

Of the 2009 operating revenues of $98,143,000, $26,703,000 or 27.2% represented landing fees received from signatory airlines. This is a decrease of 8.8% from the prior year. Signatory terminal rentals accounted for $27,425,000, or 27.9% of total operating revenues. The increase of 9.5% is a result of an increase in terminal rates and charges attributed to the signatory airlines enplaned passenger credit. Parking revenues decreased 26.1% over the prior year due to a decrease in the demand for airport parking. Parking revenues amounted to $11,875,000 or 12.1% of total operating revenues for 2009. The fourth largest airport revenue source, rental cars, accounted for 9.3% of total operating revenues, which is a decrease of 9.0% from 2008.

Operating expenses*:* Total operating expenses for 2010 decreased $485,000 or 0.4%. The decrease is primarily due to a 21.9% decrease in maintenance expenses which was the result of the Divisions' tightening of budgetary control on spending. In addition, depreciation expense decreased by 4.2%. These decreases were partially offset by modest increases in costs associated with utility, property taxes and professional fees. Employee salaries, wages and benefits increased .3% due to increases in employee benefits. Total operating expenses for 2009 decreased $8,440,000 or 6.5%. Operations expenses decreased 8.7% mainly due to decreases in utilities, taxes and professional fees. Employee salaries, wages and benefits increased 1.3% due to employee cost of living increases, and related increase in employer contribution for pension benefits. Maintenance expenses decreased 7.7% mainly attributed to the Divisions' ability to monitor and control repair and maintenance expense. Depreciation expense decreased by 3.7%.

Non-operating revenue and expense: Expenses related to the Sound Insulation Program were $2,545,000, $4,215,000, and $996,000 in 2010, 2009 and 2008, respectively. In 2010 there were less construction related expenses in the Sound Insulation Program versus in 2009, which focused on warranty related work. Also in 2010, interest income decreased to $1,088,000 from $1,915,000 in 2009; a decrease of 43.2%. Passenger Facility Charge revenues decreased 2.9%, from $19,378,000 in 2009 to $18,820,000 in 2010 resulting from a decrease in the number of passenger enplanements.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION (Continued)

Capital and other contributions: In 2010, 2009 and 2008, the Divisions received $37,800,000 $24,158,000 and $24,762,000, respectively, in Federal Airport Improvement Grants. In 2009, American Reinvestment and Recovery Act of 2009 (ARRA) grants in the amount of $16,324,000 were received by the Divisions' from the Department of Transportation – Federal Aviation Administration. The ARRA grants were used to construct Taxiway Q and Hold Pad to improve the safety of the airport airfield. Airport Improvement Program Grants received from the Federal Aviation Administration were primarily for the Residential Sound Insulation Program, airfield safety improvements, the construction of runway 6L/24R and uncoupling of runway 6R/24L.

FACTORS EXPECTED TO IMPACT THE DIVISIONS' FINANCIAL POSITION OR RESULTS OF OPERATIONS

Continental Airlines and United Airlines (collectively "Continental") entered into a Settlement Agreement ("Agreement") with the Office of the Attorney General of the State of Ohio ("AG") effective October 31, 2010 ("Merger Closing Date") to resolve the AG's investigation of the antitrust implications of their proposed merger. Pursuant to the terms of the Agreement Continental agreed to maintain, for a period of 24-months from the Merger Closing Date, average daily departures from the Airport at no less then ninety (90%) percent of average daily departures in the year prior to the Merger Closing Date ("Base Departure Commitment"). In addition the Agreement contains an additional three year commitment for average daily departures at the Base Departure Commitment level subject to certain metrics based on Airport segment profitability as more fully outlined in the Agreement. The Agreement gives the AG's office the right to audit Airport segment profitability at Continental's expense up to $80,000 per annum. Continental also agreed to maintain its current Airport aircraft maintenance facility at a level of operations commensurate with the 12-month period immediately preceding the merger. Any reduction in the Base Departure Commitment may result in a reduction in aircraft maintenance facility operations. Other commitments include continuation of the Cleveland Air Service Working Group during the effective period of the Agreement and a penalty based on an amount equal to the percentage by which Continental is found to have breached its minimum departure commitments of $20 million. Pursuant to the terms of a separate Memorandum of Understanding between the City and the AG's office any monies collected from Continental pursuant to this penalty will be forwarded to the City. The AG's office has also agreed to inform the City whether, as a result of its audits any of the metrics outlined in the Agreement have been triggered or are likely to be triggered.

ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
BALANCE SHEETS
December 31, 2010 and 2009

	(Amounts in 000's) 2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 82,872	$ 65,757
Restricted cash and cash equivalents	3,775	6,253
Investments		10,316
Receivables:		
Accounts-net of allowance for doubtful accounts of $1,986,000 in 2010 and $1,921,000 in 2009	8,421	3,117
Unbilled revenue	4,415	3,742
Landing fees - due from airlines	4,112	4,136
Accrued interest receivable		192
Total receivables	16,948	11,187
Prepaid expenses	332	583
Due from other City of Cleveland departments, divisions or interfund accounts	96	25
Due from federal government	722	2,014
Materials and supplies-at cost	2,057	2,159
TOTAL CURRENT ASSETS	106,802	98,294
RESTRICTED ASSETS		
Cash and cash equivalents	258,114	293,743
Investments	2,029	2,104
Accrued interest receivable	25	25
Bond retirement reserve	53	53
Accrued passenger facility charges	2,470	2,447
TOTAL RESTRICTED ASSETS	262,691	298,372
UNAMORTIZED BOND ISSUANCE COSTS	17,453	19,240
DEFERRED OUTFLOWS OF RESOURCES	7,715	6,992
CAPITAL ASSETS		
Land	167,457	167,457
Land improvements	72,568	72,568
Buildings, structures and improvements	328,738	328,738
Furniture, fixtures, equipment	22,815	22,801
Infrastructure	910,907	885,928
Vehicles	13,830	13,534
	1,516,315	1,491,026
Less: Accumulated depreciation	(632,622)	(582,623)
	883,693	908,403
Construction in progress	16,815	9,519
CAPITAL ASSETS, NET	900,508	917,922
TOTAL ASSETS	$ 1,295,169	$ 1,340,820

(Continued)

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
BALANCE SHEETS
December 31, 2010 and 2009

	(Amounts in 000's) 2010	2009
LIABILITIES AND NET ASSETS		
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	$ 14,705	$ 52,480
Current portion of long-term deferred payment obligation, due within one year	2,767	2,562
Accounts payable	2,510	3,779
Due to other City of Cleveland departments, divisions or interfund accounts	1,069	1,174
Current portion of accrued wages and benefits	4,129	4,222
Accrued interest payable	18,111	18,196
Accrued property taxes	6,492	216
Construction fund payable from restricted assets	1,898	1,928
Other construction accounts payable from restricted assets	1,877	4,324
Landing fee adjustment - payable to Airlines		346
TOTAL CURRENT LIABILITIES	53,558	89,227
LONG-TERM OBLIGATIONS - excluding amounts due within one year		
Revenue bonds	824,866	838,924
Derivative instruments-interest rate swaps	7,715	6,992
Deferred payment obligation	6,500	9,268
Accrued wages and benefits	651	743
TOTAL LONG-TERM OBLIGATIONS	839,732	855,927
TOTAL LIABILITIES	893,290	945,154
NET ASSETS		
Invested in capital assets, net of related debt	124,506	94,145
Restricted for debt service	103,701	141,879
Restricted for passenger facility charges	25,572	22,689
Unrestricted	148,100	136,953
TOTAL NET ASSETS	401,879	395,666
TOTAL LIABILITIES AND NET ASSETS	$ 1,295,169	$ 1,340,820

(Concluded)

See notes to financial statements.

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CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2010 and 2009

	(Amounts in 000's) 2010	2009
OPERATING REVENUES		
Landing fees:		
Scheduled airlines	$ 25,037	$ 26,703
Other	1,319	1,975
	26,356	28,678
Terminal and concourse rentals:		
Scheduled airlines	36,387	27,425
Other	16,283	16,221
	52,670	43,646
Concessions	21,496	21,535
Utility sales and other	6,174	4,284
TOTAL OPERATING REVENUES	106,696	98,143
OPERATING EXPENSES		
Operations	66,439	63,679
Maintenance	3,713	4,752
Depreciation and amortization	49,999	52,205
TOTAL OPERATING EXPENSES	120,151	120,636
OPERATING INCOME (LOSS)	(13,455)	(22,493)
NON-OPERATING REVENUE (EXPENSE)		
Passenger facility charges revenue	18,820	19,378
Non-operating expense	(2,299)	(9,062)
Sound insulation program	(2,545)	(4,215)
Interest income	1,088	1,915
Interest expense	(30,442)	(31,127)
Amortization of bond issuance expense, bond discounts, and loss on debt refundings	(2,754)	(3,746)
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET	(18,132)	(26,857)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	(31,587)	(49,350)
Capital and other contributions	37,800	24,158
INCREASE (DECREASE) IN NET ASSETS	6,213	(25,192)
NET ASSETS, BEGINNING OF YEAR	395,666	420,858
NET ASSETS, END OF YEAR	$ 401,879	$ 395,666

See notes to financial statements.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	(Amounts in 000's)	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 96,848	$ 91,129
Cash payments to suppliers for goods and services	(36,896)	(45,368)
Cash payments to employees for services	(27,813)	(27,390)
NET CASH PROVIDED BY OPERATING ACTIVITIES	32,139	18,371
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash payments for sound insulation of homes	(3,165)	(3,610)
Cash payments for other non-operating costs	(3,154)	(3,142)
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES	(6,319)	(6,752)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(27,416)	(37,432)
Rebate arbitrage payment		
Cash receipts for passenger facility charges	18,798	19,409
Proceeds from revenue bonds		238,078
Transfer to escrow agent for bond refunding		(246,915)
Principal paid on long-term debt	(52,480)	(20,250)
Interest paid on long-term debt	(36,471)	(32,846)
Capital grant proceeds	39,092	25,042
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(58,477)	(54,914)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investment securities	9,999	66,368
Interest received on investments	1,666	4,316
NET CASH PROVIDED BY INVESTING ACTIVITES	11,665	70,684
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(20,992)	27,389
Cash and cash equivalents, beginning of year	365,753	338,364
Cash and cash equivalents, end of year	$ 344,761	$ 365,753

(Continued)

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
STATEMENTS OF CASH FLOWS (Reconciliation)
For the Years Ended December 31, 2010 and 2009

	(Amounts in 000's) 2010	2009
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	$ (13,455)	$ (22,493)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	49,999	52,205
Non-cash rental income	(3,389)	(3,389)
Changes in assets and liabilities:		
Accounts receivable and accrued interest receivable	(5,112)	938
Unbilled revenue	(673)	1,931
Landing fees - due from airlines	24	(4,136)
Prepaid expenses	251	101
Due from other City departments, divisions or funds	(71)	53
Materials and supplies, at cost	102	271
Accounts payable	(1,269)	90
Due to other City departments, divisions or funds	(105)	19
Accrued wages and benefits	(93)	(78)
Landing fees - due to airlines	(346)	
Accrued property taxes	6,276	(7,141)
TOTAL ADJUSTMENTS	45,594	40,864
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 32,139	$ 18,371

(Concluded)

See notes to financial statements.

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Divisions of Cleveland Hopkins International and Burke Lakefront Airports (the Divisions) are reported as an Enterprise Fund of the City of Cleveland, Department of Port Control and are part of the City of Cleveland's (the City) primary government. The Divisions were created for the purpose of operating the airports within the Cleveland metropolitan area. The following is a summary of the more significant accounting policies.

Reporting Model and Basis of Accounting: The accounting policies and financial reporting practices of the Divisions comply with accounting principles generally accepted in the United States of America applicable to governmental units. In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which is effective for the year ended December 31, 2009. The Divisions have determined that GASB Statement No. 52 has no impact on its financial statements as of December 31, 2009. In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which is effective for the year ended December 31, 2010. The Divisions have determined that GASB Statement No. 51 has no material impact on its financial statements as of December 31, 2010, to the easements granted for residents under the Residential Sound Insulation Program. In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is effective for the year ended December 31, 2010. The Divisions have implemented GASB Statement No. 53 and its effects have been included in its financial statements as of December 31, 2010 and December 31, 2009.

The Divisions' net assets are accounted for in the accompanying balance sheets and the net assets are divided into the following categories:

- Amount invested in capital assets, net of related debt
- Amount restricted for debt service
- Amount restricted for passenger facility charges
- Remaining unrestricted amount

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, certain additional financial information regarding the Divisions is included in these notes. The implementation of the new GASB statements did not result in a change in the Divisions beginning net asset/equity balance as previously reported.

Basis of Accounting: The Divisions' financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized when incurred. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Activities*, all Proprietary Funds will continue to follow Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989. However, from that date forward, Proprietary Funds will have the option of either 1) choosing not to apply future FASB guidance (including amendments of earlier pronouncements) or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB pronouncements). The Divisions have chosen not to apply future FASB guidance.

Statement of Cash Flows: The Divisions utilize the direct method of reporting for the statement of cash flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable 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, non-capital financing, capital and related financing and all investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Divisions. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

Investments: The Divisions follow the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. The fair market value is based on quoted market values.

The Divisions have invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2010 and 2009. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2010 and 2009.

Restricted Assets: Proceeds from debt and amounts set aside in various fund accounts for payment of revenue bonds are classified as restricted assets since their use is limited by the bond indentures.

Restricted for Passenger Facility Charges: These assets are for passenger facility charges imposed and collected at Cleveland Hopkins International Airport based on an approved Federal Aviation Administration application. These are restricted for designated capital projects or debt service.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as a tangible item with a 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. When capital assets are disposed, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Land Improvements	3 to 75 years
Buildings, structures and improvements	5 to 50 years
Furniture, fixtures and equipment	3 to 35 years
Infrastructure	3 to 50 years
Vehicles	3 to 35 years

The Divisions' policy is to capitalize interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of the assets and is depreciated on the straight-line basis over the estimated useful lives of such assets. The Divisions apply Financial Accounting Standards Board guidance pertaining to capitalization of interest cost in situations involving certain tax-exempt borrowings and certain gifts and grants, for its revenue bonds. This guidance requires capitalization of interest cost of eligible borrowings less interest earned on investment of the related bond proceeds from the date of borrowing until the assets constructed from the bond proceeds are ready for their intended use.

For 2010 and 2009, total interest costs incurred amounted to $37,226,000 and $39,511,000, respectively, of which $6,778,000 and $8,349,000, respectively, was capitalized, net of interest income of $6,000 in 2010 and $35,000 in 2009.

Bond Issuance Costs, Discounts and Unamortized Losses on Debt Refundings: Bond issuance expense is carried on the Divisions' books as a deferred expense and deferred bond discounts/premiums are netted against long-term debt. Both are amortized over the lives of the applicable bonds. Unamortized loss on debt refundings is netted against long-term debt and is amortized over the shorter of the defeased bond or the newly issued bond.

Compensated Absences: The Divisions accrue 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*. These amounts are recorded as accrued wages and benefits in the accompanying balance sheets. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

Normally, all vacation time is to be taken in the year available. The Divisions allow employees to carryover 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 three-year average base salary rate, with the balance being forfeited.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Environmental Expenses: Environmental expenses consist of costs incurred for remediation efforts to airport property. Environmental expenses that relate to current operations are expensed or capitalized, as appropriate. Environmental expenses that relate to existing conditions caused by past operations and which do not contribute to future revenues are expensed. Liabilities are recorded when remedial efforts are probable and the costs can be reasonably estimated.

Non-operating Expenses: Non-operating expenses relate to expenses of the Divisions incurred for purposes other than the operations of the airports and consist primarily of interest costs incurred on the Divisions' long-term debt. The funding for non-operating expenses is non-operating revenue (passenger facility charges, revenue bonds and federal grants).

Interfund Transactions: During the course of normal operations, the Divisions have numerous transactions between other City divisions and departments. Unpaid amounts at year end are generally reflected as due to or due from in the accompanying financial statements.

Interfund receivables and payables balances at December 31, 2010 and 2009 are as follows:

	2010 Due From	2010 Due To	2009 Due From	2009 Due To
	(Amounts in 000's)			
City of Cleveland General Fund	$ 96	$ 263	$ 25	$ 242
Division of Water Pollution Control		81		82
Division of Cleveland Public Power		19		21
Division of Research Planning & Development				
Workers' Compensation Refund Reserve		509		767
Division of Radio Communication		6		3
Division of Printing		3		2
Division of Motor Vehicle Maintenance		111		42
Division of Water				
Division of Telephone Exchange		77		15
	$ 96	$ 1,069	$ 25	$ 1,174

NOTE B – LONG-TERM OBLIGATIONS

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

	Interest Rate	Original Issuance	2010	2009
		(Amounts in 000's)		
Airport System Revenue Bonds:				
Series 2000, due through 2031	4.00%-5.00%	573,190	$ 398,445	$ 437,485
Series 2006, due through 2024	5.00%-5.25%	118,760	117,450	118,570
Series 2007, due through 2027	4.00%-5.00%	11,255	10,680	11,175
Series 2008, due through 2033	Variable Rate	88,195	84,160	86,230
Series 2009, due through 2027	.17%-5.00%	248,280	238,525	248,280
		$ 1,039,680	849,260	901,740
Unamortized (discount) premium			14,197	16,103
Unamortized loss on debt refunding			(23,886)	(26,439)
Current portion (due within one year)			(14,705)	(52,480)
Total Long-Term Debt excluding the deferred payment obligation			$ 824,866	$ 838,924

Summary: Changes in long-term obligations for the year ended December 31, 2010 are as follows:

	Balance January 1, 2010	Increase	Decrease	Balance December 31, 2010	Due Within One Year
			(Amounts in 000's)		
Airport System Revenue Bonds:					
Series 2000	$ 437,485		$ (39,040)	$ 398,445	$
Series 2006	118,570		(1,120)	117,450	1,180
Series 2007	11,175		(495)	10,680	505
Series 2008	86,230		(2,070)	84,160	2,180
Series 2009	248,280		(9,755)	238,525	10,840
Total revenue bonds	901,740		(52,480)	849,260	14,705
Accrued wages and benefits	4,965	252	(437)	4,780	4,129
Total	$ 906,705	$ 252	$ (52,917)	$ 854,040	$ 18,834

NOTE B – LONG-TERM OBLIGATIONS (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2009 are as follows:

	Balance January 1, 2009	Increase	Decrease	Balance December 31, 2009	Due Within One Year
			(Amounts in 000's)		
Airport System Revenue Bonds:					
Series 1997	$ 52,485	$	$ (52,485)	$ -	$
Series 2000	446,020		(8,535)	437,485	39,040
Series 2006	118,665		(95)	118,570	1,120
Series 2007	11,255		(80)	11,175	495
Series 2008	288,780		(202,550)	86,230	2,070
Series 2009		248,280		248,280	9,755
Total revenue bonds	917,205	248,280	(263,745)	901,740	52,480
Accrued wages and benefits	4,982		(17)	4,965	4,222
Total	$ 922,187	$ 248,280	$ (263,762)	$ 906,705	$ 56,702

Minimum principal and interest payments on long-term debt are as follows:

	Principal	Interest	Total
		(Amounts in 000's)	
2011	$ 14,705	$ 40,759	$ 55,464
2012	14,995	40,111	55,106
2013	15,820	39,404	55,224
2014	27,345	38,411	65,756
2015	28,865	37,117	65,982
2016-2020	173,845	162,472	336,317
2021-2025	218,470	115,576	334,046
2026-2030	279,545	55,259	334,804
2031-2033	75,670	2,691	78,361
Total	$ 849,260	$ 531,800	$ 1,381,060

NOTE B – LONG-TERM OBLIGATIONS (Continued)

The Airport System Revenue 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 interest in and rights to the airline use agreements under the revenue bond indenture. Amounts held in trust may be invested by the City Treasurer or the trustee in permitted investments. However, the use of funds is limited by the bond indenture and, accordingly, is classified as restricted assets in these financial statements.

As of December 31, 2010 and 2009, the Divisions were in compliance with the terms and requirements of the bond indenture.

The indenture, as amended, requires, among other things, that the Divisions (1) make equal monthly deposits to the Bond Service Fund to have sufficient assets available to meet debt service requirements on the next payment date; (2) maintain the Bond Service Reserve Fund equal in amount to the maximum annual debt service to be paid in any year; and (3) as long as any revenue bonds are outstanding, charge such rates, fees and charges for use of the airport system to produce in each year, together with other available funds, net revenues (as defined) at least equal to the greater of (a) 116% of the annual debt service due in such year on all outstanding revenue bonds and general obligation debt or (b) 125% of the annual debt service due in such year on all outstanding bonds.

The Divisions have defeased certain Revenue Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. The aggregate amount of defeased debt outstanding at December 31, 2010 and 2009 is as follows:

Bond Issue	2010	2009
	(Amounts in 000's)	
Series 2000 A	$0	$111,435

The City has pledged future airport revenues to repay $849,260,000 in Airport System Revenue Bonds issued in various years since 2000. Proceeds from the bonds provided financing for airport facilities. The bonds are payable from airport revenues and are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 62% of net revenues. The total principal and interest remaining to be paid on the various airport system revenue bonds is $1,381,060,000. Principal and interest paid for the current year and total net revenues were $51,092,000 and $81,901,000, respectively.

Effective March 5, 2009, the City issued $24,710,000 Airport System Revenue Bonds, Series 2009A (AMT), and $14,670,000 Airport System Revenue Bonds, Series 2009B (Taxable). Proceeds of the Series 2009A Bonds were used to refund a portion of the outstanding Airport System Revenue Bonds, Series 1997D, in the aggregate principal amount of $24,340,000 and to pay issuance costs. Proceeds of the Series 2009B Bonds were used to refund all of the outstanding $14,425,000 Series 1997E Airport System

NOTE B – LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds and to pay issuance costs. The City retired the remaining $10,570,000 Series 1997D Bonds using other available funds of the Airport System (Passenger Facility Charge revenues). The City also funded a required deposit to the bond reserve fund from available funds on hand. The Series 1997 Bonds were refunded in order to replace the existing liquidity provider. The Series 2009A&B Bonds were issued as weekly variable rate demand obligations and are secured by direct pay letters of credit provided by U.S. Bank National Association.

Effective August 27, 2009, the City issued $159,875,000 Airport System Revenue Bonds, Series 2009C and $49,025,000 Airport System Revenue Bonds, Series 2009D. Proceeds of the Series 2009C Bonds were used to currently refund the outstanding $148,555,000 variable rate Series 2008A-C Airport System Revenue Bonds on the date of closing. As a result, the refunded bonds have been defeased and the liability for these bonds has been removed from long-term debt. In addition, the City used proceeds of the Series 2009C Bonds to pay amounts owed to counterparties upon the early termination, at the City's option, of interest rate hedge agreements relating to the Series 2008A&B Bonds, to fund a deposit to the Bond Service Reserve Fund and to pay issuance costs. The Series 2009C Bonds were issued as fixed rate bonds. The City obtained an economic gain (the difference between the present values of the old and new debt service payments) of approximately $4,793,000 or 3.23% as a result of the refunding.

The Series 2009D Bonds were issued to currently refund the outstanding $49,025,000 Airport System Revenue Bonds, Series 2008E on August 27, 2009. The City issued the 2009D Bonds in order to take advantage of provisions of the American Recovery and Reinvestment Act (ARRA). As a result of ARRA, the City was able to refund the Series 2008E Bonds, which had been originally issued subject to the Alternative Minimum Tax (AMT), as Non-AMT Bonds and thereby achieve debt service savings. The Series 2009D Bonds were issued as variable rate demand bonds secured by a letter of credit provided by KBC Bank N.V.

In December 2009, the Airport System, under its rights to optional redemption, deposited cash on hand into the Series 2000 principal payment account in an amount sufficient to redeem, prior to maturity, all of the outstanding Series 2000B Bonds. Cash totaling $30,330,300 was placed into the account to pay principal in the amount of $30,030,000 and redemption premium in the amount of $300,300 on January 1, 2010. An irrevocable notice of the full redemption of the bonds was issued by the trustee on November 30, 2009.

Interest Rate Swap Transactions:

Series 2008A& 2008B Bonds (Previously Series 2007A Bonds):

In conjunction with the refunding on August 27, 2009 of the Series 2008A&B Bonds by the Series 2009C Bonds, the interest rate exchange agreements associated with the Series 2008A&B Bonds were terminated at the City's option. The City paid a total of $9,960,000 to Morgan Stanley Capital Services, Inc., Goldman Sachs Capital Markets, LP., and RFPC Capital Services, LLC, (the swap counterparties) upon the early termination of the hedge agreements.

NOTE B – LONG-TERM OBLIGATIONS (Continued)

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 Airport System Revenue Bonds, Series 2007A 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. (Morgan Stanley), Goldman Sachs Capital Markets, LP (Goldman Sachs) and RFPC Capital Services, LLC (RFPC) served as the counterparties on the transaction. Under the swap agreements associated with the Series 2008A&B Bonds, the City was the fixed rate payor, paying a fixed rate of 4.037%. Each counterparty was a floating rate payor, paying the City a floating rate equal to the Securities Industry and Financial Markets Association (SIFMA) index plus 5 basis points. Net payments were exchanged on the first of each month.

The obligation of the City to make periodic payments (but not any termination payment) was 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 realized by the City depended 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 were 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 was greatly reduced. The amount received on the Series 2008A and 2008B Bonds incorporated 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 were less than the amount paid to the counterparty, the City was required to 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 was possible that the credit strength of Morgan Stanley, Goldman Sachs or RFPC Capital Services 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 have been 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 swaps were terminated effective August 27, 2009 at a value of $9,960,000 which was payable to the counterparties.

NOTE B – LONG-TERM OBLIGATIONS (Continued)

Series 2008D and Series 2009D Bonds (Previously Series 2003A and Series 2008E Bonds):
In conjunction with the refunding of the Series 2003A, Series 2003B and the Series 2003C bonds, the interest rate exchange agreements associated with the Series 2003A and Series 2003B bonds are now identified by the City to relate to the Series 2008D and the Series 2009D bonds.

Terms: Simultaneously with the issuance of the City's $140,600,000 Airport System Revenue Bonds, Series 2003A-C 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. (Bear Stearns) was the counterparty on a five-eighths pro rata share of the notional amount of each Series 2003 A&B Bonds while JPMorgan Chase Bank, N.A. (JPM) was the counterparty on the remaining three-eighths of the notional amount.

In 2008, Bear Stearns was acquired by JPM and the Bear Stearns swaps have been assumed by JPM. In conjunction with the refunding of the Series 2003A&B Bonds, the interest rate exchange agreements associated with the 2003A&B Bonds are now identified by the City to relate to the Series 2008D and Series 2009D Bonds. Under the swap agreement now identified with the Series 2008D Bonds, the Airport System is the fixed rate payor, paying a fixed rate of 4.17% semiannually, while the counterparty pays the Airport System at the SIFMA index every 35 days. The swap agreement now identified with the Series 2009D Bonds requires the Airport System to pay a fixed rate of 4.27% semiannually and the counterparty pays 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. 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 reduced. The amount received on the Series 2009D Bonds incorporates an additional 10 basis points to take into account the fact that the originally issued underlying bonds had been subject to the "Alternative Minimum Tax". The Series 2009D Bonds were issued as Non-AMT bonds pursuant to the American Recovery and Reinvestment Act of 2009.

Counterparty Risk: The City selected highly rated counterparties in order to minimize this risk. However, in the wake of the sub-prime mortgage crisis, Bear Stearns was acquired by JPM. The City's swap has now been assumed by JPM. 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.

NOTE B – LONG-TERM OBLIGATIONS (Continued)

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. 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, including accrued amounts, at December 31, 2010 and December 31, 2009, as reported by JPM was $2,054,000 and $1,895,000, respectively, relating to the Series 2008D Bonds and $5,661,000 and $5,097,000, respectively, relating to the Series 2009D Bonds which would both be payable by the City.

Derivative Instruments:

Derivative instruments are contracts, the value of which depends on, or derives from, the value of an underlying asset, index or rate. The most common types of derivatives used by governments are interest rate swaps and interest rate locks. The Divisions have entered into derivative or hedging agreements in 2003. A detailed description of each outstanding derivative, including its terms, objectives, risks and fair value, can be found in the preceding section.

The Divisions have reported a deferred outflow and a liability in the amount of the fair value of the interest rate swaps, which reflect the prevailing interest rate environment at December 31, 2010 and December 31, 2009. The specific terms and conditions of each swap have been provided by the counterparty and confirmed by the City's financial advisor.

The following tables present the fair value balances and notional amounts of the Divisions' derivative instruments outstanding at December 31, 2010 and December 31, 2009, classified by type and the changes in fair value of these derivatives during FYs 2010 and 2009 as reported in the respective financial statements. The fair values of the interest rate swaps, which reflect the prevailing interest rate environment at December 31, 2010 and December 31, 2009 and the specific terms and conditions of the swaps, have been provided by the counterparty and confirmed by the City's financial advisor.

	Changes in Fair Value		Fair Value at December 31, 2010		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
			(Amounts in 000's)		
Cash Flow Hedges					
Floating to fixed interest rate swaps					
2008D Airport Swap	Deferred Outflow	($159)	Debt	($2,054)	$17,025
2009D Airport Swap	Deferred Outflow	(564)	Debt	(5,661)	46,600

NOTE B – LONG-TERM OBLIGATIONS (Continued)

	Changes in Fair Value		Fair Value at December 31, 2009		
	Classification	Amount	Classification	Amount	Notional
			(Amounts in 000's)		
Cash Flow Hedges					
Floating to fixed interest rate swaps					
2008D Airport Swap	Deferred Inflow	$715	Debt	($1,895)	$17,875
2009D Airport Swap	Deferred Inflow	2,093	Debt	(5,097)	49,025

The table below presents the objective and significant terms of the Division's derivative instruments at December 31, 2010, along with the credit rating of each swap counterparty.

Bonds	Type	Objective	Amount	Date	Date	Terms	Credit Rating
			(Amounts in 000's)				
Airport 2008D	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series 2008D Airport System Bonds	$ 17,025	10/23/2003	1/01/2024	Pay 4.169%, receive SIFMA	Aa1/AA-/AA-
Airport 2009D	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series 2009D Airport System Bonds	$ 46,600	10/23/2003	1/01/2024	Pay 4.273%, receive SIFMA + 10 BPS	Aa1/AA-/AA-

The following table presents the aggregate debt service requirements on the City's hedged debt and net receipts/payments on the associated hedging derivative instruments as of December 31, 2010. These amounts assume that the interest rates on variable rate bonds and the reference rates in existence as of December 31, 2010 remain the same for the life of the hedging agreement. However, these rates will vary over time and the actual interest payments on the variable rate bonds and the net receipts/payments on the hedging derivative instruments will deviate from the numbers presented below.

NOTE B – LONG-TERM OBLIGATIONS (Continued)

Aggregate Cash Flows on Airport Hedging Derivative Instruments
(Amounts in 000's)

Fiscal Year Ending December 31	Principal	Interest	Hedging Derivatives, Net	Total
2011	$3,425	$206	$2,365	$5,996
2012	3,400	194	2,259	5,853
2013	3,725	181	2,121	6,027
2014	3,725	169	1,957	5,851
2015	4,075	155	1,828	6,058
2016-2020	22,900	550	6,596	30,046
2021-2025	22,375	125	1,811	24,311
Total	$63,625	$1,580	$18,937	$84,142

NOTE C – SPECIAL FACILITY 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 of 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. 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 all principal and interest on these bonds is unconditionally guaranteed by Continental Airlines and paid directly by Continental Airlines, these bonds do not constitute a debt, liability or general obligation of the City or a pledge of the City's revenues. As such, no liabilities relating to these bonds are included in the accompanying financial statements.

NOTE D – 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 demolish the building to make way for airport development. Of the $66.5 million purchase price, $36.5 million was paid in cash in 1999. The remaining $30.0 million, including interest at 7.75%, is being deferred by the seller and will be offset by future lease payments owed to the City over the 15 year lease period. The future lease payments are equal to the remaining purchase price plus interest at 7.75%, and as such, no cash will be exchanged between the City and the lessee over the term of the lease. The deferred payment is reported as "Deferred Payment Obligation" in the accompanying balance sheet.

NOTE D – DEFERRED PAYMENT OBLIGATION / I-X CENTER (Continued)

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 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.

Minimum principal and interest payments due by the City on the deferred payment obligation and future minimum lease rentals due to the City under this lease for the next four years are as follows:

	Deferred Payment Obligation			
	Principal	**Interest**	**Total**	**Future Minimum Rentals**
		(Amounts in 000's)		
2011	2,767	622	3,389	3,389
2012	2,990	399	3,389	3,389
2013	3,230	159	3,389	3,389
2014	280	2	282	282
	$ 9,267	$ 1,182	$ 10,449	$ 10,449

Rental income recognized by the Divisions under this agreement totaled $3,389,000 in 2010 and 2009. Of these amounts in 2010, $827,000 was offset against interest expense and $2,562,000 was offset against the principal balance of the deferred obligation. Of these amounts in 2009, $1,018,000 was offset against interest expense and $2,371,000 was offset against the principal balance of the deferred obligation.

NOTE E – DEPOSITS AND INVESTMENTS

Deposits: The Divisions' carrying amount of deposits at December 31, 2010 and 2009 totaled approximately ($20,443,000) and ($14,875,000), respectively, and the Divisions' bank balance was approximately $20,572,000 and $298,000, respectively. The differences represent normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, $20,572,000 and $298,000 of the bank balances were insured or collateralized with securities held by the City or by its agent in the City's name.

NOTE E – DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk for deposits is the risk that in the event of bank failure, the Divisions will not be able to recover deposits or collateral for securities that are in possession of an outside party. At year end, the Divisions' 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 the 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; STAROhio; guaranteed investment contracts and repurchase transactions. Such repurchase transactions must be purchased from financial institutions 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, STAROhio and guaranteed investment contracts. Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio statutes prohibit the use of reverse repurchase agreements.

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

Interest rate risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the Divisions invest 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 disclosed in the table on the following page.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Divisions 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 Divisions' investments as of December 31, 2010 and 2009 include U.S. Agencies, STAROhio, guaranteed investment contracts and mutual funds. The Divisions maintain the highest ratings for their investments. Investments in FHLMC, FNMA, FFCB and FHLB agency securities are rated AAA by Standard & Poor's. Investments in 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 Divisions have no investment policy that would further limit its investment choices.

NOTE E – DEPOSITS AND INVESTMENTS (Continued)

The Divisions have the following investments at December 31, 2010 and 2009, which include those classified as cash and cash equivalents in the balance sheet in accordance with the provisions of GASB Statement No. 9 since they have a maturity of three months or less:

Type of Investment	2010 Fair Value	2010 Cost	2009 Fair Value	2009 Cost	Investment Maturities for 2010 Less than One Year
	(Amounts in 000's)				
U.S. Agency Obligations	$ 2,029	$ 2,000	$ 12,421	$ 11,999	$ 2,029
Repurchase Agreements			14,010	14,010	
STAROhio	168,406	168,406	126,828	126,828	168,406
Investment in Mutual Funds	181,798	181,798	224,786	224,786	181,798
Guaranteed Investment Contracts	15,000	15,000	15,000	15,000	15,000
Other			3	3	
Total Investments	367,233	367,204	393,048	392,626	367,233
Total Deposits	(20,443)	(20,443)	(14,875)	(14,875)	(20,443)
Total Deposits and Investments	$ 346,790	$ 346,761	$ 378,173	$ 377,751	$ 346,790

These amounts are monies invested by the City Treasurer on behalf of the Divisions and are used in daily operations with excess monies invested daily in STAROhio, guaranteed investment contracts, mutual funds and other investments.

Concentration of Credit Risk: The Divisions place a limitation on the amount that may be invested in any one issuer to help minimize the concentration of credit risk. As of December 31, 2010, the investments in U.S. Agency Obligations, STAROhio, mutual funds and guaranteed investment contracts are approximately .5%, 45.9%, 49.5% and 4.1%, respectively, of the Divisions' total investments. As of December 31, 2009, the investments in U.S. Agency Obligations, repurchase agreements, STAROhio, mutual funds and guaranteed investment contracts are approximately 3.1%, 3.6%, 32.3%, 57.2% and 3.8%, respectively, of the Divisions' total investments.

NOTE F – CAPITAL ASSETS

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2010 was as follows:

	January 1, 2010	Additions	Reductions	December 31, 2010
	(Amounts in 000's)			
Capital Assets, not being depreciated:				
Land	$ 167,457		$	$ 167,457
Construction in progress	9,519	25,497	(18,201)	16,815
Total capital assets, not being depreciated	176,976	25,497	(18,201)	184,272
Capital assets, being depreciated:				
Land improvements	72,568			72,568
Buildings, structures and improvements	328,738			328,738
Furniture, fixtures and equipment	22,801	14		22,815
Infrastructure	885,928	24,979		910,907
Vehicles	13,534	296		13,830
Total capital assets, being depreciated	1,323,569	25,289		1,348,858
Less: Total accumulated depreciation	(582,623)	(49,999)		(632,622)
Total capital assets being depreciated, net	740,946	(24,710)	-	716,236
Capital assets, net	$ 917,922	$ 787	$ (18,201)	$ 900,508

NOTE F – CAPITAL ASSETS (Continued)

Capital Asset Activity: Capital Asset Activity for the year ended December 31, 2009 was as follows:

	January 1, 2009	Additions	Reductions	December 31, 2009
	(Amounts in 000's)			
Capital Assets, not being depreciated:				
Land	$ 167,123	$ 334	$	$ 167,457
Construction in progress	3,977	41,086	(35,544)	9,519
Total capital assets, not being depreciated	171,100	41,420	(35,544)	176,976
Capital assets, being depreciated:				
Land improvements	72,568			72,568
Buildings, structures and improvements	318,288	10,450		328,738
Furniture, fixtures and equipment	19,687	3,114		22,801
Infrastructure	870,685	15,243		885,928
Vehicles	13,535		(1)	13,534
Total capital assets, being depreciated	1,294,763	28,807	(1)	1,323,569
Less: Total accumulated depreciation	(530,418)	(52,205)		(582,623)
Total capital assets being depreciated, net	764,345	(23,398)	(1)	740,946
Capital assets, net	$ 935,445	$ 18,022	$ (35,545)	$ 917,922

Commitments: As of December 31, 2010 and 2009, the Divisions had capital expenditure purchase commitments outstanding of approximately $46,344,000 and $50,469,000, respectively.

NOTE G – LEASES AND CONCESSIONS

The Divisions lease specific terminal and concourse areas to the various airlines under terms and conditions of the airline use agreements. These agreements remain in effect until December 31, 2015 and, under the terms of the agreements, rental payments and landing fees paid by the airlines are adjusted annually to provide airport revenues sufficient to meet the financial requirements of the airport system. Other areas are leased to various occupants under separate agreements.

NOTE G – LEASES AND CONCESSIONS (Continued)

The Divisions have various concession agreements that permit the concessionaires and certain others to operate on airport property. These agreements usually provide for payments based on a percentage of the revenues, with an annual minimum payment guarantee and in certain circumstances for the offset of percentage rents to the extent of certain improvements made to the leased property. Portions of the building costs in the balance sheet are held by the Divisions for the purpose of rental use. The net book value of property held for operating leases as of December 31, 2010 and 2009 is approximately $194,872,000 and $214,140,000, respectively.

Minimum future rental on non-cancelable operating leases to be received is as follows:

(Amounts in 000's)	
2011	$ 14,396
2012	13,366
2013	11,495
2014	10,862
2015	5,341
Thereafter	10,974
	$ 66,434

Under the Master Lease and Use Agreement, which leases space in the terminal building and other areas, the Divisions are subject to fluctuating rates.

Contingent operating revenues aggregated approximately $13,040,000 and $11,365,000, respectively, in 2010 and 2009.

NOTE H – CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Divisions for personal injuries, property damage and other matters. The City is responsible for the suits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Divisions' financial position, results of operations or cash flows.

Risk Management: The Divisions are 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 Divisions carry insurance to cover particular liabilities and property protection. Otherwise, the Divisions are generally self-insured. No material losses, including incurred but not reported losses, occurred in 2010 or 2009. There was no significant decrease in any insurance coverage in 2010 or 2009. In addition, there were no material insurance settlements in excess of insurance coverage during the past three years.

NOTE H – CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

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. The City participates in the State of Ohio workers' compensation retrospective rating program.

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. 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. Claims payable has been included with accounts payable and is considered to be immaterial for the Divisions.

NOTE I – DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System: All full-time employees 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.

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2010, 2009 and 2008. The employer contribution rates were 14.00% of covered payroll in 2010, 2009 and 2008.

The Divisions' required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2010, 2009 and 2008 were approximately $1,918,000 $1,676,000 and $1,290,000, respectively. The required payments due in 2010, 2009 and 2008 have been made.

NOTE J – 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 postemployment 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 postemployment health care coverage. In order to qualify for postemployment 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 Postemployment 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, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides the 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 funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2010, 2009 and 2008. 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 Postemployment 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 postemployment health care benefits.

NOTE J – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employer contribution rates used to fund postemployment benefits were 5.50% from January 1, 2010 through February 28, 2010 and 5.00% from March 1, 2010 through December 31, 2010 and 7.00% from January 1, 2009 through March 31, 2009 and 5.50% from April 1, 2009 through December 31, 2009, and 7.00% in 2008. 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 their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Divisions' actual contributions to OPERS to fund postemployment benefits were approximately $1,093,000, $1,212,000 and $1,290,000 in 2010, 2009 and 2008, respectively.

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.

NOTE K – RELATED PARTY TRANSACTIONS

The Divisions are provided various intra-city services. Charges are based on actual use or on a reasonable pro-rata basis. The more significant costs for the years ended December 31, 2010 and 2009, were as follows:

	2010	2009
	(Amounts in 000's)	
City Central Services, including police	$ 8,263	$ 8,244
Electricity purchased	245	247
Motor vehicle maintenance	518	450

NOTE L – LANDING FEE ADJUSTMENT AND INCENTIVE COMPENSATION

Under the terms of the airline use agreements, if the annual statement for the preceding term demonstrates that airport revenues over expenses (both as defined) is greater or less than that used in calculating the landing fee for the then current term, such difference shall be charged or credited to the airlines over the remaining billing periods in the current term. The landing fee adjustment for 2010 was payable to the City from the Airlines in the amount of $4,112,000. The landing fee adjustment for 2009 was payable to the City from the Airlines in the amount of $4,136,000.

The airline use agreements also provide an incentive for the City to provide the highest quality management for the airport system. There was no incentive compensation expense in 2010 and 2009.

NOTE M – PASSENGER FACILITY CHARGES

On November 1, 1992, Cleveland Hopkins International Airport began collecting passenger facility charges (PFC's) subject to title 14, Code of Federal Regulations, Part 158. PFC's are fees imposed on passengers enplaned by public agencies controlling commercial service airports for the strict purpose of supporting airport planning and development projects. The charge is collected by the airlines and remitted to the airport operator net of an administrative fee to be retained by the airline and refunds to passengers.

Under its federally approved program from inception in 1992 to 2010, the airport expects to collect approximately $525 million, of which an estimated 17.3% will be spent on noise abatement for the residents of communities surrounding the airport, 57.2% on runway expansion, and 25.5% on airport development. PFC revenues and related interest earnings are recorded as non-operating revenues, and non-capitalized expenses funded by PFC revenues are recorded as non-operating expenses.

NOTE N – MAJOR CUSTOMER

In 2010 and 2009, operating revenues from one airline group for landing fees, rental and other charges amounted to approximately 35% and 36% respectively, of total operating revenue.

NOTE O – SUBSEQUENT EVENTS

Continental Airlines and United Airlines (collectively "Continental") entered into a Settlement Agreement ("Agreement") with the Office of the Attorney General of the State of Ohio ("AG") effective October 31, 2010 ("Merger Closing Date") to resolve the AG's investigation of the antitrust implications of their proposed merger. Pursuant to the terms of the Agreement Continental agreed to maintain, for a period of 24-months from the Merger Closing Date, average daily departures from the Airport at no less then ninety (90%) percent of average daily departures in the year prior to the Merger Closing Date ("Base Departure Commitment"). In addition the Agreement contains an additional three year commitment for average daily departures at the Base Departure Commitment level subject to certain metrics based on Airport segment profitability as more fully outlined in the Agreement. The Agreement gives the AG's office the right to audit Airport segment profitability at Continental's expense up to $80,000 per annum. Continental also agreed to maintain its current Airport aircraft maintenance facility at a level of operations commensurate with the 12-month period immediately preceding the merger. Any reduction in the Base Departure Commitment may result in a reduction in aircraft maintenance facility operations. Other commitments include continuation of the Cleveland Air Service Working Group during the effective period of the Agreement and a penalty based on an amount equal to the percentage by which Continental is found to have breached its minimum departure commitments of $20 million. Pursuant to the terms of a separate Memorandum of Understanding between the City and the AG's office any monies collected from Continental pursuant to this penalty will be forwarded to the City. The AG's office has also agreed to inform the City whether, as a result of its audits any of the metrics outlined in the Agreement have been triggered or are likely to be triggered.

NOTE O – SUBSEQUENT EVENTS (Continued)

On April 25, 2011, Fitch Ratings downgraded its rating on the City's outstanding airport system revenue bonds from A (negative outlook) to A- with a stable outlook. This rating covers various series of revenue bonds issued to make improvements to Cleveland Hopkins and Burke Lakefront Airports.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

SCHEDULE OF AIRPORT REVENUES AND OPERATING EXPENSES
AS DEFINED IN THE AIRLINE USE AGREEMENTS
For the Year Ended December 31, 2010

	Cleveland Hopkins International	Burke Lakefront	Total
	(Amounts in 000's)		
REVENUE			
Airline revenue:			
Landing fees	$ 25,037	$	$ 25,037
Terminal rental	36,387		36,387
Other	3,529		3,529
	64,953		64,953
Operating revenues from other sources:			
Concessions	$ 21,224	$ 272	$ 21,496
Rentals	11,009	362	11,371
Landing fees	1,201	118	1,319
Other	4,066	102	4,168
	37,500	854	38,354
Non-operating revenue:			
Interest income	92		92
TOTAL REVENUE	$ 102,545	$ 854	$ 103,399
OPERATING EXPENSES			
Salaries and wages	$ 18,719	$ 1,134	$ 19,853
Employee benefits	7,097	432	7,529
City Central Services, including police	8,529	249	8,778
Materials and supplies	7,157	376	7,533
Contractual services	26,449	10	26,459
TOTAL OPERATING EXPENSES	$ 67,951	$ 2,201	$ 70,152

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 14 CFR PART 158

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Divisions of Cleveland Hopkins International and Burke Lakefront Airports
Department of Port Control
City of Cleveland, Ohio:

Compliance

We have audited the compliance of the Divisions of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio (the Divisions) with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide), for its passenger facility charge program for the year ended December 31, 2010. Compliance with requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Divisions' management. Our responsibility is to express an opinion on the Divisions' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Divisions' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Divisions' compliance with those requirements.

In our opinion, the Divisions of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended December 31, 2010.

Internal Control Over Compliance

Management of the Divisions' is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the Divisions' internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Divisions' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Passenger Facility Charges

We have audited the financial statements of the Divisions as of and for the year ended December 31, 2010, and have issued our report thereon dated June 24, 2011. Our audit was performed for the purpose of forming our opinion on the basic financial statements. The accompanying schedule of expenditures of passenger facility charges is presented for additional analysis as required by the Guide and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Honorable Mayor, Members of Council, the Audit Committee, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2011

City of Cleveland - Department of Port Control
Cleveland Hopkins International Airport
PFC Quarterly Status Report-Project Activity
For the Period Ending December 31, 2010

Projects	Approved Project Budget	Cumulative Expenditures 2009	2010 1st Quarter Expenditures	2010 2nd Quarter Expenditures	2010 3rd Quarter Expenditures	2010 4th Quarter Expenditures	2010 YTD Expenditures	Cumulative Expenditures 2010
Insulate Residences - Full Program Phase I	16,960,400	16,960,400						16,960,400
Extension of Taxiway "Q"	2,155,743	2,155,743						2,155,743
Land Acquisition-Resident Relocation	14,689,459	14,689,459						14,689,459
Asbestos Removal in Terminal CHIA	729,842	729,842						729,842
Acquisition of Analex Office Bldg & Vacant Land	13,025,000	13,025,000						13,025,000
Passenger Jetways (BKL)								
Baggage Claim/Security Improvements (BKL)								
Waste Water - Glycol Collection System Construction	5,835,921	5,835,921						5,835,921
NASA Feasibility & Pre-Engineering Study	355,000	355,000						355,000
Sewer Construction	5,500,000	5,500,000						5,500,000
Sound Insulation	8,675,000	8,595,641						8,595,641
Land Acquisition - Midvale, Brysdale, Forestwood, Rocky River	30,360,000	25,282,298						25,282,298
Environmental Assessment / Impact Studies	1,725,000	1,725,000						1,725,000
Part 150 Noise Compatibility Program Update	584,570	584,570						584,570
Terminal Passenger Flow & Security Study	300,000							
Roadway System / Vehicular Ingress-Egress Study	200,000							
Runway 5R Extension Preliminary								
Runway 5R Extension Design								
Runway 5R Extension Construction								
FIS Facility Construction								
FIS Facility Design								
Brook Park Land Transfer	8,750,000	8,750,000						8,750,000
Analex Demolition	1,229,000	820,911				31,528	31,528	852,439
Sound Insulation	20,000,000	20,000,000						20,000,000
Baggage Claim/Expansion	9,526,087	9,526,087						9,526,087
Tug Road Replacement	1,019,000	668,553						668,553
Interim Commuter Ramp	5,560,338	4,911,159				50,154	50,154	4,961,313
Concourse D Ramp/Site Utilities	51,305,804	45,319,540				462,488	462,488	45,782,028
Burke Runway Overlay 6L/24R	530,286	530,286						530,286
Burke ILS	2,181,400	1,630,815				42,538	42,538	1,673,353
Runway 6L/23R	270,550,360	83,967,465				14,415,069	14,415,069	98,382,534
Runway 6R/24L Uncoupling	2,148,000	2,148,000						2,148,000
Runway 28 Safety Improvements	2,200,000	1,249,473				749,983	749,983	1,999,456
Midfield Deicing Pad	39,100,000	39,100,000						39,100,000
Taxiway M Improvements	10,000,000	9,579,060						9,579,060
Total	525,196,210	323,640,223				15,751,760	15,751,760	339,391,983

Divisions of Cleveland Hopkins Airport and Burke Lakefront Airport
Department of Port Control
City of Cleveland

Notes to Schedule of Expenditures of Passenger Facility Charges
For the Year Ended December 31, 2010

General

The accompanying schedule presents all activity of the Airport's Passenger Facility Charge (PFC) program. The Airport's reporting entity is defined in Note A – Summary of Significant Accounting Policies to the Airports' financial statement.

Basis of Presentation

The accompanying schedule is presented on the cash basis of accounting.

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2010 and 2009

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

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INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Division of Cleveland Public Power
Department of Public Utilities
City of Cleveland, Ohio:

We have audited the accompanying basic financial statements of the Division of Cleveland Public Power, Department of Public Utilities, City of Cleveland, Ohio (the Division) as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit. The basic financial statements of the Division as of December 31, 2009 were audited by other auditors whose report dated June 28, 2010, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the financial statements present only the financial position and the changes in financial position and cash flows of the Division and do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2010 and 2009, and the respective changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United State of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Division of Cleveland Public Power, Department of Public Utilities, City of Cleveland, Ohio as of December 31, 2010, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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The management's discussion and analysis on pages 3-14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2011

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Utilities, Division of Cleveland Public Power (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the years ended December 31, 2010 and 2009. Please read this information in conjunction with the Division's financial statements and footnotes that begin on page 16.

The Division was created in 1906 and charged with the responsibility of the distribution of electricity and related electric service to customers within its service areas. The Division operates a municipal electric system that is the largest in the State of Ohio and the thirty-seventh largest in the United States. The Division serves an area that is bound by the City limits and presently serves approximately 76,000 customers.

The Division is one of the very few municipal electric companies in the United States that competes with an investor-owned utility, in this case First Energy Corporation's Cleveland Electric Illuminating Company (CEI).

According to the 2010 census reports, the City's population is 397,000 people. There are approximately 208,000 residential dwelling units and 11,000 commercial units. The Division has distribution facilities in about 60% of the geographical area of the City, primarily on the east side.

The Division obtains substantially all of its power and energy requirements through agreements with various regional utilities and other power suppliers for power delivered through CEI interconnections. The balance of the Division's power and energy requirements are satisfied with production from the Division's three combustion turbine generating units and various arrangements for the exchange of short-term power and energy. To reduce its reliance on the wholesale market, the Division has entered into contracts with American Municipal Power (AMP), a non-profit corporation comprised of municipal utilities, to participate in five AMP hydroelectric projects on the Ohio River. These plants, if constructed, are expected to be completed and operational by 2014.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEARS' DATA

FINANCIAL HIGHLIGHTS

- The assets of the Division exceeded its liabilities (net assets) by $206,758,000, $203,679,000 and $205,779,000 at December 31, 2010, 2009 and 2008, respectively. Of these amounts, $58,291,000, $59,902,000 and $72,450,000 are unrestricted net assets at December 31, 2010, 2009 and 2008, respectively, that may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's total net assets increased by $3,079,000 during 2010, decreased by $2,100,000 in 2009 and increased by $8,601,000 during 2008. Operating revenue increased by $10,800,000 or 6.9%. Purchased power increased by $4,069,000 or 4.5% and total operating expenses increased by $8,000,000 or 5.5% for 2010. In addition, investment income decreased by $73,000, or 43.2%, interest expense decreased by $613,000, or 5.3%, and amortization of bond issuance costs and discounts decreased by $208,000, or 22.0%.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

- During 2010, the Division had an increase in capital assets, net of accumulated depreciation of $8,270,000 or 2.5%. The principal capital expenditures in 2010 were for Lake Road project, engineering and overhead related to system expansion, new service connections, duct line underground project, pole replacements, replacing and upgrading distribution feeders.

- The Division's total long-term bonded debt decreased by $10,555,000 and $8,530,000 for the years ended December 31, 2010 and 2009, respectively. The decrease in 2010 is attributed to scheduled debt service payments made to bondholders and the refunding of the Series 1998 Bonds.

- In 2005, the Division was impacted by the introduction of Seams Elimination Cost Adjustment (SECA), which was mandated by the Federal Energy Regulatory Commission (FERC). For additional information see Note L. The Division paid SECA charges totaling $10,800,000 to Midwest Independent System Operator from December 2004 to March 2006 and has been refunded $5,655,000 as of December 31, 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Division's basic financial statements. The accompanying financial statements present financial information for the City's Division of Cleveland Public Power Fund, in which the City accounts for the operations of the Department of Public Utilities, Division of Cleveland Public Power. 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.

The Division of Cleveland Public Power Fund is considered an enterprise fund because the operations of the Division are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and accrual basis of accounting are used. This is similar to businesses in the private sector.

The basic financial statements of the Division can be found on pages 16 – 21 of this report. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 22 - 39 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION

Provided below is condensed balance sheet information for the Division as of December 31, 2010, 2009 and 2008.

	2010	2009	2008
		(In thousands)	
Assets:			
Capital assets, net of accumulated depreciation	$ 334,495	$ 326,225	$ 319,393
Restricted assets	63,448	72,717	74,620
Unamortized bond issuance costs	3,293	3,485	3,947
Current assets	83,389	81,065	88,952
Total assets	484,625	483,492	486,912
Net Assets and Liabilities:			
Net Assets:			
Invested in capital assets, net of related debt	144,257	139,260	126,891
Restricted for debt service	4,210	4,517	6,438
Unrestricted	58,291	59,902	72,450
Total net assets	206,758	203,679	205,779
Liabilities:			
Long-term obligations	240,565	247,572	253,481
Current liabilities	37,302	32,241	27,652
Total liabilities	277,867	279,813	281,133
Total net assets and liabilities	$ 484,625	$ 483,492	$ 486,912

Restricted assets*:* The Division's restricted assets decreased by $9,269,000 and $1,903,000 in 2010 and 2009 respectively. The decreases for both years are primarily related to reductions in revenue bond funds for capital project expenditures.

Current assets: The Division's current assets increased by $2,324,000 in 2010 and decreased by $7,887,000 in 2009. The increase in 2010 is mainly due to the following:

- An increase in cash and cash equivalents of $973,000 and an increase of restricted cash and cash equivalents of $740,000.
- The increase in unbilled receivable of $195,000.
- Materials and supplies also increased by $471,000 due to the necessity to keep supplies readily available for use.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION (Continued)

Capital assets: The Division's investment in capital assets as of December 31, 2010 amounted to $334,495,000 (net of accumulated depreciation). The total increase in the Division's net capital assets for the current year was $8,270,000. A summary of the activity in the Division's capital assets during the year ended December 31, 2010 is as follows:

	Balance January 1, 2010	Recatego-rization	Additions	Reductions	Balance December 31, 2010
			(In thousands)		
Land	$ 4,875	$ (12)	$		$ 4,863
Land improvements	2,759	(2,454)			305
Utility plant	466,242	(129)	6,065		472,178
Buildings, structures and improvements	43,335	(24,636)			18,699
Furniture, fixtures, equipment and vehicles	46,781	27,231	4,512	(22)	78,502
Construction in progress	28,759	-	24,226	(10,343)	42,642
Total	592,751	-	34,803	(10,365)	617,189
Less: Accumulated depreciation	(266,526)	-	(16,191)	23	(282,694)
Capital assets, net	$ 326,225	$ -	$ 18,612	$ (10,342)	$ 334,495

* Some Capital Assets were moved to more exact categories when assets were entered into the City's new Advantage Accounting System as of January 1, 2010.

A summary of the activity in the Division's capital assets during the year ended December 31, 2009 is as follows:

	Balance January 1, 2009	Additions	Reductions	Balance December 31, 2009
		(In thousands)		
Land	$ 4,875	$	$	$ 4,875
Land improvements	2,759			2,759
Utility plant	458,236	8,006		466,242
Buildings, structures and improvements	43,335			43,335
Furniture, fixtures, equipment and vehicles	45,826	2,242	(1,287)	46,781
Construction in progress	13,124	24,254	(8,619)	28,759
Total	568,155	34,502	(9,906)	592,751
Less: Accumulated depreciation	(248,762)	(17,785)	21	(266,526)
Capital assets, net	$ 319,393	$ 16,717	$ (9,885)	$ 326,225

CONDENSED BALANCE SHEET INFORMATION (Continued)

The principal capital expenditures during 2010 included the following:

- Lake Road - $11,039,000
- Related engineering and overhead expense - $5,407,000
- Distribution Engineering - $1,732,000
- Pole replacements - $1,426,000
- Duct Line Underground Project - $1,265,000
- Southern Service Center - $764,000
- Holton Substation - $553,000
- Duct Line Underground - $469,000
- Municipal Solid Waste to Energy (MSWE) - $302,000
- Flats East Bank - $296,000

Additional information on the Division's capital assets, including commitments made for future capital expenditures, can be found in Notes B and D to the basic financial statements.

Current liabilities: The increase in current liabilities of $5,061,000 in 2010 is mainly due to the increase of $1,770,000 and $1,599,000 in current portion of long-term debt due in one year and accrued interest payable, respectively, resulting from the sale of new bonds in 2008 and the refinancing of the 1998 Bonds.

Long-term obligations: The long-term obligation decrease of $7,007,000 in 2010 is attributed to scheduled debt service payments.

At December 31, 2010, the Division had total debt outstanding of $266,313,000. All bonds are backed by the revenues generated by the Division.

The Division issued revenue bonds in the public capital markets in the late 1980's and early 1990's to finance a substantial expansion to its service territory. The Division also issued bonds in April 2008 for system expansion and in 2006 and 2010 to refinance a portion of its long-term debt. This outstanding debt is being retired in accordance with repayment schedules through 2038.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION (Continued)

The activity in the Division's debt obligations outstanding during the year ended December 31, 2010 is summarized in the following table (excluding unamortized discounts, premiums and losses on debt refundings):

	Balance January 1, 2010	Debt Issued	Debt Refunded	Debt Retired	Balance December 31, 2010
			(In thousands)		
Revenue Bonds:					
Mortgage Revenue Bonds 1994 A	$ 25,095	$	$	$ (3,910)	$ 21,185
Mortgage Revenue Bonds 1996	2,045			(995)	1,050
Revenue Bonds 1998	26,425		(26,425)		
Revenue Bonds 2001	22,030			(3,140)	18,890
Revenue Bonds 2006 A-1	95,265				95,265
Revenue Bonds 2006 A-2	12,295				12,295
Revenue Bonds 2008 A	21,105				21,105
Revenue Bonds 2008 B-1	44,705				44,705
Revenue Bonds 2008 B-2	27,903				27,903
Revenue Bonds 2010		23,915			23,915
Total	$ 276,868	$ 23,915	$ (26,425)	$ (8,045)	$ 266,313

The activity in the Division's debt obligations outstanding during the year ended December 31, 2009 is summarized below (excluding unamortized discounts, premiums and losses on debt refundings):

	Balance January 1, 2009	Debt Issued	Debt Refunded	Debt Retired	Balance December 31, 2009
			(In thousands)		
Revenue Bonds:					
Mortgage Revenue Bonds 1994 A	$ 29,005	$	$	$ (3,910)	$ 25,095
Mortgage Revenue Bonds 1996	2,985			(940)	2,045
Revenue Bonds 1998	27,085			(660)	26,425
Revenue Bonds 2001	25,050			(3,020)	22,030
Revenue Bonds 2006 A-1	95,265				95,265
Revenue Bonds 2006 A-2	12,295				12,295
Revenue Bonds 2008 A	21,105				21,105
Revenue Bonds 2008 B-1	44,705				44,705
Revenue Bonds 2008 B-2	27,903				27,903
Total	$ 285,398	$	$	$ (8,530)	$ 276,868

CONDENSED BALANCE SHEET INFORMATION (Continued)

The bond ratings for the Division's outstanding revenue bonds are as follows:

Moody's Investors Service	Standard & Poor's
A2	A-

The ratio of net revenue available for debt service to debt service requirements (revenue bond coverage) is a useful indicator of the Division's debt position to management, customers and creditors. The Division's revenue bond coverage for 2010, 2009 and 2008 was 160%, 157%, and 207%, respectively. Additional information on the Division's long-term debt can be found in Note B to the basic financial statements on pages 25 - 30.

Net Assets: Net assets serve as a useful indicator of a government's financial position. In the case of the Division, assets exceeded liabilities by $206,758,000, $203,679,000 and $205,779,000 at December 31, 2010, 2009 and 2008, respectively.

Of the Division's net assets at December 31, 2010, $144,257,000 reflects the Division's investment in capital assets (e.g., land, buildings, utility plant, furniture, fixtures, vehicles and equipment), net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. In addition, $4,210,000 represents resources subject to external restrictions. The remaining $58,291,000 reflects unrestricted funds available to meet the Division's ongoing obligations to customers and creditors.

Of the Division's net assets at December 31, 2009, $139,260,000 reflects the Division's investment in capital assets (e.g., land, buildings, utility plant, furniture, fixtures, vehicles and equipment), net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. In addition, $4,517,000 represents resources subject to external restrictions. The remaining $59,902,000 reflects unrestricted funds available to meet the Division's ongoing obligations to customers and creditors.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION

The Division's operations during 2010 increased its net assets by $3,079,000 as compared to a decrease in net assets of $2,100,000 in 2009. Provided below are key elements of the Division's results of operations as of and for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
		(In thousands)	
Operating revenues	$ 166,665	$ 155,865	$ 158,106
Operating expenses	154,221	146,221	141,843
Operating income	12,444	9,644	16,263
Non-Operating Revenue (Expense):			
Investment income	96	169	2,118
Interest expense	(10,966)	(11,579)	(12,563)
Amortization of bond issuance costs and discount	(739)	(947)	(1,253)
Workers' compensation refund		4	17
Gain (loss) on disposal of capital assets			(20)
Other	1,223	609	3,936
Total non-operating revenue (expense), net	(10,386)	(11,744)	(7,765)
Income (loss) before other contributions	2,058	(2,100)	8,498
Capital and other contributions	1,021		103
Increase (Decrease) in net assets	3,079	(2,100)	8,601
Net assets, beginning of year	203,679	205,779	197,178
Net assets, end of year	$ 206,758	$ 203,679	$ 205,779

- In 2010, operating revenues increased by $10,800,000. The increase is related to a hot summer that resulted in more power consumption.
- In 2009, operating revenues decreased by $2,241,000. The decrease is related to an abnormally mild summer that resulted in less power consumption.
- In 2010, operating expenses increased by $8,000,000. The increase is mainly related to rises in purchased power costs, allowance for bad debts, professional services and electricity costs paid to CEI for CEI supplied street lights.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION (Continued)

- In 2009, operating expenses increased by $4,378,000. The increase is mainly related to a $3,700,000 increase in purchased power costs.

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

As a municipally-owned utility, the Division's mission is to improve the quality of life in the City of Cleveland by providing reliable, affordable energy and energy services to the residents and businesses of the City. In December 2006, the Division finalized its 5-year Strategic Business Plan ("SBP"). The SBP was prepared with the assistance of an independent consultant and addressed factors likely to impact the Division over the 2007-2012 period. The Division and the consultant analyzed federal and state regulatory and legislative developments, forecasted power costs, considered competitive factors as affected by the local regional transmission organization developments, and analyzed internal organization structure, strengths, weaknesses, threats and opportunities. The consultant made ten recommendations that are intended to improve the Division's processes and strategically position the Division to address the major competitive factors likely to impact the Division.

Special Project Teams were commissioned to develop strategies to address each of the ten SBP recommendations. Most of the strategic recommendations have been fully implemented through the efforts of the project teams. The Division has begun to address how SMART Grid Technology will be incorporated into its Power Sector and throughout the Division as this new technology will impact all ten strategic recommendation areas.

Another strategic recommendation from the SBP was to enhance infrastructure to increase customer capacity and improve reliability. As a result, the Division issued the Series 2008 Bonds to fund the Capacity Expansion Program. After issuing the bonds, the Division retained the engineering firm of Middough & Associates to design the system expansion. Present activities include the design of substations and transmission lines, property acquisition, preparation of bidding specifications and the procurement of major equipment.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FACTORS EXPECTED TO IMPACT THE DIVISION'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS (Continued)

The Capacity Expansion Program includes three major components. It is designed to support and improve the Division's electric system reliability and provide for future load growth opportunities.

Fourth Interconnect. The first component is the addition of the fourth 138kV interconnection with the FirstEnergy transmission system. Increased capacity from the new distribution substations and their distribution circuits will allow the Division to transfer load from the existing distribution system to new circuits and provide electric service to future customers. Construction activities began in October 2009, and the first phase of the Fourth Interconnect project is scheduled to be completed and placed on-line by the 1st quarter of 2011.

Southern Project. The second component of the Capacity Expansion Program includes the extension of the southern 138kV transmission system and the addition of a 138/13.8 kV substation (the Southern Project). The proposed extension will complete a continuous transmission ring around the Division's system. The Southern Project also includes the construction of a new distribution substation. It will allow the Division to extend its electric service to serve potential customers in parts of the southern and western areas of the City that are outside the Division's current footprint as well as areas that are within the Division's current footprint but presently lack sufficient capacity. A preliminary transmission line route along railroad right of way has been identified, with approval contingent upon a radio frequency interference study completed in the 2nd quarter of 2010. In addition, subsequent to the transmission line route decision, the Division will be pursuing land acquisition options for a new distribution substation.

Lake Road Project. The third component of the Capacity Expansion Program is the expansion of the Lake Road 11.5kV Substation and the 11.5kV system downtown (the Lake Road Project). The proposed expansion will allow the Division to serve new customers throughout the downtown areas including the Quadrangle, Flats and Warehouse districts. Construction activities for the Lake Road substation began in November 2009, with the completion of major substation foundation work in April 2010, with subsequent delivery of major electrical equipment and switchgear at the end of the 2nd quarter of 2010. The substation is currently scheduled to be on-line by the 4th quarter of 2012.

Anticipated Cost. The estimated cost of the Capacity Expansion Program is as follows:

Fourth Interconnect in 2009	$ 5.0 million
Southern Project in 2010	26.9 million
Lake Road Project in 2010	34.1 million
Total:	$66.0 million

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FACTORS EXPECTED TO IMPACT THE DIVISION'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS (Continued)

Effective September 8, 2010, $23,915,000 of Public Power System Revenue Refunding Bonds, Series 2010, were issued. Proceeds from the bonds were used to refund the outstanding $26,425,000 Public Power System Bonds, Series 1998. As a result of this refunding, Cleveland Public Power achieved net present value debt service savings of $3,055,000 or 11.6%.

The Division is focusing its marketing efforts on those sections of the City that were part of its earlier system expansion to increase the density of customers served. As the Division competes with CEI in these areas, density is measured as the number of the Division's customers on a given street versus the total customers available on that street. New customers can be added with little additional expense.

The Division purchases most of its power requirements via contracts in the power markets. The Division intends to reduce its dependence on the purchased power market by acquiring interests in certain generating facilities. The Division's long-term base load supply will include a mix of power provided by participation in AMP Inc. hydroelectric projects, the Prairie State project, and new/emerging alternative energy technologies. The Division is currently scheduled to purchase a total of about 50 MW from the AMP Inc.'s hydroelectric projects described above that are expected to be in operation by 2014. The Division will also purchase up to 25 MW from AMP Inc.'s share of the Prairie State Energy Campus project, an Illinois coal-fired generating plant, that is projected to be on-line in 2011-2012. The Division is also investigating local opportunities to add alternative energy resources to its portfolio, and investigating opportunities with AMP Inc. to add a natural gas combined cycle (NGCC) generating facility. The actual costs of these power purchases are passed through to its customers via an Energy Adjustment Charge on its bills. As power costs rise, sales revenue will also increase commensurately.

In 2010, this increase was amended by City Council (Ordinance No. 1629-10) to end December 31, 2011. The Division intends to evaluate this increase through an independent rate analysis conducted by a professional services consultant that specializes in electric rate studies, and make permanent changes subject to approval by City Council, as necessary based on the consultant's analysis and findings. Effective December 1, 2005, the proceeds of the incremental charges are no longer earmarked for a specific purpose.

The Division owns and operates approximately 66,000 street lights, including 18,000 that were purchased in 2008 from CEI for $4,000,000. The Division provides street lighting service to its customer, the City of Cleveland, under a published rate schedule. CEI will continue to provide the power to street lights where the Division lacks distribution facilities but will charge an energy-based rate under CEI's tariff for municipally-owned street lights. The Division intends to continue to charge the City the current CEI rate for the newly acquired lights for a transition period, after which the lights will be billed at the Division's then-current standard rate. In addition to adding a new revenue stream, the transfer will enable the City to avoid CEI's proposed new street lighting tariff charges, potentially affecting the General Fund and will allow for improved maintenance of the new lights by increasing responsiveness.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

FACTORS EXPECTED TO IMPACT THE DIVISION’S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS (Continued)

In early 2001, Ohio Electric Choice legislation created a new kilowatt-hour excise tax on electric power distributed to end users of electricity in the State by both investor-owned and municipal utilities. For municipal utilities, the state law requires the utility to remit the tax receipts to the municipality's General Fund. Under Ordinance No. 1768-07 passed in late 2007, the General Fund transferred annually 50% of the kWh tax receipts to the Division beginning in 2008. However, per Ordinance No. 1248-09 passed in 2009, the General Fund retained 100% of the tax remittances collected during calendar years 2009 and 2010. In accordance to Ordinance No. 1560-10 passed in November 2010, the General Fund will retain 100% of the tax remittance during calendar years 2011 and 2012.

ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
BALANCE SHEETS
December 31, 2010 and 2009

	(In thousands) 2010	2009
ASSETS		
CAPITAL ASSETS		
Land	$ 4,863	$ 4,875
Land improvements	305	2,759
Utility plant	472,178	466,242
Buildings, structures and improvements	18,699	43,335
Furniture, fixtures, equipment and vehicles	78,502	46,781
	574,547	563,992
Less: Accumulated depreciation	(282,694)	(266,526)
	291,853	297,466
Construction in progress	42,642	28,759
CAPITAL ASSETS, NET	334,495	326,225
RESTRICTED ASSETS		
Cash and cash equivalents	59,876	69,555
Investments	3,572	3,162
TOTAL RESTRICTED ASSETS	63,448	72,717
UNAMORTIZED BOND ISSUANCE COSTS	3,293	3,485
CURRENT ASSETS		
Cash and cash equivalents	54,212	53,239
Restricted cash and cash equivalents	1,271	531
Investments		
Receivables:		
Accounts receivable - net of allowance for doubtful accounts of $4,647,000 in 2010 and $3,975,000 in 2009	13,658	13,673
Unbilled revenue	2,492	2,297
Due from other City of Cleveland departments, divisions or funds	2,505	2,552
Materials and supplies - at average cost	9,135	8,664
Prepaid expenses	116	109
TOTAL CURRENT ASSETS	83,389	81,065
TOTAL ASSETS	$ 484,625	$ 483,492

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
BALANCE SHEETS
December 31, 2010 and 2009

	(*In thousands*) 2010	2009
NET ASSETS AND LIABILITIES		
NET ASSETS		
Invested in capital assets, net of related debt	$ 144,257	$ 139,260
Restricted for debt service	4,210	4,517
Unrestricted	58,291	59,902
TOTAL NET ASSETS	206,758	203,679
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year		
Revenue bonds	240,005	246,898
Accrued wages and benefits	560	674
TOTAL LONG-TERM OBLIGATIONS	240,565	247,572
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	10,495	8,725
Accounts payable	9,544	8,926
Current payable from restricted assets	1,271	531
Due to other City of Cleveland departments, divisions or funds	5,164	4,387
Accrued interest payable	5,543	3,944
Current portion of accrued wages and benefits	3,781	4,219
Other accrued expenses	452	467
Customer deposits and other liabilities	1,052	1,042
TOTAL CURRENT LIABILITIES	37,302	32,241
TOTAL LIABILITIES	277,867	279,813
TOTAL NET ASSETS AND LIABILITIES	$ 484,625	$ 483,492

See notes to financial statements. (Concluded)

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2010 and 2009

	(In thousands) 2010	2009
OPERATING REVENUES		
Charges for services	$ 166,665	$ 155,865
TOTAL OPERATING REVENUES	166,665	155,865
OPERATING EXPENSES		
Purchased power	94,619	90,550
Operations	24,199	20,745
Maintenance	19,212	17,141
Depreciation	16,191	17,785
TOTAL OPERATING EXPENSES	154,221	146,221
OPERATING INCOME	12,444	9,644
NON-OPERATING REVENUE (EXPENSE)		
Investment income	96	169
Interest expense	(10,966)	(11,579)
Amortization of bond issuance costs and discounts	(739)	(947)
Workers' compensation refund		4
Other	1,223	609
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	(10,386)	(11,744)
INCOME (LOSS) BEFORE OTHER CONTRIBUTIONS	2,058	(2,100)
Capital and other contributions	1,021	
INCREASE (DECREASE) IN NET ASSETS	3,079	(2,100)
NET ASSETS, BEGINNING OF YEAR	203,679	205,779
NET ASSETS, END OF YEAR	$ 206,758	$ 203,679

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	(In thousands) 2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 166,981	$ 159,193
Cash payments to suppliers for goods or services	(15,862)	(8,276)
Cash payments to employees for services	(21,825)	(23,843)
Cash payments for purchased power	(95,227)	(90,519)
Electric excise tax payments to agency fund	(5,205)	(5,063)
NET CASH PROVIDED (USED FOR) BY OPERATING ACTIVITIES	28,862	31,492
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants	1,021	
Workers compensation refund		4
Other	1,136	
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	2,157	4
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of revenue bonds	27,243	
Acquisition and construction of capital assets	(20,343)	(20,854)
Principal paid on long-term debt	(8,045)	(8,530)
Interest paid on long-term debt	(10,456)	(11,095)
Cash paid to escrow agent for refunding	(27,081)	
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(38,682)	(40,479)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(8,572)	(3,163)
Proceeds from sale and maturity of investment securities	8,163	6,997
Interest received on investments	106	463
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(303)	4,297
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,966)	(4,686)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	123,325	128,011
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 115,359	$ 123,325

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2010 and 2009

	2010	2009
	(In thousands)	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME	$ 12,444	$ 9,644
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	16,191	17,785
Changes in assets and liabilities:		
Accounts receivable, net	15	1,923
Unbilled revenue	(195)	332
Due from other City of Cleveland departments, divisions or funds	47	69
Materials and supplies, net	(471)	(1,252)
Prepaid expenses	(7)	(30)
Accounts payable	618	(413)
Due to other City of Cleveland departments, divisions or funds	777	3,438
Accrued wages and benefits	(552)	13
Other accrued expenses	(15)	31
Customer deposits and other liabilities	10	(48)
TOTAL ADJUSTMENTS	16,418	21,848
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 28,862	$ 31,492

See notes to financial statements. (Concluded)

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Cleveland Public Power (the Division) is reported as an Enterprise Fund of the City of Cleveland's (the City) Department of Public Utilities and is a part of the City's primary government. The Division was created for the purpose of supplying electrical services to customers within the City. The following is a summary of the more significant accounting policies.

Reporting Model and Basis of Accounting: The accounting policies and financial reporting practices of the Division comply with accounting principles generally accepted in the United States of America applicable to governmental units. In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments,* which is effective for the year ended December 31, 2009. The City has determined that GASB Statement No. 52 has no impact on its financial statements as of December 31, 2009. In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* which is effective for the year ended December 31, 2010. The City has determined that GASB Statement No. 51 has no impact on its financial statements as of December 31, 2010. GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* was issued in June 2008. The City has determined that GASB Statement No. 53 has no impact on its financial statements as of December 31, 2010.

The Division's net assets are accounted for in the accompanying balance sheets and the net assets are divided into the following categories:

- Amount invested in capital assets, net of related debt
- Amount restricted for debt service
- Remaining unrestricted amount

In addition, certain additional financial information regarding the Division is included in these footnotes. The implementation of the new GASB statements did not result in a change in the Division's beginning net asset/equity balance as previously reported.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Activities,* all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either; 1) choosing not to apply future FASB guidance, or 2) continuing to follow new FASB guidance (unless they conflict with GASB pronouncements). The Division has chosen not to apply future FASB guidance.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues: Revenues are derived primarily from sales of electricity to residential, commercial and industrial customers based upon actual consumption. Electricity rates are authorized by City Council and billings are made on a cyclical basis. Estimates for services between the end of the various cycles and the end of the year are recorded as unbilled revenue.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In a statement of cash flows, cash receipts and cash payments are classified according to operating, non-capital financing, capital and related financing and investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with maturity of three months or less when purchased and include certificates of deposit, U.S. Treasury Bills, State Treasury Asset Reserve of Ohio (STAROhio) and repurchase agreements. The City's policy is to enter into repurchase agreements with local commercial banks and to obtain confirmation of securities pledged.

Investments: The Division follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. The fair value is based on quoted market prices.

The City has invested funds in STAROhio during fiscal year 2010 and 2009. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2010 and 2009.

Restricted Assets: Proceeds from debt and amounts set aside in various fund accounts for payment of revenue bonds are classified as restricted assets since their use is limited by the bond indentures.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost, or, if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as a tangible item with a useful life in excess of one year and an individual cost of more than $5,000 for land, furniture, fixtures, equipment, and vehicles and $10,000 for all other assets. When capital assets are disposed, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Utility plant	5 to 100 years
Land improvements	15 to 100 years
Buildings, structures and improvements	5 to 60 years
Furniture, fixtures, equipment, and vehicles	3 to 60 years

The Division's policy is to capitalize interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of the assets and is depreciated on the straight-line basis over the estimated useful lives of such assets. The Division applies FASB guidance pertaining to capitalization of interest cost for its revenue bonds. This guidance requires capitalization of interest cost of eligible borrowings less interest earned on investment of the related bond proceeds from the date of borrowing until the assets constructed from the bond proceeds are ready for their intended use.

For 2010 and 2009 total interest costs incurred amounted to $14,429,000 and $14,965,000 respectively, of which $3,452,000 and $3,319,000, respectively, was capitalized, net of interest income of $11,000 in 2010 and $67,000 in 2009.

Bond Issuance Costs, Discounts and Unamortized Losses on Debt Refundings: Bond issuance costs are initially recorded as deferred expenses and unamortized original issuance discounts are netted against long-term debt. Both are amortized over the lives of the related bonds. Unamortized losses on debt refundings are netted against long-term debt and are amortized over the shorter of the remaining life of the defeased bond or the newly issued bond.

Compensated Absences: The Division 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*. These amounts are recorded as accrued wages and benefits in the accompanying balance sheets. The portion of the compensated absence liability that is not expected to be paid out within one year is reported as a long-term liability.

Normally, all vacation time is to be taken in the year available. The Division allows employees to carryover up to 80 hours of vacation 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 base salary rate, with the balance being forfeited.

NOTE B - LONG-TERM DEBT

Long-term debt outstanding at December 31, 2010 and 2009 is as follows:

	Interest Rate	Original Issuance	2010	2009
			(In thousands)	
Revenue Bonds:				
Series 1994 A, due through 2013	Zero Coupon	$ 219,105	$ 21,185	$ 25,095
Series 1996, due through 2011	6.00%	123,720	1,050	2,045
Series 1998, due through 2017	4.30%-5.25%	44,840		26,425
Series 2001, due through 2016	4.15%-5.50%	41,925	18,890	22,030
Series 2006 A-1, due through 2024	4.25%-5.00%	95,265	95,265	95,265
Series 2006 A-2, due through 2017	5.00%	12,295	12,295	12,295
Series 2008 A, due through 2024	4.00%-4.50%	21,105	21,105	21,105
Series 2008 B-1, due through 2038	3.00%-5.00%	44,705	44,705	44,705
Series 2008 B-2, due through 2038	5.13%-5.40%	27,903	27,903	27,903
Series 2010 , due through 2017	3.00%-5.00%	23,915	23,915	
		$ 654,778	266,313	276,868
Less:				
Unamortized discount-zero coupon bonds			(3,534)	(4,455)
Unamortized premium-current interest bonds (net)			5,800	2,995
Unamortized loss on debt refunding			(18,079)	(19,785)
Current portion			(10,495)	(8,725)
Total Long-Term Debt			$ 240,005	$ 246,898

NOTE B - LONG-TERM DEBT (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2010 are as follows:

	Balance January 1, 2010	Increase	Decrease	Balance December 31, 2010	Due Within One Year
			(In thousands)		
Revenue Bonds:					
Series 1994 A, due through 2013	$ 25,095	$	$ (3,910)	$ 21,185	$ 6,535
Series 1996, due through 2011	2,045		(995)	1,050	1,050
Series 1998, due through 2017	26,425		(26,425)		
Series 2001, due through 2016	22,030		(3,140)	18,890	2,910
Series 2006 A-1, due through 2024	95,265			95,265	
Series 2006 A-2, due through 2017	12,295			12,295	
Series 2008 A, due through 2024	21,105			21,105	
Series 2008 B-1, due through 2038	44,705			44,705	
Series 2008 B-2, due through 2038	27,903			27,903	
Series 2010 , due through 2017		23,915		23,915	
Total revenue bonds	276,868	23,915	(34,470)	266,313	10,495
Accrued wages and benefits	4,893	60	(612)	4,341	3,781
Total	$ 281,761	$ 23,975	$ (35,082)	$ 270,654	$ 14,276

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2010 and 2009

NOTE B - LONG-TERM DEBT (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2009 are as follows:

	Balance January 1, 2009	Increase	Decrease	Balance December 31, 2009	Due Within One Year
			(In thousands)		
Revenue Bonds:					
Series 1994 A, due through 2013	$ 29,005	$	$ (3,910)	$ 25,095	$ 3,910
Series 1996, due through 2011	2,985		(940)	2,045	995
Series 1998, due through 2017	27,085		(660)	26,425	680
Series 2001, due through 2016	25,050		(3,020)	22,030	3,140
Series 2006 A-1, due through 2024	95,265			95,265	
Series 2006 A-2, due through 2017	12,295			12,295	
Series 2008 A, due through 2024	21,105			21,105	
Series 2008 B-1, due through 2038	44,705			44,705	
Series 2008 B-2, due through 2038	27,903			27,903	
Total revenue bonds	285,398		(8,530)	276,868	8,725
Accrued wages and benefits	4,881	241	(229)	4,893	4,219
Total	$ 290,279	$ 241	$ (8,759)	$ 281,761	$ 12,944

Minimum principal and interest payments on long-term debt are as follows:

	Principal	Interest	Total
	(In thousands)		
2011	$ 10,495	$ 10,573	$ 21,068
2012	11,640	10,386	22,026
2013	12,290	10,188	22,478
2014	12,895	9,943	22,838
2015	12,930	9,289	22,219
2016 - 2020	75,140	36,308	111,448
2021 - 2025	77,692	20,565	98,257
2026 - 2030	20,647	28,817	49,464
2031 - 2035	20,133	29,334	49,467
2036 - 2038	12,451	17,235	29,686
Total	$ 266,313	$ 182,638	$ 448,951

NOTE B – LONG-TERM DEBT (Continued)

The City has pledged future power system revenues, net of specified operating expenses, to repay $266,313,000 in various Public Power System Revenue Bonds issued in various years since 1994. Proceeds from the bonds provided financing for Public Power System improvements. The bonds are payable from Public Power System net revenues and are payable through 2038. Annual principal and interest payments on the bonds are expected to require less than 62 percent of net revenues. The total principal and interest remaining to be paid on the various Power System Revenue Bonds is $448,951,000. Principal and interest paid for the current year and total net revenues were $17,916,000 and $28,731,000, respectively.

On September 8, 2010, the City issued $23,915,000 of Public Power System Revenue Bonds, Series 2010. Proceeds of these bonds were used to refund all of the outstanding $26,425,000 Public Power System Bonds, Series 1998. Net proceeds of the Series 2010 Bonds in the amount of $27,081,000 were placed in an irrevocable escrow account to pay the principal and interest on the refunded 1998 Bonds on October 8, 2010. As a result, the refunded bonds were defeased and the liability for these bonds has been removed from long-term debt. The City completed the refunding in order to achieve debt service savings of approximately $3,138,000 or an economic gain (the difference between the present values of the old and new debt service payments) of approximately $3,055,000.

The City entered into a basis swap on a portion of the Series 2006A-1 Bonds when the bonds were issued.

***Interest Rate Swap Transaction*:**

Terms: Simultaneously with the issuance of the City's $95,265,000 Public Power System Refunding Revenue Bonds, Series 2006A-1, 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. (Lehman Brothers) was 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 Securities Industry and Financial Markets Association (SIFMA) index. The counterparty is also a floating rate payor, paying the City 67% of three 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 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.

NOTE B - LONG-TERM DEBT (Continued)

Basis Risk: By entering into a swap based upon the three month LIBOR rate of interest, the City has undertaken basis risk associated with a change in tax rates and structure. While the average relationship between SIFMA (tax-exempt) and LIBOR (taxable) interest rates has been 67%, this relationship may not always apply. As a result of the turmoil in the financial markets since 2008, the SIFMA/LIBOR ratio has been significantly higher than 67% for portions of the year. 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 the financing.

Counterparty Risk: The City selected a highly rated counterparty in order to minimize this risk. However, in September 2008, Lehman Brothers filed for Chapter 11 bankruptcy protection. This event did not trigger an automatic termination which would have required a payment on the part of the City. Throughout 2009 and part of 2010, at the City’s option, Lehman Brothers and the City were negotiating the assignment of the swap to another highly rated counterparty or the termination of the swap.

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 Division to Lehman Brothers or by Lehman Brothers to the Division, depending upon the prevailing economic circumstances at the time of the termination.

On September 15, 2008, Lehman Brothers instituted bankruptcy proceedings. Under the hedge agreement, the City had the right to terminate the swap. The City chose to exercise its right to terminate. After more than a year of negotiations with the Lehman bankruptcy estate, the City and Lehman Brothers consensually agreed to terminate the swap on April 6, 2010. No payments were exchanged as part of the termination and the City agreed to withdraw its claim on the bankruptcy estate.

Fair Value: As stated above, the swap was terminated effective April 6, 2010, with no payment required by either party.

The Division has defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Division’s financial statements. As a result of the Series 2006 advance refunding, there was $790,000 Series 1994A defeased debt outstanding at December 31, 2010.

Revenue bonds are payable from the revenues derived from operations of the Public Power System, after the payment of all operating and maintenance expenses (net revenues). The bonds are collateralized by a pledge of and lien on such net revenues and the special funds described below.

NOTE B - LONG-TERM DEBT (Continued)

The indenture requires that, at all times, the Division will charge rates and fees for the products and services of the Public Power System. Revenues will be at least sufficient to provide funds for the payment in each year of the necessary operating and maintenance expenses of the power system and in an amount equal to 1.25 times the payments of principal and interest on the revenue bonds then outstanding and due in that year. As of December 31, 2010 and 2009, the Division was in compliance with the terms and requirements of the bond indenture. The indenture establishes the following fund accounts for the application of revenues:

Revenue Fund**:** All revenues will be deposited into this fund and will be used for payment of current operating expenses and deposits into other funds.

Debt Service Fund**:** Monthly deposits will be made from the revenue fund to cover succeeding principal and interest payments as they become due on the revenue bonds.

Debt Service Reserve Fund**:** Deposits will be made to this fund if the amount in the debt service fund at any time is less than the debt service reserve requirement. However, the Division has elected, pursuant to provisions of the indenture governing the Division's bonds, to satisfy the bond reserve requirement with a surety bond in an aggregate amount at least equal to the bond reserve requirement.

Renewal and Replacement Fund**:** The balance in this fund is maintained at $1,000,000 and is to be applied against the cost of repair or replacement of capital assets in order to maintain the system.

Construction Fund**:** The proceeds from Series 1991, Series 1994 and Series 2008 Bonds of $12,050,000, $79,386,000, and $72,608,000, respectively, were deposited into this fund to be used, along with earnings from investments of amounts held therein, for the payment of capital costs. As of December 31, 2010 and 2009, the Division had $25,689,000 and $60,287,000, respectively, of outstanding commitments for future constructions that will be funded by available bond proceeds and operating revenue. Capital costs include all costs of additions, extensions, renewals, replacements, alterations, betterments and any other capital improvements to the system. Amounts held in this fund are subject to a lien in favor of bondholders and may be used to pay principal of outstanding bonds to the extent that amounts in all other funds are insufficient. No payment needs to be made into a fund if the amounts in such fund are equal to the required fund balance, if any.

Amounts held in trust may be invested by the City Treasurer or the trustee in permitted investments. However, the use of funds is limited by the bond indenture and, accordingly, the amounts are classified as restricted assets in the financial statements.

NOTE C - DEPOSITS AND INVESTMENTS

Deposits: At December 31, 2010 and 2009, the Division’s carrying amount of deposits totaled $7,169,000 and $2,684,000, respectively, and the Division’s bank balances totaled $7,905,000 and $3,052,000, respectively. The differences represent normal reconciling items. These amounts were insured or collateralized with securities held by the City or by its agent in the City’s name.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2010 and 2009

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk for deposits is the risk that in the event of bank failure, the Division will not be able to recover deposits or collateral for securities that are in possession of an outside party. At year end, the Division'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 obligations; certificates of deposit; U.S. Government Money Market Mutual Funds; STAROhio; guaranteed investment contracts; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained. Generally, investments are recorded in segregated accounts by way of book entry through the banks' commercial or trust department and are kept at the Federal Reserve Bank in the depository institutions' 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; significant changes in market conditions could materially affect the portfolio value.

Interest rate risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the Division invests primarily in short-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity. Investment maturities are disclosed 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 Division will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The Division does not have an investment policy dealing with investment custodial credit risk beyond the requirement in the State statute.

Credit Risk: The Division's investments as of December 31, 2010 and 2009 include U.S. Treasury Bills, STAROhio and mutual funds. The Division maintains the highest ratings for its investments. Investments in 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 Division has no investment policy that would further limit its investment choices.

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: The Division places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. The Division had the following investments at December 31, 2010 and 2009, which include those classified as cash and cash equivalents in the balance sheet in accordance with the provisions of GASB Statement No. 9 since they have a maturity of three months or less:

Type of Investment	2010 Fair Value	2010 Cost	2009 Fair Value	2009 Cost	Investment Maturities Less than One Year
			(In thousands)		
U.S. Treasury Bills	$ 3,572	$ 3,571	$ 3,162	$ 3,163	$ 3,572
STAROhio	48,461	48,461	51,029	51,029	48,461
Investment in Mutual Funds	59,729	59,729	69,612	69,612	59,729
Total Investments	111,762	111,761	123,803	123,804	111,762
Total Deposits	7,169	7,169	2,684	2,684	7,169
Total Deposits and Investments	$ 118,931	$ 118,930	$ 126,487	$ 126,488	$ 118,931

As of December 31, 2010, the investments in U.S. Treasury Bills, STAROhio and mutual funds are approximately 3%, 43% and 54%, respectively, of the Division's total investments. As of December 31, 2009, the investments in U.S. Treasury Bills, STAROhio and mutual funds are approximately 3%, 41% and 56%, respectively, of the Division's total investments.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2010 and 2009

NOTE D - CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance January 1, 2010	* Recategorization	Additions	Reductions	Balance December 31, 2010
			(In thousands)		
Capital assets, not being depreciated:					
Land	$ 4,875	$ (12)	$	$	$ 4,863
Construction in progress	28,759		24,226	(10,343)	42,642
Total capital assets, not being depreciated	33,634	(12)	24,226	(10,343)	47,505
Capital assets, being depreciated:					
Land improvements	2,759	(2,454)			305
Utility plant	466,242	(129)	6,065		472,178
Buildings, structures and improvements	43,335	(24,636)			18,699
Furniture, fixtures, equipment and vehicles	46,781	27,231	4,512	(22)	78,502
Total capital assets, being depreciated	559,117	12	10,577	(22)	569,684
Less: Accumulated depreciation	(266,526)		(16,191)	23	(282,694)
Total capital assets being depreciated, net	292,591	12	(5,614)	1	286,990
Capital assets, net	$ 326,225	$ -	$ 18,612	$ (10,342)	$ 334,495

* Some Capital Assets were moved to more exact categories when assets were entered into the City's new Advantage Accounting System as of January 1, 2010.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2010 and 2009

NOTE D - CAPITAL ASSETS (Continued)

Capital Asset Activity: Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance January 1, 2009	Additions	Reductions	Balance December 31, 2009
		(In thousands)		
Capital assets, not being depreciated:				
Land	$ 4,875	$	$	$ 4,875
Construction in progress	13,124	24,254	(8,619)	28,759
Total capital assets, not being depreciated	17,999	24,254	(8,619)	33,634
Capital assets, being depreciated:				
Land improvements	2,759			2,759
Utility plant	458,236	8,006		466,242
Buildings, structures and improvements	43,335			43,335
Furniture, fixtures, equipment and vehicles	45,826	2,242	(1,287)	46,781
Total capital assets, being depreciated	550,156	10,248	(1,287)	559,117
Less: Accumulated depreciation	(248,762)	(17,785)	21	(266,526)
Total capital assets being depreciated, net	301,394	(7,537)	(1,266)	292,591
Capital assets, net	$ 319,393	$ 16,717	$ (9,885)	$ 326,225

Commitments: The Division has outstanding commitments of approximately $38,954,000 and $76,510,000 for future capital expenditures at December 31, 2010 and 2009, respectively. It is anticipated that these commitments will be financed from the Division's cash balances; however, at the discretion of the Division, additional long-term debt may be issued in the future to finance a portion of the costs.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2010 and 2009

NOTE E - DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System: All full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1) The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.
2) The Member-Directed Plan – 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 – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions 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 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, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2010, 2009 and 2008. The employer contribution rates were 14.00% of covered payroll in 2010, 2009 and 2008. The Division's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2010, 2009 and 2008 were approximately $1,939,000, $1,789,000 and $1,452,000 each year, respectively. The required payments due in 2010, 2009 and 2008 have been made.

NOTE F - OTHER POST-EMPLOYMENT BENEFITS

***Ohio Public Employees Retirement System*:** All full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – 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 postemployment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postemployment 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 Postemployment Benefit (OPEB) as described in GASB Statement 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 writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides the 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 funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2010, 2009 and 2008. 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 Postemployment 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 postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 5.50% from January 1, 2010 through February 28, 2010 and 5.00% from March 1, 2010 through December 31, 2010 and 7.00% from January 1, 2009 through March 31, 2009 and 5.50% from April 1, 2009 through December 31, 2009, and 7.00% in 2008. 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 their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Division’s actual contributions to OPERS to fund postemployment benefits were approximately $1,105,000, $1,294,000 and $1,452,000 in 2010, 2009 and 2008, respectively.

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.

NOTE G - CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: In November 2009, participants in the American Municipal Power Generating Station (AMPGS) voted to terminate development of the 1,000 MW coal-fired generating station that was to be located on the Ohio River in Meigs County, Ohio. The Division was one of 81 member participants in the project and had committed to receive an 80 MW share of the project's output. The Division and the other members participated in the project through "take or pay" contracts with AMP and are obligated to pay for the project costs based on each member's allocation. The total final cost to participants has not yet been determined. AMP anticipates that any such costs that are not recovered through participation in a replacement project will be financed by AMP and recovered from the AMPGS participants over a period of time yet to be determined.

AMP has rolled over a portion of the Meigs County facility cost into the Fremont Energy Center ("Fremont"), a natural gas generating station under construction that AMP is purchasing this year. Under legislation pending before City Council, the City will purchase power from the Fremont project, pay about half of its allocable share in AMPGS costs as power costs purchased from Fremont, and include the costs in bills to customers over time. The City's remaining share of the AMPGS costs, $3,987,000, is anticipated to be paid by the City to AMP from operating funds over a period of time yet to be determined. The legislation is expected to pass in mid-2011.

In addition, various claims are pending against the City involving the Division for personal injuries, property damage and other matters. The City is responsible for the lawsuits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Division's financial position, results of operations or cash flows.

Risk Management: The Division 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 Division carries insurance to cover particular liabilities and property protection. Otherwise, the Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2010 or 2009. There were no significant decreases in any insurance coverage in 2010. 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. The City participates in the State of Ohio's workers' compensation retrospective rating program.

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. 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.

NOTE G - CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

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. Claims liability for the Division is reported as part of accounts payable on the balance sheet and is immaterial.

NOTE H - RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides services to the City, including its various departments and divisions. The usual and customary rates are charged to all City departments and divisions.

Operating Expenses: The Division is provided various intra-city services. Charges are based on actual use or on a reasonable pro rata basis. The more significant costs for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
	(In thousands)	
City Administration	$ 1,119	$ 1,135
Telephone Exchange	604	463
Division of Water	334	418
Utilities Administration and Fiscal Control	780	847
Motor Vehicle Maintenance	367	388

NOTE I - CUYAHOGA COUNTY REAL PROPERTY TAXES

The Division is required by ordinance to keep records of the estimated property taxes which would be payable to Cuyahoga County were it subject to such taxes. The estimated property taxes for the Division, based on book value of real estate at the current tax rates, would have been approximately $1,159,000 and $1,087,000 for the years ended December 31, 2010 and 2009, respectively.

NOTE J - KILOWATT PER HOUR TAX

In May 2001, the Division started billing its customers the electric deregulation kilowatt-hour tax according to the laws of the State of Ohio. This law requires the Division to remit the proceeds to the City's General Fund, except for any proceeds attributable to sales outside the City which are remitted to the State of Ohio. The Division billed $5,221,000 and $5,028,000 for this tax in 2010 and in 2009 respectively, of which $5,372 and $6,244 was remitted to the State. As noted previously, City Council passed Ordinance No. 1768-07, which required the General Fund to remit 50% of the proceeds back to the Division in 2008. However, City Council subsequently passed Ordinance No. 1248-09, which allocated 100% of the proceeds to the General Fund in 2009 and 2010. In accordance to Ordinance No. 1560-10 passed in November 2010, the General Fund will retain 100% of the tax remittance during calendar years 2011 and 2012.

NOTE K – INCREMENTAL CHARGES

In 2000, 2002 and 2003, Cleveland City Council passed Ordinances No. 910-98, No. 1886-02 and No. 2088-03, respectively to allow the Division to add an incremental charge for excess fuel, power production and purchased power cost.

The proceeds of the incremental charges shall be applied to the repayment of any bond obligations of the Division and the replacement of utility poles treated with copper naphthenate in the Division's distribution system.

The incremental charges were scheduled to end December 31, 2008, but on June 2, 2008, City Council passed Ordinance No. 684-08, extending the charge through December 31, 2010. In 2010, this increase was by City Council (Ordinance No. 1629-10) to end December 31, 2011. The Division intends to evaluate this increase through an independent rate analysis conducted by a professional services consultant that specializes in electric rate studies, and make permanent changes subject to approval by City Council, as necessary based on the consultant's analysis and findings. Effective December 1, 2005, the proceeds of the incremental charges are no longer earmarked for a specific purpose. The incremental charges billed were $13,125,000 and $12,874,000 in 2010 and 2009, respectively.

NOTE L – SEAMS ELIMINATION COST ADJUSTMENT (SECA) PAYMENTS

Between December 2004 and March 2006, the Division was required by the FERC to pay SECA payments totaling $10,800,000. The payments arose from a transmission restructuring effort aimed at reducing transmission costs by allowing users such as Cleveland Public Power to pay a single rate for transmission across a regional system consisting of multiple utilities. These payments, made subject to refund and the outcome of litigation proceedings, were intended as a temporary replacement for revenues previously received by transmission owners in neighboring regional systems for transmission access across their systems.

Through December 31, 2010, the Division received $5,655,000 as reimbursements for SECA payments. The Division is also pursuing an additional reimbursement of $700,000. The remaining SECA payment of $4,445,000 is eligible for pass through to the customers of the Division in future years.

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2010 and 2009

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

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INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Division of Water
Department of Public Utilities
City of Cleveland, Ohio:

We have audited the accompanying basic financial statements of the Division of Water, Department of Public Utilities, City of Cleveland, Ohio (the Division) as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit. The basic financial statements of the Division as of December 31, 2009 were audited by other auditors whose report dated June 28, 2010, expressed an unqualified opinion on those financial statements. As discussed in Note A to the basic financial statements, the Division has adjusted its 2009 financial statements to retrospectively apply Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The other auditors reported on the financial statements before the retrospective adjustment.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the financial statements present only the financial position and the changes in financial position and cash flows of the Division and do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2010 and 2009, and the respective changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United State of America

As described in Note A, during the year ended December 31, 2010, the Division implemented Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Division of Water, Department of Public Utilities, City of Cleveland, Ohio as of December 31, 2010, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustment to the 2009 financial statements to retrospectively apply the change in accounting as described in Note A. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the Division's 2009 financial statements other than with respect to the adjustment and, accordingly, we do not express an opinion or other form of assurance on the 2009 financial statements as a whole.

The management's discussion and analysis on pages 3-15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2011

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Utilities, Division of Water (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the years ended December 31, 2010 and 2009. Please read this information in conjunction with the Division's financial statements and footnotes that begin on page 17.

The Division was created in 1853 and charged with the responsibility of collecting, treating, pumping and distributing potable water and providing related water service to customers within its service areas. The Division operates a major public water supply system, the eighth largest in the United States, serving not only the City, but also 74 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 2010, 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 55% and 12%, respectively.

The Division services not only the City of Cleveland but also 69 other surrounding suburbs, five master meter suburbs and eight emergency standby municipalities. They provide water to 400,877 city and suburban accounts in the Cleveland metropolitan area. They also sell water for resale to master meter municipalities that operate their own distribution systems, and provide billing and payment services for the Northeast Ohio Regional Sewer District and other sewer municipalities. During 2010, the Division provided services to approximately 117,866 accounts located within Cleveland and approximately 283,011 accounts located in direct service municipalities. Water provided to each master meter municipality is metered at each municipality's boundary. Consumers within the City of Cleveland accounted for 24% of the Division's metered sales revenue, while the direct service and master meter municipalities accounted for 66% and 10% of metered sales revenue, respectively.

The Division, along with Division of Utilities Fiscal Control, provides a complete array of processing services including billing, processing payments, mailing delinquency notices, terminating water service on delinquent accounts and distributing the money collected to the municipalities. The Division processes approximately 5,000 payments daily, which include payments for water, water and sewer, waste collection fee, final notices and delinquent notices.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEARS' DATA

FINANCIAL HIGHLIGHTS

- The assets of the Division exceeded its liabilities (net assets) by $1,022,666,000, $1,006,836,000 and $996,292,000 at December 31, 2010, 2009 and 2008, respectively. Of these amounts, $207,491,000, $225,340,000 and $247,760,000 (unrestricted net assets) at December 31, 2010, 2009 and 2008, respectively, may be used to meet the Division's ongoing obligations to customers and creditors.

FINANCIAL HIGHLIGHTS (Continued)

- In 2010, the operating revenues of the Division increased by $9,035,000 due to an increase in water pumpage of 2.1%. The major users of water consumption were Forest City, ISG-Cleveland, Ford Motor Company, Aurora Commerce, Cuyahoga Metropolitan Housing Authority, Cleveland Clinic Foundation, NASA Lewis Research Center, Alcoa Inc. and North East Ohio Regional Sewer District. In 2009, the operating revenues of the Division decreased by $13,946,000 due to a decrease in water pumpage of 4.7%. The major users of water consumption were Forest City, ISG-Cleveland, Cuyahoga Metropolitan Housing Authority, Ford Motor Company, Cleveland Clinic Foundation, NASA Lewis Research Center and North East Ohio Regional Sewer District.

- The Division's overall net assets increased by $15,830,000, $10,544,000 and $40,690,000 in 2010, 2009 and 2008, respectively.

- The Division had increases in capital assets, net of accumulated depreciation, of $53,749,000, $54,920,000 and $34,219,000 in 2010, 2009 and 2008, respectively. The major additions during these years were related to the continuing renovation projects at the Morgan, Baldwin and Nottingham sites.

- The total long-term debt of the Division decreased $26,867,000 in 2010. This decrease is attributed to $36,528,000 of debt retired and $90,500,000 of debt defeased which was offset by the issuance of $81,430,000 of revenue bonds and receipts on two Ohio Water Development Authority loans totaling $18,731,000. The total long-term debt of the Division decreased $45,440,000 in 2009. This decrease is attributed to $32,087,000, of debt retired and $179,845,000 debt defeased which was offset by the issuance of $165,655,000 Series R, S and T Bonds and the receipts on four Ohio Water Development Authority loans totaling $837,000. .

- The Division also issued $50,000,000 of Subordinated Lien Revenue Notes in order to fund a portion of the automated meter reading program.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Division's basic financial statements. The accompanying financial statements present financial information for the City's Division of Water Fund, in which the City accounts for the operations of the Department of Public Utilities Division of Water.

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.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The Division of Water Fund is considered an Enterprise Fund because the operations of the Division are similar to a private-sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and the accrual basis of accounting is used. This is similar to businesses in the private sector.

The basic financial statements of the Division can be found on pages 17 - 22 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 23 - 43 of this report.

CONDENSED BALANCE SHEET INFORMATION

Provided below is condensed balance sheet information for the Division as of December 31, 2010, 2009 and 2008:

	2010	2009	2008
		(In thousands)	
Assets:			
Capital assets, net	$ 1,469,558	$ 1,415,809	$ 1,360,889
Restricted assets	240,993	238,324	304,530
Unamortized bond issuance costs	4,911	5,612	6,081
Deferred outflows of resources	17,664	13,077	28,346
Current assets	276,285	291,679	308,050
Total assets	2,009,411	1,964,501	2,007,896
Net Assets and Liabilities:			
Net Assets:			
Invested in capital assets, net of related debt	713,285	682,816	649,739
Restricted for debt service	101,890	98,680	98,793
Unrestricted	207,491	225,340	247,760
Total net assets	1,022,666	1,006,836	996,292
Liabilities:			
Long-term obligations	819,238	852,303	897,518
Derivative instruments - interest rate swaps	17,664	13,077	28,346
Current liabilities	149,843	92,285	85,740
Total liabilities	986,745	957,665	1,011,604
Total net assets and liabilities	$ 2,009,411	$ 1,964,501	$ 2,007,896

CONDENSED BALANCE SHEET INFORMATION (Continued)

Total Assets: The Division's investment in capital assets as of December 31, 2010 amounted to $1,469,558,000 (net of accumulated depreciation) which is an increase of $53,749,000. The Division's plant enhancements continue to be the primary reason for the increase in capital assets. Utility plant had additions of $121,556,000, buildings, structures and improvements had additions $1,018,000 and furniture, fixtures, equipment and vehicles had additions of $7,490,000. Also, construction in progress decreased by $20,600,000 due to the completion of several major projects: Baldwin Chemical Project, Voice and Data Project, Morgan East Reservoir Project and Water Main Rehab 2008, offset by several ongoing major projects: Morgan filter improvements, Fairmount pump improvements, Kirtland pump improvements, plant enhancement program improvements and Baldwin plant improvements.

The Division's investment in capital assets as of December 31, 2009 amounted to $1,415,809,000 (net of accumulated depreciation) which is an increase of $54,920,000. The Division's plant enhancements continue to be the primary reason for the increase in capital assets. Utility plant had additions of $13,951,000, buildings, structures and improvements had additions of $226,000 and furniture, fixtures, equipment and vehicles had additions of $71,375,000. Also, construction in progress increased by $17,717,000 due to several major projects: Morgan filter improvements, Fairmount pump improvements, Kirtland pump improvements, plant enhancement program improvements and Baldwin plant improvements.

The increase in restricted assets of $2,669,000 as of December 31, 2010 is mainly attributed to increased cash balances in the debt service fund.

The decrease in current assets in 2009 of $15,394,000 was due to reductions of $18,538,000 in investments at fair value, $53,000 in cash and cash equivalents, $1,885,000 in accounts receivable, $333,000 in accrued interest receivable, $169,000 in materials and supplies and $828,000 in prepaid expense, offset by an increase of $670,000 in restricted cash and cash equivalents, $4,690,000 in unbilled revenue and $1,052,000 in due from other City of Cleveland departments.

The fair value of the Division's interest rate swap agreements increased from $13.1 million in 2009 to $17.7 million in 2010. The fair value of the swaps is determined by the taxable LIBOR rate as of December 31.

CONDENSED BALANCE SHEET INFORMATION (Continued)

Capital Assets: The Division's investment in capital assets, as of December 31, 2010 amounted to $1,469,558,000 (net of accumulated depreciation). The total increase in the Division's investment in net capital assets for the current year was approximately 3.8%. The Division's investment in capital assets, as of December 31, 2009 amounted to $1,415,809,000 (net of accumulated depreciation). The total increase in the Division's investment in net capital assets for 2009 was approximately 4.0%. A summary of the activity in the Division's capital assets during the years ended December 31, 2010 and 2009 is as follows:

	Balance January 1, 2010	Recategorization	Additions	Reductions	Balance December 31, 2010
			(In thousands)		
Land	$ 5,463	$	$	$	$ 5,463
Land improvements	17,061	(512)			16,549
Utility plant	1,152,834	(271,821)	121,556		1,002,569
Buildings, structures and improvements	218,420	515	1,018		219,953
Furniture, fixtures, equipment and vehicles	285,706	271,818	7,490		565,014
Construction in progress	331,519		108,712	(129,312)	310,919
Total	2,011,003	-	238,776	(129,312)	2,120,467
Less: Accumulated depreciation	(595,194)		(55,715)		(650,909)
Capital assets, net	$ 1,415,809	$ -	$ 183,061	$ (129,312)	$ 1,469,558

* Some Capital Assets were moved to more exact categories when assets were entered into the City's new Advantage Accounting System as of January 1, 2010.

CONDENSED BALANCE SHEET INFORMATION (Continued)

	Balance January 1, 2009	Additions	Reductions	Balance December 31, 2009
	(In thousands)			
Land	$ 5,463	$	$	$ 5,463
Land improvements	16,973	88		17,061
Utility plant	1,138,883	14,532	(581)	1,152,834
Buildings, structures and improvements	218,194	226		218,420
Furniture, fixtures, equipment and vehicles	214,331	72,160	(785)	285,706
Construction in progress	313,802	100,380	(82,663)	331,519
Total	1,907,646	187,386	(84,029)	2,011,003
Less: Accumulated depreciation	(546,757)	(49,782)	1,345	(595,194)
Capital assets, net	$ 1,360,889	$ 137,604	$ (82,684)	$ 1,415,809

Major events during 2010 affecting the Division's capital assets included the following:

- The construction, renovations, and plant enhancements on the Morgan, Baldwin and Nottingham facilities, the rehabilitation of the Fairmount and Kirtland pump stations and the rehabilitation of water mains amounted to $101,000,000. The major programs totaling $96,250,000 are: Security Enhancements Program, Plant Enhancement Program, Pump Station Enhancement Program, the Customer Information System, Meter Automation and Replacement and the purchase of office equipment and vehicles. The water main rehabilitation comprises the remaining $4,750,000.

Major events during 2009 affecting the Division's capital assets included the following:

- The construction, renovations, and plant enhancements on the Morgan, Baldwin and Nottingham facilities, the rehabilitation of the Fairmount and Kirtland pump stations and the rehabilitation of water mains amounted to $95,000,000. The major programs are: Security Enhancements Program, Plant Enhancement Program, Pump Station Enhancement Program, the Customer Information System, the purchase of office equipment and vehicles for $86,500,000 and water main rehabilitation for $8,500,000.

Additional information on the Division's capital assets, including commitments made for future capital expenditures, can be found in Note D to the basic financial statements.

CONDENSED BALANCE SHEET INFORMATION (Continued)

Liabilities**:** In 2010, the factors for the Division's net decrease in long-term obligations of $33,065,000 is attributed to additional Ohio Water Development Authority Loans of $18,731,000, the issuance of $131,430,000 of new bonds and notes and a decrease in the unamortized discount and premium of $2,297,000. These amounts were offset by $36,528,000 of debt retirement, $90,500,000 of debt defeased, a decrease in unamortized loss on debt refunding of $2,648,000 and a decrease in long-term accrued wages and benefits of $1,210,000.

In 2009, the factors for the Divison's net decrease in long-term obligations of $45,215,000 is attributed to additional Ohio Water Development Authority Loans of $837,000, the issuance of $165,655,000 of new bonds, and an increase in the unamortized discount and premium of $4,742,000. These amounts were offset by $32,087,000 of debt retirement, $179,845,000 of debt defeased, an increase in unamortized loss of debt refunding of $677,000 and a decrease in long-term accrued wages and benefits of $104,000.

Current Liabilities: In 2010, total current liabilities increased by $57,558,000. The significant components of the change were increases to the current portion of long-term debt obligations of $56,223,000, payable from restricted assets of $670,000, accounts payable of $802,000 and customer deposits and other liabilities of $1,703,000. These increases were offset by reductions of accrued interest of $658,000, current portion of accrued wages and benefits of $884,000 and $298,000 due to other City of Cleveland departments, divisions or funds.

In 2009, total current liabilities increased by $6,545,000. The significant components of the change were increases to the current portion of long-term debt obligations of $5,090,000, payable from restricted assets of $4,021,000 and customer deposits and other liabilities of $1,175,000. These increases were offset by reductions of accrued interest of $3,055,000, accounts payable of $150,000, current portion of accrued wages and benefits of $483,000 and $53,000 due to other City of Cleveland departments, divisions or funds.

Long-term Debt: At the end of 2010, the Division had total long-term debt outstanding of $873,646,000. All bonds are backed by the revenues generated by the Division. The Ohio Water Development Authority (OWDA) loans do not have a lien on revenues of the Division.

At the end of 2009, the Division had total long-term debt outstanding of $900,513,000. All bonds and notes are backed by the revenues generated by the Division. The Ohio Water Development Authority (OWDA) loans do not have a lien on revenues of the Division.

Short-term Debt: At the end of 2010, the Division had $50,000,000 of Subordinated Lien Revenue Notes outstanding. The notes, which are subordinate to the Division's outstanding revenue bonds, are due on July 28, 2011 and are backed by the revenues generated by the Division.

CONDENSED BALANCE SHEET INFORMATION (Continued)

The activity in the Division's debt obligations outstanding during the year ended December 31, 2010 is summarized below (excluding unamortized discounts, premiums and losses on debt refundings):

	Balance January 1, 2010	Debt Issued	Debt Defeased	Debt Retired	Balance December 31, 2010
			(In thousands)		
Water Revenue Bonds:					
Series G, 1993	$ 107,760	$	$	$ (12,930)	$ 94,830
Series H, 1996	2,095			(75)	2,020
Series J, 2001	53,050		(9,470)	(350)	43,230
Series K, 2002	57,305			(4,495)	52,810
Series N, 2005	45,855			(12,810)	33,045
Series O, 2007	138,725				138,725
Series P, 2007	135,410				135,410
Series Q, 2008	90,800				90,800
Series R, 2009	54,735		(54,735)		-
Series S, 2009	26,295		(26,295)		-
Series T, 2009	84,625			(1,285)	83,340
Series U, 2010		54,935			54,935
Series V, 2010		26,495			26,495
Ohio Water Development Authority Loans	103,858	18,731		(4,583)	118,006
Total	$ 900,513	$ 100,161	$ (90,500)	$ (36,528)	$ 873,646

	Balance January 1, 2010	Debt Issued	Debt Defeased	Debt Retired	Balance December 31, 2010
			(In thousands)		
Water Revenue Notes:					
Sub. Lien Revenue Notes, 2010	$ -	$ 50,000	$ -	$ -	$ 50,000
Total	$ -	$ 50,000	$ -	$ -	$ 50,000

CONDENSED BALANCE SHEET INFORMATION (Continued)

The activity in the Division's debt obligations outstanding during the year ended December 31, 2009 is summarized below (excluding unamortized discounts, premiums and losses on debt refundings):

	Balance January 1, 2009	Debt Issued	Debt Defeased	Debt Retired	Balance December 31, 2009
			(In thousands)		
Water Revenue Bonds:					
Series G, 1993	$ 107,760	$	$	$	$ 107,760
Series H, 1996	7,990			(5,895)	2,095
Series I, 1998	3,530			(3,530)	-
Series J, 2001	53,385			(335)	53,050
Series K, 2002	61,605			(4,300)	57,305
Series M, 2004	172,335		(171,030)	(1,305)	-
Series N, 2005	64,220		(8,815)	(9,550)	45,855
Series O, 2007	141,095			(2,370)	138,725
Series P, 2007	135,410				135,410
Series Q, 2008	90,800				90,800
Series R, 2009		54,735			54,735
Series S, 2009		26,295			26,295
Series T, 2009		84,625			84,625
Ohio Water Development Authority Loans	107,823	837		(4,802)	103,858
	$ 945,953	$ 166,492	$ (179,845)	$ (32,087)	$ 900,513

The bond ratings for the Division's outstanding revenue bonds as of December 31, 2010 are as follows:

Moody's Investors Service	Standard & Poor's
Aa1	AA

In April 2010, Moody's upgraded its rating on Water's revenue bonds as part of its recalibration of municipal bond ratings to its global scale. The ratio of net revenue available for debt service to debt service requirements (revenue bond coverage) is a useful indicator of the Division's debt position to management, customers and creditors. The Division's revenue bond coverage for 2010, 2009 and 2008 was 132%, 130% and 166%, respectively.

Additional information on the Division's long-term debt can be found in Note B on pages 26 - 36.

CONDENSED BALANCE SHEET INFORMATION (Continued)

Net Assets: Net assets serve as a useful indicator of a government's financial position. In the case of the Division, assets exceed liabilities by $1,022,666,000 $1,006,836,000 and $996,292,000 at December 31, 2010, 2009 and 2008, respectively.

Of the Division's net assets, $713,285,000 or 69.7 % and $682,816,000 or 67.8% at December 31, 2010 and 2009, respectively, reflects its investment in capital assets (e.g., land, buildings, utility plant, machinery and equipment), net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The Division uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Division'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.

An additional portion of the Division's net assets, $101,890,000 or 10.0% and $98,680,000 or 9.8% at December 31, 2010 and 2009, respectively, represents resources that are subject to external restrictions. These funds are set aside for the payment of revenue bonds or represent unspent bond proceeds relating to capital projects. The remaining balance of unrestricted net assets, $207,491,000 or 20.3% and $225,340,000 or 22.4% at December 31, 2010 and 2009, respectively, may be used to meet the Division's ongoing obligations to customers and creditors.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION

The Division's operations during 2010 and 2009 increased its net assets by $15,830,000 and $10,544,000, respectively. The following table identifies the key elements of the Division's results of operations as of and for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
		(In thousands)	
Operating revenues	$ 237,270	$ 228,235	$ 242,181
Operating expenses	205,228	197,498	185,690
Operating income	32,042	30,737	56,491
Non-operating revenue (expense):			
Investment income	4,007	4,122	10,479
Interest expense	(27,410)	(26,787)	(27,633)
Amortization of bond issuance costs, premiums and discounts	2,189	1,937	1,267
Workers' compensation refund		10	16
Gain (Loss) on disposal of capital assets	1	65	(12)
Total non-operating revenue (expense), net	(21,213)	(20,653)	(15,883)
Income (loss) before other contributions	10,829	10,084	40,608
Capital and other contributions	5,001	460	82
Increase in net assets	15,830	10,544	40,690
Net assets, beginning of year	1,006,836	996,292	955,602
Net assets, end of year	$ 1,022,666	$ 1,006,836	$ 996,292

Operating revenue: In 2010, total operating revenues increased by $9,035,000 due to a increase in pumpage of 2.1%. The major users of water were as follows: Forest City, ISG-Cleveland, Ford Motor Company, Aurora Commerce, Cuyahoga Metropolitan Housing Authority, Cleveland Clinic Foundation, NASA Lewis Research Center, Alcoa Inc. and North East Ohio Regional Sewer District .

In 2009, total operating revenues decreased by $13,946,000 due to a decrease in pumpage of 4.7%. The major users of water were as follows: Forest City, ISG-Cleveland, Cuyahoga Metropolitan Housing Authority, Ford Motor Company, Cleveland Clinic Foundation, NASA Lewis Research Center and North East Ohio Regional Sewer District .

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION (Continued)

Operating expenses: In 2010, the overall increase in operating expenses of $7,730,000 was due to a $6,705,000 increase in operations expense and a $5,933,000 increase for depreciation expense. These increases were offset by a decrease of $4,908,000 in maintenance expenses. Operations expense increases were identified in the following areas: professional services, contractual services, credit card processing fees, bad debt expense and debt service costs. The decrease in maintenance expenses were noted in the following areas: computer hardware maintenance, maintenance of utility system and building, and street construction maintenance repair. Salary and benefit costs also decreased as a result of retirements, reductions in overtime costs, hospitalization and workers compensation costs.

In 2009, the overall increase in operating expenses of $11,808,000 was due to a $39,000 increase in operations expense, $3,844,000 increase in maintenance expenses and $7,925,000 increase for depreciation expense.

Non-operating revenue (expense): The major changes in 2010 were a decrease of $115,000 in investment income (attributed to declining interest rates) and an increase of $623,000 in interest expense.

The major changes in 2009 were a decrease of $6,357,000 in investment income (attributed to declining interest rates) and an increase of $846,000 in interest expense.

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

Effective August 19, 2010, the Division issued $50,000,000 of Water Revenue Subordinated Notes. The notes, which mature on July 28, 2011, will provide a portion of the funds needed for the acquisition and installation of a new Automated Meter Reading system.

On December 30, 2010, the Division issued $54,935,000 Water Revenue Bonds, Series U, and $26,495,000 Water Revenue Bonds, Series V. Proceeds of these bonds were used to refund the outstanding Water Revenue Bonds, Series R, 2009 and Water Revenue Bonds, Series S, 2009. The Series U bonds were issued in order to eliminate high letter of credit fees and the Series V Bonds were issued to address higher than expected interest rates caused by the downgrade of the letter of credit bank.

The Division, working in conjunction with their rate consultant, Municipal and Financial Services Group, developed a detailed Comprehensive Financial Plan for the years 2011 through 2015. The major component of the plan includes annual increases in the Division's water consumption rates as well as fixed customer charges covering the same five year period, 2011 through 2015.

These increases in rates, fixed customer charges and recommended modifications to the Division's water rate structure were adopted by the Cleveland City Council on May 23, 2011. The fixed customer charge change will be effective July 16, 2011. The new fixed customer charge will be based on meter size. The first increase in a series of annual increases in water consumption charges will be effective January 1, 2012. These increases in annual water consumption charges are estimated to increase water revenue as follows: 2011- 2.4%, 2012 – 5.8%, 2013 – 3.4%, 2014 – 3.2% and 2015 – 2.5%.

ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

BALANCE SHEETS

December 31, 2010 and 2009

	2010 (In thousands)	2009 (In thousands)
ASSETS		
CAPITAL ASSETS		
Land	$ 5,463	$ 5,463
Land improvements	16,549	17,061
Utility plant	1,002,569	1,152,834
Buildings, structures and improvements	219,953	218,420
Furniture, fixtures, equipment and vehicles	565,014	285,706
	1,809,548	1,679,484
Less: Accumulated depreciation	(650,909)	(595,194)
	1,158,639	1,084,290
Construction in progress	310,919	331,519
CAPITAL ASSETS, NET	1,469,558	1,415,809
RESTRICTED ASSETS		
Cash and cash equivalents	240,916	235,087
Investments		3,085
Accrued interest receivable	77	152
TOTAL RESTRICTED ASSETS	240,993	238,324
UNAMORTIZED BOND ISSUANCE COSTS	4,911	5,612
DEFERRED OUTFLOWS OF RESOURCES	17,664	13,077
CURRENT ASSETS		
Cash and cash equivalents	158,473	158,526
Restricted cash and cash equivalents	15,727	15,057
Investments	7,102	25,640
Receivables:		
Accounts receivable - net of allowance for doubtful accounts of $19,611,000 in 2010 and $12,467,000 in 2009	49,341	51,226
Unbilled revenue	28,700	24,010
Due from other City of Cleveland departments, divisions or funds	11,864	10,812
Accrued interest receivable	65	398
Materials and supplies - at average cost, net of allowance for obsolescence of $125,500 in 2010 and $125,000 in 2009	3,940	4,109
Prepaid expenses	1,073	1,901
TOTAL CURRENT ASSETS	276,285	291,679
TOTAL ASSETS	$ 2,009,411	$ 1,964,501

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
BALANCE SHEETS
December 31, 2010 and 2009

	(In thousands) 2010	2009
NET ASSETS AND LIABILITIES		
NET ASSETS		
Invested in capital assets, net of related debt	$ 713,285	$ 682,816
Restricted for debt service	101,890	98,680
Unrestricted	207,491	225,340
TOTAL NET ASSETS	1,022,666	1,006,836
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year		
Revenue bonds	705,505	751,739
OWDA loans	112,114	98,619
Accrued wages and benefits	1,619	1,945
TOTAL LONG-TERM OBLIGATIONS	819,238	852,303
DERIVATIVE INSTRUMENTS - INTEREST RATE SWAPS	17,664	13,077
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	93,407	37,184
Accounts payable	4,305	3,503
Current payable from restricted assets	15,727	15,057
Due to other City of Cleveland departments, divisions or funds	2,223	2,521
Accrued interest	15,597	16,255
Current portion of accrued wages and benefits	10,423	11,307
Other accrued expenses	393	393
Customer deposits and other liabilities	7,768	6,065
TOTAL CURRENT LIABILITIES	149,843	92,285
TOTAL LIABILITIES	986,745	957,665
TOTAL NET ASSETS AND LIABILITIES	$ 2,009,411	$ 1,964,501

See notes to financial statements. (Concluded)

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2010 and 2009

	(In thousands) 2010	2009
OPERATING REVENUES		
Charges for services	$ 237,270	$ 228,235
TOTAL OPERATING REVENUES	237,270	228,235
OPERATING EXPENSES		
Operations	99,610	92,905
Maintenance	49,903	54,811
Depreciation	55,715	49,782
TOTAL OPERATING EXPENSES	205,228	197,498
OPERATING INCOME	32,042	30,737
NON-OPERATING REVENUE (EXPENSE)		
Investment income	4,007	4,122
Interest expense	(27,410)	(26,787)
Amortization of bond issuance costs, premiums, and discounts	2,189	1,937
Workers' compensation refund		10
Gain (loss) on disposal of capital assets	1	65
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	(21,213)	(20,653)
INCOME (LOSS) BEFORE OTHER CONTRIBUTIONS	10,829	10,084
CAPITAL AND OTHER CONTRIBUTIONS	5,001	460
INCREASE IN NET ASSETS	15,830	10,544
NET ASSETS, beginning of year	1,006,836	996,292
NET ASSETS, end of year	$ 1,022,666	$ 1,006,836

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	(In thousands) 2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 226,973	$ 214,672
Cash payments to suppliers for goods or services	(65,037)	(69,127)
Cash payments to employees for services	(75,207)	(79,788)
NET CASH PROVIDED BY(USED FOR) OPERATING ACTIVITIES	86,729	65,757
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Workers' compensation refund		10
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	-	10
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(82,684)	(86,822)
Capital grant proceeds	5,001	460
Proceeds of OWDA loan	17,367	
Principal paid on long-term debt	(36,191)	(30,291)
Interest paid on long-term debt	(40,324)	(44,343)
Cash paid to escrow agent for refunding	(91,009)	(181,819)
Proceeds of bonds, premiums and discounts	71,487	174,057
Proceeds from sale of notes	50,000	
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(106,353)	(168,758)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities		(14,250)
Proceeds from sale and maturity of investment securities	21,000	48,176
Interest received on investments	5,070	5,239
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	26,070	39,165
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,446	(63,826)
CASH AND CASH EQUIVALENTS, beginning of year	408,670	472,496
CASH AND CASH EQUIVALENTS, end of year	$ 415,116	$ 408,670

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	(In thousands) 2010	2009
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME	$ 32,042	$ 30,737
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	55,715	49,782
Changes in assets and liabilities:		
Accounts receivable, net	1,885	(14,089)
Unbilled revenue	(4,690)	5,270
Due from other City of Cleveland departments, divisions or funds	(1,052)	(7,803)
Materials and supplies, net	169	(824)
Prepaid expenses	828	284
Accounts payable	802	(150)
Due to other City of Cleveland departments, divisions or funds	(298)	(53)
Accrued wages and benefits	(1,210)	(587)
Customer deposits and other liabilities	2,538	3,190
TOTAL ADJUSTMENTS	54,687	35,020
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 86,729	$ 65,757

(Concluded)

See notes to financial statements.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Water (the Division) is reported as an Enterprise Fund of the City of Cleveland's Department of Public Utilities and is a part of the City of Cleveland's (the City) primary government. The Division was created for the purpose of supplying water services to customers within the metropolitan area. The following is a summary of the more significant accounting policies.

Reporting Model and Basis of Accounting: The accounting policies and financial reporting practices of the Division comply with accounting principles generally accepted in the United States of America applicable to governmental units. In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments,* which is effective for the year ended December 31, 2009. The City has determined that GASB Statement No. 52 has no impact on its financial statements as of December 31, 2009. In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* which is effective for the year ended December 31, 2010. The City has determined that GASB Statement No. 51 has no impact on its financial statements as of December 31, 2010. GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* was issued in June 2008. This statement requires governments to measure most derivative instruments at fair value in financial statements using the accrual basis of accounting. Specific criteria are used to determine whether a derivative instrument results in an effective hedge. Changes in fair value for effective hedges are to be recognized in the reporting period to which they relate and are reported as deferrals in the statement of net assets or the balance sheet. Derivative instruments that either do not meet the criteria for an effective hedge or are associated with investments that are already reported at fair value are to be classified as investment derivative instruments for financial reporting purposes with the change in fair value reported as part of investment revenue in the current period. As required, the City has implemented GASB Statement No. 53 effective for the 2010 fiscal year.

The Division's net assets are accounted for in the accompanying balance sheets and the net assets are divided into the following categories:

- Amount invested in capital assets, net of related debt
- Amount restricted for debt service
- Remaining unrestricted amount

In addition, certain additional financial information regarding the Division is included in these footnotes. The implementation of the new GASB statements did not result in a change in the Division's beginning net asset/equity balance as previously reported.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Activities,* all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB guidance, or 2) continuing to follow new FASB guidance (unless they conflict with GASB pronouncements). The City has chosen not to apply future FASB guidance.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues: Revenues are derived primarily from sales of water to residential, commercial and industrial customers based upon actual water consumption. Water rates are authorized by City Council and billings are made on a cyclical basis. Estimates for services between the ends of the various cycles and the end of the year are recorded as unbilled revenue.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In a statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital financing, capital and related financing, and investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased and include certificates of deposit, U.S. Treasury bills, State Treasury Asset Reserve of Ohio (STAROhio) and repurchase agreements. The City's policy is to enter into repurchase agreements with local commercial banks and to obtain confirmation of securities pledged.

Investments: The Division follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. The fair value is based on quoted market prices.

The City has invested funds in STAROhio during 2010 and 2009. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2010 and 2009.

Restricted Assets: Proceeds from debt and amounts set aside in various fund accounts for payment of revenue bonds are classified as restricted assets since their use is limited by the bond indentures.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost, or if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as a tangible item with a useful life in excess of one year and an individual cost of more than $5,000 for land, furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Utility plant	5 to 100 years
Land improvements	15 to 100 years
Buildings, structures and improvements	5 to 60 years
Furniture, fixtures, equipment and vehicles	3 to 60 years

The Division's policy is to capitalize interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of the assets and is depreciated on the straight-line basis over the estimated useful lives of such assets. The Division applies FASB guidance pertaining to capitalization of interest costs for its revenue bonds. This statement requires capitalization of interest cost of eligible borrowings, less interest earned on investment of the related bond proceeds from the date of borrowing until the assets constructed from the bond proceeds are ready for their intended use.

For 2010 and 2009, total interest costs incurred amounted to $43,139,000 and $43,983,000, respectively, of which $15,699,000 and $16,995,000, respectively, was capitalized, net of interest income of $30,000 in 2010 and $201,000 in 2009.

Bond Issuance Costs, Discounts and Unamortized Losses on Debt Refundings: Bond issuance costs are recorded as deferred expenses, and unamortized original issuance discounts are netted against long-term debt. Both are amortized over the lives of the related bonds. Unamortized losses on debt refundings are netted against long-term debt and are amortized over the shorter of the remaining life of the defeased bond or the newly issued bond.

Compensated Absences: The Division 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*. These amounts are recorded as accrued wages and benefits in the accompanying balance sheets. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

Normally, all vacation time is to be taken in the year available. The Division 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.

NOTE B – DEBT

Debt outstanding at December 31, 2010 and 2009 is as follows:

	Interest Rate	Issuance	2010	2009
			(In thousands)	
Water Revenue Bonds:				
Series G, 1993, due through 2021	5.50%	$ 228,170	$ 94,830	$ 107,760
Series H, 1996, due through 2026	5.50%-5.75%	204,885	2,020	2,095
Series J, 2001, due through 2016	4.13%-5.38%	92,595	43,230	53,050
Series K, 2002, due through 2021	3.70%-5.25%	138,050	52,810	57,305
Series N, 2005, due through 2023	3.50%-5.00%	64,480	33,045	45,855
Series O, 2007, due through 2037	4.25%-5.00%	143,570	138,725	138,725
Series P, 2007, due through 2028	4.00%-5.00%	135,410	135,410	135,410
Series Q, 2008, due through 2033	Variable	90,800	90,800	90,800
Series R, 2009, due through 2033	3.55% Swap Rate	54,735		54,735
Series S, 2009, due through 2033	3.60% Swap Rate	26,295		26,295
Series T, 2009, due through 2021	2.00%-5.00%	84,625	83,340	84,625
Series U, 2010, due through 2033	Variable	54,935	54,935	
Series V, 2010, due through 2033	Variable	26,495	26,495	
Ohio Water Development Authority Loans payable annually through 2031	0.00%-4.14%	146,162	118,006	103,858
		$ 1,491,207	873,646	900,513
Adjustments:				
Unamortized discount and premium			17,729	20,026
Unamortized loss on debt refunding			(30,349)	(32,997)
Current portion			(93,407)	(37,184)
Total Long-Term Debt			$ 767,619	$ 850,358

	Interest Rate	Issuance	2010	2009
			(In thousands)	
Water Revenue Notes:				
Sub Lien Revenue Notes, due 2011	2.00%	$ 50,000	$ 50,000	$ -
Total Short-Term Debt		$ 50,000	$ 50,000	$ -

NOTE B – DEBT (Continued)

Summary: Changes in long and short-term obligations for the year ended December 31, 2010 are as follows:

	Balance January 1, 2010	Increase	Decrease	Balance December 31, 2010	Due Within One Year
			(In thousands)		
Water Revenue Bonds:					
Series G, 1993, due through 2021	$ 107,760	$	$ (12,930)	$ 94,830	$ 13,605
Series H, 1996, due through 2026	2,095		(75)	2,020	80
Series J, 2001, due through 2016	53,050		(9,820)	43,230	365
Series K, 2002, due through 2021	57,305		(4,495)	52,810	4,715
Series N, 2005, due through 2023	45,855		(12,810)	33,045	
Series O, 2007, due through 2037	138,725			138,725	2,585
Series P, 2007, due through 2028	135,410			135,410	10,240
Series Q, 2008, due through 2033	90,800			90,800	
Series R, 2009, due through 2033	54,735		(54,735)		
Series S, 2009, due through 2033	26,295		(26,295)		
Series T, 2009, due through 2021	84,625		(1,285)	83,340	5,925
Series U, 2010, due through 2033		54,935		54,935	
Series V, 2010, due through 2033		26,495		26,495	
Ohio Water Development Authority Loans payable annually through 2031	103,858	18,731	(4,583)	118,006	5,892
Total revenue bonds/loans	900,513	100,161	(127,028)	873,646	43,407
Accrued wages and benefits	13,252	314	(1,524)	12,042	10,423
Total	$ 913,765	$ 100,475	$ (128,552)	$ 885,688	$ 53,830

	Balance January 1, 2010	Increase	Decrease	Balance December 31, 2010	Due Within One Year
			(In thousands)		
Water Revenue Notes:					
Sub Lien Revenue Notes, due 2011	$	$ 50,000	$	$ 50,000	$ 50,000
Total revenue notes	$	$ 50,000	$	$ 50,000	$ 50,000

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2010 and 2009

NOTE B – DEBT (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2009 are as follows:

	Balance January 1, 2009	Increase	Decrease	Balance December 31, 2009	Due Within One Year
			(In thousands)		
Water Revenue Bonds:					
Series G, 1993, due through 2021	$ 107,760	$	$	$ 107,760	$ 12,930
Series H, 1996, due through 2026	7,990		(5,895)	2,095	75
Series I, 1998, due through 2009	3,530		(3,530)		
Series J, 2001, due through 2016	53,385		(335)	53,050	350
Series K, 2002, due through 2021	61,605		(4,300)	57,305	4,495
Series M, 2004, due through 2033	172,335		(172,335)		
Series N, 2005, due through 2023	64,220		(18,365)	45,855	12,810
Series O, 2007, due through 2037	141,095		(2,370)	138,725	
Series P, 2007, due through 2028	135,410			135,410	
Series Q, 2008, due through 2033	90,800			90,800	
Series R, 2009, due through 2033		54,735		54,735	
Series S, 2009, due through 2033		26,295		26,295	
Series T, 2009, due through 2033		84,625		84,625	1,285
Ohio Water Development Authority Loans payable annually through 2029	107,823	837	(4,802)	103,858	5,239
Total revenue bonds/loans	945,953	166,492	(211,932)	900,513	37,184
Accrued wages and benefits	13,839	287	(874)	13,252	11,307
Total	$ 959,792	$166,779	$ (212,806)	$ 913,765	$ 48,491

NOTE B – DEBT (Continued)

Minimum principal and interest payments on long-term debt for the next five years and thereafter are as follows:

	Principal	Interest	Total
		(In thousands)	
2011	$ 43,407	$ 37,512	$ 80,919
2012	45,115	36,932	82,047
2013	50,478	34,744	85,222
2014	48,395	32,443	80,838
2015	47,753	30,216	77,969
2016-2020	225,570	117,266	342,836
2021-2025	195,639	68,833	264,472
2026-2030	128,534	32,625	161,159
2031-2035	73,235	11,396	84,631
2036-2037	17,600	891	18,491
Total	$ 875,726	$ 402,858	$ 1,278,584

Note: The table above does not include principal or interest payments due on short term debt. The Division has $50,000,000 principal and $942,000 interest due in July 2011 on its Subordinated Lien Revenue Notes.

The above schedule of minimum principal and interest payments on long-term debt includes the amortization on nine loans provided to the City of Cleveland by the Ohio Water Development Authority (OWDA).

OWDA provided the City with the amount expected to be financed, the interest rate, initial repayment date and other significant items(s) for each of the nine loans. From the information received, the City prepared a detailed amortization schedule for each loan based upon the amount expected to be financed. However, the amortization schedule is tentative and will be adjusted if, and when, OWDA revises the amount to be financed.

Further, OWDA requires the City to begin making semi-annual payments for each loan based on the agreed upon initial repayment date, regardless of whether the City has received all loan proceeds or has completed the project(s).

In 2010, the Division expended $11,842,000 for the Morgan Pretreatment and Residuals project and $6,889,000 out of an expected $9,000,000 for the Baldwin Residuals and Fairmount Reservoir. Both are 20 year loans with the first at an interest rate of 3.52% with payments which started in 2010 and the second is a zero percent interest loan.

NOTE B – DEBT (Continued)

Therefore, at December 31, 2010, the amount financed on these nine loan projects, less principal payments made, totaled $120,086,000 and was reflected in the debt service payment schedule. However, the total on the actual loan balances received by the City was $118,006,000 as reflected on the schedules of long-term debt outstanding and changes in long-term debt obligations as of December 31, 2010. The difference of $2,080,000 will be received or accrued in future year(s).

The Division has defeased certain Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. In 2010, the Division deposited cash in the amount of $9,979,000 in an escrow account for the payment of future debt service requirements. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Division's financial statements. The aggregate amount of defeased debt outstanding at December 31, 2010 and 2009 is as follows:

Bond Issue	**2010**	**2009**
	(In thousands)	
Series I, 1998	$	$ 7,005
Series J, 2001	9,470	
Series K, 2002	68,325	68,325
Series N, 2005	8,815	8,815
Series O, 2007		2,475

In 1996, the City authorized the adoption of the eighth supplemental indenture to amend and restate the existing indenture, subject to the receipt of consent of the requisite number of bondholders. With the issuance of the Series J bonds, the City reached the 66.7% consent required to enact the Amended and Restated Indenture. Effective October 5, 2001, all outstanding bonds and any future bonds are secured by the Amended and Restated Indenture. Under the new indenture, the bonds are no longer secured by a mortgage lien. All bonds are secured by the Division's net revenues and by the pledged funds.

The Division's indentures have certain restrictive covenants and principally require that bond reserve funds be maintained and charges for fees 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.

The indenture requires that at all times the Division will charge rates and fees for the products and services of the waterworks system, so that revenues will be at least sufficient to provide funds for the payment in each year of the necessary operating and maintenance expenses of the waterworks system and the greater of (1) an amount equal to 1.25 times the payments of principal, premium, if any, and interest on the revenue bonds then outstanding due in that year or (2) an amount sufficient to maintain the required balances in all funds and accounts created under the indenture. As of December 31, 2010 and 2009, the Division was in compliance with the terms and requirements of the bond indenture.

NOTE B – DEBT (Continued)

The indenture establishes the following fund accounts for the application of revenues:

Revenue Fund: All revenues will be deposited into this fund and will be used for payment of current operating expenses and deposits into other funds. An amount equal to one-sixth of the operating expenses, before depreciation, for the preceding fiscal year must be maintained in this fund.

Debt Service Fund: Deposits will be made from the revenue fund to cover succeeding principal and interest payments as they become due on the revenue bonds.

Debt Service Reserve Fund: Deposits will be made to this fund if the amount in the debt service fund at any time is less than the debt service reserve requirement. Amounts in the fund were deposited from the proceeds of the revenue bonds and represent the maximum annual debt service requirement of these bonds.

Contingency Fund: The balance in this fund must be maintained at $3,500,000.

Construction Fund: Proceeds from the revenue bonds were deposited into this fund to be used, along with earnings from investments of amounts held therein, for the payment of capital costs. Capital costs include all costs of additions, extensions, renewals, replacements, alterations, betterments and any other capital improvements to the waterworks system. Amounts held in this fund are subject to a lien in favor of bondholders and may be used to pay principal of outstanding revenue bonds to the extent that amounts in all other funds are insufficient. No payment need be made into a fund if the amounts in such fund are equal to the required fund balance, if any.

Amounts held in any fund may be invested by the City Treasurer or the trustee in permitted investments. However, the use of funds is limited by the bond indenture and, accordingly, the funds are classified as restricted assets in the accompanying financial statements.

In December 2010, the Division utilized cash on hand to defease $9,470,000 principal amount of outstanding Series J bonds. The Division placed $9,979,000 in an irrevocable trust 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 the bonds has been removed from long-term debt.

Effective August 19, 2010, the Division issued $50,000,000 of Water Revenue Subordinated Notes. The notes, which mature on July 28, 2011, will provide a portion of the funds needed for the acquisition and installation of a new Automated Meter Reading system.

NOTE B – DEBT (Continued)

Effective December 30, 2010, the Division issued $54,935,000 Water Revenue Bonds, Series U, and $26,495,000 Water Revenue Bonds, Series V. Proceeds of these bonds were used to refund the outstanding Water Revenue Bonds, Series R, 2009 and Water Revenue Bonds, Series S, 2009. The Series U bonds were issued in order to eliminate high letter of credit fees and the Series V Bonds were issued to address higher than expected interest rates caused by the downgrade of the letter of credit bank. The City negotiated a direct purchase of all of the Series U Bonds by U.S. Bank at an index rate of 75% of LIBOR plus 63.75 basis points. The City negotiated a direct purchase of the Series V Bonds by PNC Bank at an index rate of 65% of LIBOR plus 81.25 basis points. Both rates will be reset monthly and the bonds can be tendered for purchase after three years. The City obtained an economic gain (the difference between the present values of the old and new debt service payments) of approximately $2.7 million or 3.329% as a result of the refundings.

Effective February 12, 2009, the City issued $54,735,000 Water Revenue Bonds, Series R, and $26,295,000 Water Revenue Bonds, Series S. Proceeds of these bonds were used to currently refund $54,340,000 and $26,055,000, respectively, of outstanding Series M Bonds, in order to address the increased interest rates incurred on the bonds as a result of the downgrade of the bond insurer and liquidity provider. The Series R and Series S Bonds were issued as weekly variable rate demand bonds. The Series R Bonds are secured by a direct pay letter of credit issued by BNP Paribas and the Series S Bonds are secured by a letter of credit provided by Allied Irish Banks, p.l.c. In conjunction with the issuance of the Series R and Series S Bonds, the City issued $84,625,000 Water Revenue Bonds, Series T, effective February 25, 2009 to currently refund the remaining $90,635,000 Series M Bonds. The Series T Bonds were issued as fixed rate bonds and produced $9.6 million of debt service savings or an economic gain (the difference between the present values of the old and new debt service payments) of approximately $7.6 million or 8.4%. Upon the issuance of the Series R, Series S and Series T Bonds, the Series M Bonds were defeased and the liability for these bonds has been removed from long-term debt. Additionally, in conjunction with these refundings, the interest rate swap associated with the Series M Bonds was transferred to the Series Q, Series R and Series S Bonds.

The City has pledged future Water System revenues, net of specified operating expenses, to repay $805,640,000 in various Water Improvement Revenue Bonds and notes issued in various years since 1993. Proceeds from the bonds provided financing for Water System improvements. 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 77% of net revenues. The total principal and interest remaining to be paid on the various Water Improvement Revenue Bonds Notes is $1,175,105,000. Principal and interest paid for the current year and total net revenues were $69,597,000 and $91,763,000, respectively.

Interest Rate Swap Transactions:

Upon the refunding of the Series M Bonds in 2009, the Division's swap is became associated with the Series Q, Series R and Series S Bonds. When the Series R and S Bonds were refunded in 2010, the swap was transferred to a portion of the new Series U and V bonds.

NOTE B – DEBT (Continued)

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. (Bear Stearns), (which has since been acquired by JPMorgan Chase Bank, N.A. (JPM)), was the counterparty on a two-thirds pro-rata share of the transaction and Morgan Stanley Capital Services Inc. (Morgan Stanley) is the counterparty on a one-third pro-rata share of the transaction.

Under the original swap agreements for the Series M Bonds, the Water System was 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 were 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 Financial Security Assurance (FSA). As part of the refunding of the Series M Bonds, the City amended and restated the original swap agreements to (a) eliminate the swap insurance and related insurer rights, (b) modify the payment frequency, (c) transfer the original swap agreement from Bear Stearns to JPM and (d) split each original swap agreement into two separate interest rate swaps in order to hedge separate series of bonds. The original Bear Stearns swap which has been assumed by JPM hedged the entire principal amount of Series R and certain maturities of the Series Q Bonds. The original Morgan Stanley swap hedged the entire principal amount of Series S and a portion of the Series Q Bonds. The floating rate received by the City was not altered. However, the fixed rate paid by the City was adjusted to 3.553% for the JPM swap and 3.5975% for the Morgan Stanley swap. The termination date for the swaps associated with the Series Q is January 1, 2021 while the termination date for the Series R and Series S swaps is January 1, 2033. Net payments are now exchanged monthly. With the refunding of the Series R and Series S Bonds, the JPM swap now hedges all but $200,000 of the Series U Bonds and the Morgan Stanley Swap hedges all but $200,000 of the Series V Bonds.

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 Securities Industry Financial Markets Association (SIFMA) (tax-exempt) and LIBOR (taxable) interest rates has been 67%, this relationship may not always 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. As a result of the turmoil in the financial markets since 2008, the SIFMA/LIBOR ratio was significantly higher than 67% for portions of the year. 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 the financing.

NOTE B – DEBT (Continued)

Counterparty Risk: The City selected highly rated counterparties in order to minimize this risk. However, in the wake of the subprime mortgage crisis, Bear Stearns was acquired by JPM. The portion of the City's swap with Bears Stearns as the counterparty has been assumed by JPM. Over the long-term it is possible that the credit strength of JPM and/or Morgan Stanley 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 and Morgan Stanley, or by JPM 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 (including accrued amounts) at December 31, 2010 and December 31, 2009 as reported by JPM and Morgan Stanley totaled $17,664,000 and $13,077,000, respectively, which would be payable by the City.

Derivative Instruments: Derivative instruments are contracts, the value of which depends on, or derives from, the value of an underlying asset, index or rate. The most common types of derivatives used by governments are interest rate swaps and interest rate locks. The City has entered into various derivative or hedging agreements since 1996. A detailed description of each outstanding derivative, including its terms, objectives, risks and fair value, can be found in the section discussing the bonds to which the derivative relates.

	Changes in Fair Value		Fair Value at December 31, 2010		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Business Type Activities:			***(In thousands)***		
Cash flow hedges:					
Floating to fixed interest rate swaps					
2008 Q Water Swap	Deferred outflow	$ (1,510)	Debt	$ (7,951)	$ 88,640
2010 U Water Swap	Deferred outflow	(2,054)	Debt	(6,437)	54,735
2010 V Water Swap	Deferred outflow	(1,023)	Debt	(3,276)	26,295

	Changes in Fair Value		Fair Value at December 31, 2009		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Business Type Activities:			***(In thousands)***		
Cash flow hedges:					
Floating to fixed interest rate swaps					
2008 Q Water Swap	Deferred inflow	$ 8,035	Debt	$ (6,441)	$ 90,000
2009 R Water Swap	Deferred inflow	4,887	Debt	(4,383)	54,735
2009 S Water Swap	Deferred inflow	2,347	Debt	(2,253)	26,295

NOTE B – DEBT (Continued)

The following table presents the objective and significant terms of the City's derivative instruments at December 31, 2010, along with the credit rating of each swap counterparty.

Bonds	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Water Series Q	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series Q Water System Bonds	$ 58,365,000	8/10/2004	1/1/2021	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa1/AA-/AA-
Water Series Q	Pay Fixed Interest Rate Swap	Hedge of changes in cash flow on the Series Q Water System Bonds	$ 30,275,000	8/10/2004	1/1/2021	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	A2/A/A
Water Series U	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series U Water System Bonds	$ 54,735,000	2/12/2009	1/1/2033	Pay 3.553%, receive 61.25% of LIBOR + 28 bps	Aa1/AA-/AA-
Water Series V	Pay Fixed Interest Rate Swap	Hedge in changes in cash flow on the Series V Water System Bonds	$ 26,295,000	2/12/2009	1/1/2033	Pay 3.5975%, receive 61.25% of LIBOR + 28 bps	A2/A/A

The following table presents the aggregate debt service requirements on the City's hedged debt and net receipts/payments on the associated hedging derivative instruments as of December 31, 2010. These amounts assume that the interest rates on variable rate bonds and the reference rates in existence as of December 31, 2010 remain the same for the life of the hedging agreement. However, these rates will vary over time and the actual interest payments on the variable rate bonds and the net receipts/payments on the hedging derivative instruments will deviate from the numbers presented below.

Fiscal Year Ending December 31	Principal	Interest	Hedging Derivatives, Net	Total
		(In thousands)		
2011	$	$ 584	$ 5,135	$ 5,719
2012		584	4,940	5,524
2013		584	4,738	5,322
2014		584	4,477	5,061
2015		584	4,201	4,785
2016-2020		2,921	18,358	21,279
2021-2025	66,105	9,463	8,376	83,944
2026-2030	69,895	941	843	71,679
2031-2033	35,830	74	67	35,971
Total	$ 171,830	$ 16,319	$ 51,135	$ 239,284

NOTE B – DEBT (Continued)

Ohio Water Development Authority (OWDA) Loans: These loans are payable from net revenues derived from the Waterworks System. These obligations do not have a lien on revenues of the Division. The Division received an increase in OWDA loans in the amount of $18,731,000 and $837,000 during 2010 and 2009, respectively. The current loans are being paid directly to the contractor by the State of Ohio, but accounted for as if the Division received and disbursed those monies.

NOTE C – DEPOSITS AND INVESTMENTS

Deposits: The carrying amount of the Division's deposits at December 31, 2010 and 2009 totaled $155,335,000 and $57,791,000, respectively, and the Division's bank balances were $154,818,000 and $57,330,000, respectively. The differences represent normal reconciling items.

Based on the criteria described in GASB Statement No.3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, $154,818,000 and $57,330,000 of the bank balances at December 31, 2010 and 2009, respectively, were insured or collateralized with securities held by the City or by its agent in the City's name.

Investments: The City's investment policies are governed by state statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; bonds and other State obligations; certificates of deposit; U.S. Government Money Market Mutual Funds; State Treasury Asset Reserve (STAROhio); guaranteed investment contracts and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers and are not to exceed a period of one year and confirmation of securities pledged must be obtained. 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; significant changes in market conditions could materially affect portfolio value.

Interest rate risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the Division invests primarily in short-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity. Investment maturities are disclosed in the table below.

NOTE C – DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Division will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The Division does not have an investment policy dealing with investment custodial credit risk beyond the requirement in the state statute.

Credit Risk: The Division's investments as of December 31, 2010 and 2009 include U.S. Agencies, repurchase agreements, STAROhio, mutual funds and guaranteed investment contracts. The Division maintains the highest ratings for their investments. Investments in FFCB agency securities are rated AAA by Standard & Poor's. Investments in STAROhio and Allegiant Government Money Market Funds 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 Division has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: The Division places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. The Division had the following investments at December 31, 2010 and 2009, which include those classified as cash and cash equivalents in the balance sheet in accordance with the provisions of GASB Statement No. 9 since they have a maturity of three months or less:

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2010 and 2009

Type of Investment	2010 Fair Value	2010 Cost	2009 Fair Value	2009 Cost	Investment Maturities Less than One Year	Investment Maturities 1 - 5 Years
			(In thousands)			
U.S. Agency Obligations	$ 7,102	$ 6,998	$ 28,725	$ 27,997	$ 7,102	$
Repurchase Agreement			14,320	14,320		
STAROhio	23,926	23,926	59,907	59,907	23,926	
Investment in Mutual Funds	199,005	199,005	239,802	239,802	199,005	
Guaranteed Investment Contracts	36,850	36,850	36,850	36,850		36,850
Total Investments	266,883	266,779	379,604	378,876	230,033	36,850
Total Deposits	155,335	155,335	57,791	57,791	155,335	
Total Deposits and Investments	$ 422,218	$ 422,114	$ 437,395	$ 436,667	$ 385,368	$ 36,850

As of December 31, 2010, the investments in U.S. Agency Obligations, STAROhio, mutual funds and guaranteed investment contracts are approximately 3%, 9%, 74% and 14%, respectively, of the Division's total investments. As of December 31, 2009, the investments in U.S. Agency Obligations, repurchase agreements, STAROhio, mutual funds and guaranteed investment contracts are approximately 7%, 4%, 16%, 63% and 10%, respectively, of the Division's total investments.

The City's current guaranteed investment contracts are not categorized as investments on the financial statements because they are reserved against future debt service requirements and may need to be liquidated prior to maturity.

NOTE D – CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2010 was as follows:

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2010 and 2009

	Balance January 1, 2010	* Recategorizations	Additions	Deletions	Balance December 31, 2010
			(In thousands)		
Capital assets, not being depreciated:					
Land	$ 5,463	$	$	$	$ 5,463
Construction in progress	331,519		108,712	(129,312)	310,919
Total capital assets, not being depreciated	336,982	-	108,712	(129,312)	316,382
Capital assets, being depreciated:					
Land improvements	17,061	(512)			16,549
Utility plant	1,152,834	(271,821)	121,556		1,002,569
Buildings, structures and improvements	218,420	515	1,018		219,953
Furniture, fixtures, equipment and vehicles	285,706	271,818	7,490	-	565,014
Total capital assets, being depreciated	1,674,021	-	130,064	-	1,804,085
Less: Accumulated depreciation	(595,194)		(55,715)		(650,909)
Total capital assets being depreciated, net	1,078,827	-	74,349	-	1,153,176
Capital assets, net	$ 1,415,809	$ -	$ 183,061	$ (129,312)	$ 1,469,558

* Some Capital Assets were moved to more exact categories when assets were entered into the City's new Advantage Accounting System as of January 1, 2010.

NOTE D – CAPITAL ASSETS (Continued)

Capital Asset Activity: Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance January 1, 2009	Additions	Deletions	Balance December 31, 2009
		(In thousands)		
Capital assets, not being depreciated:				
Land	$ 5,463	$	$	$ 5,463
Construction in progress	313,802	100,380	(82,663)	331,519
Total capital assets, not being depreciated	319,265	100,380	(82,663)	336,982
Capital assets, being depreciated:				
Land improvements	16,973	88		17,061
Utility plant	1,138,883	14,532	(581)	1,152,834
Buildings, structures and improvements	218,194	226		218,420
Furniture, fixtures, equipment and vehicles	214,331	72,160	(785)	285,706
Total capital assets, being depreciated	1,588,381	87,006	(1,366)	1,674,021
Less: Accumulated depreciation	(546,757)	(49,782)	1,345	(595,194)
Total capital assets being depreciated, net	1,041,624	37,224	(21)	1,078,827
Capital assets, net	$ 1,360,889	$ 137,604	$ (82,684)	$ 1,415,809

Commitments: The Division has outstanding commitments at December 31, 2010 and 2009 of approximately $185,209,000 and $205,811,000, respectively, for future capital expenditures, respectively. It is anticipated that these commitments will be financed from the Division's cash balances; however, at the discretion of the Division, additional long-term debt may be issued in the future to finance a portion of the costs.

NOTE E – DEFINED BENEFIT PENSION PLAN

***Ohio Public Employees Retirement System*:** All full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1) The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.
2) The Member-Directed Plan – 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 – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions 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 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, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2010, 2009 and 2008. The employer contribution rates were 14.00% of covered payroll in 2010, 2009 and 2008. The Division's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2010, 2009 and 2008 were approximately $5,286,000, $4,975,000, and $3,969,000 each year, respectively. The required payments due in 2010, 2009 and 2008 have been made.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS

***Ohio Public Employees Retirement System*:** All full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – 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 postemployment 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 the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postemployment 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.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 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 writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides the 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 funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2010, 2009 and 2008. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll.

The Ohio Revised Code provides the 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 funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2010, 2009 and 2008. 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 Postemployment 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 postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 5.50% from January 1, 2010 through February 28, 2010 and 5.00% from March 1, 2010 through December 31, 2010 and 7.00% from January 1, 2009 through March 31, 2009 and 5.50% from April 1, 2009 through December 31, 2009, and 7.00% in 2008. 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 their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Division's actual contributions to OPERS to fund postemployment benefits were approximately $3,013,000, $3,597,000 and $3,969,000 in 2010, 2009 and 2008, respectively.

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.

NOTE G – CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Division for personal injuries, property damage and other matters. The City is responsible for the suits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Division's financial position, results of operations or cash flows.

Risk Management: The Division 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 Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2010 or 2009.

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. The City participates in the State of Ohio workers' compensation retrospective rating program.

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.

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. Claims liability for the Division is immaterial.

NOTE H – RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides water services to the City of Cleveland, including its various departments and divisions. Standard consumption rates are charged, except for the Division of Fire, public buildings and certain other facilities owned by the City of Cleveland, which by ordinance are provided free water services.

The Division performs billing and collection services for the Division of Water Pollution Control for a fee. This fee is based on the number of billings made on behalf of that division during the year at the same rates as charged to other users of the billing system. Revenue realized from the Division of Water Pollution Control for such services was approximately $2,350,000 and $2,298,000 in 2010 and 2009, respectively. The Division also provides miscellaneous services to other departments and divisions of the City. Revenue realized from such services was approximately $2,191,000 and $3,080,000 in 2010 and 2009, respectively.

NOTE H – RELATED PARTY TRANSACTIONS (Continued)

Operating Expenses: The Division is provided various intra-city services. Charges are based on actual use or on a reasonable pro-rata basis. The more significant costs for the years ended December 31 were as follows:

	2010	2009
	(In thousands)	
Electricity purchases	$ 12,697	$ 12,318
City administration	2,739	2,735
Motor Vehicle Maintenance	2,353	2,679
Telephone exchange	861	724
Utilities Administration and Utilities Fiscal Control	2,727	2,968
Street construction	598	958

NOTE I – CUYAHOGA COUNTY REAL PROPERTY TAXES

The Division is required by ordinance to keep records of the estimated property taxes which would be payable to Cuyahoga County were it subject to such taxes. The estimated property taxes for the Division, based on book value of real estate at the current tax rates, would have been approximately $4,141,000 and $4,956,000 for the years ended December 31, 2010 and 2009, respectively.

NOTE J- SUBSEQUENT EVENTS

The City of Cleveland Division of Water, working in conjunction with their rate consultant, Municipal and Financial Services Group, developed a detailed Comprehensive Financial Plan for the years 2011 through 2015. The major component of the plan includes annual increases in the Division’s water consumption rates as well as fixed customer charges covering the same five year period, 2011 through 2015.

These increases in rates, fixed customer charges and recommended modifications to the Division’s water rate structure were adopted by the Cleveland City Council on May 23, 2011. The fixed customer charge change will be effective July 16, 2011. The new fixed customer charge will be based on meter size. The first increase in a series of annual increases in water consumption charges will be effective January 1, 2012.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2010 and 2009

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

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INDEPENDENT AUDITORS' REPORT

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee
Division of Water Pollution Control
Department of Public Utilities
City of Cleveland, Ohio:

We have audited the accompanying basic financial statements of the Division of Water Pollution Control, Department of Public Utilities, City of Cleveland, Ohio (the Division) as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit. The basic financial statements of the Division as of December 31, 2009 were audited by other auditors whose report dated June 28, 2010, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the financial statements present only the financial position and the changes in financial position and cash flows of the Division and do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2010 and 2009, and the respective changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United State of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Division of Water Pollution Control, Department of Public Utilities, City of Cleveland, Ohio as of December 31, 2010, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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The management's discussion and analysis on pages 3-11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2011

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Utilities, Division of Water Pollution Control (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the years ended December 31, 2010 and 2009. Please read this information in conjunction with the Division's basic financial statements and footnotes that begin on page 13.

The Division was created for the purpose of supplying sewer services to customers within the Cleveland metropolitan area. Embarking with a rudimentary system in the late 1800's, the Cleveland Sewer System developed as the City itself expanded. Until the early 1970's, the City operated the entire system and managed all aspects of sewage treatment and disposal.

In 1972, a court order created the Northeast Ohio Regional Sewer District (NEORSD) and transferred the operation of all wastewater treatment plants and interceptors to the NEORSD during December 1973.

The City retained responsibility for the sewer collector system in Cleveland. The Division serves a significant portion of the entire metropolitan area by managing the sanitary sewage and storm water drainage collection system. The sewer collection system transfers sanitary and storm sewage from its point of origin to an interceptor sewer or treatment plant for processing. The system is comprised of 1,200 miles of sewer lines with attendant catch basins and includes 18 pump/lift stations. The Division is also responsible for the cleaning of 127,000 catch basins and for maintaining two storm detention basins.

The Division currently has 113,322 customer accounts in the City of Cleveland of which 96.4% are residential and 3.6% commercial. Also, in 2010, the Division's sewers transported 2,066,480 Mcf's (thousand cubic feet) of water.

The Division's capital improvement program is supported by a "pay as you go" system funded by its operating revenue and loans. The Division has a low debt burden. The Division maintains an unencumbered cash balance that allows its current debts to be paid. Maintaining this approach helps the Division stabilize the rates charged to its customers.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEARS' DATA

FINANCIAL HIGHLIGHTS

- The assets of the Division exceeded its liabilities (net assets) by $99,104,000, $97,615,000 and $93,814,000 at December 31, 2010, 2009 and 2008, respectively. Of these amounts, $33,267,000, $30,948,000 and $30,154,000 are unrestricted net assets at December 31, 2010, 2009 and 2008, respectively, may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's net assets increased by $1,489,000, operating revenues decreased by $2,590,000, maintenance expenses decreased by $874,000. In addition, investment income decreased by $83,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

- Regular sewage rates increased from $12.03 per thousand cubic feet in 2009 to $12.53 per thousand cubic feet in 2010. Also, homestead sewage rates increased from $7.13 per thousand cubic feet in 2009 to $7.43 per thousand cubic feet in 2010.

- During 2010, the Division's net capital assets decreased by $1,297,000. In 2009, the Division's net capital assets increased by $2,351,000. The major additions during 2010 were for sewer line replacements and buildings improvements, offset by depreciation expense.

- The Division's total debt decreased in 2010 and 2009 by 12.3% and 14.7%, respectively, due to the continuing scheduled debt payments made during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Division's basic financial statements. The accompanying financial statements present financial information for the City's Division of Water Pollution Control Fund, in which the City accounts for the operations of the Department of Public Utilities, Division of Water Pollution Control. 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.

The Division of Water Pollution Control Fund is considered an enterprise fund because the operations of the Division are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and the accrual basis of accounting is used. This is similar to businesses in the private sector.

The basic financial statements of the Division can be found on pages 13 - 18 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 19 - 32 of this report.

CONDENSED BALANCE SHEET INFORMATION

Provided below is the condensed balance sheet information for the Division as of December 31, 2010, 2009 and 2008:

	2010	2009	2008
		(In thousands)	
Assets:			
Capital assets, net	$ 69,166	$ 70,463	$ 68,112
Restricted assets	1,250	1,602	
Current assets	152,449	132,820	114,271
Total assets	222,865	204,885	182,383
Net Assets and Liabilities:			
Net assets:			
Invested in capital assets, net of related debt	65,837	66,667	63,660
Unrestricted	33,267	30,948	30,154
Total net assets	99,104	97,615	93,814
Liabilities:			
Long-term obligations	3,010	3,520	3,980
Current liabilities	120,751	103,750	84,589
Total liabilities	123,761	107,270	88,569
Total net assets and liabilities	$ 222,865	$ 204,885	$ 182,383

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION (Continued)

Current Assets: In 2010, there was a $19,629,000 increase in current assets due to the increase in net accounts receivable of $11,913,000, which is the result of a rate increase in the current year and slower collections due to the economy. There were also increases in current cash and cash equivalents and unbilled revenue of $7,229,000 and $458,000, respectively. In 2009, there was a $18,549,000 increase in current assets due to the increase in net accounts receivable of $26,539,000, offset by a decreases in cash and cash equivalents and investments of $6,955,000 and unbilled revenue of $958,000.

Capital Assets: The Division's investment in capital assets as of December 31, 2010 amounted to $69,166,000 (net of accumulated depreciation). This was a decrease of 1.84%. During 2009 and 2008, the Division's investment in capital assets amounted to $70,463,000 and $68,112,000, respectively. The totals increased by 3.45% in 2009 and .22% in 2008. A summary of the activity in the Division's capital assets during the years ended December 31, 2010 and 2009 is as follows:

	Balance January 1, 2010	Recategorizations	Additions	Reductions	Balance December 31, 2010
			(In thousands)		
Land	$ 297	$		$	$ 297
Utility plant	125,614	(35)	2,981		128,560
Buildings, structures and improvments	2,658		6,290		8,948
Furniture, fixture, equipment and vehicles	12,221	35	718		12,974
Construction in progress	13,688	-	3,032	(9,317)	7,403
Total	154,478	-	13,021	(9,317)	158,182
Less: Accumulated depreciation	(84,015)	-	(5,001)	-	(89,016)
Capital assets, net	$ 70,463	$ -	$ 8,020	$ (9,317)	$ 69,166

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION (Continued)

	Balance January 1, 2009	Additions	Reductions	Balance December 31, 2009
	(In thousands)			
Land	$ 297	$	$	$ 297
Utility plant	124,682	932		125,614
Buildings, structures and improvments	2,658			2,658
Furniture, fixture, equipment and vehicles	11,236	985		12,221
Construction in progress	8,365	6,255	(932)	13,688
Total	147,238	8,172	(932)	154,478
Less: Accumulated depreciation	(79,126)	(4,889)	-	(84,015)
Capital assets, net	$ 68,112	$ 3,283	$ (932)	$ 70,463

During 2010, the capital additions of building improvements were $6,290,000. Major capital projects/expenses for the year included:

- Kirby Avenue Building Improvement
- Big Creek Sewer Replacement
- Henninger Avenue Sewer Replacement

During 2009, utility plant sewer line capital additions were $932,000. Major capital projects/expenses included:

- Westchester Avenue Sewer Replacement
- West 127th Street Sewer Replacement
- Marcella Drive Sewer Replacement

Additional information on the Division's capital assets, including commitments made for future capital expenditures, can be found in Note D.

CONDENSED BALANCE SHEET INFORMATION (Continued)

Current Liabilities: Total current liabilities increased by $17,001,000. The major component was an increase of $15,637,000 in amounts due for billings on behalf of others. During 2009, total current liabilities increased by $19,161,000. The major component was an increase of $15,739,000 in amounts due for billings on behalf of others.

Long-Term Debt: At the end of the current year, the Division had total debt outstanding of $3,329,000 associated with five OWDA construction loans and two OPWC construction loans. At the end of the 2009, the Division had total debt outstanding of $3,796,000, respectively, associated with these loans. These loans are payable by revenues generated by the Division.

The activity in the Division's debt obligations outstanding during the year ended December 31, 2010 is summarized below:

	Balance January 1, 2010	Debt Issued	Debt Refunded	Debt Retired	Balance December 31, 2010
			(In thousands)		
Ohio Water Development Authority Loans (OWDA)	$ 3,509	$	$	$ (443)	$ 3,066
Ohio Public Works Commission Loans (OPWC)	287			(24)	263
Total	$ 3,796	$ -	$ -	$ (467)	$ 3,329

The activity in the Division's debt obligations outstanding during the year ended December 31, 2009 is summarized below:

	Balance January 1, 2009	Debt Issued	Debt Refunded	Debt Retired	Balance December 31, 2009
			(In thousands)		
Ohio Water Development Authority Loans (OWDA)	$ 4,141	$	$	$ (632)	$ 3,509
Ohio Public Works Commission Loans (OPWC)	311			(24)	287
Total	$ 4,452	$ -	$ -	$ (656)	$ 3,796

CONDENSED BALANCE SHEET INFORMATION (Continued)

Additional information on the Division's long-term debt can be found in Note B on pages 22 - 24.

Net Assets: Net assets serve as a useful indicator of a government's financial position. In the case of the Division, assets exceeded liabilities by $99,104,000, $97,615,000 and $93,814,000 at December 31, 2010, 2009 and 2008, respectively.

By far, the largest portion of the Division's net assets, $65,837,000 or 66% and $66,667,000 or 68%, at December 31, 2010 and 2009, respectively, reflects its investment in capital assets (e.g., land, buildings, utility plant, machinery and equipment), net of accumulated depreciation, less any related outstanding debt used to acquire those assets. The Division uses these capital assets to provide services to its customers. Consequently, these assets are not available for future spending. Although the Division'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 sources since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of net assets, $33,267,000 or 34% and $30,948,000 or 32% at December 31, 2010 and 2009, respectively, are unrestricted and may be used to meet the Division's ongoing obligations to customers and creditors.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION

The Division's operations during 2010 increased its net assets by $1,489,000 and during 2009 increased its net assets by $3,801,000 respectively. Provided below are the key elements of the Division's results of operations for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
		(In thousands)	
Operating revenues	$ 25,110	$ 27,700	$ 26,344
Operating expenses	23,926	23,888	22,773
Operating income	1,184	3,812	3,571
Non-operating revenue (expense):			
Investment income	41	124	989
Interest expense	(139)	(157)	(174)
Other	13	22	912
Total non-operating revenue (expense), net	(85)	(11)	1,727
Income (loss) before other contributions	1,099	3,801	5,298
Capital and other contributions	390		70
Increase (decrease) in net assets	1,489	3,801	5,368
Net assets, beginning of year	97,615	93,814	88,446
Net assets, end of year	$ 99,104	$ 97,615	$ 93,814

Operating revenues: Total operating revenues amounted to $25,110,000 in 2010, of which $23,170,000 (92%) was from the sale of sewer services to customers and $1,940,000 (8%) was from miscellaneous services and sales. In 2009, total operating revenues amounted to $27,700,000, of which $27,258,000 (98%) was from the sale of sewer services to customers and $442,000 (2%) was from miscellaneous services and sales.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION (Continued)

Operating expenses: In 2010, total operating expenses increased by $38,000 (0.16%). However, there was a decrease in maintenance costs by $874,000 (8.9%). In 2009, total operating expenses increased by $1,115,000 (4.9%). This rise was mainly due to an increase in maintenance costs.

Non-operating revenues and expenses: In 2010, investment income decreased by $83,000 (66.9%). In 2009, investment income decreased by $865,000 (87.5%). The decrease was due to lower interest rates and significantly fewer long-term investments.

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

Sewage rate increases will continue to have a positive impact on the financial position of the Division:

PER Mcf		
EFFECTIVE	**REGULAR**	**HOMESTEAD**
January 1, 2010	$ 12.53	$7.43
January 1, 2011	$12.78	$7.58

In June 2006, legislation was passed for the above sewer rates increase that has enabled the Division to continue to maintain and provide superior sewer services to its customers. The Division is currently researching potential increases beginning in 2012.

The installation of a Supervisory Control and Data Acquisition (SCADA) system has greatly enhanced pump station maintenance from a central location at the Kirby Road Main Facility. The system has assisted in discovering problems in a timely manner and has reduced the manpower needed to check lift stations.

Monitoring sewer lines electronically from a central location has enabled the Division to utilize its limited manpower efficiently. The system is vital to the Division's desire to minimize the potential for any future environmental hazards.

ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
BALANCE SHEETS
December 31, 2010 and 2009

	2010	2009
	(In thousands)	
ASSETS		
CAPITAL ASSETS		
Land	$ 297	$ 297
Utility plant	128,560	125,614
Buildings, structures and improvements	8,948	2,658
Furniture, fixtures, equipment and vehicles	12,974	12,221
	150,779	140,790
Less: Accumulated depreciation	(89,016)	(84,015)
	61,763	56,775
Construction in progress	7,403	13,688
CAPITAL ASSETS, NET	69,166	70,463
RESTRICTED ASSETS		
Cash and cash equivalents	1,250	1,602
CURRENT ASSETS		
Cash and cash equivalents	37,449	30,220
Receivables:		
Accounts receivable - net of allowance for doubtful accounts of $5,250,000 in 2010 and $3,648,000 in 2009	112,040	100,127
Unbilled revenue	2,297	1,839
Due from other City of Cleveland departments, divisions or funds	418	443
Materials and supplies - at average cost	245	191
TOTAL CURRENT ASSETS	152,449	132,820
TOTAL ASSETS	$ 222,865	$ 204,885

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
BALANCE SHEETS
December 31, 2010 and 2009

	2010	2009
	(In thousands)	
NET ASSETS AND LIABILITIES		
NET ASSETS		
Invested in capital assets, net of related debt	$ 65,837	$ 66,667
Unrestricted	33,267	30,948
TOTAL NET ASSETS	99,104	97,615
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year:		
OWDA loans	2,604	3,066
OPWC loans	239	263
Accrued wages and benefits	167	191
TOTAL LONG-TERM OBLIGATIONS	3,010	3,520
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	486	467
Accounts payable	437	145
Construction payable	994	744
Amounts due for billing on behalf of others	108,245	92,608
Due to other City of Cleveland departments, divisions or funds	8,849	7,911
Current portion of accrued wages and benefits	1,584	1,755
Other accrued expenses	65	65
Customer deposits and other liabilities	91	55
TOTAL CURRENT LIABILITIES	120,751	103,750
TOTAL LIABILITIES	123,761	107,270
TOTAL NET ASSETS AND LIABILITIES	$ 222,865	$ 204,885

(Concluded)

See notes to financial statements.

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DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2010 and 2009

	(In thousands) 2010	2009
OPERATING REVENUES		
Charges for services	$ 25,110	$ 27,700
TOTAL OPERATING REVENUES	25,110	27,700
OPERATING EXPENSES		
Operations	9,998	9,198
Maintenance	8,927	9,801
Depreciation	5,001	4,889
TOTAL OPERATING EXPENSES	23,926	23,888
OPERATING INCOME (LOSS)	1,184	3,812
NON-OPERATING REVENUE (EXPENSE)		
Investment income	41	124
Interest expense	(139)	(157)
Other	13	22
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	(85)	(11)
INCOME (LOSS) BEFORE OTHER CONTRIBUTIONS	1,099	3,801
Capital and other contributions	390	
INCREASE (DECREASE) IN NET ASSETS	1,489	3,801
NET ASSETS, BEGINNING OF YEAR	97,615	93,814
NET ASSETS, END OF YEAR	$ 99,104	$ 97,615

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	(In thousands) 2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 21,275	$ 24,501
Cash payments to suppliers for goods or services	(6,074)	(6,870)
Cash payments to employees for services	(10,352)	(10,434)
Agency activity on behalf of other sewer authorities	6,298	(3,587)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	11,147	3,610
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(4,094)	(8,257)
Principal paid on long-term debt	(467)	(656)
Interest paid on long-term debt	(140)	(243)
Capital grant proceeds	390	
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(4,311)	(9,156)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investment securities		4,982
Interest received on investments	41	247
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	41	5,229
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,877	(317)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	31,822	32,139
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 38,699	$ 31,822

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	(In thousands) 2010	2009
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	$ 1,184	$ 3,812
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	5,001	4,889
Changes in assets and liabilities:		
Accounts receivable, net	(11,913)	(26,539)
Accrued and unbilled revenue	(458)	958
Due from other City of Cleveland departments, divisions or funds	25	(44)
Materials and supplies, net	(54)	52
Accounts payable	292	(51)
Amounts due for billings on behalf of others	15,637	15,739
Due to other City of Cleveland departments, divisions or funds	938	4,394
Accrued wages and benefits	(195)	93
Customer deposits and other liabilities	690	307
TOTAL ADJUSTMENTS	9,963	(202)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 11,147	$ 3,610

(Concluded)

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Water Pollution Control (the Division) is reported as an Enterprise Fund of the City of Cleveland's Department of Public Utilities and is a part of the City of Cleveland's (the City) primary government. The Division was created for the purpose of supplying sewer services to customers within the metropolitan area. The following is a summary of the more significant accounting policies.

Reporting Model and Basis of Accounting: The accounting policies and financial reporting practices of the Division comply with accounting principles generally accepted in the United States of America applicable to governmental units. In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments,* which is effective for the year ended December 31, 2009. The City has determined that GASB Statement No. 52 has no impact on its financial statements as of December 31, 2009. In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which is effective for the year ended December 31, 2010. The City has determined that GASB Statement No. 51 has no impact on its financial statements as of December 31, 2010. GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* was issued in June 2008. The City has determined that GASB Statement No. 53 has no impact on its financial statements as of December 31, 2010.

The Division's net assets are accounted for in the accompanying balance sheets and the net assets are divided into the following categories:

- Amount invested in capital assets, net of related debt.
- Remaining unrestricted amount.

In addition, certain additional financial information regarding the Division is included in these footnotes. The implementation of the new GASB statements did not result in a change in the Division's beginning net asset/equity balance as previously reported.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Activities*, all Proprietary Funds will continue to follow Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989. However, from that date forward, Proprietary Funds will have the option of either 1) choosing not to apply future FASB guidance or 2) continuing to follow new FASB guidance(unless they conflict with GASB pronouncements). The City has chosen not to apply future FASB guidance.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues: Revenues are derived primarily from sales of sewer services to residential, commercial and industrial customers based upon actual water consumption. Sewer rates are authorized by City Council and billings are made on a cyclical basis. Estimates for services between the end of the various cycles and the end of the year are recorded as unbilled revenue.

Accounts Receivables: The Division's share of the accounts receivable balance is $13,980,000 and $9,332,000, net of allowance for doubtful accounts of $5,250,000 and $3,648,000, for 2010 and 2009, respectively. The remaining accounts receivable balances of $98,060,000 and $90,795,000 for 2010 and 2009, respectively, belong to the Northeast Ohio Regional Sewer District and other municipalities in the Greater Cleveland Region and are offset by the corresponding amounts due for billings on behalf of others.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by the Governmental Accounting Standards Board (GASB) Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In a statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital financing, capital and related financing, and investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with maturity of three months or less when purchased and include certificates of deposit, U.S. Treasury bills, State Treasury Asset Reserve of Ohio (STAROhio), mutual funds and repurchase agreements. The City's policy is to enter into repurchase agreements with local commercial banks and to obtain confirmation of securities pledged.

Investments: The Division follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. The fair value is based on quoted market rates.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City has invested funds in STAROhio during year 2010 and 2009. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2010 and 2009.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as an item with a 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. When capital assets are disposed of, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Utility plant	5 to 100 years
Building, structures and improvements	5 to 60 years
Furniture, fixtures, equipment and vehicles	3 to 60 years

Compensated Absences: The Division 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*. These amounts are recorded as accrued wages and benefits in the accompanying balance sheets. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

Normally, all vacation time is to be taken in the year available. The Division allows employees to carryover up to 80 hours of vacation 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.

NOTE B - LONG-TERM OBLIGATIONS

Long-term obligations outstanding at December 31, 2010 and 2009 is as follows:

	Interest Rate	Original Issuance	2010	2009
			(In thousands)	
Ohio Water Development Authority (OWDA) loans payable annually through 2017	4.04% - 4.18%	$ 7,897	$ 3,066	$ 3,509
Ohio Public Works Commission (OPWC) Loans payable annually through 2022	0%	481	263	287
		$ 8,378	3,329	3,796
Less:				
Current portion			(486)	(467)
Total Long-Term Debt			$ 2,843	$ 3,329

NOTE B - LONG-TERM OBLIGATIONS (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2010 are as follows:

	Balance January 1, 2010	Increase	Decrease	Balance December 31, 2010	Due Within One Year
			(In thousands)		
Ohio Water Development Authority (OWDA) loans payable annually through 2017	$ 3,509	$	$ (443)	$ 3,066	$ 462
Ohio Public Works Commission (OPWC) Loans payable annually through 2022	287		(24)	263	24
Total loans	3,796	-	(467)	3,329	486
Accrued wages and benefits	1,946		(195)	1,751	1,584
Total	$ 5,742	$	$ (662)	$ 5,080	$ 2,070

Summary: Changes in long-term obligations for the year ended December 31, 2009 are as follows:

	Balance January 1, 2009	Increase	Decrease	Balance December 31, 2009	Due Within One Year
			(In thousands)		
Ohio Water Development Authority (OWDA) loans payable annually through 2017	$ 4,141	$	$ (632)	$ 3,509	$ 443
Ohio Public Works Commission (OPWC) Loans payable annually through 2022	311		(24)	287	24
Total loans	4,452	-	(656)	3,796	467
Accrued wages and benefits	1,853	162	(69)	1,946	1,755
Total	$ 6,305	$ 162	$ (725)	$ 5,742	$ 2,222

NOTE B - LONG-TERM OBLIGATIONS (Continued)

Minimum principal and interest payments on long-term debt are as follows:

	Principal	Interest	Total
		(In thousands)	
2011	$ 486	$ 121	$ 607
2012	505	102	607
2013	525	82	607
2014	546	61	607
2015	515	40	555
2016-2020	730	23	753
2021-2022	22		22
Total	$ 3,329	$ 429	$ 3,758

The Ohio Water Development Authority and Ohio Public Works Commission Loans are being paid from the revenues derived from operations of the Division.

Water Pollution Control Loans: Under Title VI of the Clean Water Act, Congress created the State Revolving Fund (SRF). The SRF program provides federal capitalization grants to states, in addition to the 20% state matching funds, in order to capitalize state level revolving loan funds. Besides the traditional types of municipal wastewater treatment projects, Congress expanded the potential use of SRF funds to include correction of combined sewer overflows, major sewer rehabilitation and new collector sewers.

In Ohio, this SRF program is known as the Water Pollution Control Loan Fund and is jointly administered by the Ohio EPA and the Ohio Water Development Authority. Principal balances on loans increase as project costs are incurred. Interest accrues on principal amounts outstanding during the construction period and is combined with the principal balance upon completion of the project. The repayment period for each loan commences no later than the 1st of January or July following the expected completion date of the project to which it relates utilizing an estimate of total eligible project costs as the preliminary loan amount. Construction loans and design loans are to be repaid in semi-annual payments of principal and interest over a period of twenty years and five years, respectively. The Division had five SRF loan awards related to projects as of December 31, 2010.

In addition, the Division had two OPWC loan awards as of December 31, 2010. The loan related projects are for sewer repair and replacement at the Hamlet and Adolpha Streets intersection, and a storm water detention basin project at Kerruish Park. Both loans are interest-free and principal repayment will be made from the Division’s operating revenues.

NOTE C - DEPOSITS AND INVESTMENTS

Deposits: The Division's carrying amount of deposits at years ended December 31, 2010 and December 31, 2009 totaled $13,770,000 and $4,907,000, and the Division's bank balances were approximately $14,800,000 and $5,354,000, respectively. The difference represents normal reconciling items. Based on the criteria described in *GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, the entire bank balances for both years were 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 Division will not be able to recover deposits or collateral for securities that are in possession of an outside party. At year end, the Division'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 obligations; certificates of deposit; U.S. Government Money Market Mutual Funds; STAROhio; guaranteed investment contracts; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained. Generally, investments are recorded in segregated accounts by way of book entry through the banks' commercial or trust department and are kept at the Federal Reserve Bank in the depository institutions' 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; significant changes in market conditions could materially affect portfolio value.

Interest rate risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the Division invests primarily in short-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity. Investment maturities are disclosed in the table on the following page.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Division will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The Division does not have an investment policy dealing with investment custodial credit risk beyond the requirement in the State statute.

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk: The Division's investments as of December 31, 2010 and 2009 include STAROhio and mutual funds. The Division maintains the highest ratings for their investments. Investments in STAROhio and the Allegiant Government Money Market Fund 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 Division has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: The Division places a limitation on the amount it may invest in any one issuer to minimize the concentration of credit risk. The Division had the following investments at December 31, 2010 and 2009, which include those classified as cash and cash equivalents in the balance sheet in accordance with the provisions of GASB Statement No. 9 since they have a maturity of three months or less:

Type of Investment	2010 Fair Value	2010 Cost	2009 Fair Value	2009 Cost	Investment Maturities Less than One Year
			(In thousands)		
STAROhio	10,048	10,048	26,675	26,675	10,048
Investment in Mutual Funds	14,881	14,881	240	240	14,881
Total Investments	24,929	24,929	26,915	26,915	24,929
Total Deposits	13,770	13,770	4,907	4,907	13,770
Total Deposits and Investments	$ 38,699	$ 38,699	$ 31,822	$ 31,822	$ 38,699

As of December 31, 2010, the investments in STAROhio and mutual funds are 40% and 60%, respectively, of the Division's total investments. As of December 31, 2009, the investments in STAROhio and mutual funds are 99% and 1%, respectively, of the Division's total investments.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2010 and 2009

NOTE D - CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2010 was as follows:

	January 1, 2010	Recategorizations	Additions	Reductions	December 31, 2010
			(In thousands)		
Capital assets, not being depreciated:					
Land	$ 297		$	$	$ 297
Construction in progress	13,688	-	3,032	(9,317)	7,403
Total capital assets, not being depreciated	13,985	-	3,032	(9,317)	7,700
Capital assets, being depreciated:					
Utility plant	125,614	(35)	2,981		128,560
Buildings, structures and improvements	2,658		6,290		8,948
Furniture, fixtures, equipment and vehicles	12,221	35	718		12,974
Total capital assets, being depreciated	140,493	-	9,989	-	150,482
Less: Accumulated depreciation	(84,015)	-	(5,001)		(89,016)
Total capital assets being depreciated, net	56,478	-	4,988	-	61,466
Capital assets, net	$ 70,463	$ -	$ 8,020	$ (9,317)	$ 69,166

***** Some Capital Assets were moved to more exact categories when assets were entered into the City's new Advantage Accounting System as of January 1, 2010**.**

NOTE D - CAPITAL ASSETS (Continued)

Capital Asset Activity: Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance January 1, 2009	Additions	Reductions	Balance December 31, 2009
		(In thousands)		
Capital assets, not being depreciated:				
Land	$ 297	$	$	$ 297
Construction in progress	8,365	6,255	(932)	13,688
Total capital assets, not being depreciated	8,662	6,255	(932)	13,985
Capital assets, being depreciated:				
Utility plant	124,682	932		125,614
Buildings, structures and improvements	2,658			2,658
Furniture, fixtures, equipment and vehicles	11,236	985	-	12,221
Total capital assets, being depreciated	138,576	1,917	-	140,493
Less: Accumulated depreciation	(79,126)	(4,889)	-	(84,015)
Total capital assets being depreciated, net	59,450	(2,972)	-	56,478
Capital assets, net	$ 68,112	$ 3,283	$ (932)	$ 70,463

Commitments: The Division had outstanding commitments of approximately $15,634,000 and $15,059,000 for future capital expenditures at December 31, 2010 and 2009, respectively. It is anticipated that these commitments will be financed from the Division's cash balances. However, at the discretion of the Division, additional long-term debt may be issued in the future to finance a portion of the costs.

NOTE E – DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System: All full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1) The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.
2) The Member-Directed Plan – 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 – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions 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 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, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2010, 2009 and 2008. The employer contribution rates were 14.00% of covered payroll in 2010, 2009 and 2008. The Division's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2010, 2009 and 2008 were approximately $691,000, $612,000 and $493,000 each year, respectively. The required payments due in 2010, 2009 and 2008 have been made.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System: All full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – 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 postemployment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postemployment 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 Postemployment Benefit (OPEB) as described in GASB Statement 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 writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides the 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 funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The employer contribution rates were 14.00% of covered payroll in 2010, 2009 and 2008. 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 Postemployment 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 postemployment health care benefits. Employer contribution rates used to fund postemployment benefits were 5.50% from January 1, 2010 through February 28, 2010 and 5.00% from March 1, 2010 through December 31, 2010 and 7.00% from January 1, 2009 through March 31, 2009 and 5.50% from April 1, 2009 through December 31, 2009, and 7.00% in 2008. 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 their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Division's actual contributions to OPERS to fund postemployment benefits were approximately \$394,000, \$443,000 and \$493,000 in 2010, 2009 and 2008, respectively.

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.

NOTE G - CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Division for personal injuries, property damage and other matters. The City is responsible for the suits. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Division's financial position, results of operations or cash flows.

Risk Management: The Division 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 Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2010 or 2009.

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. The Division participates in the State of Ohio workers' compensation retrospective rating program.

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. 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. Claims liability for the Division is immaterial.

NOTE H - RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides sewer services to the City, including its various departments and divisions. Standard consumption rates are charged, except for the Division of Fire, public buildings and certain other facilities owned by the City, which by ordinance are provided free sewer services.

Billing and collection services for the Division are performed by the Division of Water for a fee. This fee is based on the number of billings made on behalf of the Division during the year at the same rates as charged to other users of the billing system. Fees incurred to the Division of Water for such services were approximately $2,350,000 and $2,298,000 in 2010 and 2009, respectively.

NOTE H - RELATED PARTY TRANSACTIONS (Continued)

Operating Expenses*:* The Division is provided various intra-city services. Charges are based on actual use or on a reasonable pro-rata basis. The more significant costs for the years ended December 31, 2010 and 2009 were as follows:

	(In thousands)	
	2010	**2009**
Electricity purchases	$ 152	$ 234
Street construction and maintenance	193	234
City Administration	469	475
Motor Vehicle Maintenance	324	449
Utilities Administration and Utilities Fiscal Control	390	405
Services provided by the Division of Water	584	762

NOTE I - CUYAHOGA COUNTY REAL PROPERTY TAXES

The Division is required by ordinance to keep records of the estimated property taxes which would be payable to Cuyahoga County were it subject to such taxes. The estimated property taxes for the Division, based on book value of real estate at the current tax rates, would have been approximately $22,010 and $7,825 for the years ended December 31, 2010 and 2009, respectively.

Dave Yost • Auditor of State

CITY OF CLEVELAND

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 9, 2011

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