



**CITY OF CLEVELAND
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2008



Mary Taylor, CPA
Auditor of State

CITY OF CLEVELAND
CUYAHOGA COUNTY

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**CITY OF CLEVELAND
 CUYAHOGA COUNTY
 FEDERAL AWARDS EXPENDITURES SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Agriculture			
Direct Programs:			
Summer Food Service Program for Children 2007	10.559		\$ 6,191
Summer Food Service Program for Children 2008	10.559		208,090
Total Department of Agriculture			<u>214,281</u>
Department of Energy			
Pass Through Programs:			
Ohio Department of Development:			
Weatherization Assistance for Low-Income Persons 2006	81.042		239,346
Weatherization Assistance for Low-Income Persons 2007	81.042		1,125,354
Total Department of Energy			<u>1,364,700</u>
Department of Health and Human Services			
Direct Programs:			
Healthy Start Initiative Yr 5	93.926		962
Healthy Start Initiative Yr 5	93.926		1,091,240
Healthy Start Initiative Yr 7	93.926		876,324
Subtotal			<u>1,968,526</u>
Centers for Disease Control-Investigations and Technical Assistance:			
Steps To A Healthier U.S. year 2	93.283		7,085
Steps To A Healthier U.S. year 3	93.283		164,497
Steps To A Healthier U.S. year 3	93.283		191,976
Steps To A Healthier U.S. year 3	93.283		1,162,237
Steps To A Healthier U.S. year 4	93.283		89,781
Subtotal			<u>1,615,576</u>
Pass Through Programs:			
Cuyahoga County Board of Health:			
Immunization Grants 2007	93.268	18-100-1-2-IM-0107	11,575
Immunization Grants 2008	93.268	18-100-1-2-IM-0108	126,990
Subtotal			<u>138,565</u>
Cuyahoga County Board of Health:			
Preventive Health and Health Services Block Grant:			
Cardiovascular Health 2007	93.991	18-100-1-4-CH-0107	2,363
Subtotal			<u>2,363</u>
			(Continued)

See the accompanying notes to this Schedule

**CITY OF CLEVELAND
CUYAHOGA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Health and Human Services-continued			
Centers for Disease Control-Investigations and Technical Assistance:			
Regional Medical Response System 2008	93.283	18-2-002-2-BI-08	73,643
Subtotal			<u>73,643</u>
Ohio Department of Health:			
Childhood Lead Poisoning Prevention 2008	93.197	18-2-001-1-BD-07	202,456
Childhood Lead Poisoning Prevention 2009+B32	93.197	18-2-001-1-BD-08	175,281
Subtotal			<u>377,737</u>
Centers for Disease Control-Investigations and Technical Assistance:			
City Readiness Initiative 07	93.283	18-200-1-1-LD-0108	4,416
City Readiness Initiative 08	93.283	18-200-1-2-PI-0108	748,989
City Readiness Initiative 09	93.283	18-200-1-2-PI-0209	90,891
Subtotal			<u>844,296</u>
Preventive Health Services-Sexually Transmitted Diseases:			
Sexually Transmitted Diseases Diagnosis & Treatment 2007	93.977	18-2-001-2-BX-07	14,758
Sexually Transmitted Diseases Diagnosis & Treatment 2008	93.977	18-2-001-2-BX-08	91,672
Subtotal			<u>106,430</u>
HIV Prevention 2007			
HIV Prevention 2008	93.940	18-2-001-2-AS-07	111,515
	93.940	18-2-001-2-AS-08	691,920
Subtotal			<u>803,435</u>
Public Health Coll 2006-2007			
Public Health Collaborative 08	93.283	18-1-001-2-BI-07	24,902
Public Health Collaborative 09	93.283	18-1-001-2-BI-08	279,472
	93.283	18-1-001-2-BI-09	74,832
Subtotal			<u>379,206</u>
Ohio Department of Alcohol and Drug Addiction Services:			
Block Grants for Prevention and Treatment of Substance Abuse:			
Centerpoint/Reward 2005	93.959		2,875
Centerpoint 2008	93.959		99,800
Centerpoint 2009	93.959		157,666
Student Assistance 2008	93.959		34,733
Student Assistance 2009	93.959		46,348
Subtotal			<u>341,422</u>
Ohio Department of Development:			
Low-Income Home Energy Assistance 2006	93.568	06-111	269,599
Low-Income Home Energy Assistance-HHS 2007	93.568	07-111	176,271
Low-Income Home Energy Assistance-HHS-RC 2007	93.568		1,836,583
Subtotal			<u>2,282,453</u>
Total Department of Health and Human Services			<u><u>8,933,652</u></u>

(Continued)

See the accompanying notes to this Schedule

**CITY OF CLEVELAND
CUYAHOGA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Housing & Urban Development			
Direct Programs:			
Community Development Block Grants:			
CDBG Yr 24	14.218		3,384
CDBG Yr 29/30	14.218		3,675,557
CDBG Yr 31	14.218		997,489
CDBG Yr 32	14.218		863,534
CDBG Yr 33	14.218		10,886,460
CDBG Yr 34	14.218		9,635,345
CDBG Float Loan	14.218		2,755,796
Subtotal			<u>28,817,565</u>
HOME Investment Partnerships Program 1992	14.239		389,060
HOME Investment Partnerships Program 2001	14.239		981,443
HOME Investment Partnerships Program 2002	14.239		4,218
HOME Investment Partnerships Program 2003	14.239		705,286
HOME Investment Partnerships Program 2004	14.239		744,207
HOME Investment Partnerships Program 2005	14.239		760,349
HOME Investment Partnerships Program 2006	14.239		805,453
HOME Investment Partnerships Program 2007	14.239		2,221,465
HOME Investment Partnerships Program 2008	14.239		652,023
Subtotal			<u>7,263,504</u>
Emergency Shelter Grants Program 2006	14.231		112,382
Emergency Shelter Grants Program 2007	14.231		935,224
Subtotal			<u>1,047,606</u>
Housing Opportunities for Persons With Aids 2006	14.241		74,707
Housing Opportunities for Persons With Aids 2007	14.241		596,266
Housing Opportunities for Persons With Aids 2008	14.241		159,913
Subtotal			<u>830,886</u>
Empowerment Zones Program	14.244		3,544,121
Subtotal			<u>3,544,121</u>
Total Department of Housing & Urban Development			<u>41,503,682</u>
			(Continued)

See the accompanying notes to this Schedule

**CITY OF CLEVELAND
CUYAHOGA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Justice			
Direct Programs:			
Public Safety Partnership and Community Policing Grants:			
Cops in School	16.710		393,485
Cleveland Universal Hiring II	16.710		815,342
Subtotal			<u>1,208,827</u>
Office of Violence Against Women:			
Cleveland Arrest Program	16.590		398,642
Subtotal			<u>398,642</u>
Federal DOJ-COPS Technology GR	16.710		2,390,052
Subtotal			<u>2,390,052</u>
G.R.E.A.T. 2004	16.737	2007-JV-FX-0253	7,627
Subtotal			<u>7,627</u>
Pass Through Programs:			
Office of Criminal Justic Services:			
Byrne Formula Grant Program 2004-05:			
2005 Edwards Byrne Memorial	16.579		75,061
Carib Gang Task Force FY 2006	16.579		11,878
2007- Byrne Discretionary	16.579	2007-DD-BX-0650	2,117,845
Subtotal			<u>2,204,784</u>
Violence Against Women Grants :			
VAWA Team Approach 2006 Law	16.588		54,022
VAWA Team Approach-2007 Law	16.588		147,265
VAWA Team Approach 2006 Safety	16.588		21,384
VAWA Team Approach-2007 Safety	16.588		138,349
Subtotal			<u>361,020</u>
Juvenile Accountability Incentive Block Grants 2007	16.523		29,711
Juvenile Accountability Incentive Block Grants 2008	16.523		24,042
Subtotal			<u>53,753</u>
2006-Edward Byrne Memorial-JAG	16.738		115,396
2007-Edward Byrne Memorial-JAG	16.738		167,630
2007-Edward Byrne Memorial-NOLETF	16.738	2007-JG-A01-6444	59,138
Subtotal			<u>342,164</u>
Paul Coverdell Forensic 2006	16.742	2006-DN-BX-0024	76,612
Subtotal			<u>76,612</u>

(Continued)

See the accompanying notes to this Schedule

**CITY OF CLEVELAND
CUYAHOGA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Justice (continued)			
Anti-Gang Initiative	16.744	2006-PS-CAG-372	210,271
Anti-Gang Initiative	16.744	2006-PS-CAG-379	9,026
Subtotal			<u>219,297</u>
Total Department of Justice			<u>7,262,778</u>
Department of Commerce-Economic Development Administration:			
Direct Programs:			
U S Department of Commerce, Economic Development Administration:			
Revolving Loan Fund Grant - Economic Adjustment Assistance	11.307	See Footnote 4	3,061,839
Subtotal			<u>3,061,839</u>
Total Department of Labor			<u>3,061,839</u>
Department of Labor			
Pass Through Programs:			
Ohio Department of Jobs and Family Services:			
WIA Adult Program	17.258	G-1011-15-0258	5,168,227
WIA Youth Program	17.259	G-1011-15-0258	3,188,278
WIA Dislocated Worker Program	17.260	G-1011-15-0258	1,551,623
Subtotal			<u>9,908,128</u>
Total Department of Labor			<u>9,908,128</u>
Department of Transportation			
Direct Programs:			
Airport Improvement Program	20.106		10,897,112
Subtotal			<u>10,897,112</u>
Highway Planning and Construction:			
Federal- Department of Commerce	20.205		1,250,784
Federal- Flats East Bank	20.205		708,500
Subtotal			<u>1,959,284</u>
Total Department of Transportation			<u>12,856,396</u>
Environmental Protection Agency			
Direct Programs:			
Air Pollution Control Program Support 2007	66.001		98,332
Air Pollution Control Program Support 2008	66.001		1,824,177
Air Pollution Control Program Support 2009	66.001		503,572
Subtotal			<u>2,426,081</u>
Lower Woolen Mills	66.818		4,508
Subtotal			<u>4,508</u>
Brownfields Assesment and Cleanup Cooperative Agreements:			
Brownsfield Job Training	66.818		5,594
Brownsfield Job Training	66.818		21,091
Subtotal			<u>26,685</u>
			(Continued)

See the accompanying notes to this Schedule

**CITY OF CLEVELAND
CUYAHOGA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Environmental Protection Agency (continued)			
Brownsfield Assesment Program	66.818		96,901
Subtotal			<u>96,901</u>
HUD Independent Agencies Special Project-Brownfield	66.818		7,565
Subtotal			<u>7,565</u>
Chemical Emergency Preparedness and Prevention: Bio-Watch Program 2006	66.810		2,874
Bio-Watch Program 2007	66.810		271,432
Bio-Watch Program 2008	66.810		56,149
Subtotal			<u>330,455</u>
Total Environmental Protection Agency			<u><u>2,892,195</u></u>
Department of Homeland Security			
Direct Programs:			
Metropolitan Medical Response System 2004	97.071		158,124
Metropolitan Medical Response System 2006	97.071		56,291
Metropolitan Medical Response System 2006	97.071		1,392
Subtotal			<u>215,807</u>
National Explosives Detection Canine Team Program	97.072		223,641
Subtotal			<u>223,641</u>
Law Enforcement Officer Reimbursement Agreement Program	97.090		350,740
Subtotal			<u>350,740</u>
<i>Passed Through Ohio Department of Public Safety</i>			
Homeland Security Grant Program 2005	97.067		946,162
Homeland Security Grant Program 2006	97.067		3,813
Total Homeland Security Grant Program Cluster			<u>949,975</u>
<i>Passed Through Cuyahoga County Department of Justice Affairs</i>			
Urban Area Security Initiative 2004-2006	97.008		306,758
Homeland Security 2003	97.007		945,842
Subtotal			<u>1,252,600</u>
Total Department of Homeland Security			<u><u>2,992,763</u></u>
Grand Total			<u><u>\$ 90,990,414</u></u>
			(Concluded)

See the accompanying notes to this Schedule

**CITY OF CLEVELAND
CUYAHOGA COUNTY
NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Basis of Presentation

The accompanying Federal Awards Expenditures Schedule 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*.

2. 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.

3. 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.

4. Revolving Loan Fund

Activity in the Economic Adjustment Assistance, CFDA 11.307 revolving loan fund during 2008:

Beginning loans receivable balance as of January 1, 2008	\$737,301
Loans made during 2008	200,000
Loan principal repaid on loans issued prior to 2008	75,489
Loan principal repaid on 2008 loans issued	0
Ending loans receivable balance as of December 31, 2008	<u>\$861,812</u>
Cash balance on hand in the revolving loan fund as of December 31, 2008	
Cash balance, unobligated	\$2,090,231
Revolving loan committed but not disbursed	450,000
Total unobligated cash and committed but not disbursed cash	<u>2,540,231</u>
Total value of revolving loan portion of the EDA 11.307 program	3,402,043
Less: City's matching share	(340,204)
Total federal value of revolving loan portion as of December 31, 2008	<u>\$3,061,839</u>

There are no delinquent amounts due as of December 31, 2008.

**CITY OF CLEVELAND
 CUYAHOGA COUNTY
 NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2008**

4. Revolving Loan Fund (Continued)

Revolving Loan Fund Principal Outstanding as of December 31, 2008:	
4500 LTD	\$90,130
Accurate Instrument Service Co, Inc	3,932
DRD, Inc., DBA AS Power Direct	200,000
Jane and Arthur Ellison LTD	170,506
Nisman Rozgonyi Enterprise	171,943
Otto Klonigslow Manufacturing Co.	58,271
Northeast Ohio Neighborhood Real Estate	<u>167,030</u>
Total Revolving Loan Fund Principal Outstanding	<u>\$861,812</u>

U S Department of Commerce, Economic Development Administration:	
Direct Program:	
Revolving Loan Fund Grant - Economic Adjustment Assistance CFDA# 11.307	\$3,061,839



Mary Taylor, CPA

Auditor of State

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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

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

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

Internal Control Over Financial Reporting (Continued)

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

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

We also noted certain internal control matters that we reported to the City's management in a separate letter dated June 25, 2009.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the City's management in a separate letter dated June 25, 2009.

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

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



Mary Taylor, CPA
Auditor of State

June 25, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, AND ON THE FEDERAL AWARDS EXPENDITURES SCHEDULE

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

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

Compliance

We have audited the compliance of the City of Cleveland, Cuyahoga County, Ohio, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Cleveland complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that the City's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Federal Awards Expenditures Schedule

We have also audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cleveland as of and for the year ended December 31, 2008, and have issued our report thereon dated June 25, 2009. Our audit was performed to form opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying federal awards expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Mary Taylor, CPA
Auditor of State

June 25, 2009

CITY OF CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS
 FOR THE YEAR ENDED DECEMBER 31, 2008

SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 14.218 - Community Development Block Grant (CDBG) CFDA # 11.307 - EDA Revolving Loan Fund
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: \$2,729,712 Type B: \$272,971
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008
(CONTINUED)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2008-001
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Division of Water’s Out of Order Meters and Estimated Accounts – Significant Deficiency

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.

At DOW, individual meter readings are performed on a quarterly basis for each customer. Controls have been established by DOW to investigate and follow-up on accounts for meters which did not receive an actual reading and/or have not been billed in 105 days. However, we noted the following instances in which the controls are not working as designed.

DOW’s Out-of-Order Accounts

An analysis of the accounts as of December 31, 2008 and December 31, 2007 disclosed that 8.5% (34,915 of 412,583) of the accounts were classified as “out-of-order” by DOW in 2008 compared to 6.4% in 2007. These consist of accounts that have been identified by meter readers and other DOW staff as being out of order or missing. An aging of these accounts at year end is as follows:

	As of December 31, 2008	As of December 31, 2007
Year Determined Out-of-order	Number Of Accounts	Number Of Accounts
1993	5	5
2000	1	1
2002	1	1
2003	2,080	2,293
2004	3,228	3,556
2005	2,947	3,307
2006	2,604	2,980
2007	8,467	14,361
2008	15,582	
Total	34,915	26,504

As the above analysis indicates, there are numerous accounts in which a reliable meter reading has not occurred in over one year and there has been an increase in those instances compared to the prior year. Furthermore, there has been a minimal reduction in those accounts which are already 2-5 years old. For these accounts, bills were estimated based on historical usage patterns.

**CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008
(CONTINUED)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2008-001
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(Continued)

DOW's Estimated Bills

Bills may also be estimated as a result of meter readings which fail tolerance tests, meters skipped because they are inaccessible, or accounts in dispute. Meters are scheduled for a read every 90 days. If an issue is identified and not addressed within eight days after the meter was initially scheduled for a read, an estimated bill is automatically generated.

The following analysis of bills generated during two weeks in 2008 indicated a high number of estimated bills and accounts which received several, successive, estimated bills. For example, eight percent (5,063) of the 62,884 accounts billed for the 10 days reviewed had not received a bill based on actual consumption in over one year as demonstrated by the number of accounts receiving estimated bills for four or more quarters.

# of estimated . accounts	Billing Date										Total
	14- July	15- July	16- July	17- July	18- July	15- Dec	16- Dec	17- Dec	18- Dec	19- Dec	
2 quarters	112	171	111	73	74	354	147	265	323	99	1,729
3 quarters	128	208	186	48	69	308	228	197	220	67	1,659
4 or more qtrs.	504	539	480	186	205	1254	766	796	173	160	5,063
Total # of est.	744	918	777	307	348	1,916	1,141	1,258	716	326	8,451
Total # of accts.	9,456	4,227	6,119	3,431	3,977	9,804	6,081	6,631	7,841	5,317	62,884
% estimated	8%	22%	13%	9%	9%	20%	19%	19%	9%	6%	13%

While historical usage patterns are an acceptable method of estimating usage, long periods of time between actual meter readings may reduce the reliability of the estimated bill as usage patterns may fluctuate based on various social and economic factors. This may also result in a subjective billing process when ascertaining the actual usage in a given year and applying the proper rate in effect at that time.

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 in over one year, especially those that are the oldest. Efforts should also be expanded to follow up in a timely manner on potential billing errors identified to further reduce the number of accounts receiving estimated bills.

**CITY OF CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS
 FOR THE YEAR ENDED DECEMBER 31, 2008
 (CONTINUED)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2008-001
-----------------------	-----------------

(Continued)

Division of Water’s Response

CWD will engage in a three-pronged process to document the extent of out-of-order meters, develop a work plan to repair or replace meters, and implement new processes and procedures to prevent future occurrences of the problem. This will be accomplished by engaging in the following activities:

- In conjunction with the Department of Finance and the Department of Public Utilities, an Executive Oversight Committee will be established to manage the problem and recommend a resolution.
- The Department of Public Utilities has established two Special Project Groups to review the meter reading and billing process. An additional Special Project Team will be organized to review the meter repair process and a short term work plan to repair or replace out-of-order meters. The work plan will first focus on addressing the meters that have been out-of-order the longest. The staff is currently in the process of verifying the exact number and locations of the meters.
- The Division of Water will engage contractors to design and implement an Automatic Meter Reading (AMR) System. A drafted Request for Proposal (RFP) has been developed and is currently being reviewed. The appropriate legislation authority has been granted. It is the intent to have the RFP on the street by mid to late August with implementation to begin in the spring of 2010.

We will have the Executive Oversight Committee established and operational by the first week of September 2009. The Special Project Team, comprised of various employees representing all three divisions, will be established in September and will meet regularly. The Special Project Team will report to the Director of Public Utilities and it will be the responsibility of the Assistant Commissioner to report to the Executive Oversight Committee on a monthly basis. The project will be administered by a project manager trained in project management.

**CITY OF CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF PRIOR AUDIT FINDING
 OMB CIRCULAR A-133 § .315 (B)
 FOR THE YEAR ENDED DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected ?	Not corrected, partially corrected, different corrective action taken; finding no longer valid; Explain
2007-001	The supervisor of applications development performs the majority of program changes and also moves the programs into the production environment. The Division of Water (DOW) has established a user ID account reserved solely for moving programs into the production environment. However, evidence is not available to confirm the activity of this account is being monitored by management. In addition, there is no evidence that activity in the production environment is being monitored.	Yes	

CITY OF CLEVELAND, OHIO



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2008

CITY OF CLEVELAND



Comprehensive Annual Financial Report

For the year ended December 31, 2008

Issued by the
Department of Finance

Sharon Dumas
Director

James E. Gentile, CPA
City Controller

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CITY OF CLEVELAND, OHIO

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INTRODUCTORY SECTION

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June 25, 2009

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, 2008. 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 2008 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 the Auditor of the State of Ohio. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The Auditor of State concluded, based upon its audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the year ended December 31, 2008 are fairly presented in conformity with GAAP. The Independent Accountants' Report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Accountants' Report.

Structure of this Comprehensive Annual Financial Report

This Comprehensive Annual Financial Report (CAFR) is designed to assist the reader in understanding the City's finances. This CAFR consists of the following sections:

- The Introductory Section, which includes this letter of transmittal and contains information pertinent to the City's management and organization.
- The Financial Section contains the Independent Accountants' Report, Management's Discussion and Analysis (MD&A), Basic Financial Statements, and various other statements and schedules pertaining to the City's funds and activities.
- The Statistical Section contains numerous tables of financial and demographic information. Much of this information is shown with comparative data for the ten-year period from 1999 through 2008.

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 26th largest of 567 Metropolitan Areas in the United States, and the largest Metropolitan Area in the State of Ohio.

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

City Government

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

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

Legislative authority is currently vested in a 21-member Council. Council members serve four year terms and are elected from wards. The present terms of the Mayor and Council members expire on December 31, 2009. Per the November 4, 2008 general election, voters approved Issue 39 which reduces the size of City Council. This will decrease City Council from 21-members down to 19-members effective January 2010. The Council fixes compensation of City officials and employees and enacts ordinances and resolutions relating to City services, tax levies, appropriating and borrowing money, licensing and regulating businesses and trades, and other municipal functions. The presiding officer is the President of

Council, elected by the Council members. Martin J. Sweeney was elected as President of Council in November 2005. The Clerk of Council is appointed by Council. The Charter establishes certain administrative departments; the Council may establish divisions within departments or additional departments. The Mayor appoints all of the directors of the City's 14 departments.

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

Financial Reporting Entity

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

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

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

Internal Control

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

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

Accounting and Financial Reporting

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

Except for budgetary purposes, the basis of accounting used by the City conforms to GAAP as applicable to governmental units. All governmental funds are accounted for using a current financial resources (current assets and current liabilities) measurement focus. The modified accrual basis of accounting is utilized for governmental funds. Revenues are

recognized when they are susceptible to accrual (both measurable and available). Expenditures are recognized when the related liability is incurred, except for interest on long-term debt which is recorded when due.

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

The City's basis of accounting for budgetary purposes differs from GAAP in that revenues are recognized when received, rather than when susceptible to accrual (measurable and available), and encumbrances and pre-encumbrances are included as expenditures rather than included in fund balances.

The accounting policies and financial reporting practices of the City comply with accounting principles generally accepted in the United States of America applicable to governmental units. In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which is effective for the year ended December 31, 2008. The City has determined that GASB Statement No. 49 has no impact on its financial statements as of December 31, 2008. In May 2007, GASB issued Statement No. 50, *Pension Disclosure – an amendment of GASB Statements No. 25 and No. 27*, which is effective for the year ended December 31, 2008. The City has determined that GASB Statement No. 50 has no impact on its financial statements as December 31, 2008 and proper disclosures have been made.

Budgeting Procedures

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

The City maintains budgetary control on a non-GAAP basis at the character level (personnel and related expenditures and other expenditures) within each division. Lower levels within each character are accounted for and reported internally. Lower levels are referred to as the program level. Estimated expenditure amounts must be pre-encumbered and subsequently encumbered prior to the release of purchase orders to vendors or finalization of other contracts. Pre-encumbrances and encumbrances that would exceed the available character level appropriation are not approved or recorded until the Council authorizes additional appropriations or transfers. Unencumbered appropriations lapse at the end of each calendar year. As an additional control over expenditures, the City Charter requires that all contracts in excess of \$10,000 shall first be authorized and directed by ordinance of City Council. On November 4, 2008, the citizens approved Issue 37 which raises the minimum purchase requiring City Council approval from \$10,000 to \$50,000. This amendment became effective December 10, 2008.

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

Factors Affecting Financial Condition

Local Economic Indicators

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

While Cleveland, like the rest of the nation, has felt the impact of the stagnant economy, the City has continued to dedicate resources to the development of both affordable and market rate housing opportunities. The City has experienced a record number of foreclosures over the past several years, however, this trend leveled off in the second half of 2008.

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 increased 3.8% in 2008.

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

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

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

Current Projects and 2008 Accomplishments

The 2008 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 2008 programmatic goals and projects without an income or property tax increase:

Department of Community Development

- Provided \$8.4 million of financial assistance to nine housing projects that will meet certification requirements in the Leadership in Energy and Environmental Design or Enterprise Green Communities programs. The projects are expected to bring 668 units online.
- The Senior Housing and Assistance Program repaired 216 houses in 2008. The program is a partnership between the Departments of Aging, Building & Housing and Community Development, to assist eligible seniors obtain repairs to their homes while not being victimized by unscrupulous contractors and predatory lenders.

- Rehabilitated 238 vacant homes, which were subsequently sold to new homeowners with assistance from the Afford-a-Home and Tax Abatement programs.
- Collaborated with Cuyahoga County to open a 160 bed transitional housing facility to help transition homeless people from shelters to employment and self-sufficiency.
- Repaired or improved more than 2,400 homes through various programs such as home repair, furnace replacement, paint and weatherization.
- Provided more than \$1.8 million in Community Development Block Grant funds to support social service activities throughout the City. Another \$1.3 million was provided for AIDS prevention and housing for people with AIDS.
- Continued to work with the private sector to improve commercial districts in Cleveland. A total of 52 projects (containing 63 storefronts) were completed in 2008, leveraging \$469,000 of loans and rebates with \$1.3 million of private investment.

Department of Building and Housing

- Issued over 350 plumbing, heating, and electrical permits online utilizing the internet.
- Issued 5,761 notices of Building Code Violations and boarded up 6,405 condemned structures.
- Performed 37,528 building inspections.

Department of Economic Development

- Participated in the funding of the following projects: Phase 1 of Uptown Project (\$5 million); Evergreen Cooperative Laundry (\$1.5 million); Langston Hughes Center (\$1.1 million); Cleveland Hearing and Speech Center (\$800,000); Heritage Town Center (\$800,000); and the Tremaine Building (\$500,000).
- Provided a \$450,000 loan to assist with construction of an office building on Grayton Road. Once completed, the building will generate \$30,580 of new property taxes annually and 36 new jobs with an estimated payroll of \$1.5 million.
- Provided a \$1.5 million Core City loan to Detroit Shoreway Community Development Organization to assist with the historic renovation of the 16,000 square foot Capital Theater building.
- The Division of Workforce Development and the Cuyahoga County Workforce Development solidified their partnership and formed Employment Connection. A city employee was hired as the Executive Director to manage both operations.
- The Workforce Development Investment Board organized itself into three demand-clusters: construction, manufacturing and health care and agreed to spend 95% of its worker training budget to train in these areas.

Department of Health

- Increased proactive nuisance inspections to 14,019.
- HIV testing in health centers increased in 2008 to 4,041.
- Decreased the lead poisoning rate in 0-5 year olds in Cleveland to less than 9%.
- Provided over 6,800 flu vaccinations.
- Collected \$128,000 in air permitting fees.
- The 2009 budget includes \$16 million in categorical grants and outside funding, or 73% of the department's budget.
- Increased the number of Cleveland Municipal School District students in the marathon program to 280, a 45% increase from 2007 levels.

Department of Aging

- Provided services to more than 4,300 clients.
- Secured over \$400,000 of external grants.
- The Annual Senior Day Program attracted more than 2,000 senior citizens, the Annual Senior Walk attracted over 400 senior citizens and the Employment Expo Job Fair and Workshops attracted over 400 senior citizens.
- Provided 1,371 benefit checkups to seniors.

The Office of Equal Opportunity

- Implemented a new program targeting small local businesses for contract preference.
- Processed approximately 1,300 certifications for minority, female and locally owned businesses.
- Awards to Office of Equal Opportunity certified prime and subcontractors exceeded \$48 million.

Department of Public Service

- The Division of Engineering and Construction completed 15 road and bridge projects totaling approximately \$190 million. Major projects currently under construction include the Fulton Road Bridge (\$50 million).
- The Division of Architecture completed 22 projects with 47 additional projects in the design or construction stage. The total value of these projects is approximately \$43 million.
- The Division of Streets provided snow removal services to over 1,300 miles of City roadways and used over 69,000 tons of salt throughout the 2008 winter season, which had snowfall of 79.0 inches.
- The Division of Streets used over 40,000 tons of asphalt and approximately 5,000 cubic yards of concrete for street repairs and resurfacing. The Division also swept city streets six times and collected 2,300 tons of leaves for composting.
- The Division of Waste collected and disposed of over 253,000 tons of debris and collected over 9,000 tons of recyclables.
- The Division of Traffic Engineering maintained 5,700 crosswalks, 500,000 signs, approximately 630 miles of lane lines, over 1,100 traffic signals and 250 flashing school signs.
- The Division of Motor Vehicles purchased 149 vehicles and equipment for various city departments at a cost of approximately \$6.6 million.

Department of Public Safety

- The Division of Police implemented a new deployment plan to combat crime. Initial assessments indicate an overall decrease in reported serious crime, improved response times to requests for service and increased police visibility.
- By partnering with the American Red Cross, the Division of Fire continued to offer free smoke detectors for families who may not have been able to otherwise equip their homes. Through the use of fire detectors and aggressive public education programs, the City recorded a record-tying low of ten fatalities.
- The Office of Professional Standards and the Police Review Board successfully lobbied for a Charter Amendment to increase the size of the Citizen Police Review Board, enabling greater community input. They also eliminated the requirement that all investigations be conducted by officers of the Division of Police.
- The Division of Correction assumed all jail duties and responsibilities from the Division of Police allowing police officers to complete their primary mission to the residents of the City.
- The Division of Emergency Medical Services (EMS) teamed with University Hospitals to equip EMS ambulances with 12-lead Electrocardiograms capable of transmitting information directly to hospital emergency rooms, greatly reducing the time to life-saving intervention performed on patients experiencing heart attacks.
- Collaborated with the Cleveland Animal Protective League to be one of four cities in the country selected to participate in a Joint American Society for the Prevention of Cruelty to Animals Mission Orange program geared towards reducing the euthanasia rate of adoptable animals.

Department of Parks, Recreation and Properties

- Completed over \$4.5 million of capital improvements at City parks, pools and golf courses including: Grant Park; Miles Heights Arthur Johnston Park; Michael Zone Soccer Field; Kenneth Johnson Outdoor Swimming Pool; Halloran Gazebo and Highland Golf Course.
- Increased the number of meals served to youths during the summer by 34%, from 63,885 in 2007 to 85,296 in 2008.
- Connected all recreation centers to the internet. Field staff can now utilize this medium to communicate to the administrative office and other non-municipal organizations. This connectivity will assist in marketing recreational programs and opportunities.
- The Division of Recreation reduced vehicle gasoline consumption by over 22,000 gallons in comparison to 2007 usage.
- Provided part-time employment to 105 teenagers at recreation centers where they provided tutoring, coaching and support.
- Replaced the lighting in Willard Park Garage to provide a safer and more secure parking experience.
- The Urban Forestry section continues to reduce the tree trimming cycle by increasing the number of trees trimmed by 26% (1,063) since the inception of the program.

Department of Port Control

- Entered into a ten-year agreement with the concessions developer BAA USA, Inc. to develop and manage the Airport's retail, food and beverage concessions. BAA USA, Inc. will renovate and re-concept the existing 46,000 square feet of concession area and add approximately 40,000 square feet of new concession space. The new AIRMALL will be constructed and introduced in phases and will include an expansive offering of national, regional and local concepts, improved customer service and regular mall pricing.
- Runway 6R-24L was extended to approximately 10,000 feet in length and commissioned on December 5, 2008 as part of a project to "uncouple," or disconnect the runway from its intersection with east-west Runway 10-28 (6,015 feet in length).
- Received an exceptional rating on the annual Federal Aviation Administration (FAA) Part 139 Certification inspection.

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

- An agreement was reached with Merchandise Mart Properties to construct and build a Medical Mart and Convention Center at the site of the current convention center. Once completed, the \$425 million center is projected to generate as much as \$331 million per year of economic activity.
- The University Circle area continued with its construction of the \$2.4 billion of new projects which began in 2000. Major projects completed in 2008 include: Cleveland Clinic Heart and Vascular Institute (\$506 million); Cleveland Clinic Urological and Kidney Institute (\$128 million); and the Euclid Corridor (\$200 million).
- The 54-acre Arcelor Mittal Coke Plant site is being cleaned to industry standards. The City received a \$5 million Jobs Ready Site grant to assist in this project from the State of Ohio. It is expected to be ready for sale in 2011 and should create more than 300 jobs.
- The Port Authority plans to expand container cargo activity through the International Trade District.

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. National City Bank was acquired by PNC Financial Corp. on December 31, 2008. PNC has indicated that it expects to cut 5,800 (9.7%) of its workforce over the next two years.

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.

2009 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 2009 without reducing personnel or cutting services. The many unknown variables due to the global economic crisis require that stringent fiscal controls and mandated energy conservation be the platform of the 2009 operating budget. The Budget Management Strategy for fiscal 2009 includes, but is not limited to, the following:

- Hiring freeze that only allows replacement of critical employees.
- A mandated 10% reduction in both overtime and fuel consumption City-wide.
- Restricted travel and material and supply purchases.
- A mandated 3% reduction in energy consumption.
- Funding for only contract negotiated salary increases in 2009.

The estimate of receipts and expenditures for all General Fund departments and divisions for the 2009 budget are:

- Expenditures and other uses are estimated to increase from \$523,046,000 in 2008 to \$541,502,000 in 2009. This increase is primarily due to negotiated salaries and wage driven benefits such as hospitalization and pension contributions.
- Revenues and other sources are projected to decrease from \$524,744,000 in 2008 to \$512,096,000 in 2009. This decrease assumes no increase in income tax collections for 2009, a 6% decrease in the Local Government Fund, and a significant decrease in interest earnings and grant recovery. Modest declines are anticipated in other sources.

Major highlights of the 2009 budget are:

- Funding of two police cadet classes with the goal of achieving and maintaining a budgeted strength of 1,645 police officers.
- One fire cadet class and an entry level test with the goal of maintaining efficient fire operations on a balanced schedule.
- Maintain EMS and House of Corrections at 2008 levels.
- Operation Clean Cleveland's focus on eliminating blight through maintenance, demolition or rehabilitation of vacant and abandoned properties.
- Maintaining city service levels for public safety, waste collection, street resurfacing, snow removal and recreation facilities that ensure enhanced quality of life for the citizens of the City of Cleveland.

Major Initiative

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

- *Cleveland Area Small Business Program*, designed to ensure local companies receive more city contracts. As part of this goal, the City is installing new tracking software and increasing project monitoring.
- *Vacant Property Initiative*, forgivable low interest loans to help address loan to value issues and costs that do not add to value – such as demolition.
- *Technology Grant Program*, designed to attract new technology businesses to the City while also helping to reinforce the “brain gain” in the City.
- *Municipal Solid Waste to Energy Initiative*, designed to convert solid waste into electricity using gasification. By implementing this process, the City will: reduce the amount of waste sent to landfills; reduce Cleveland Public Power’s (CPP) reliance on coal; and obtain maximum returns for recycled goods.
- Hiring of consultant(s) to analyze the performance of City departments and divisions and to recommend strategic and operational improvements that will lead to cost savings, operational efficiencies and the streamlining of service delivery.

Cash Management

The Division of Treasury (Treasury) is responsible for managing the \$128,769,000 as of December 31, 2008 in collateralized bank deposits as part of the City’s \$700 million investment program. The program is managed in accordance with the City’s Cash Management and Investment Policy which identifies the following hierarchy of objectives:

- Preservation of Principal
- Maintenance of Liquidity
- Maximize Return

In 2008, Treasury enhanced the bank request for proposal process and negotiated depository agreements that have allowed the City to realize lower gross bank fees. A one year (December 2007 to November 2008) fee reduction of more than \$269,000 was realized when compared to the same period of the prior year.

Risk Management

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

Awards and Acknowledgements

The Independent Audit: The City Charter requires an annual audit of the financial statements of all accounts of the City by an Independent Certified Public Accountant. Accordingly, this year’s audit was completed by the Auditor of the State of Ohio. The year ended December 31, 2008, represents the 28th 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, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

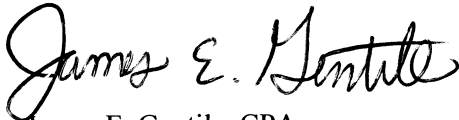
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. Such CAFRs must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 24 years (years ended 1984 – 2007). 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 the Auditor of the State of Ohio for their efforts and professional conduct throughout the audit engagement.

Very truly yours,



Sharon Dumas, Director
Department of Finance



James E. Gentile, CPA
City Controller

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CITY OF CLEVELAND, OHIO

City Officials
Frank G. Jackson, Mayor

EXECUTIVE STAFF

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

ADMINISTRATION

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

CITY OF CLEVELAND, OHIO

City Council

Martin J. Sweeney.....	President of Council /Ward 20
Patricia J. Britt	Clerk of Council
Terrell H. Pruitt.....	Ward 1
Nathaniel Wilkes.....	Ward 2
Zachary Reed	Ward 3
Kenneth L. Johnson	Ward 4
Phyllis E. Cleveland.....	Ward 5
Mamie J. Mitchell	Ward 6
TJ Dow.....	Ward 7
Shari L. Cloud.....	Ward 8
Kevin Conwell	Ward 9
Eugene Miller.....	Ward 10
Michael D. Polensek	Ward 11
Anthony Brancatelli	Ward 12
Joe Cimperman	Ward 13
Joseph Santiago.....	Ward 14
Brian J. Cummins.....	Ward 15
Kevin J. Kelly	Ward 16
Matthew Zone	Ward 17
Jay Westbrook.....	Ward 18
Dona Brady	Ward 19
Martin J. Keane.....	Ward 21

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cleveland
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

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.

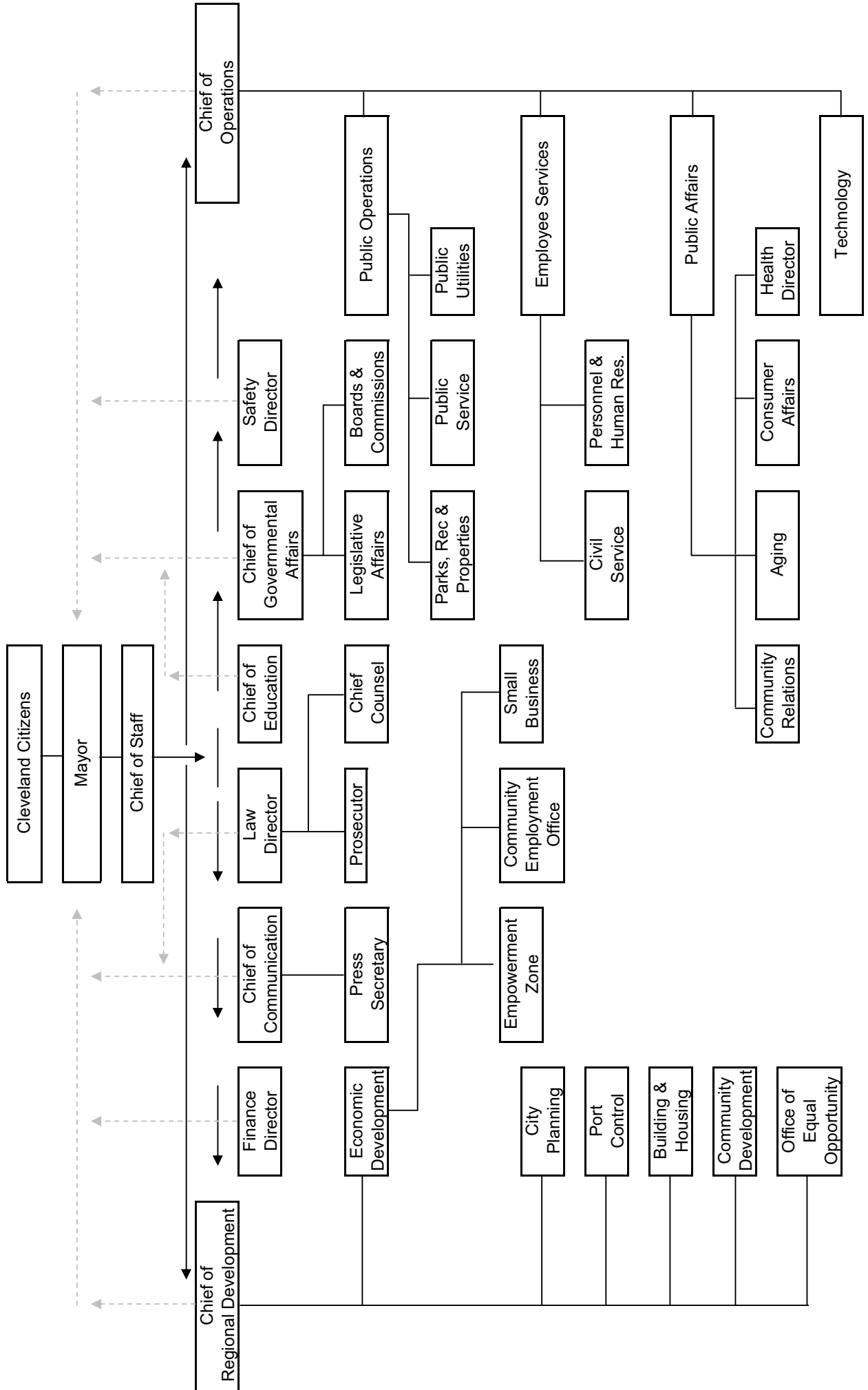


President

Executive Director

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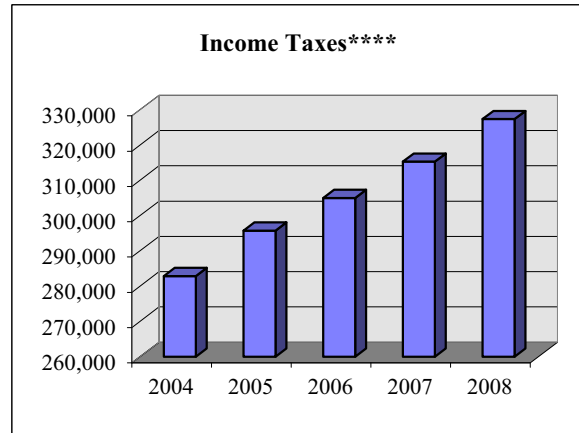
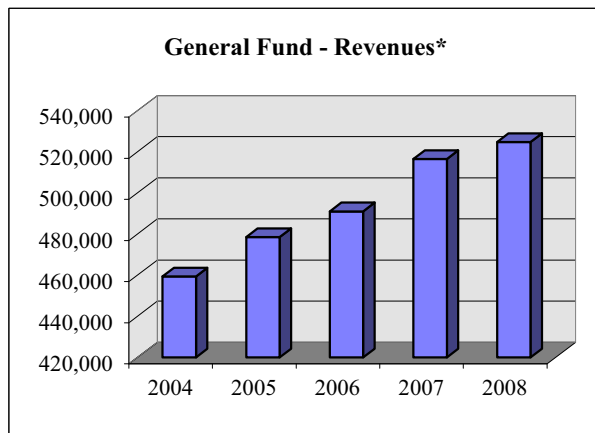
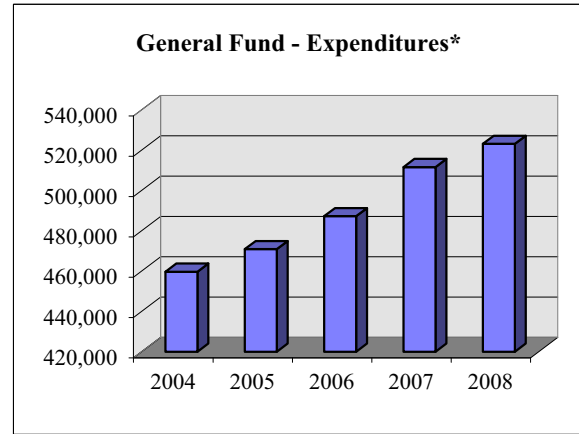
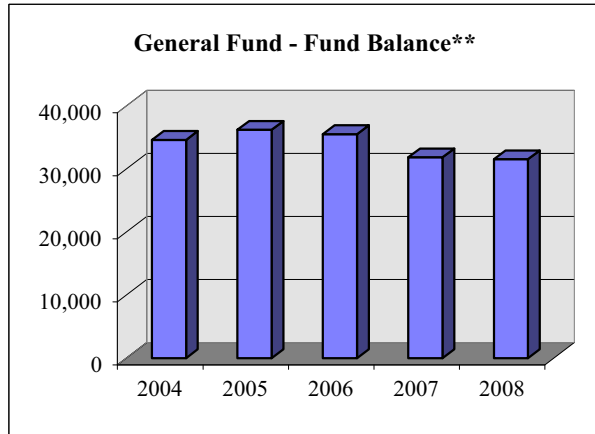
**CITY OF CLEVELAND, OHIO
ADMINISTRATIVE ORGANIZATION CHART**



CITY OF CLEVELAND, OHIO

FINANCIAL HIGHLIGHTS

(Amounts in 000's)



For Year Ended	General Fund Fund Balance**	General Fund Revenues*	General Fund Expenditures*	Income Taxes****
2004	34,634	459,374	459,647	282,824
2005	36,213	478,522	470,905	295,759
2006	35,531	491,052	487,233	305,010
2007	31,854	516,551	511,567	315,262
2008	31,545	524,744	523,046	327,338

* *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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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Cuyahoga County, Ohio (the City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Cuyahoga County, Ohio, as of December 31, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Mary Taylor, CPA
Auditor of State

June 25, 2009

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, 2008. 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, 2008 by approximately \$2.409 billion (net assets). Of this amount, \$416.9 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- Of the approximately \$2.409 billion of net assets, governmental activities accounted for approximately \$638.0 million of net assets, while business-type activities net assets accounted for approximately \$1.771 billion.
- The City's net assets increased by \$52.7 million as compared to 2007. The governmental activities net assets decreased by \$1.5 million and the business-type activities net assets increased by \$54.2 million.

The major factors contributing to the \$1.5 million decrease to governmental activities net assets are a \$49.8 million decrease in governmental activities program revenues, a \$28.5 increase in governmental activities expenses and a \$4.3 increase in general revenues.

Of the \$49.8 million decrease in governmental activities program revenues, there was a \$66.4 million decrease in revenue from capital grants and contributions which was partially offset by a \$14.7 million increase in charges for services revenue. Of the \$28.5 increase in governmental activities expenses, there was a \$14.8 million increase in economic development expenses, a \$7.3 million increase in park, recreation and properties expenses and \$7.1 million increase in public safety expenses. Of the \$4.3 increase in general revenues, there was a \$12.0 million increase in municipal income taxes revenue and modest decreases in various other general revenue sources.

The contributing factors for the net assets increase of \$54.2 million in business-type activities were significant increases in the following departments: The Division of Water's overall increase in net assets of \$40.7 million was primarily due to an increase in water service rates. Cleveland Public Power's total net assets increased by \$8.6 million which was attributed to the increase in operating revenue.

- At the end of the current year, unreserved fund balance for the General Fund was \$16.9 million and is available for spending at the City's discretion. The unreserved fund balance equals 3.3% of the total current General Fund expenditures and other financing uses.
- In 2008, the City's total long-term debt and other debt-related obligations net of premiums, discounts and unamortized loss on debt refunding increased by \$47.2 million. The increase was primarily attributed to the 2008 issuance of Subordinate Lien Income Tax Bonds, partially offset by the retirement and defeasance of revenue bonds issued in prior years.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

The City maintains 35 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 34 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 - 104 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

For the year ended December 31, 2002, the City implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This statement requires a comparative analysis of government-wide data in the Management's Discussion and Analysis section. Information regarding the government-wide net assets of the City is provided below:

Summary Statement of Net Assets as of December 31, 2008 and 2007

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2008	2007	(Amounts in 000's)		2008	2007
Assets:						
Current and other assets	\$ 738,976	\$ 710,796	\$ 1,372,114	\$ 1,309,407	\$ 2,111,090	\$ 2,020,203
Capital assets	<u>920,301</u>	<u>918,633</u>	<u>2,765,262</u>	<u>2,738,843</u>	<u>3,685,563</u>	<u>3,657,476</u>
Total assets	1,659,277	1,629,429	4,137,376	4,048,250	5,796,653	5,677,679
Liabilities:						
Long-term obligations	787,294	762,278	2,181,006	2,158,020	2,968,300	2,920,298
Other liabilities	<u>233,557</u>	<u>227,212</u>	<u>185,325</u>	<u>173,384</u>	<u>418,882</u>	<u>400,596</u>
Total liabilities	1,020,851	989,490	2,366,331	2,331,404	3,387,182	3,320,894
Net assets:						
Invested in capital assets, net of related debt	555,076	484,758	985,556	957,587	1,540,632	1,442,345
Restricted	179,318	214,811	272,613	252,514	451,931	467,325
Unrestricted	<u>(95,968)</u>	<u>(59,630)</u>	<u>512,876</u>	<u>506,745</u>	<u>416,908</u>	<u>447,115</u>
Total net assets	<u>\$ 638,426</u>	<u>\$ 639,939</u>	<u>\$ 1,771,045</u>	<u>\$ 1,716,846</u>	<u>\$ 2,409,471</u>	<u>\$ 2,356,785</u>

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. The City's assets exceeded liabilities by approximately \$2.409 billion at the close of the most recent fiscal year. This represents an increase of 2.24% in 2008. Of the City's net assets, 26.50% represents its governmental net assets and 73.50% represents its business-type net assets.

Of the net assets from governmental activities, \$555.1 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, \$179.3 million, represents resources that are subject to external restrictions on how they may be used. There was a decrease in unrestricted net assets of \$36.3 million.

In 2008, the total assets from governmental activities increased by \$29.8 million. This increase is primarily attributed to an increase in unamortized bond issuance costs of \$4.9 million and an increase of \$34.0 million of cash and cash equivalents and investments at year end. The total increases were partially offset by a decrease of \$15.3 million of amounts due from other governments.

Also in 2008, the total liabilities from governmental activities increased by \$31.4 million. The increase was primarily due to an increase of \$25.0 million in long-term obligations.

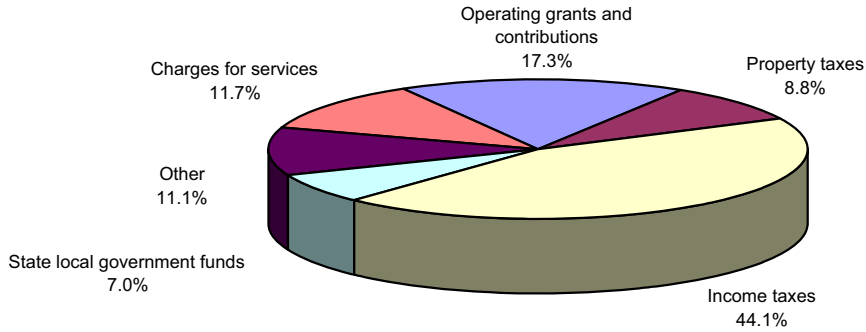
At the end of the current year, the City is able to report positive balances in total net assets for both its governmental activities and its business-type activities. Information regarding government-wide changes in net assets is provided below:

Changes in Net Assets
For Fiscal Years Ended December 31, 2008 and 2007

	Governmental		Business-Type		Total	
	Activities		Activities			
	2008	2007	(Amounts in 000's)		2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 87,114	\$ 72,388	\$ 554,461	\$ 544,074	\$ 641,575	\$ 616,462
Operating grants and contributions	129,113	127,218	19,868	23,739	148,981	150,957
Capital grants and contributions	16,151	82,566	64,064	85,340	80,215	167,906
General revenues:						
Income taxes	329,316	317,268			329,316	317,268
Property taxes	65,398	69,313			65,398	69,313
Other taxes	25,918	28,567			25,918	28,567
Shared revenues	28,587	23,805			28,587	23,805
State local government funds	52,450	51,164			52,450	51,164
Unrestricted investment earnings	3,344	5,670	42	30	3,386	5,700
Miscellaneous	9,556	14,482			9,556	14,482
Total revenues	<u>746,947</u>	<u>792,441</u>	<u>638,435</u>	<u>653,183</u>	<u>1,385,382</u>	<u>1,445,624</u>
Expenses:						
General Government	101,878	99,311			101,878	99,311
Public Service	87,154	86,435			87,154	86,435
Public Safety	329,922	322,840			329,922	322,840
Community Development	44,550	54,425			44,550	54,425
Building and Housing	15,831	13,999			15,831	13,999
Public Health	20,351	21,412			20,351	21,412
Parks, Recreation and Properties	61,628	54,332			61,628	54,332
Economic Development	53,944	39,168			53,944	39,168
Interest on debt	32,896	27,763			32,896	27,763
Water			213,335	205,470	213,335	205,470
Electricity			154,426	148,832	154,426	148,832
Airport facilities			172,274	167,967	172,274	167,967
Nonmajor activities			44,507	45,762	44,507	45,762
Total expenses	<u>748,154</u>	<u>719,685</u>	<u>584,542</u>	<u>568,031</u>	<u>1,332,696</u>	<u>1,287,716</u>
Changes in net assets before transfers	(1,207)	72,756	53,893	85,152	52,686	157,908
Transfers	<u>(306)</u>	<u>(290)</u>	<u>306</u>	<u>290</u>		
Changes in net assets	(1,513)	72,466	54,199	85,442	52,686	157,908
Net assets at beginning of year	<u>639,939</u>	<u>567,473</u>	<u>1,716,846</u>	<u>1,631,404</u>	<u>2,356,785</u>	<u>2,198,877</u>
Net assets at end of year	<u>\$ 638,426</u>	<u>\$ 639,939</u>	<u>\$ 1,771,045</u>	<u>\$ 1,716,846</u>	<u>\$ 2,409,471</u>	<u>\$ 2,356,785</u>

Business-type net assets increased \$54.2 million in 2008. Of the business-type net assets, \$985.5 million represents its investment in capital assets, net of accumulated depreciation, less any related, still-outstanding debt issued to acquire, construct or improve those assets. These capital assets are used to provide services to their customers. Consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities. \$272.6 million of net assets are subject to external restrictions on their use. The remaining balance of \$512.9 million is unrestricted and may be used to meet the City's ongoing obligations to customers and creditors.

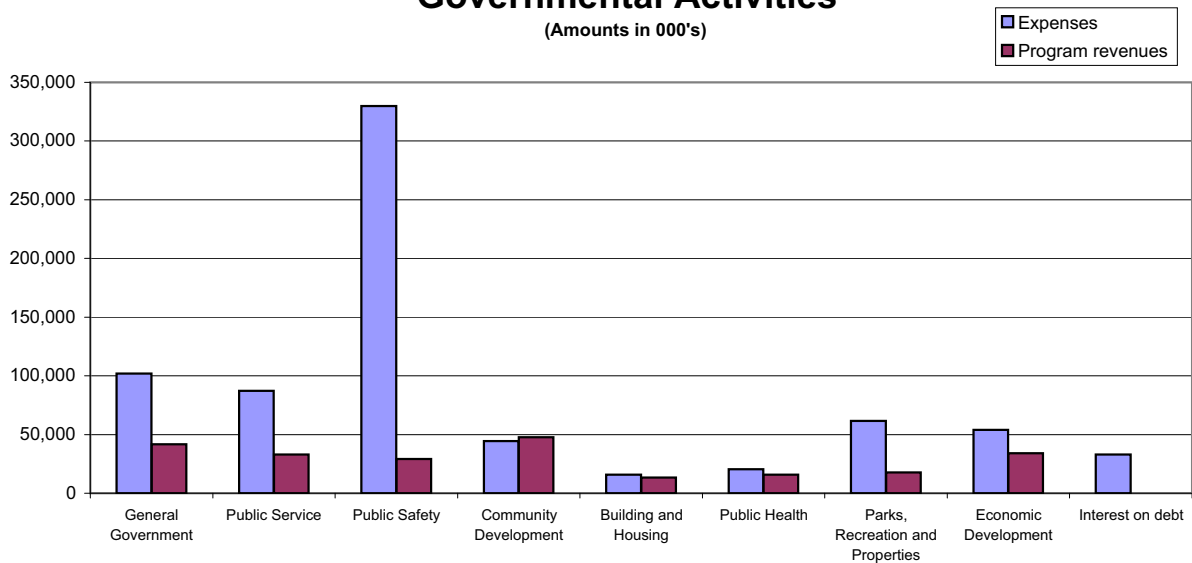
Revenues by Source - Governmental Activities



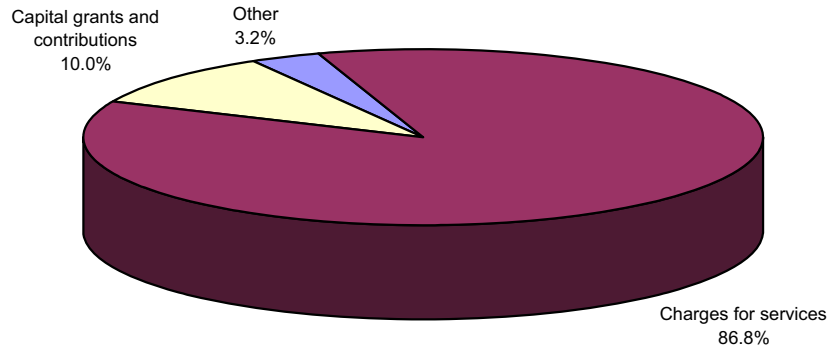
Other includes capital grants and contributions, other taxes, shared revenues, unrestricted investment earnings, other general revenues and transfers.

Expenses and Program Revenues - Governmental Activities

(Amounts in 000's)

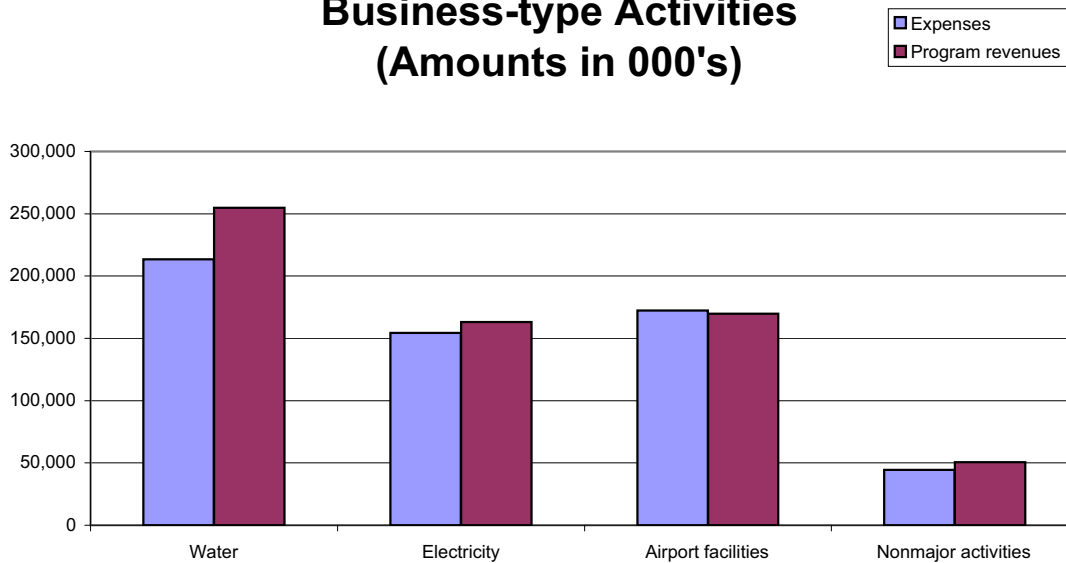


Revenues by Source - Business-type Activities



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

Expenses and Program Revenues - Business-type Activities (Amounts in 000's)



In 2008, business-type total assets increased by \$89.1 million primarily due to an increase in restricted cash and cash equivalents of \$81.7 million. Business-type total liabilities increased by \$34.9 million primarily due to a net increase in long-term obligations of \$23.0 million due to the 2008 issuances of Airport System and Cleveland Public Power Revenue Bonds, partially offset by the retirement and defeasance of revenue bonds, and an increase of \$12.2 million of amounts due to other governments.

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

Department of Port Control: The City's Department of Port Control consists of the Divisions of Cleveland Hopkins International Airport and Burke Lakefront Airport, which employ approximately 406 individuals in administration, airfield and building maintenance, vehicle maintenance and aircraft rescue and fire fighting. Currently, 29 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 2008 amounted to \$111.4 million. This represents a 5.3% increase over 2007 operating revenues. Cleveland Hopkins International Airport served 11,106,194 passengers in 2008. This reflects a 3.1% decrease in the number of passengers served in 2007. This decrease is attributed to normal industry fluctuation and the economic recession.

Division of Water: The Division operates a major public water supply system, the eighth largest in the United States that serves not only the City, but also 70 suburban municipalities in Cuyahoga, Medina, Summit and Geauga counties. The Division is an emergency standby provider for systems in three other counties. The present service area covers over 640 square miles and serves over 1.5 million people. In 2008, the aggregate metered consumption of water in the City constituted 34% of the total metered consumption in the service area, while consumption in the direct service communities and master meter communities constituted 57% and 9%, respectively. Operating revenue in 2008 increased approximately 0.65% to \$242.2 million from \$240.6 million in 2007. This increase was mainly attributed to a 4.50% decrease in billed consumption and an increase of water service rates of approximately 7.3%. Operating expenses, exclusive of depreciation, increased to \$143.8 million compared to \$140.2 million in 2007.

Division of Cleveland Public Power: The Division supplies electrical service to approximately 77,000 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 2008 operating revenue increased 1.9% to \$158.1 million from \$155.2 million in 2007. Purchased power expense increased 4.1% to \$86.9 million in 2008 from \$83.5 million in 2007. Operating expenses, exclusive of depreciation and purchased power, increased 1.1% to \$37.3 million compared to \$36.9 million in 2007.

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 \$419.4 million, an increase of \$1.6 million in comparison with the prior year. The total governmental unreserved fund balance is \$132.7 million of which \$93.5 million is undesignated. The components of the total undesignated governmental fund balance include \$16.8 million in the General Fund which is available for spending at the City's discretion; an additional \$66.3 million of undesignated Special Revenue Funds available for expenditures that are legally restricted for a particular purpose; and the Capital Project Fund has \$10.4 million of undesignated fund balance to be used for the acquisition or construction of major capital projects. An additional \$39.2 million is designated for future capital improvements. The remaining \$286.7 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 (\$117.0 million), (2) to make future loans (\$122.9 million), (3) to pay debt service (\$37.5 million) and (4) for a variety of other restricted purposes (\$9.3 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 \$16.9 million while the total fund balance was \$31.5 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 3.3% of total General Fund expenditures and transfers out, while total fund balance represents approximately 6.2% 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		
2008 and 2007		
(Amounts in 000's)		
	<u>2008</u>	<u>2007</u>
Revenues:		
Income taxes	\$ 290,191	\$ 277,141
Property taxes	42,907	45,533
State local government funds	52,269	53,506
Other shared revenues	44,947	45,334
Licenses and permits	11,834	11,688
Charges for services	20,807	20,651
Fines, forfeits and settlements	27,319	25,291
Investment earnings	2,740	4,574
Grants	775	923
Miscellaneous	11,432	9,832
Total revenues	<u>505,221</u>	<u>494,473</u>
Expenses:		
General Government	78,957	74,318
Public Service	35,505	35,384
Public Safety	309,647	305,712
Community Development	2,172	2,286
Building and Housing	10,463	10,539
Public Health	5,592	5,572
Parks, Recreation and Properties	37,025	35,371
Economic Development	1,568	1,540
Other	10,627	9,206
Total expenses	<u>491,556</u>	<u>479,928</u>
Excess of revenues over expenditures	13,665	14,545
Other financing sources (uses):		
Transfers in	6,674	6,758
Transfers out	(20,922)	(25,157)
Sale of City assets	274	177
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(309)	(3,677)
Fund balance at beginning of year	<u>31,854</u>	<u>35,531</u>
Fund balance at end of year	<u>\$ 31,545</u>	<u>\$ 31,854</u>

Analysis of General Fund Revenues

General Fund revenues and other sources totaled \$512.2 million in 2008, an increase of approximately \$10.8 million from 2007. 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 2008, approximately 87% of the total income taxes paid to the City were derived from non-residents employed in the City and business profits.

Income tax collections increased approximately \$13.1 million in 2008 over the comparable amount in 2007 due to increased employer withholding payments in 2008.

Property Taxes

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

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

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

<u>Tax Collection Year</u>	<u>Real Property</u>	<u>Tangible Personal (Other than Public Utility)</u> (Amounts in 000's)	<u>Public Utility Tangible Personal</u>	<u>Total Assessed Valuation</u>
2008	\$ 5,480,592	\$ 422,770	\$ 210,970	\$ 6,114,332
2007	\$ 5,589,053	\$ 551,296	\$ 316,899	\$ 6,457,248

Property tax revenues decreased by \$2.6 million in 2008 principally due to lower current tax collections and a significant increase in delinquencies in 2008.

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 \$1.6 million in 2008.

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 decreased since 2000.

Analysis of General Fund Expenditures

General Fund expenditures and other financing uses totaled \$512.5 million in 2008, an increase of 1.46% from 2007. The amount of expenditures and other uses by function on a GAAP basis, including the increases (decreases) over the prior year, are shown in the following table:

<u>Expenditures and Other Financing Uses</u>	<u>Actual 2008</u>	<u>% of Total</u>	<u>Actual 2007</u>	<u>% of Total</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
(Amounts in 000's)						
Current:						
General Government	\$ 78,957	15.41	\$ 74,318	14.71	\$ 4,639	6.24
Public Service	35,505	6.93	35,384	7.01	121	0.34
Public Safety	309,647	60.42	305,712	60.53	3,935	1.29
Community Development	2,172	0.42	2,286	0.45	(114)	(4.99)
Building and Housing	10,463	2.04	10,539	2.09	(76)	(0.72)
Public Health	5,592	1.09	5,572	1.10	20	0.36
Parks, Recreation and Properties	37,025	7.23	35,371	7.00	1,654	4.68
Economic Development	1,568	0.31	1,540	0.31	28	1.82
Other	10,627	2.07	9,206	1.82	1,421	15.44
Operating Transfers Out	<u>20,922</u>	4.08	<u>25,157</u>	4.98	<u>(4,235)</u>	(16.83)
Total Expenditures and Other Financing Uses	<u>\$ 512,478</u>		<u>\$ 505,085</u>		<u>\$ 7,393</u>	

The total expenditures and other financing uses increased by \$7.4 million. The primary factors for the increase in General Government expenditures were due to an increase in expenditures for professional services. The increase in Public Safety expenditures are associated with increases in uniformed personnel expenditures.

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 \$247.8 million, \$72.5 million and \$143.8 million, respectively, at December 31, 2008. The change in net assets for each of the respective funds amounted to an increase of \$40.7 million, an increase of \$8.6 million and a decrease of \$2.4 million during 2008. 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, 2008 and 2007, the City had approximately 8,009 and 8,216 full-time employees, respectively. Of the 8,009 full-time employees, approximately 6,143 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 – 1,343 members; Cleveland Police Patrolmen's Association – 1,427 members; the Association of Cleveland Firefighters – 885 members; Municipal Foreman and Laborers Union, Local 1099 – 523 members; and Local 244 – 364 members.

There have been no significant labor disputes or work stoppages in the City within the last 25 years.

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

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

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

<u>Year</u>	<u>Amount Paid</u> (Amounts in 000's)
2008	\$ 447,484
2007	\$ 437,752

The increase in salaries and wages in 2008 is primarily due to scheduled pay increases for union employees.

Employee Retirement Benefits

City employees are members of one of two retirement systems. These retirement systems provide both pension and 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 more than 374,002 actively contributing members and net assets of this pension system approximated \$59.2 billion as of December 31, 2008, the latest information available. More data on this pension system is shown in Notes 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, 2007, the latest information available, management of the fund indicates membership of approximately 28,609 active members and assets of this pension fund approximated \$14.3 billion. All of the City’s police and fire officers are members of this pension fund. More data on this pension fund is shown in Notes 13 – 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:

	<u>2008</u>	<u>2007</u>
	(Amounts in 000's)	
Paid by City to:		
OPERS	\$ 38,900	\$ 36,809
OP&F	<u>33,218</u>	<u>32,632</u>
Total paid by City	<u>72,118</u>	<u>69,441</u>
Paid by employees to:		
OPERS	28,810	25,311
OP&F	<u>18,224</u>	<u>15,525</u>
Total paid by employees	<u>47,034</u>	<u>40,836</u>
Total	<u>\$ 119,152</u>	<u>\$ 110,277</u>

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 Notes 13 – Defined Benefit Pension Plans and Note 14 – Other Postemployment Benefits.

GENERAL FUND BUDGETARY ANALYSIS

In 2008, there were no major differences between the original and the final amended budget at a total revenue and expenditure level, including transfers out (see page 55).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets: The City's investment in capital assets for its governmental and business-type activities as of December 31, 2008, amounts to \$3.686 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 0.77% (a 0.18% increase for governmental activities and a 0.96% increase for business-type activities). A summary of the City's capital assets at December 31, 2008 is as follows:

	Capital Assets, Net of Accumulated Depreciation		
	Governmental Activities	Business-Type Activities	Total
	(Amounts in 000's)		
Land	\$ 65,473	\$ 196,019	\$ 261,492
Land improvements	42,241	550,037	592,278
Utility plant		1,090,649	1,090,649
Buildings, structures and improvements	355,473	412,608	768,081
Furniture, fixtures, equipment and vehicles	58,077	168,995	227,072
Infrastructure	269,838		269,838
Construction in progress	<u>129,199</u>	<u>346,954</u>	<u>476,153</u>
Total	<u>\$ 920,301</u>	<u>\$ 2,765,262</u>	<u>\$ 3,685,563</u>

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

- Cleveland Public Power incurred \$21.9 million of capital expenditures relating to the Euclid Corridor project, the acquisition of street lights, the construction of the Ridge Road substation, pole replacements, equipment and building betterments.
- During 2008, the Division of Water had expenditures for capital improvements totaling \$74.6 million. Major expenses were for continuing renovations at the Morgan, Baldwin and Nottingham Plants, equipment and rehabilitation of water mains.
- Port Control expenditures for capital improvements totaled approximately \$40.0 million. Major components were the completion of the construction on the uncoupling and expansion of Runway 6R/24L and the installation of surveillance and security enhancements.
- Water Pollution Control had capital expenditures of \$5.0 million. Major initiatives included the various sewer line replacement projects.
- Major capital projects for Governmental Activities included \$28.0 million in land improvements, building improvements 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 \$2.875 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, 2008 is summarized below (excluding unamortized discounts, premiums and losses on debt refundings).

	Balance January 1, <u>2008</u>	Debt Issued	Debt Refunded or Defeased	Debt Retired	Balance December 31, <u>2008</u>
			(Amounts in 000's)		
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 336,990	\$ 10,090	\$	\$ (33,450)	\$ 313,630
Urban Renewal Bonds	6,760			(435)	6,325
Subordinated Income Tax Bonds	58,900	59,960	(56,900)	(2,000)	59,960
Subordinate Lien Income Tax Bonds		59,560			59,560
Non-Tax Revenue Bonds	68,091	28,160	(26,900)	(1,734)	67,617
Certificates of Participation	140,714	108,390	(108,390)	(10,765)	129,949
Capital Lease Obligations	11,786			(3,182)	8,604
Gateway Note Payable	<u>2,250</u>			<u>(250)</u>	<u>2,000</u>
Total Governmental Activities	<u>625,491</u>	<u>266,160</u>	<u>(192,190)</u>	<u>(51,816)</u>	<u>647,645</u>
<u>Business –Type Activities:</u>					
Revenue Bonds	2,075,755	473,293	(400,480)	(47,800)	2,100,768
Ohio Water Development Loans	110,070	7,567		(5,362)	112,275
Deferred Payment Obligation	<u>16,396</u>			<u>(2,195)</u>	<u>14,201</u>
Total Business –Type Activities	<u>2,202,221</u>	<u>480,860</u>	<u>(400,480)</u>	<u>(55,357)</u>	<u>2,227,244</u>
Total	<u>\$ 2,827,712</u>	<u>\$ 747,020</u>	<u>\$ (592,670)</u>	<u>\$ (107,173)</u>	<u>\$ 2,874,889</u>

Funds used to meet the debt service requirements of the City's General Obligation Bonds are from certain ad valorem taxes, restricted income taxes and interest earnings. Ad valorem taxes, the primary source of funds, amounted to \$22.35 million in 2008 which represents 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, 2008:

	Moody's Investors Service	Standard & Poor's	Fitch Ratings
General Obligation Bonds	A2	AA	A+
Subordinate Lien Income Tax Bonds	A3	AA	N/A
Waterworks Revenue Bonds	Aa2	AA	N/A
<i>Cleveland Public Power:</i>			
Revenue Bonds	A2	A-	N/A
<i>Airport System:</i>			
Revenue Bonds	A3	A-	A
<i>Municipal Parking Lots:</i>			
Revenue Bonds (Insured Ratings)	Aa3	AAA	AAA

On April 10, 2008, in conjunction with the City's issuance of its Subordinate Lien Income Tax Bonds, Standard & Poor's raised its rating on the City's General Obligation Bonds from A to AA.

The ratio of net general bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens and investors. Net general bonded debt is total general bonded debt supported by taxes less amounts available in the Debt Service Fund. This data at December 31, 2008 was:

Net General Bonded Debt:	\$311,134,000
Ratio of Net Bonded Debt to Assessed Valuation:	5.09%
Net General Bonded Debt Per Capita:	\$650.36

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 \$642,004,890 and unvoted debt limit (5.50%) is \$336,288,276. At December 31, 2008, the City had capacity under the indirect debt limitation calculation per the Ohio Revised Code to issue approximately \$50 million in additional unvoted debt. However, these debt limitations are not expected to affect the financing of any currently planned facilities or services.

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

Effective February 12, 2009, the City issued \$54,735,000 Water Revenue Bonds, Series R, 2009 and \$26,295,000 Water Revenue Bonds, Series S, 2009. These bonds were issued to refund a portion of the outstanding Water Revenue Bonds, Series M, 2004. The Series M Bonds were refunded in order to address the increased interest rates incurred on the bonds as a result of the downgrade of the bond insurer and liquidity facility 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 while the Series S Bonds are secured by the 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, 2009 effective February 25, 2009. These bonds, which are fixed rate bonds, refunded the remaining portion of the outstanding Series M Bonds. At the time of the refundings, the interest rate swaps associated with the Series M Bonds were transferred to the Series R and Series S Bonds with the remaining portion being assigned to the Series Q Bonds issued in 2008.

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). The Series 2009A Bonds were issued 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. The Series 2009B Bonds were issued to refund all of the outstanding Airport System Revenue Bonds, Series 1997E, in the principal amount of \$14,425,000 and to pay issuance costs. The City retired the remaining \$10,570,000 of outstanding Series 1997D Bonds with other available funds of the Airport System. 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 2009 Bonds were issued as weekly variable rate demand obligations secured by direct pay letters of credit issued by U.S. Bank National Association.

On March 31, 2009, the City obtained an amendment to PFC Application Eight in the amount of \$20,526,500. The amendment increases the amount of the Passenger Facility Charges that can be used towards paying a portion of the debt service associated with Runway 6L/24R. The amendment will increase the Passenger Facility Charges collection period by approximately one year.

Effective May 5, 2009, the City issued \$58,400,000 Various Purpose and Refunding General Obligation Bonds, Series 2009A. Of this amount, \$44,580,000 was issued to provide funds for various public improvements including parks and recreation facilities, roads and bridges, other public facilities, cemeteries, the convention center and neighborhood development and to pay issuance costs. The remaining \$13,820,000 was issued to refund \$13,525,000 of outstanding Various Purpose General Obligation Bonds, Series 1998 and to pay issuance costs. As a result of this refunding, the City realized \$790,000 in present value debt service savings or 5.84%.

As a result of the bankruptcy of Lehman Brothers Special Financing, Inc. in September 2008, the City has, at its option, requested that the basis swap associated with the Public Power System Revenue Bonds, Series 2006A be assigned to another counterparty. Discussions between the City and Lehman Brothers are on-going. As of May 15, 2009, the City is owed \$179,000 on the swap. This represents the cumulative amount owed to the City on the swap since the Lehman bankruptcy filing. The payment to the City of this outstanding amount will be included in the agreement to assign the swap to a new highly rated performing counterparty.

In May 2009, the City of Cleveland sold the convention center to Cuyahoga County for \$20 million. The sale allows the county to build a new convention center and medical mart. The medical mart will utilize Cleveland's world renowned health care facilities to attract medical manufacturers to Cleveland, displaying the latest innovations in medical technology.

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, 2008

(Amounts in 000's)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 328,177	\$ 307,774	\$ 635,951
Investments	5,702	94,354	100,056
Receivables:			
Taxes	141,363		141,363
Accounts	11,910	152,441	164,351
Grants	19,863		19,863
Loans	167,956		167,956
Unbilled revenue		40,379	40,379
Accrued interest	223	1,175	1,398
Assessments	11,181		11,181
Less: Allowance for doubtful accounts	<u>(4,286)</u>	<u>(21,668)</u>	<u>(25,954)</u>
Receivables, net	<u>348,210</u>	<u>172,327</u>	<u>520,537</u>
Internal balances	2,396	(2,396)	
Due from other governments	42,544	2,898	45,442
Inventory of supplies	1,898	13,973	15,871
Prepaid expenses and other assets		2,948	2,948
Restricted assets:			
Cash and cash equivalents		691,088	691,088
Investments		64,294	64,294
Accrued interest receivable		1,182	1,182
Bond retirement reserve		53	53
Accrued passenger facility charge		<u>2,477</u>	<u>2,477</u>
Total restricted assets	<u>-</u>	<u>759,094</u>	<u>759,094</u>
Unamortized bond issuance costs	10,049	21,142	31,191
Capital assets:			
Land and construction in progress	194,672	542,973	737,645
Other capital assets, net of accumulated depreciation	<u>725,629</u>	<u>2,222,289</u>	<u>2,947,918</u>
Total capital assets	<u>920,301</u>	<u>2,765,262</u>	<u>3,685,563</u>
Total assets	<u>1,659,277</u>	<u>4,137,376</u>	<u>5,796,653</u>
LIABILITIES			
Accounts payable	12,555	26,422	38,977
Accrued wages and benefits	50,650	16,552	67,202
Due to other governments	45,599	84,411	130,010
Accrued interest payable	14,790	38,627	53,417
Deferred revenue	91,100		91,100
Unearned revenue	16,148		16,148
Liabilities payable from restricted assets		19,313	19,313
Loans payable	2,715		2,715
Long-term obligations:			
Due within one year	88,825	70,674	159,499
Due in more than one year	<u>698,469</u>	<u>2,110,332</u>	<u>2,808,801</u>
Total liabilities	<u>1,020,851</u>	<u>2,366,331</u>	<u>3,387,182</u>
NET ASSETS			
Invested in capital assets, net of related debt	555,076	985,556	1,540,632
Restricted for:			
Debt service	29,321	221,806	251,127
Loans	122,929		122,929
Other purposes	27,068	50,807	77,875
Unrestricted	<u>(95,968)</u>	<u>512,876</u>	<u>416,908</u>
Total net assets	<u>\$ 638,426</u>	<u>\$ 1,771,045</u>	<u>\$ 2,409,471</u>

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

CITY OF CLEVELAND, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008
(Amounts in 000's)

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:						
Governmental activities:						
General Government	\$ 101,878	\$ 1,789	\$ 3,057	\$ (60,208)	\$	\$ (60,208)
Public Service	87,154	14,317	13,094	(54,226)		(54,226)
Public Safety	329,922	7,448		(300,765)		(300,765)
Community Development	44,550	42,129		3,019		3,019
Building and Housing	15,831	1,106		(2,402)		(2,402)
Public Health	20,351	12,786		(4,672)		(4,672)
Parks, Recreation and Properties	61,628	16,417		(43,860)		(43,860)
Economic Development	53,944	33,121		(19,766)		(19,766)
Interest on debt	32,896			(32,896)		(32,896)
Total governmental activities	748,154	129,113	16,151	(515,776)	-	(515,776)
Business-type activities:						
Water	213,335	8,384	3,460		41,381	41,381
Electricity	154,426	2,118	2,803		8,732	8,732
Airport facilities	172,274	3,809	54,646		(2,417)	(2,417)
Nonmajor activities	44,507	5,557	3,155		6,155	6,155
Total business-type activities	584,542	19,868	64,064		53,851	53,851
Total	\$ 1,332,696	\$ 148,981	\$ 80,215	(515,776)	53,851	(461,925)
General revenues:						
Income taxes				329,316		329,316
Property taxes				65,398		65,398
Other taxes				25,918		25,918
Shared revenues				28,587		28,587
State local government funds				52,450		52,450
Unrestricted investment earnings				3,344	42	3,386
Other				9,556		9,556
Transfers				(306)	306	
Total general revenues and transfers				514,263	348	514,611
Change in net assets				(1,513)	54,199	52,686
Net assets at beginning of year				639,939	1,716,846	2,356,785
Net assets at end of year				\$ 638,426	\$ 1,771,045	\$ 2,409,471

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

CITY OF CLEVELAND, OHIO

BALANCE SHEET-GOVERNMENTAL FUNDS

DECEMBER 31, 2008

(Amounts in 000's)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 40,685	\$ 271,437	\$ 312,122
Investments		5,702	5,702
Receivables:			
Taxes	105,399	35,964	141,363
Accounts	10,006	1,902	11,908
Grants		19,863	19,863
Loans		167,956	167,956
Accrued interest		223	223
Assessments		11,181	11,181
Less: Allowance for doubtful accounts	<u>(4,286)</u>		<u>(4,286)</u>
Receivables, net	<u>111,119</u>	<u>237,089</u>	<u>348,208</u>
Due from other funds	9,901	1,546	11,447
Due from other governments	32,106	10,438	42,544
Inventory of supplies	<u>77</u>	<u>816</u>	<u>893</u>
TOTAL ASSETS	<u>\$ 193,888</u>	<u>\$ 527,028</u>	<u>\$ 720,916</u>
LIABILITIES			
Accounts payable	\$ 3,744	\$ 7,367	\$ 11,111
Accrued wages and benefits	45,452	3,831	49,283
Due to other governments	441	44,270	44,711
Deferred revenue	100,006	55,346	155,352
Unearned revenue		16,148	16,148
Due to other funds	<u>12,700</u>	<u>12,168</u>	<u>24,868</u>
Total liabilities	<u>162,343</u>	<u>139,130</u>	<u>301,473</u>
FUND BALANCES			
Reserved for:			
Loans		122,929	122,929
Inventory	77	816	893
Debt service		37,560	37,560
Encumbrances	6,230	110,734	116,964
Rainy day reserve fund	8,382		8,382
Unreserved, reported in:			
General Fund:			
Designated for future capital improvements	23		23
Undesignated	16,833		16,833
Special Revenue funds:			
Designated for future capital improvements		6,088	6,088
Undesignated		66,333	66,333
Capital Projects funds:			
Designated for future capital improvements		33,111	33,111
Undesignated		<u>10,327</u>	<u>10,327</u>
Total fund balances	<u>31,545</u>	<u>387,898</u>	<u>419,443</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 193,888</u>	<u>\$ 527,028</u>	

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.	916,532
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	64,252
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.	(771,987)
The assets and liabilities of most of the internal service funds are included in the governmental activities in the statement of net assets	<u>10,186</u>

Net assets of governmental activities \$ 638,426

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, 2008**

(Amounts in 000's)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Income taxes	\$ 290,191	\$ 36,273	\$ 326,464
Property taxes	42,907	22,351	65,258
State local government funds	52,269		52,269
Other shared revenues	44,947	36,253	81,200
Licenses and permits	11,834	3,213	15,047
Charges for services	20,807	5,193	26,000
Fines, forfeits and settlements	27,319	7,444	34,763
Investment earnings	2,740	6,131	8,871
Grants	775	93,994	94,769
Contributions		549	549
Miscellaneous	<u>11,432</u>	<u>16,217</u>	<u>27,649</u>
Total revenues	<u>505,221</u>	<u>227,618</u>	<u>732,839</u>
EXPENDITURES:			
Current:			
General Government	78,957	12,707	91,664
Public Service	35,505	24,600	60,105
Public Safety	309,647	8,692	318,339
Community Development	2,172	41,505	43,677
Building and Housing	10,463	5,228	15,691
Public Health	5,592	14,132	19,724
Parks, Recreation and Properties	37,025	5,568	42,593
Economic Development	1,568	50,353	51,921
Other	10,627		10,627
Capital outlay		60,513	60,513
Debt service:			
Principal retirement		51,566	51,566
Interest		34,318	34,318
General Government		5,394	5,394
Other		<u>1,868</u>	<u>1,868</u>
Total expenditures	<u>491,556</u>	<u>316,444</u>	<u>808,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>13,665</u>	<u>(88,826)</u>	<u>(75,161)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	6,674	50,876	57,550
Transfers out	(20,922)	(37,321)	(58,243)
Issuance of debt		266,160	266,160
Premium on bonds and notes		4,042	4,042
Discount on bonds and notes		(386)	(386)
Payment to refund bonds and notes		(192,675)	(192,675)
Sale of City assets	<u>274</u>		<u>274</u>
Total other financing sources (uses)	<u>(13,974)</u>	<u>90,696</u>	<u>76,722</u>
NET CHANGE IN FUND BALANCES	(309)	1,870	1,561
FUND BALANCES AT BEGINNING OF YEAR	<u>31,854</u>	<u>386,028</u>	<u>417,882</u>
FUND BALANCES AT END OF YEAR	<u>\$ 31,545</u>	<u>\$ 387,898</u>	<u>\$ 419,443</u>

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

CITY OF CLEVELAND, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES OF GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2008

(Amounts in 000's)

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

Net change in fund balances - total governmental funds (page 53)	\$ 1,561
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.	1,510
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	12,121
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.	(18,485)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	1,258
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>522</u>
Change in net assets of governmental activities (page 51)	<u>\$ (1,513)</u>

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

CITY OF CLEVELAND, OHIO

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES (BUDGET AND ACTUAL) - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual*</u>	<u>Variance- Positive (Negative)</u>
REVENUES:				
Income taxes	\$ 285,047	\$ 285,047	\$ 290,968	\$ 5,921
Property taxes	42,623	42,623	42,907	284
State local government funds	54,274	54,274	53,226	(1,048)
Other shared revenues	40,803	40,803	45,251	4,448
Licenses and permits	11,877	11,877	11,718	(159)
Charges for services	20,739	20,739	20,780	41
Fines, forfeits and settlements	25,285	25,285	26,842	1,557
Investment earnings	3,309	3,309	2,220	(1,089)
Grants			1,174	1,174
Miscellaneous	<u>19,165</u>	<u>19,165</u>	<u>22,710</u>	<u>3,545</u>
Total revenues	503,122	503,122	517,796	14,674
EXPENDITURES:				
Current:				
General Government	82,226	81,019	78,443	2,576
Public Service	38,870	37,935	37,055	880
Public Safety	306,526	310,536	308,560	1,976
Community Development	2,273	2,278	2,207	71
Building and Housing	10,926	10,491	10,377	114
Public Health	5,857	6,032	5,583	449
Parks, Recreation and Properties	40,590	39,336	38,815	521
Economic Development	1,786	1,787	1,582	205
Other	<u>18,470</u>	<u>19,110</u>	<u>18,502</u>	<u>608</u>
Total expenditures	507,524	508,524	501,124	7,400
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,402)	(5,402)	16,672	22,074
OTHER FINANCING SOURCES (USES):				
Transfers in	2,401	2,401	6,674	4,273
Transfers out	(24,090)	(23,090)	(21,922)	1,168
Sale of City assets			274	274
Total other financing sources (uses)	<u>(21,689)</u>	<u>(20,689)</u>	<u>(14,974)</u>	<u>5,715</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(26,091)</u>	<u>(26,091)</u>	<u>1,698</u>	<u>27,789</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			<u>1,598</u>	<u>1,598</u>
NET CHANGE IN FUND BALANCES	<u>(26,091)</u>	<u>(26,091)</u>	<u>3,296</u>	<u>29,387</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>26,149</u>	<u>26,149</u>	<u>26,149</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 58</u>	<u>\$ 58</u>	<u>\$ 29,445</u>	<u>\$ 29,387</u>

* 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, 2008

(Amounts in 000's)

	Business Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 162,498	\$ 52,721	\$ 54,600	\$ 35,383	\$ 305,202	\$ 18,627
Restricted cash and cash equivalents	11,036	723	7,554		19,313	
Investments	58,921	7,091	23,306	5,036	94,354	
Receivables:						
Accounts	51,378	19,259	6,985	74,819	152,441	2
Unbilled revenue	29,280	2,629	5,673	2,797	40,379	
Accrued interest	699	80	327	69	1,175	
Less: Allowance for doubtful accounts	(14,241)	(3,663)	(3,065)	(699)	(21,668)	
Receivables, net	67,116	18,305	9,920	76,986	172,327	2
Due from other funds	3,009	2,621	78	499	6,207	16,134
Due from other governments			2,898		2,898	
Inventory of supplies	3,285	7,412	2,430	846	13,973	1,006
Prepaid expenses and other assets	2,185	79	684		2,948	
Total current assets	308,050	88,952	101,470	118,750	617,222	35,769
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	298,962	74,567	276,210	22,036	671,775	
Investments	5,208		57,082	2,004	64,294	
Accrued interest receivable	360	53	726	43	1,182	
Bond retirement reserve			53		53	
Accrued passenger facility charges			2,477		2,477	
Total restricted assets	304,530	74,620	336,548	24,083	739,781	-
Unamortized bond issuance costs	6,081	3,947	7,776	3,338	21,142	
Capital assets:						
Land	5,463	4,875	167,123	18,558	196,019	663
Land improvements	16,973	2,759	824,412	6,172	850,316	146
Utility plant	1,138,883	458,236		124,682	1,721,801	
Buildings, structures and improvements	218,194	43,335	418,257	144,766	824,552	2,674
Furniture, fixtures, equipment and vehicles	214,331	45,826	52,094	16,493	328,744	5,321
Construction in progress	313,802	13,124	3,977	16,051	346,954	802
Less: Accumulated depreciation	(546,757)	(248,762)	(530,418)	(177,276)	(1,503,213)	(5,747)
Total capital assets, net	1,360,889	319,393	935,445	149,446	2,765,173	3,859
Total noncurrent assets	1,671,500	397,960	1,279,769	176,867	3,526,096	3,859
TOTAL ASSETS	\$ 1,979,550	\$ 486,912	\$ 1,381,239	\$ 295,617	\$ 4,143,318	\$ 39,628

(Continued)

CITY OF CLEVELAND, OHIO

BALANCE SHEET - PROPRIETARY FUNDS

DECEMBER 31, 2008

(Amounts in 000's)

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds		
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 8,936	\$ 10,865	\$ 4,033	\$ 2,565	\$ 26,399	\$ 1,469
Accrued wages and benefits	11,790	4,171	4,300	2,665	22,926	9,909
Due to other funds	2,574	949	1,155	3,912	8,590	330
Due to other governments			7,357	77,054	84,411	887
Accrued interest payable	19,310	2,414	16,036	867	38,627	
Current payable from restricted assets	11,036	723	7,554		19,313	
Current portion of long-term obligations	32,094	8,530	19,201	3,776	63,601	
Total current liabilities	85,740	27,652	59,636	90,839	263,867	12,595
Long-term liabilities:						
Accrued wages and benefits	2,049	710	682	414	3,855	15,084
Construction loans payable	103,014			3,796	106,810	
Deferred payment obligation			11,829		11,829	
Revenue bonds payable	792,455	252,771	888,234	54,214	1,987,674	
Total noncurrent liabilities	897,518	253,481	900,745	58,424	2,110,168	15,084
Total liabilities	983,258	281,133	960,381	149,263	2,374,035	27,679
NET ASSETS						
Invested in capital assets, net of related debt	649,739	126,891	117,883	90,954	985,467	3,859
Restricted for debt service	98,793	6,438	108,323	8,252	221,806	
Restricted for passenger facility charges			50,807		50,807	
Unrestricted	247,760	72,450	143,845	47,148	511,203	8,090
Total net assets	996,292	205,779	420,858	146,354	1,769,283	11,949
TOTAL LIABILITIES AND NET ASSETS	\$ 1,979,550	\$ 486,912	\$ 1,381,239	\$ 295,617		\$ 39,628
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					1,762	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES					\$ 1,771,045	

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, 2008
(Amounts in 000's)**

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds		
OPERATING REVENUES:						
Charges for services	\$ 242,181	\$ 158,106	\$ 111,390	\$ 41,778	\$ 553,455	\$ 49,162
Total operating revenue	<u>242,181</u>	<u>158,106</u>	<u>111,390</u>	<u>41,778</u>	<u>553,455</u>	<u>49,162</u>
OPERATING EXPENSES:						
Operations	92,866	19,520	69,738	23,772	205,896	45,911
Maintenance	50,967	17,791	5,147	9,264	83,169	2,690
Purchased power		86,850			86,850	
Depreciation	41,857	17,682	54,191	7,607	121,337	364
Total operating expenses	<u>185,690</u>	<u>141,843</u>	<u>129,076</u>	<u>40,643</u>	<u>497,252</u>	<u>48,965</u>
OPERATING INCOME (LOSS)	<u>56,491</u>	<u>16,263</u>	<u>(17,686)</u>	<u>1,135</u>	<u>56,203</u>	<u>197</u>
NON-OPERATING REVENUES (EXPENSES):						
Investment income	10,479	2,118	11,865	1,707	26,169	646
Interest expense	(27,633)	(12,563)	(37,694)	(3,830)	(81,720)	
Passenger facility charges			21,828		21,828	
Sound insulation program			(996)		(996)	
Gain (Loss) on disposal of capital assets	(12)	(20)		(10)	(42)	
Hotel tax				4,237	4,237	
Other revenues (expenses)	<u>1,283</u>	<u>2,700</u>	<u>(4,476)</u>	<u>924</u>	<u>431</u>	
Total non-operating revenues (expenses)	<u>(15,883)</u>	<u>(7,765)</u>	<u>(9,473)</u>	<u>3,028</u>	<u>(30,093)</u>	<u>646</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>40,608</u>	<u>8,498</u>	<u>(27,159)</u>	<u>4,163</u>	<u>26,110</u>	<u>843</u>
Capital contributions	82	103	24,762	1,844	26,791	208
Transfers in				306	306	387
Change in net assets	<u>40,690</u>	<u>8,601</u>	<u>(2,397)</u>	<u>6,313</u>	<u>53,207</u>	<u>1,438</u>
NET ASSETS AT BEGINNING OF YEAR	<u>955,602</u>	<u>197,178</u>	<u>423,255</u>	<u>140,041</u>		<u>10,511</u>
NET ASSETS AT END OF YEAR	<u>\$ 996,292</u>	<u>\$ 205,779</u>	<u>\$ 420,858</u>	<u>\$ 146,354</u>		<u>\$ 11,949</u>
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds					<u>992</u>	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES					<u>\$ 54,199</u>	

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

CITY OF CLEVELAND, OHIO

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

(Amounts in 000's)

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$ 232,489	\$ 162,928	\$ 97,887	\$ 39,139	\$ 532,443	\$ 46,780
Cash payments to suppliers for goods or services	(62,328)	(13,524)	(44,753)	(15,599)	(136,204)	(26,610)
Cash payments to employees for services	(78,520)	(24,848)	(25,776)	(17,930)	(147,074)	(19,019)
Cash payments for purchased power		(86,033)			(86,033)	
Agency activity on behalf of NEORS				3,638	3,638	
Other		(5,286)			(5,286)	
Net cash provided by operating activities	91,641	33,237	27,358	9,248	161,484	1,151
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Cash payments for sound insulation of homes			(1,297)		(1,297)	
Cash received (paid) through transfers from/to other funds				626	626	387
Cash received from hotel tax				4,184	4,184	
Cash receipts (payments) from/to other governments	16	17	(3,405)	6	(3,366)	
Other	82	77		75	234	
Net cash provided by (used for) noncapital financing activities	98	94	(4,702)	4,891	381	387
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Cash receipts for passenger facility charges			22,682		22,682	
Proceeds from sale of revenue bonds, loans and notes	98,300	91,790	287,914		478,004	
Rebate arbitrage payment			(341)		(341)	
Acquisition and construction of capital assets	(61,932)	(20,174)	(32,921)	(6,501)	(121,528)	(321)
Principal paid on long-term debt	(24,959)	(8,335)	(18,808)	(3,171)	(55,273)	
Interest paid on long-term debt	(42,708)	(10,148)	(44,702)	(3,280)	(100,838)	
Cash paid to escrow agent for refunding	(100,333)	(20,432)	(280,892)		(401,657)	
Capital grant proceeds			24,532		24,532	
Net cash provided by (used for) capital and related financing activities	(131,632)	32,701	(42,536)	(12,952)	(154,419)	(321)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of investment securities						
Proceeds from sale and maturity of investment securities	45,864	31,170	42,623	3,971	123,628	
Interest received on investments	16,353	3,459	15,481	1,925	37,218	675
Net cash provided by investing activities	62,217	34,629	58,104	5,896	160,846	675
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,324	100,661	38,224	7,083	168,292	1,892
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	450,172	27,350	300,140	50,336	827,998	16,735
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 472,496	\$ 128,011	\$ 338,364	\$ 57,419	\$ 996,290	\$ 18,627

(Continued)

CITY OF CLEVELAND, OHIO

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

(Amounts in 000's)

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds	Total Enterprise Funds	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Operating income (loss)	\$ 56,491	\$ 16,263	\$ (17,686)	\$ 1,135	\$ 56,203	\$ 197
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	41,857	17,682	54,191	7,607	121,337	364
Non-cash rental income			(3,389)		(3,389)	
Changes in assets and liabilities:						
Receivables, net	(6,728)	(128)	(1,122)	(11,780)	(19,758)	7
Due from other funds	(243)	(55)		127	(171)	(634)
Inventory of supplies	(226)	(564)	(1,622)	(102)	(2,514)	23
Prepaid expenses and other assets	(101)	(1)	83		(19)	
Accounts payable	389	723	(4,073)	(159)	(3,120)	433
Accrued wages and benefits	609	(30)	700	102	1,381	2,571
Due to other funds	(629)	(573)	242	161	(799)	(55)
Due to other governments			34	12,157	12,191	(1,755)
Accrued expenses and other liabilities	222	(80)			142	
Total adjustments	<u>35,150</u>	<u>16,974</u>	<u>45,044</u>	<u>8,113</u>	<u>105,281</u>	<u>954</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 91,641</u>	<u>\$ 33,237</u>	<u>\$ 27,358</u>	<u>\$ 9,248</u>	<u>\$ 161,484</u>	<u>\$ 1,151</u>

(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, 2008

(Amounts in 000's)

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 28,712
Taxes receivable	22,611
Due from other governments	<u>1,301</u>
Total assets	<u>52,624</u>
LIABILITIES	
Due to other governments	28,410
Due to others	<u>24,214</u>
Total liabilities	<u>\$ 52,624</u>

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

CITY OF CLEVELAND, OHIO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF CITY OPERATIONS AND REPORTING ENTITY

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

Reporting Entity: The accompanying financial statements as of December 31, 2008 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 Water Pollution Control, 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 are specified by legal, regulatory or administrative provisions. These funds include most major federal and state grants.
3. **Debt Service Funds** – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.
4. **Capital 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) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 to its business-type activities and to its proprietary funds that do not conflict with or contradict GASB pronouncements. The City has chosen the option not to apply future FASB standards (including amendments to earlier pronouncements).

D. Budgetary Procedures

The City is required by state law to adopt annual budgets for the General Fund, certain Special Revenue Funds (including the Division of Streets, Restricted Income Tax, Rainy Day Reserve, Schools Recreation and Cultural Activities and Cleveland Stadium Operations Funds), Debt Service Funds (except for Urban Renewal and Urban Renewal Reserve Funds) and Proprietary Operating Funds. Modifications to the original budget are approved by City Council throughout the year. The City maintains budgetary control by not permitting expenditures to exceed appropriations for personnel costs (including benefits) and other costs (including debt service and capital outlay), within a division of the City, without the approval of City Council. Adjustments to the budget can only be made within a division and then within each category. Further legislation is needed in order to move budget amounts from "personnel" to "other" or vice versa, or between divisions. City Council adopted five appropriation amendments during 2008 which reallocated appropriations and increased appropriations by 7.4% 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 2008 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)	\$ 1,698
Adjustments:	
Revenue Accruals	(12,575)
Expenditure Accruals	4,436
Encumbrances and Pre-Encumbrances	<u>6,132</u>
Net Change in Fund Balance	<u>\$ (309)</u>

E. ***Other Significant Accounting Policies***

Cash and Cash Equivalents: Cash resources of certain individual funds are combined to form a pool of cash and investments which is managed by the City Treasurer. Investments in the Pooled Cash Account, consisting of certificates of deposit, repurchase agreements, U.S. government securities, mutual funds, guaranteed investment contracts, State Treasurer Asset Reserve Fund (STAROhio) and time deposits, are carried at fair value (see Note 4 – 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 Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, for its Waterworks Improvement First Mortgage Revenue Bonds, its Public Power Improvement First Mortgage Revenue Bonds and its Airport Revenue Bonds. This Statement requires capitalization of the interest cost of the borrowings less interest earned on investment of the bond proceeds from the date of the borrowing until the assets constructed from the bond proceeds are ready for their intended use.

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

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

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

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

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

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

Long-Term Obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities 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. Other than the net interest expense resulting from these agreements, no amounts are recorded in the financial statements. As further described in Note 5 – Debt And Other Long-Term Obligations, the City has eight swap agreements outstanding at December 31, 2008, one for its Subordinated Income Variable Rate Tax Refunding Bonds, one on the Certificates of Participation (Cleveland Browns Stadium), one on the Parking Facilities Refunding Revenue Bonds, two related to the Airport System Revenue Bonds Series 2008D and 2008E, one related to the Airport System Revenue Bonds Series 2008A&B, one related to the 2004 Water Revenue Bonds Series M and one related to the Public Power System Refunding Revenue Bonds Series 2006A-1.

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

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

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

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

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

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

F. **Accounting Pronouncements**

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which is effective for the year ended December 31, 2008. The City has determined that GASB Statement No. 49 has no impact on its financial statements as of December 31, 2008. In May 2007, GASB issued Statement No. 50, *Pension Disclosure – an amendment of GASB Statements No. 25 and No. 27*, which is effective for the year ended December 31, 2008. The City has determined that GASB Statement No. 50 has no impact on its financial statements as December 31, 2008 and proper disclosures have been made.

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 \$772.0 million difference are as follows:

	(Amounts in 000's)
Bonds payable	\$ 628,349
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(10,049)
Unamortized bond premium	17,768
Accrued interest payable	14,790
Capital leases payable	8,604
Loans payable	2,715
Claims and adjustments	7,033
Compensated absences	102,777
 Net adjustments to reduce <i>fund balance - total governmental funds</i>	
to arrive at <i>net assets - governmental activities</i>	\$ 771,987

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 \$1.5 million difference are as follows:

	(Amounts in 000's)
Capital outlay	\$ 47,549
Depreciation expense	(45,554)
Capital asset disposal	<u>(485)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,510</u>

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

	(Amounts in 000's)
Reversal of prior year deferred revenue	\$ (52,131)
Current year deferred revenues	<u>64,252</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 12,121</u>

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences, including accrued interest and in the treatment of long-term debt is \$18.5 million which is detailed as follows:

	(Amounts in 000's)
Debt issued or incurred:	
Issuance of general obligation bonds and other obligations	\$ (161,425)
Accrued interest	1,422
Principal repayments:	
General obligation debt and other obligations	49,041
Payment on capital lease	3,182
Payment on loan	70
Refunding of general obligation bonds and other obligations	84,285
Amortization of debt issuance cost	<u>4,940</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (18,485)</u>

Another element of that reconciliation states that some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this \$1.3 million difference are as follows:

	(Amounts in 000's)
Compensated absences	\$ 432
Claims judgements	<u>826</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,258</u>

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 and the respective funds that have made disbursements in excess of their individual equities in the PCA.

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

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

Monthly, the City determines that the collateral has a market value adequate to cover the deposits and that it has been segregated either physically or in book entry form. At year end, the carrying amount of the City's deposits including certificates of deposit was \$114,375,000 and the actual bank balance totaled \$128,769,000. 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*, \$128,769,000 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 statute.

Credit Risk: The City’s investments as of December 31, 2008 include U.S. Agencies, repurchase agreements, Victory Federal Money Market Funds, Allegiant Government Money Market Funds, STAROhio, mutual funds, guaranteed investment contracts and manuscript debt. The City maintains the highest ratings for its investments. Investments in FHLMC, FNMA, FFCB and FHLB agency securities are rated AAA by Standard & Poor’s. Investments in the Victory Money Market Fund, Allegiant Government Money Market Fund and STAROhio carry a rating of AAAM, which is the highest money market fund rating given by Standard & Poor’s. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy that would further limit its investment choices.

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

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Investment Maturities</u>		
			<u>Less than One Year</u>	<u>1 - 5 Years</u>	<u>5 Years or More</u>
			(Amounts in 000's)		
U.S. Agency Obligations	\$ 199,945	\$ 195,370	\$ 35,525	\$ 164,420	\$
Repurchase Agreements	31,540	31,540	31,540		
STAROhio	354,160	354,160	354,160		
Investments in Mutual Funds	759,358	759,358	759,358		
Guaranteed Investment Contracts	51,850	51,850		35,000	16,850
Manuscript Debt	7,562	7,562		565	6,997
Other	<u>1,311</u>	<u>1,311</u>	<u>1,311</u>		
Total Investments	1,405,726	1,401,151	1,181,894	199,985	23,847
Total Deposits	<u>114,375</u>	<u>114,375</u>	<u>114,375</u>		
Total Deposits and Investments	<u>\$ 1,520,101</u>	<u>\$ 1,515,526</u>	<u>\$ 1,296,269</u>	<u>\$ 199,985</u>	<u>\$ 23,847</u>

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

Concentration of Credit Risk: The City places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. As of December 31, 2008, the investments in U.S. Agency Obligations, repurchase agreements, STAROhio, mutual funds, guaranteed investment contracts and manuscript debt are approximately 14%, 2%, 25%, 54 %, 4% 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	\$ 635,951
Investments	100,056
Restricted:	
Cash and cash equivalents	691,088
Investments	<u>64,294</u>
Total	<u><u>\$ 1,491,389</u></u>

Fund Financial Statements

	(Amounts in 000’s)
Balance Sheet – Governmental Funds:	
Unrestricted:	
Cash and cash equivalents	\$ 312,122
Investments	5,702
Balance Sheet – Proprietary Funds:	
Enterprise Funds:	
Unrestricted:	
Cash and cash equivalents	305,202
Investments	94,354
Restricted:	
Cash and cash equivalents	691,088
Investments	64,294
Internal Service Funds:	
Unrestricted:	
Cash and cash equivalents	<u>18,627</u>
Subtotal	1,491,389
Statement of Fiduciary Net Assets:	
Unrestricted:	
Cash and cash equivalents	<u>28,712</u>
Total	<u><u>\$ 1,520,101</u></u>

NOTE 5 – DEBT AND OTHER LONG-TERM OBLIGATIONS

A summary of the changes in the debt and other long-term obligations of the City during the year ended December 31, 2008, are as follows:

	Balance January 1, <u>2008</u>	<u>Additions</u>	<u>(Reductions)</u>	Balance December 31, <u>2008</u>	Due Within One <u>Year</u>
	(Amounts in 000's)				
Governmental Activities					
General Obligation Bonds due through 2033	\$ 336,990	\$ 10,090	\$ (33,450)	\$ 313,630	\$ 32,235
<i>Other Obligations:</i>					
Urban Renewal Bonds due through 2018, 6.63% to 6.75%	6,760		(435)	6,325	465
Subordinated Income Tax Refunding					
Bonds due through 2024, 5.00% to 5.25%	58,900	59,960	(58,900)	59,960	1,500
Subordinate Lien Income Tax Bonds					
due through 2029, 3.00% to 5.00%		59,560		59,560	1,930
<i>Non-Tax Revenue Bonds:</i>					
Stadium due through 2020, 2.75%-5.13%	14,835		(110)	14,725	985
Taxable Economic and Community Dev. (Core City Bonds)					
Series 2003 & 2004 due through 2033, 3.70% to 5.40%	44,265	28,160	(28,095)	44,330	1,250
Lower Euclid Ave. TIF 2003A&B due through 2032,					
1.00% to 5.00%	8,991		(429)	8,562	426
Certificates of Participation-Stadium due through 2027,					
3.55% to 6.00%	140,714	108,390	(119,155)	129,949	10,933
Capital Lease Obligations, due through 2012, 3.04% to 3.26%	11,786		(3,182)	8,604	3,284
Gateway Note Payable, due through 2016	2,250		(250)	2,000	250
Accrued wages and benefits	61,191	24,380	(21,208)	64,363	28,952
Police and fire overtime	59,978	1,415	(2,592)	58,801	234
Fire deferred vacation	2,250	198	(72)	2,376	48
Estimated claims payable	<u>7,859</u>	<u>6,208</u>	<u>(7,034)</u>	<u>7,033</u>	<u>6,333</u>
	756,769	298,361	(274,912)	780,218	88,825
Unamortized loss on debt refunding	(10,577)	(1,182)	1,067	(10,692)	
Unamortized (discount) premium - net	<u>16,086</u>	<u>3,655</u>	<u>(1,973)</u>	<u>17,768</u>	
Total Governmental Activities, Net	<u>\$ 762,278</u>	<u>\$ 300,834</u>	<u>\$ (275,818)</u>	<u>\$ 787,294</u>	<u>\$ 88,825</u>

(Continued)

	Balance January 1, <u>2008</u>	<u>Additions</u>	<u>(Reductions)</u>	Balance December 31, <u>2008</u>	Due Within One <u>Year</u>
(Amounts in 000's)					
Business-Type Activities (Enterprise Funds)					
Airport System Revenue Bonds:					
Series 1997 due through 2027, 3.15% to 7.00%	\$ 60,330		\$ (7,845)	\$ 52,485	\$ 3,150
Series 2000 due through 2031, 4.00% to 5.50%	454,090		(8,070)	446,020	8,535
Series 2003, Auction Rate	133,275		(133,275)		
Series 2006 due through 2024, 5.00% to 5.25%	118,760		(95)	118,665	95
Series 2007 due through 2027, 4.00% to 5.00%	159,505		(148,250)	11,255	80
Series 2008 due through 2033, Variable Rate		288,780		288,780	4,970
Public Power System Revenue Bonds:					
Series 1994 due through 2013, Zero Coupon	32,910		(3,905)	29,005	3,910
Series 1996 due through 2011, 5.25% to 6.00%	3,880		(895)	2,985	940
Series 1998 due through 2017, 4.10% to 5.25%	27,715		(630)	27,085	660
Series 2001 due through 2016, 3.90% to 5.50%	27,955		(2,905)	25,050	3,020
Series 2006 due through 2024, 4.25% to 5.02%	127,885		(20,325)	107,560	
Series 2008 due through 2038, 3.00% to 5.40%		93,713		93,713	
Waterworks Improvement Revenue Bonds:					
Series G 1993 due through 2021, 5.50%	107,760			107,760	
Series H 1996 due through 2026, 5.30% to 5.75%	14,280		(6,290)	7,990	5,895
Series I 1998 due through 2009, 5.00% to 5.25%	16,655		(13,125)	3,530	3,530
Series J 2001 due through 2016, 4.00% to 5.38%	56,240		(2,855)	53,385	335
Series K 2002 due through 2021, 3.50% to 5.25%	65,740		(4,135)	61,605	4,300
Series L 2002, Variable	90,000		(90,000)		
Series M 2004 due through 2033, 3.53% Swap Rate	172,335			172,335	1,305
Series N 2005 due through 2023, 3.00% to 5.00%	64,480		(260)	64,220	9,550
Series O 2007 due through 2037, 4.25% to 5.00%	143,570		(2,475)	141,095	2,370
Series P 2007 due through 2028, 4.00% to 5.00%	135,410			135,410	
Series Q 2008 due through 2033, Variable Rate		90,800		90,800	
Ohio Water Development Authority and Public Works					
Commission Loans due through 2029, 0.00% to 4.18%	110,070	7,567	(5,362)	112,275	5,465
Parking Facilities Refunding Revenue Bonds:					
Series 1996 due through 2009, 6.00%	5,665		(2,750)	2,915	2,915
Series 2006 due through 2022, 4.00% to 5.25%	57,315		(195)	57,120	205
Deferred Payment Obligation	16,396		(2,195)	14,201	2,371
Accrued wages and benefits	10,779	1,441	(1,127)	11,093	7,073
	2,213,000	482,301	(456,964)	2,238,337	70,674
Unamortized loss on debt refunding	(89,878)	(17,883)	18,878	(88,883)	
Unamortized (discount) premium - net	34,898	(174)	(3,172)	31,552	
Total Business-Type Activities, Net	<u>\$ 2,158,020</u>	<u>\$ 464,244</u>	<u>\$ (441,258)</u>	<u>\$ 2,181,006</u>	<u>\$ 70,674</u>
Total Debt and Other Long-Term Obligations	<u>\$ 2,920,298</u>	<u>\$ 765,078</u>	<u>\$ (717,076)</u>	<u>\$ 2,968,300</u>	<u>\$ 159,499</u>

(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, 2008, \$1,277,784 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, 2008, \$423,610 of the Utilities Administration Fund compensated absences were included in business-type activities accrued wages and benefits.

The Subordinated Income Tax Variable Rate 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 2008:

	Original Issue <u>Amount</u>	Balance January 1, <u>2008</u>	<u>Additions</u>	<u>(Reductions)</u>	Balance December 31, <u>2008</u>
	(Amounts in 000's)				
Governmental Activities Obligations:					
General Obligation Bonds					
Public Facilities	\$ 88,405	\$ 47,080	\$	\$ (3,940)	\$ 43,140
Residential Redevelopment	25,050	12,710		(1,035)	11,675
Bridges and Roadways	156,580	79,185		(8,085)	71,100
Public Safety	840	195		(95)	100
Parks & Recreation	54,355	24,860		(2,400)	22,460
Refunding Bonds	250,280	164,390		(17,610)	146,780
Revitalization	6,020	6,020		(135)	5,885
Judgments/Settlements	18,515	2,550	10,090	(150)	12,490
Total Governmental Activities	\$ 600,045	\$ 336,990	\$ 10,090	\$ (33,450)	\$ 313,630
Business-Type Activities Obligations:					
Revenue Bonds					
Airports	\$ 1,558,000	\$ 925,960	\$ 288,780	\$ (297,535)	\$ 917,205
Public Power	651,188	220,345	93,713	(28,660)	285,398
Waterworks	1,668,610	866,470	90,800	(119,140)	838,130
Parking Facilities	138,625	62,980		(2,945)	60,035
Loans					
Waterworks	126,880	105,392	7,567	(5,136)	107,823
Water Pollution Control	8,378	4,678		(226)	4,452
Total Business-Type Activities	\$ 4,151,681	\$ 2,185,825	\$ 480,860	\$ (453,642)	\$ 2,213,043

The following is a summary of the City's future debt service requirements as of December 31, 2008:

Year Ending December 31	Governmental Activities					
	General Obligation Bonds		Urban Renewal Bonds		Subordinated Income Tax Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	(Amounts in 000's)					
2009	\$ 32,235	\$ 15,564	\$ 465	\$ 410	\$ 1,500	\$ 3,033
2010	29,115	14,095	495	378	2,675	2,928
2011	27,830	12,696	530	344	2,810	2,791
2012	25,540	11,355	565	307	2,955	2,647
2013	21,595	10,122	600	268	3,105	2,495
2014-2018	95,875	35,171	3,670	652	18,085	9,919
2019-2023	59,285	13,511			23,375	4,629
2024-2028	17,160	3,242			5,455	143
2029-2033	4,995	710				
	<u>\$ 313,630</u>	<u>\$ 116,466</u>	<u>\$ 6,325</u>	<u>\$ 2,359</u>	<u>\$ 59,960</u>	<u>\$ 28,585</u>
Year Ending December 31	Non-Tax Revenue Bonds		Subordinate Lien Income Tax bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
	(Amounts in 000's)					
2009	\$ 2,661	\$ 2,805	\$ 1,930	\$ 2,491	\$ 10,933	\$ 7,811
2010	3,161	2,706	1,985	2,433	11,373	7,291
2011	3,204	2,575	2,045	2,373	11,535	7,099
2012	2,697	2,457	2,110	2,312	11,357	6,874
2013	2,786	2,387	2,170	2,249	11,461	6,642
2014-2018	15,957	10,058	12,065	10,035	21,600	14,632
2019-2023	15,531	6,247	14,740	7,359	25,940	9,427
2024-2028	9,413	3,365	18,300	3,796	25,750	2,913
2029-2033	12,207	1,524	4,215	206		
	<u>\$ 67,617</u>	<u>\$ 34,124</u>	<u>\$ 59,560</u>	<u>\$ 33,254</u>	<u>\$ 129,949</u>	<u>\$ 62,689</u>
Year Ending December 31	Capital Lease Obligations		Gateway Note Payable		Governmental Activities Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	(Amounts in 000's)					
2009	\$ 3,284	\$ 223	\$ 250	\$ -	\$ 53,258	\$ 32,337
2010	2,690	125	250	-	51,744	29,956
2011	1,704	55	250	-	49,908	27,933
2012	926	11	250	-	46,400	25,963
2013			250	-	41,967	24,163
2014-2018			750	-	168,002	80,467
2019-2023					138,871	41,173
2024-2028					76,078	13,459
2029-2033					21,417	2,440
	<u>\$ 8,604</u>	<u>\$ 414</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 647,645</u>	<u>\$ 277,891</u>

Business-Type Activities				
Year Ending December 31	Revenue Bonds		Construction Loans	
	Principal	Interest	Principal	Interest
	(Amounts in 000's)			
2009	\$ 55,765	\$ 95,525	\$ 5,465	\$ 4,066
2010	67,215	93,063	5,566	3,901
2011	85,330	89,701	5,765	3,702
2012	89,875	85,895	5,970	3,497
2013	87,525	82,006	6,182	3,284
2014-2018	448,515	347,918	33,166	12,999
2019-2023	471,545	237,895	35,861	7,007
2024-2028	431,339	149,135	20,998	1,345
2029-2033	309,562	64,378	223	4
2034-2038	54,097	32,397		
	<u>\$ 2,100,768</u>	<u>\$ 1,277,913</u>	<u>\$ 119,196</u>	<u>\$ 39,805</u>

Year Ending December 31	Deferred Payment Obligations (Note 6)		Business-Type Activities Total	
	Principal	Interest	Principal	Interest
	(Amounts in 000's)			
2009	\$ 2,371	\$ 1,018	\$ 63,601	\$ 100,609
2010	2,562	827	75,343	97,791
2011	2,768	621	93,863	94,024
2012	2,990	399	98,835	89,791
2013	3,230	159	96,937	85,449
2014-2018	280	2	481,961	360,919
2019-2023			507,406	244,902
2024-2028			452,337	150,480
2029-2033			309,785	64,382
2034-2038			54,097	32,397
	<u>\$ 14,201</u>	<u>\$ 3,026</u>	<u>\$ 2,234,165</u>	<u>\$ 1,320,744</u>

The schedule of minimum principal and interest payments for construction loans includes the amortization on twelve loans provided to the Division of Water and the Division of Water Pollution Control by the Ohio Water Development Authority (OWDA) and two loans to the Division of Water Pollution Control by the Ohio Public Works Commission (OPWC). This amortization is based upon the full amount expected to be financed, regardless of whether the Division of Water and the Division of Water Pollution Control have received all the loan proceeds. Therefore, at December 31, 2008, 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 \$6,921,000.

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 \$336,288,276 of additional unvoted debt at December 31, 2008.

Effective October 7, 2008, the City issued \$10,090,000 Final Judgment General Obligation Bonds, Series 2008A, the proceeds of these bonds are being used to pay final judgments and court-approved settlements and to pay the costs of issuing the bonds.

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

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

Other Governmental Obligations

Urban Renewal Bonds: In 1993, the City issued \$10,800,000 of Urban Renewal Bonds (Rock and Roll Hall of Fame and Museum Project) for the purpose of paying a portion of the costs of the acquisition and construction of a “port authority educational and cultural facility” to conduct programs of an educational and instructional nature relating to the field of contemporary music, including rock and roll music, which constitutes the Rock and Roll Hall of Fame and Museum (the Facility). The net proceeds were contributed to the Cleveland-Cuyahoga County Port Authority which owns and leases the facility to Rock and Roll Hall of Fame and Museum, Inc., an Ohio non-profit corporation. The Rock and Roll Hall of Fame and Museum opened in September 1995. The Urban Renewal Bonds are not general obligations of the City and are not secured by the full faith and credit of the City nor are they payable from the general revenues or assets of the City. The Urban Renewal Bonds are secured solely by pledged receipts, consisting of payments to be made in lieu of real property taxes pursuant to Development Agreements between the City and certain property owners and interest income on those payments.

Subordinated Income Tax 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). The proceeds of the bonds were used to refund all the outstanding Subordinated Income Tax Variable Rate Refunding Bonds, Series 1994, to fund a termination payment on an interest rate swap agreement, to fund a portion of the interest on the bonds and to pay costs of issuance. Proceeds in the amount of \$56,900,000 in addition to \$420,428 held in the bond fund, were used to redeem the outstanding \$56,900,000 Series 1994 Bonds on August 6, 2008. In addition, an 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 Series 2008 Bonds were issued as fixed rate bonds. 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 Transactions:

In 1999, the City entered into an interest rate swap transaction with Ambac Financial Services, L.P. (Ambac) for the purpose of hedging the exposure of the City against interest rate fluctuations arising from the variable rates borne by these Series 1994 Bonds. Under the swap agreement, the City was the fixed rate payor, paying the fixed rate of 4.88% and the counterparty was the floating rate payor, paying the actual variable rate borne by the Series 1994 Bonds. The stated termination date under this swap agreement was May 15, 2024, the maturity date of the Series 1994 Bonds. The swap agreement could be terminated prior to its stated termination date under certain circumstances. As stated previously, the City chose to terminate the swap effective July 28, 2008 and made a termination payment of \$4,325,000 to Ambac.

Terms: On February 7, 2003, the City sold an option to JPMorgan Chase Bank (JPM) that gives JPM the right to execute an interest rate swap at its discretion at any time until the option expires on May 15, 2024 on a declining notional amount equal to the outstanding principal amount of the City's 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 the outstanding notional amount of \$56,900,000 at December 31, 2008, at a rate equal to the weekly Securities Industry and Financial Markets Association (SIFMA) index, formerly known as the Bond Market Association (BMA) index. If the option is exercised, the stated termination date under the swap agreement with JPM will be May 15, 2024. The obligation of the City under the swap agreement to make periodic floating rate payments (but not any termination payment) is secured by a subordinate pledge of the income tax receipts, subordinate to the pledge of the income tax receipts made under the "General Bond Ordinance" securing the City's General Obligation Bonds. The payment of any termination payment is subordinate to the payment of debt service on the 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, 2008 as reported by JPM was \$811,000 which would be payable by the City.

Subordinate Lien Income Tax Bonds: Effective May 1, 2008, the City issued \$59,560,000 Subordinate Lien Income Tax Bonds, Series 2008. The proceeds of the bonds will be used to pay costs of various municipal improvements including public facilities, bridges and roadways, parks and recreation facilities, cemeteries and revitalization. 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 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. Net proceeds of \$13,771,425 were placed in an irrevocable account to redeem the bonds on December 30, 2004. As a result, the refunded bonds are defeased and the liability for these bonds has been removed from long-term debt.

These bonds do not represent a general obligation debt or pledge of the full faith and credit or taxing power of the City, and are payable solely from non-tax revenues of the City.

Non-Tax Revenue Bonds – Economic Development Bonds Series 2003A and Series 2003B (Lower Euclid 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. Proceeds in the amount of \$26,900,000 plus \$354,067 of funds on hand in the bond fund, were placed in an irrevocable escrow account to redeem the Series 2003 Bonds on August 26, 2008. As a result, the refunded bonds have been defeased and the liability for these bonds has been removed from long-term debt. The 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 were issued as variable rate demand obligations secured by a letter of credit provided by Citizens Bank.

On November 10, 2004, the City issued a second series of 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.

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. Proceeds of \$107,445,478 plus \$2,873,390 from the Series 1997 COPS Fund were placed in an irrevocable escrow account which was used to pay the principal, interest and premium on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for these bonds has been removed from long-term debt.

Due to the downgrade of the bond insurers beginning in late 2007 and the collapse of the auction rate securities market, the Series 2007 COPS 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 Series 2007 Auction Rate Certificates to Weekly Rate Certificates effective May 29, 2008. The payment of principal and interest is secured by a direct-pay letter of credit provided by Wachovia Bank, National Association.

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 is the fixed rate payor, paying fixed rates of interest (initially 4.77%) that equate the estimated periodic swap payments plus amortizing principal of the COPS, Series 2007 to the debt service previously being paid on the COPS, Series 1997 (Cleveland Stadium Project). UBS is the floating rate payor, paying at a rate equivalent to 67% of one month LIBOR. The stated termination date under the swap agreement with UBS is November 15, 2027. The obligation of the City to make periodic fixed rate payments or any termination payment is subject to annual appropriation and certification by the City. Both the future bond debt service payments and the periodic swap payments are insured by Ambac.

Objective: The City entered into the original 2003 swaption in order to capture the present value savings which could be derived from synthetically refunding its 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 will receive 67% of LIBOR from UBS and the City has issued tax-exempt variable rate debt that should price at approximately the SIFMA index. While historically the relationship between 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 to mitigate much of the risk associated with termination due to the event of a rating downgrade of the City.

Fair Value: The fair value of the swap at December 31, 2008, as reported by UBS was \$26,554,000 which would be payable by the City.

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

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

In July 2005, the City entered into a third equipment lease agreement. This lease agreement is with Chase Equipment Leasing, Inc. and 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 for a period of seven years. The assets recorded by the City under Capital Leases were as follows as of December 31, 2008:

Governmental Activities	
(Amounts in 000's)	
Furniture, fixtures and equipment	\$ 22,634
Less – accumulated depreciation	(7,505)
Net book value	<u>\$ 15,129</u>

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

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

Police and Fire Overtime and Deferred Vacation Pay: Uniformed employees of the Police and Fire Divisions accumulate overtime compensation in accordance with the union contracts and the requirements of the Fair Labor Standards Act. In addition, uniformed employees may defer earned vacation time, with the appropriate approvals, until retirement. The liabilities for overtime and deferred vacation time, at current pay rates including their related fringe benefits and converted to straight time hours, at December 31, 2008, follow:

<u>Division</u>	<u>Overtime</u>		<u>Deferred Vacation</u>	
	<u>Hours</u>	<u>Dollars</u>	<u>Hours</u>	<u>Dollars</u>
(Amounts in 000's)				
Police	1,749	\$ 52,152	\$	
Fire	<u>231</u>	<u>6,649</u>	<u>82</u>	<u>2,376</u>
Total	<u>1,980</u>	<u>\$ 58,801</u>	<u>82</u>	<u>\$ 2,376</u>

Business-Type (Enterprise Fund) Obligations

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

On July 17, 2008, the City issued \$149,460,000 of Airport System Revenue Bonds, Series 2008A-C and \$139,320,000 of Airport System Revenue Bonds, Series D-H. The Series 2008A-C Bonds were issued to refund all \$148,175,000 of the outstanding Airport System Revenue Bonds, Series 2007A Bonds. The Series 2008D-H Bonds were issued to refund all \$132,500,000 of the outstanding Airport System Revenue Bonds, Series 2003A-C. Both the Series 2007A Bonds and the Series 2003 Bonds were issued as auction rate securities. These bonds were refunded in order to address the increased interest costs incurred on the bonds as a result of the downgrade of the bond insurers and the collapse of the auction rate market. All of the Series 2008 Bonds were issued as variable rate demand obligations. Wachovia Bank N.A. provided a letter of credit for the Series 2008A-C Bonds. U.S. Bank National Association provided its letter of credit for the Series 2008D&H Bonds while KBC Bank N.V. and UBS provided their letters of credit on the Series 2008E&G Bonds and the Series 2008F Bonds, respectively. At the time of the refunding, the interest rate swaps associated with the Series 2007A bonds were transferred to the Series 2008A&B Bonds while the swaps associated with the Series 2003 Bonds were transferred to the Series 2008D&E Bonds.

Proceeds from the Series 2008 Bonds were used to fund an escrow deposit to refund the bonds and pay costs of issuance. Proceeds of \$148,175,000 from the Series 2008A-C Bonds plus funds on hand in the amount of \$130,803 were placed in an irrevocable escrow account to be used to pay the principal and interest on the refunded Series 2007A Bonds on July 24, 2008. Proceeds of \$132,500,000 from the Series 2008D-H Bonds plus funds on hand in the amount of \$85,800 were also placed in an irrevocable escrow account to be used to pay the principal and interest on the refunded Series 2003 Bonds on July 22, 2008. As a result, the refunded bonds are considered to be defeased and the liability for these bonds has been removed from long-term debt.

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

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

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

Interest Rate Swap Transactions:

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

In conjunction with the refunding of the Series 2007A Bonds, the interest rate exchange agreements associated with those bonds are now identified by the City to relate to the Series 2008A and Series 2008B Bonds.

Terms: On February 1, 2007 the City entered into three interest rate exchange agreements which became effective upon the delivery of the \$148,250,000 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) are serving as the counterparties on the transaction. Under the swap agreements now associated with the 2008A&B Bonds, the City is the fixed rate payor, paying a fixed rate of 4.04%. Each counterparty is a floating rate payor, paying the City a floating rate equal to the SIFMA index plus 5 basis points. Net payments are exchanged on the first of each month. The obligation of the City to make periodic payments (but not any termination payment) is secured by a pledge of monies in the special funds and the airport revenues as defined in the trust indenture securing the Airport System Revenue Bonds on a parity with the pledge of monies in the special funds and the airport revenues securing payment of debt service charges on all revenue bonds outstanding under the Indenture.

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

Basis Risk: By entering into swaps based upon the SIFMA index, the City sought to minimize this risk. Since both the underlying bonds and the swap payments are based upon the tax-exempt market, any potential difference between the rate paid by the City on the bonds and the amount received by the City from the counterparties has been greatly reduced. The amount received on the Series 2008A&B Bonds incorporates an additional 5 basis points to take into account the fact that the underlying bonds are subject to the "Alternative Minimum Tax". However, if the payments received from the counterparty are less than the amount of interest paid on the bonds, the City must make up the difference in addition to paying the fixed rate resulting from the swap.

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

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

Fair Value: The fair value of the swaps at December 31, 2008 as reported by Morgan Stanley, Goldman Sachs and RFPC totaled \$16,663,000, which would be owed by the City.

Series 2008D&E Bonds (previously Series 2003A&B Bonds):

In conjunction with the refunding of the Series 2003A,B&C Bonds, the interest rate exchange agreements associated with the 2003A and 2003B Bonds are now identified by the City to relate to the Series 2008D and Series 2008E 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 and 2003B Bonds, the interest rate exchange agreements associated with the 2003A and 2003B Bonds are now identified by the City to relate to the Series 2008D and 2008E 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 counterparties pay the airport system at the SIFMA index every 35 days. The swap agreement which is now associated with the Series 2008E Bonds requires the airport system to pay a fixed rate of 4.27% semiannually and the counterparties pay the airport system the SIFMA index plus 10 basis points every 35 days. The obligation of the airport system to make periodic fixed rate payments (but not any termination payment) is secured by a pledge of airport revenues. 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 2008E Bonds incorporates an additional 10 basis points to take into account the fact that the underlying bonds are subject to the "Alternative Minimum Tax".

Counterparty Risk: The City selected highly rated counterparties in order to minimize this risk. However, 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 at December 31, 2008 as reported by JPM collectively was \$2,610,000 for Series 2008D Bonds and \$7,190,000 for Series 2008E 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.

Effective April 22, 2008, the City issued \$93,713,000 Public Power System Revenue Bonds, Series 2008, for Cleveland Public Power. The Division will use \$72,608,000 to fund the system expansion, to pay costs of issuance and to pay capitalized interest. Of this latter amount issued as new money, \$44,705,000 was issued as current interest bonds and \$27,903,000 was issued as capital appreciation bonds.

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

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

Interest Rate Swap Transaction:

Terms: Simultaneously with the issuance of the City's \$95,265,000 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 one month LIBOR plus a spread of 46.25 basis points. Net payments are exchanged quarterly on each February 15, May 15, August 15 and November 15. The obligation of the City to make periodic payments (but not any termination payment) is secured by a pledge of and lien on the net revenues of the public power system on a parity with the pledge and lien securing the payment of debt service on the bonds.

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

Basis Risk: By entering into a swap based upon the 30 day LIBOR rate of interest, the City has undertaken basis risk associated with a change in tax rates and structure. While the average relationship between 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 during 2008, the SIFMA/LIBOR ratio was 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. At the City's option, Lehman Brothers and the City are negotiating the assignment of the swap to another highly rated counterparty.

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

Fair Value: The fair value of the swap at December 31, 2008 as reported by the City's financial advisor totaled \$3,925,000, which would be payable by the City.

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

On November 6, 2008, the City issued \$90,800,000 Water Revenue Bonds, Series Q, 2008. These bonds were issued to currently refund all of the outstanding \$90,000,000 Water Revenue Bonds, Series L, 2002. Proceeds were used to fund an escrow deposit that refunded the Series L Bonds and to pay costs of issuance. Net proceeds of the Series Q Bonds in the amount of \$90,273,770, together with other available funds in the amount of \$100,000, were placed in an irrevocable escrow account and were used to pay the principal and interest on the refunded bonds on November 21, 2008. 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 address the increased interest rates incurred on the Series L Bonds because of the downgrade of the bond insurer and the resulting termination of the liquidity facility. The Series Q Bonds were issued as weekly variable rate demand obligations with the payment of principal and interest secured by a letter of credit provided by Bank of America, N.A..

Effective June 28, 2007, the City issued \$143,570,000 Water Revenue Bonds, Series O, 2007. The proceeds of these bonds will be used to pay costs of improvements to the waterworks system through 2010, to fund a deposit to the Reserve Fund, to pay capitalized interest on the bonds and to pay costs of issuing the bonds. In conjunction with the issuance of these bonds, both Standard & Poor's and Moody's Investors Service upgraded their ratings of the City's Water Revenue Bonds to AA and Aa2 respectively.

On November 28, 2007, the City issued \$135,410,000 Water Revenue Bonds, Series P, 2007. These bonds were issued to currently refund \$140,030,000 of outstanding Water Revenue Bonds, Series I, 1998. Proceeds were used to fund an escrow deposit that will refund the bonds and to pay costs of issuance. Net proceeds of \$144,460,566 were placed in an irrevocable escrow account and were used to pay the principal, interest and premium on the refunded bonds on January 1, 2008. As a result, the refunded bonds are considered to be defeased and the liability for these bonds has been removed from long-term debt. The total aggregate amount of the bonds refunded by the Series P Bonds was \$140,030,000. The City completed the refunding to reduce its total debt service payments by \$6,376,000 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$5,838,000 or 4.17%.

In December 2008, the Division of Water utilized cash on hand to defease \$9,480,000 principal amount of outstanding Series I and Series O Bonds. The Division placed \$9,959,000 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.

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

Interest Rate Swap Transactions:

Terms: Simultaneously with the issuance of the City's \$175,000,000 Water Revenue Bonds, Series M, 2004 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 been acquired by JPMorgan Chase Bank, N.A. (JPM)) is 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 swap agreements for the Series M Bonds, the water system is the fixed rate payor, paying a fixed rate of 3.533%. Each counterparty is a floating rate payor, with each paying the water system 61.25% of one month LIBOR plus a spread of 28 basis points. Net payments are exchanged semiannually on January 1 and July 1. The obligation of the water system to make periodic payments (but not any termination payment) is secured by a pledge of and lien on the net revenues of the water system on a parity with the pledge and lien securing the payment of debt service on the bonds. Both the bond debt service payments on the Series M Bonds and the periodic swap payments are insured by Financial Security Assurance (FSA).

Objective: The City entered into the swaps in order to maximize the savings associated with the refunding of the bonds. The actual savings to be realized by the water system will depend upon the payments made on the variable rate bonds and the payments received under the swap agreement.

Basis Risk: By entering into swaps based upon the 30 day LIBOR rate of interest, the City has undertaken basis risk associated with a change in tax rates and structure. While the average relationship between 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 during 2008, the SIFMA/LIBOR ratio was significantly higher than 67% for portions of the year. In addition, a reduction in federal income tax rates would increase the percentage relationship between SIFMA and LIBOR and would potentially increase the cost of financing.

Counterparty Risk: The City selected highly rated counterparties in order to minimize this risk. However, in the wake of the sub-prime mortgage crisis, Bear Stearns was acquired by JPM. The City's swap with Bear Stearns 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 at December 31, 2008 as reported by JPM and Morgan Stanley totaled \$28,346,000, which would be payable by the City.

Ohio Water Development Authority and Ohio Public Works Commission Loans: These loans are payable from net revenues derived from the waterworks and water pollution control systems. These obligations do not have a lien on revenues of the Divisions. In 2006, Water received an OWDA loan of \$11,612,382 out of an expected \$25,160,122 to fund the Morgan Water Treatment Plant Filter Rehabilitation. Another \$9,456,188 was received in 2007 and \$1,027,564 was added in 2008. This is a 20 year, 3.25% loan with payments beginning in 2008. In addition, the outstanding balance on the Division of Water's OWDA loan for the Morgan Reservoir increased by \$6,539,019 in 2008.

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 \$1.34 million and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$970,000. At the time of the issuance of the Series 2006 Bonds, the City entered into a basis swap agreement with UBS which is described below.

Interest Rate Swap Transaction:

Terms: Simultaneously with the issuance of the City's \$57,520,000 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 SIFMA (tax-exempt) and LIBOR (taxable) interest rates has been 67%, this relationship may not always apply. During late 2008, this relationship was 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 rating downgrade by the City. An amount due by the City to UBS upon early termination of the agreement is insured by FSA up to a maximum amount of \$8,000,000.

Fair Value: The fair value of the swap at December 31, 2008 as reported by UBS totaled \$4,168,000, 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, 2008 is as follows:

<u>Bond Issue</u>	<u>(Amounts in 000's)</u>	<u>Bond Issue</u>	<u>(Amounts in 000's)</u>
<u>Waterworks Improvement Bonds:</u>		<u>Unvoted Tax Supported GO:</u>	
Series G, 1993	\$ 12,290	Series 1999	\$ 12,700
Series I, 1998	7,005	Series 2000	14,100
Series K 2002	68,325	Series 2002	26,080
Series O, 2007	2,475	Series 2003	24,970
		Series 2004	7,530
 <u>Airport System Revenue Bonds:</u>		 <u>Public Power Bonds:</u>	
Series 2000A	\$ 111,435	Series 1994A	\$ 7,620

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 \$917,205,000 in various Airport System Revenue Bonds issued in various years since 1997. Proceeds from the bonds provided financing for airport operations. The bonds are payable from airport net revenues and are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 67 percent of net revenues. The total principal and interest remaining to be paid on the various Airport System Revenue Bonds is \$1,529,772,000. Principal and interest paid for the current year and total net revenues were \$57,327,000 and \$85,570,000, respectively.

The City has pledged future power system revenues, net of specified operating expenses, to repay \$285,398,000 in various Public Power System Revenue Bonds issued in various years since 1994. Proceeds from the bonds provided financing for public power system operations. The bonds are payable from public power system net revenues and are payable through 2038. Annual principal and interest payments on the bonds are expected to require less than 50 percent of net revenues. The total principal and interest remaining to be paid on the various Power System Revenue Bonds is \$490,214,000. Principal and interest paid for the current year and total net revenues were \$17,389,000 and \$36,063,000, respectively.

The City has pledged future water system revenues, net of specified operating expenses, to repay \$838,130,000 in various Water Improvement Revenue Bonds issued in various years since 1993. Proceeds from the bonds provided financing for water system operations. The bonds are payable from water system net revenues and are payable through 2037. Annual principal and interest payments on the bonds are expected to require less than 61 percent of net revenues. The total principal and interest remaining to be paid on the various Water Improvement Revenue Bonds is \$1,273,446,000. Principal and interest paid for the current year and total net revenues were \$65,425,000 and \$108,827,000, respectively.

The City has pledged future revenues from certain parking facilities, net of specified operating expenses, and other operating revenues to repay \$60,035,000 in various Parking Facilities Refunding Revenue Bonds issued in 1996 and 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 various Parking Facilities Revenue Bonds is \$85,249,000. Principal and interest paid for the current year (including net swap payments) and total net revenues were \$6,136,000 and \$6,548,000 respectively.

In 2008, 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, 2008, the Division of Parking Facilities was in compliance with the terms and requirements of the trust indenture.

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 2008. Of this amount \$1,194,000 was offset against interest expense and \$2,195,000 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, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
	(Amounts in 000's)	
Estimated claims payable, January 1	\$ 8,122	\$ 4,464
Current year claims (including IBNRs) and changes in estimates	6,467	6,329
Claim payments	<u>(7,456)</u>	<u>(2,671)</u>
Estimated claims payable, December 31	<u>\$ 7,133</u>	<u>\$ 8,122</u>

The estimated claims liabilities are based on the estimated cost of settling claims (including incremental claim adjustment expenses) through a case-by-case review of all outstanding claims and by using historical experience. Claims payable are included as accounts payable on the financial statements.

Insurance: Certain proprietary funds carry insurance to cover particular liability risks and property protection. Otherwise, the City is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2008. There was no significant decrease in any insurance coverage in 2008. In addition, there were no insurance settlements in excess of insurance coverage during the past three years.

The City provides the choice of four separate health insurance plans for its employees. These plans are provided by two different insurers through commercial insurance. Operating funds are charged a monthly rate per employee, by type of coverage.

In January of 2003, the City exercised the option of retrospective rating as the premium rating mechanism for our workers' compensation program. The total estimated claims liability outstanding at December 31, 2008 was \$30,736,824. Of this amount, \$9,250,656 was recorded as a fund liability within each respective fund. The remaining \$21,486,168 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, 2008, the amount of claims against the City for which an unfavorable outcome is deemed to be reasonably possible, including condemnation proceedings, aggregated \$6,375,000.

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

Contingencies Under Grant Programs: The City participates in a number of federally assisted Investment Act Grant Programs, principal of which are Community Development Block Grants, Home Weatherization Assistance, the Healthy Start Initiative, Federal HOME Program, Youth Opportunity Area Grant, Workforce Investment Act Grant, Empowerment Zone and FAA Airport Improvement Grant Programs. These programs are subject to financial and compliance audits by the grantors or their representatives. An audit has been completed by granting agencies for the Workforce Investment Act Grant.

NOTE 9 – INTERFUND TRANSACTIONS AND BALANCES

Interfund Transactions: During the course of normal operations, the City records numerous transactions between funds including expenditures and transfers of resources to provide services, subsidize operations and service debt. The City has the following types of transactions among funds:

- (1) Reciprocal interfund services provided and used – Purchases and sales of goods and services between funds for a price approximating their external exchange value.
- (2) Nonreciprocal interfund transfers – Flows of assets between funds without equivalent flows of assets in return and without a requirement for repayment. This includes transfers to subsidize various funds.
- (3) Nonreciprocal interfund reimbursements – Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

For the year ended December 31, 2008, transfers consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>					
	<u>Total</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
(Amounts in 000's)						
Governmental Funds:						
General	\$ 20,922	\$	\$ 20,229	\$ 20,229	\$ 306	\$ 387
Other Governmental	<u>37,321</u>	<u>6,674</u>	<u>30,647</u>	<u>37,321</u>		
Total Governmental Funds	<u>58,243</u>	<u>6,674</u>	<u>50,876</u>	<u>57,550</u>	<u>306</u>	<u>387</u>
Total	<u>\$ 58,243</u>	<u>\$ 6,674</u>	<u>\$ 50,876</u>	<u>\$ 57,550</u>	<u>\$ 306</u>	<u>\$ 387</u>

Interfund Balances: Interfund balances at December 31, 2008 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, 2008 are as follows:

<u>Due To</u>	<u>Total</u>	<u>Due From</u>								
		<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Division of Water Fund</u>	<u>Cleveland Public Power Fund</u>	<u>Department of Port Control Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
(Amounts in 000's)										
Governmental Funds:										
General	\$ 12,700	\$	\$ 192	\$ 192	\$ 22	\$ 1,384	\$ 78	\$ 100	\$ 1,584	\$ 10,924
Other Governmental	<u>12,168</u>	9,714	1,345	11,059	13	3		83	99	1,010
Total Governmental	<u>\$ 24,868</u>									
Enterprise Funds:										
Division of Water	\$ 2,574	32	6	38		1,023		157	1,180	1,356
Cleveland Public Power	949	67		67	16			10	26	856
Department of Port										
Control	1,155	12		12	1	16		81	98	1,045
Other Enterprise	<u>3,912</u>	75	3	78	2,949	187		63	3,199	635
Total Enterprise	<u>8,590</u>									
Internal Service Funds	<u>330</u>	<u>1</u>		<u>1</u>	<u>8</u>	<u>8</u>		<u>5</u>	<u>21</u>	<u>308</u>
Total Due To/Due From	<u>\$ 33,788</u>	<u>\$ 9,901</u>	<u>\$ 1,546</u>	<u>\$ 11,447</u>	<u>\$ 3,009</u>	<u>\$ 2,621</u>	<u>\$ 78</u>	<u>\$ 499</u>	<u>\$ 6,207</u>	<u>\$ 16,134</u>

NOTE 10 – INCOME TAXES

During 2008, 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 2008 levy was based upon an assessed valuation of approximately \$6.114 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 2006. Assessed values are established by the Cuyahoga County (County) Auditor. The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City.

Real property taxes, excluding public utility property, are assessed at 35% of appraised market value. Pertinent real property tax dates are:

- Collection Dates January 20 and June 20 of the current year
- Lien Date January 1 of the year preceding the collection year
- Levy Date October 1 of the year preceding the collection year

Tangible personal property taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. For the collection year 2008, the percentage used to determine taxable value of personal property and inventory was 25% and 23%, respectively. Pertinent tangible personal property tax dates are:

- Collection Dates April 30 and September 30 of the current year
- Listing Date December 31 of the preceding year
- Levy Date October 1 of the year preceding the collection year

An electric company's taxable utility production equipment is assessed at 25% of true value, while all of its other taxable property is assessed at 88% of true value. Pertinent public utility tangible personal property tax dates are:

- Collection Dates January 20 and June 20 of the current year
- Lien Date December 31 of the second year preceding the collection year
- Levy Date October 1 of the year preceding the collection year

NOTE 12 – DEFERRED AND UNEARNED REVENUE

Governmental funds report deferred and unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period (deferred). Governmental funds also defer revenue recognition in connection with resources that have been received, but not all eligibility requirements have been met (unearned).

As of December 31, 2008, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Eligibility Requirements Not Met</u>	<u>Total</u>
	(Amounts in 000's)		
Governmental Funds:			
<u>General Fund:</u>			
Income taxes receivable	\$ 20,407	\$	\$ 20,407
Property taxes receivable	57,556		57,556
Local government receivable	16,791		16,791
Estate tax receivable	388		388
Homestead rollback	4,566		4,566
Emergency medical service receivable	<u>298</u>	<u> </u>	<u>298</u>
Total General Fund	<u>100,006</u>	<u>-</u>	<u>100,006</u>
<u>Other Governmental Funds:</u>			
Income taxes receivable	2,551		2,551
Special assessments receivable	13,117		13,117
Property taxes receivable	29,984		29,984
Advances received under grants		14,313	14,313
Motor vehicle taxes receivable	1,431		1,431
Municipal gas tax receivable	1,113		1,113
State gasoline tax receivable	2,218		2,218
Homestead rollback	2,379		2,379
Grant receivable	506	1,835	2,341
Due from other governments	<u>2,047</u>	<u> </u>	<u>2,047</u>
Total Other Governmental Funds	<u>55,346</u>	<u>16,148</u>	<u>71,494</u>
Total Deferred and Unearned Revenue	<u>\$ 155,352</u>	<u>\$ 16,148</u>	<u>\$ 171,500</u>

NOTE 13 – DEFINED BENEFIT PENSION PLANS

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

- 1) The Traditional Pension Plan – 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 2008, member and employer contribution rates were consistent across all three plans. Member contribution rates were 10.00% in 2008, 9.50% in 2007 and 9.00% in 2006, and employer contribution rates were 14.00% of covered payroll in 2008, 13.85% in 2007 and 13.70% in 2006.

The City's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2008, 2007 and 2006 were approximately \$19,449,811, \$22,196,921 and \$24,184,945 each year, respectively. The required payments due in 2008, 2007 and 2006 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, 2008, 2007 and 2006 were \$22,622,140, \$22,240,171 and \$19,845,777, respectively. The required payments due in 2008, 2007, and 2006 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 2008, 13.85% in 2007 and 13.70% in 2006. 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 7.00% in 2008, 5.00% from January 1, 2007 to June 30, 2007 and 6.00% from July 1, 2007 to December 31, 2007 and 4.50% in 2006. 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 for 2008 to OPERS to fund postemployment benefits were approximately \$19,449,811.

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 Section 115 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, 2008, 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 for the year ending December 31, 2008 was \$10,596,145 and was allocated to the health care plan.

NOTE 15 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008
		(Amount in 000's)		
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 61,663	\$ 3,830	\$ (20)	\$ 65,473
Construction in progress	<u>131,585</u>	<u>27,969</u>	<u>(30,355)</u>	<u>129,199</u>
Total capital assets, not being depreciated	<u>193,248</u>	<u>31,799</u>	<u>(30,375)</u>	<u>194,672</u>
Capital assets, being depreciated:				
Land improvements	114,888	7,672		122,560
Buildings, structures and improvements	590,688	1,318		592,006
Furniture, fixtures, equipment and vehicles	161,188	11,369	(7,585)	164,972
Infrastructure	<u>413,701</u>	<u>26,114</u>	<u>(571)</u>	<u>439,244</u>
Total capital assets, being depreciated	<u>1,280,465</u>	<u>46,473</u>	<u>(8,156)</u>	<u>1,318,782</u>
Less accumulated depreciation for:				
Land improvements	(75,780)	(4,539)		(80,319)
Buildings, structures and improvements	(222,401)	(14,132)		(236,533)
Furniture, fixtures, equipment and vehicles	(102,981)	(11,174)	7,260	(106,895)
Infrastructure	<u>(153,918)</u>	<u>(16,059)</u>	<u>571</u>	<u>(169,406)</u>
Total accumulated depreciation	<u>(555,080)</u>	<u>(45,904)</u>	<u>7,831</u>	<u>(593,153)</u>
Total capital assets being depreciated, net	<u>725,385</u>	<u>569</u>	<u>(325)</u>	<u>725,629</u>
Governmental activities capital assets, net	<u>\$ 918,633</u>	<u>\$ 32,368</u>	<u>\$ (30,700)</u>	<u>\$ 920,301</u>

	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008
		(Amount in 000's)		
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 194,533	\$ 1,486	\$	\$ 196,019
Construction in progress	<u>452,910</u>	<u>143,345</u>	<u>(249,301)</u>	<u>346,954</u>
Total capital assets, not being depreciated	<u>647,443</u>	<u>144,831</u>	<u>(249,301)</u>	<u>542,973</u>
Capital assets, being depreciated:				
Land improvements	789,321	60,995		850,316
Utility plant	1,620,452	103,192	(1,843)	1,721,801
Buildings, structures and improvements	816,152	8,400		824,552
Furniture, fixtures, equipment and vehicles	<u>249,646</u>	<u>83,830</u>	<u>(4,560)</u>	<u>328,916</u>
Total capital assets, being depreciated	<u>3,475,571</u>	<u>256,417</u>	<u>(6,403)</u>	<u>3,725,585</u>
Less accumulated depreciation for:				
Land improvements	(262,864)	(37,415)		(300,279)
Utility plant	(586,844)	(44,497)	189	(631,152)
Buildings, structures and improvements	(388,660)	(23,284)		(411,944)
Furniture, fixtures, equipment and vehicles	<u>(145,803)</u>	<u>(16,176)</u>	<u>2,058</u>	<u>(159,921)</u>
Total accumulated depreciation	<u>(1,384,171)</u>	<u>(121,372)</u>	<u>2,247</u>	<u>(1,503,296)</u>
Total capital assets being depreciated, net	<u>2,091,400</u>	<u>135,045</u>	<u>(4,156)</u>	<u>2,222,289</u>
Business-Type activities capital assets, net	<u>\$2,738,843</u>	<u>\$ 279,876</u>	<u>\$ (253,457)</u>	<u>\$2,765,262</u>

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

	<u>(Amounts in 000's)</u>
Governmental Activities:	
General Government	\$ 7,364
Public Service	21,058
Public Safety	9,388
Building and Housing	124
Community Development	655
Public Health	449
Parks, Recreation and Properties	6,441
Economic Development	75
Depreciation expense on capital assets held by the City's internal service funds that is charged to the various functions based on their usage of the assets	<u>350</u>
Total depreciation expense charged to governmental activities	<u>\$ 45,904</u>
Business-Type Activities:	
Water	\$ 41,857
Electricity	17,682
Airport Facilities	54,191
Nonmajor activities	7,607
Depreciation expense on capital assets held by the City's internal service funds that is charged to the various functions based on their usage of the assets	<u>14</u>
Total depreciation expense charged to business-type activities	<u>\$ 121,351</u>

Capital Commitments: Significant commitments of the City as of December 31, 2008 are composed of the following:

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
	<u>(Amounts in 000's)</u>	
Governmental Activities:		
New Financial Management System	\$ 998	\$ 9,799
Citywide Vehicles		8,745
Broadway Road Rehabilitation	4	8,278
Kinsman/Woodland Road Rehabilitation	70	6,434
Wade Park Station	436	5,431
Cleveland Memorial Gardens		4,500
The Avenue	3,030	3,970
ISG Coke Plant	100	3,591
East 30th Street Rehabilitation	1	3,509
Bellaire Road Phase II		3,112

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
	(Amounts in 000's)	
Business-Type Activities:		
Morgan Pretreatment Facility Rehabilitation	\$	\$ 42,460
Sound Insulation of Homes	86,057	28,339
Fairmont Pump Station Rehabilitation	801	23,636
Baldwin and Fairmont Residuals Rehabilitation		22,500
Wetland and Stream Mitigation	15,976	19,525
Environmental Requirements	16,655	19,002
Kirtland Pump Station Rehabilitation	2,131	17,394
Plant Enhancement Program	56,416	16,887
Suburban Water Main Renewal Program	4,223	15,777
Crown Water Plant Rehabilitation		15,000
Customer Information System Implementation	14,992	12,581
Runway 10/28 Safety Improvements	4,533	9,132
Meter Automation and Replacement Program	141	8,359
Morgan East Reservoir Improvements	34,878	8,027
Warehouse Improvements Phase I and II	57	7,857
Water Tank Rehabilitation		7,300

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, 2008, the State funded \$136,888,000 of road and bridge improvement projects and \$4,575,000 for storm water detention facilities.

Capitalized Interest: Interest expense incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest income earned on invested debt proceeds. For 2008, interest expense incurred for the Enterprise Funds was \$112,333,000 of which \$24,095,000 was capitalized net of \$6,518,000 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

	<u>Municipal Parking Lots</u> (Amounts in 000's)
Assets:	
Current assets	\$ 2,111
Restricted assets	17,703
Other noncurrent assets	3,338
Capital assets, net	56,999
Total assets	<u>\$ 80,151</u>
Liabilities:	
Current liabilities	\$ 4,574
Long-term liabilities	<u>54,250</u>
Total liabilities	<u>58,824</u>
Net assets:	
Invested in capital assets, net of related debt	2,959
Restricted for debt service	8,252
Unrestricted	<u>10,116</u>
Total net assets	<u>21,327</u>
 Total liabilities and net assets	 <u>\$ 80,151</u>

	<u>Municipal Parking Lots</u> (Amounts in 000's)
Charges for services	\$ 9,523
Depreciation (expense)	(1,698)
Other operating (expenses)	<u>(3,416)</u>
Operating income (loss)	4,409
Nonoperating revenues (expenses):	
Investment income	441
Interest expense	(3,656)
Other revenue (expenses)	<u>(383)</u>
Change in net assets	811
Net assets at beginning of year	<u>20,516</u>
Net assets at end of year	<u>\$ 21,327</u>

Condensed Statement of Cash Flows Information

	Municipal Parking Lots (Amounts in 000's)
Net cash provided by (used for):	
Operating activities	\$ 5,866
Noncapital financing activities	
Capital and related financing activities	(7,549)
Investing activities	<u>496</u>
Net increase (decrease) in cash and cash equivalents	(1,187)
Beginning cash and cash equivalents	<u>20,287</u>
Ending cash and cash equivalents	<u>\$ 19,100</u>

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

<u>Purpose</u>	<u>Division of Water</u>	<u>Cleveland Public Power</u>	<u>Department of Port Control</u>	<u>Municipal Parking Lots</u>	<u>Cemeteries</u>
	(Amounts in 000's)				
Construction activities	\$ 216,413	\$ 68,799	\$ 101,702	\$ 3,294	\$
Debt retirement	98,793	6,438	108,323	8,252	
Accrued passenger facility charges			50,807		
Other	<u>360</u>	<u>106</u>	<u>83,270</u>	<u>6,157</u>	<u>6,380</u>
Total	<u>\$ 315,566</u>	<u>\$ 75,343</u>	<u>\$ 344,102</u>	<u>\$ 17,703</u>	<u>\$ 6,380</u>

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 2008, net revenues generated by the two Gateway garages were less than the debt service payments attributed to those garages by \$2,372,000. Cumulative debt service payments funded by the City that are due from Gateway totaled \$36,470,000 at December 31, 2008. 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, 2008, the City pledged \$3,959,000.

NOTE 18 – COMPLIANCE AND ACCOUNTABILITY

At December 31, 2008, the Division of Streets had a fund balance deficiency of \$550,000. This deficiency will be eliminated through other shared revenue receipts and operating transfers in.

NOTE 19 – SUBSEQUENT EVENTS

Effective February 12, 2009, the City issued \$54,735,000 Water Revenue Bonds, Series R, 2009 and \$26,295,000 Water Revenue Bonds, Series S, 2009. These bonds were issued to refund a portion of the outstanding Water Revenue Bonds, Series M, 2004. The Series M Bonds were refunded in order to address the increased interest rates incurred on the bonds as a result of the downgrade of the bond insurer and liquidity facility 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 while the Series S Bonds are secured by the 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, 2009 effective February 25, 2009. These bonds, which are fixed rate bonds, refunded the remaining portion of the outstanding Series M Bonds. At the time of the refundings, the interest rate swaps associated with the Series M Bonds were transferred to the Series R and Series S Bonds with the remaining portion being assigned to the Series Q Bonds issued in 2008.

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). The Series 2009A Bonds were issued 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. The Series 2009B Bonds were issued to refund all of the outstanding Airport System Revenue Bonds, Series 1997E, in the principal amount of \$14,425,000 and to pay issuance costs. The City retired the remaining \$10,570,000 of outstanding Series 1997D Bonds with other available funds of the Airport System. 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 2009 Bonds were issued as weekly variable rate demand obligations secured by direct pay letters of credit issued by U.S. Bank National Association.

On March 31, 2009, the City obtained an amendment to PFC Application Eight in the amount of \$20,526,500. The amendment increases the amount of the Passenger Facility Charges that can be used towards paying a portion of the debt service associated with Runway 6L/24R. The amendment will increase the Passenger Facility Charges collection period by approximately one year.

Effective May 5, 2009, the City issued \$58,400,000 Various Purpose and Refunding General Obligation Bonds, Series 2009A. Of this amount, \$44,580,000 was issued to provide funds for various public improvements including parks and recreation facilities, roads and bridges, other public facilities, cemeteries, the convention center and neighborhood development and to pay issuance costs. The remaining \$13,820,000 was issued to refund \$13,525,000 of outstanding Various Purpose General Obligation Bonds, Series 1998 and to pay issuance costs. As a result of this refunding, the City realized \$790,000 in present value debt service savings or 5.84%.

As a result of the bankruptcy of Lehman Brothers Special Financing, Inc. in September 2008, the City has, at its option, requested that the basis swap associated with the Public Power System Revenue Bonds, Series 2006A be assigned to another counterparty. Discussions between the City and Lehman Brothers are on-going. As of May 15, 2009, the City is owed \$179,000 on the swap. This represents the cumulative amount owed to the City on the swap since the Lehman bankruptcy filing. The payment to the City of this outstanding amount will be included in the agreement to assign the swap to a new highly rated performing counterparty.

In May 2009, the City of Cleveland sold the convention center to Cuyahoga County for \$20 million. The sale allows the county to build a new convention center and medical mart. The medical mart will utilize Cleveland's world renowned health care facilities to attract medical manufacturers to Cleveland, displaying the latest innovations in medical technology.

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, 2008**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:				
Income taxes	\$ 285,047	\$ 285,047	\$ 290,968	\$ 5,921
Property taxes	42,623	42,623	42,907	284
State local government funds	54,274	54,274	53,226	(1,048)
Other shared revenues	40,803	40,803	45,251	4,448
Licenses and permits	11,877	11,877	11,718	(159)
Charges for services	20,739	20,739	20,780	41
Fines, forfeits and settlements	25,285	25,285	26,842	1,557
Investment earnings	3,309	3,309	2,220	(1,089)
Grants			1,174	1,174
Miscellaneous	<u>19,165</u>	<u>19,165</u>	<u>22,710</u>	<u>3,545</u>
Total revenues	<u>503,122</u>	<u>503,122</u>	<u>517,796</u>	<u>14,674</u>
EXPENDITURES:				
Current:				
General Government:				
Council and clerk of council:				
Personnel	4,812	4,809	4,734	75
Other	<u>1,796</u>	<u>1,799</u>	<u>1,760</u>	<u>39</u>
Total council and clerk of council	<u>6,608</u>	<u>6,608</u>	<u>6,494</u>	<u>114</u>
Office of the mayor:				
Personnel	2,382	2,152	2,129	23
Other	<u>155</u>	<u>155</u>	<u>120</u>	<u>35</u>
Total office of the mayor	<u>2,537</u>	<u>2,307</u>	<u>2,249</u>	<u>58</u>
Office of consumer affairs:				
Personnel	386	386	291	95
Other	<u>46</u>	<u>46</u>	<u>37</u>	<u>9</u>
Total office of consumer affairs	<u>432</u>	<u>432</u>	<u>328</u>	<u>104</u>
Office of personnel:				
Personnel	1,394	1,294	1,259	35
Other	<u>604</u>	<u>624</u>	<u>607</u>	<u>17</u>
Total office of personnel	<u>1,998</u>	<u>1,918</u>	<u>1,866</u>	<u>52</u>
Landmarks commission:				
Personnel	171	178	172	6
Other	<u>7</u>	<u>7</u>	<u>3</u>	<u>4</u>
Total landmarks commission	<u>178</u>	<u>185</u>	<u>175</u>	<u>10</u>
Board of building standards and appeals:				
Personnel	92	95	93	2
Other	<u>8</u>	<u>8</u>	<u>8</u>	<u>-</u>
Total board of building standards and appeals	<u>100</u>	<u>103</u>	<u>101</u>	<u>2</u>

(Continued)

CITY OF CLEVELAND, OHIO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
GENERAL FUND-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2008
(Amounts in 000's)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Division of harbors:				
Personnel	\$ 167	\$ 167	\$ 103	\$ 64
Other	<u>198</u>	<u>198</u>	<u>156</u>	<u>42</u>
Total division of harbors	<u>365</u>	<u>365</u>	<u>259</u>	<u>106</u>
Boxing and wrestling commission:				
Personnel	<u>8</u>	<u>8</u>	<u>5</u>	<u>3</u>
Total boxing and wrestling commission	<u>8</u>	<u>8</u>	<u>5</u>	<u>3</u>
Board of zoning appeals:				
Personnel	212	212	181	31
Other	<u>14</u>	<u>16</u>	<u>13</u>	<u>3</u>
Total board of zoning appeals	<u>226</u>	<u>228</u>	<u>194</u>	<u>34</u>
Civil service commission:				
Personnel	623	623	570	53
Other	<u>508</u>	<u>508</u>	<u>481</u>	<u>27</u>
Total civil service commission	<u>1,131</u>	<u>1,131</u>	<u>1,051</u>	<u>80</u>
Community relations board:				
Personnel	1,175	1,175	1,140	35
Other	<u>99</u>	<u>99</u>	<u>68</u>	<u>31</u>
Total community relations board	<u>1,274</u>	<u>1,274</u>	<u>1,208</u>	<u>66</u>
City planning commission:				
Personnel	1,552	1,552	1,511	41
Other	<u>106</u>	<u>106</u>	<u>75</u>	<u>31</u>
Total city planning commission	<u>1,658</u>	<u>1,658</u>	<u>1,586</u>	<u>72</u>
Office of equal opportunity:				
Personnel	696	696	667	29
Other	<u>72</u>	<u>72</u>	<u>24</u>	<u>48</u>
Total office of equal opportunity	<u>768</u>	<u>768</u>	<u>691</u>	<u>77</u>
Municipal court-judicial division:				
Personnel	20,645	20,645	20,480	165
Other	<u>2,489</u>	<u>2,539</u>	<u>2,514</u>	<u>25</u>
Total municipal court-judicial division	<u>23,134</u>	<u>23,184</u>	<u>22,994</u>	<u>190</u>
Municipal court-housing division:				
Personnel	3,097	2,982	2,938	44
Other	<u>190</u>	<u>255</u>	<u>185</u>	<u>70</u>
Total municipal court-housing division	<u>3,287</u>	<u>3,237</u>	<u>3,123</u>	<u>114</u>

(Continued)

CITY OF CLEVELAND, OHIO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
GENERAL FUND-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2008**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Municipal court-clerks division:				
Personnel	\$ 9,441	\$ 9,041	\$ 8,889	\$ 152
Other	<u>5,385</u>	<u>5,785</u>	<u>5,647</u>	<u>138</u>
Total municipal court-clerks division	<u>14,826</u>	<u>14,826</u>	<u>14,536</u>	<u>290</u>
Office of budget and management:				
Personnel	628	628	623	5
Other	<u>142</u>	<u>142</u>	<u>19</u>	<u>123</u>
Total office of budget and management	<u>770</u>	<u>770</u>	<u>642</u>	<u>128</u>
Department of aging:				
Personnel	623	623	604	19
Other	<u>142</u>	<u>143</u>	<u>142</u>	<u>1</u>
Total department of aging	<u>765</u>	<u>766</u>	<u>746</u>	<u>20</u>
Department of law:				
Personnel	6,529	6,504	6,483	21
Other	<u>2,307</u>	<u>2,707</u>	<u>2,638</u>	<u>69</u>
Total department of law	<u>8,836</u>	<u>9,211</u>	<u>9,121</u>	<u>90</u>
Finance administration:				
Personnel	868	718	703	15
Other	<u>78</u>	<u>78</u>	<u>31</u>	<u>47</u>
Total finance administration	<u>946</u>	<u>796</u>	<u>734</u>	<u>62</u>
Division of accounts:				
Personnel	1,273	1,303	1,272	31
Other	<u>631</u>	<u>631</u>	<u>606</u>	<u>25</u>
Total division of accounts	<u>1,904</u>	<u>1,934</u>	<u>1,878</u>	<u>56</u>
Division of assessments and licenses:				
Personnel	2,025	1,800	1,719	81
Other	<u>634</u>	<u>494</u>	<u>479</u>	<u>15</u>
Total division of assessments and licenses	<u>2,659</u>	<u>2,294</u>	<u>2,198</u>	<u>96</u>
Division of treasury:				
Personnel	520	420	394	26
Other	<u>76</u>	<u>76</u>	<u>47</u>	<u>29</u>
Total division of treasury	<u>596</u>	<u>496</u>	<u>441</u>	<u>55</u>
Division of purchases and supplies:				
Personnel	565	565	539	26
Other	<u>48</u>	<u>58</u>	<u>53</u>	<u>5</u>
Total division of purchases and supplies	<u>613</u>	<u>623</u>	<u>592</u>	<u>31</u>

(Continued)

CITY OF CLEVELAND, OHIO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
GENERAL FUND-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2008**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Bureau of internal audit:				
Personnel	\$ 444	\$ 444	\$ 418	\$ 26
Other	338	338	186	152
Total bureau of internal audit	<u>782</u>	<u>782</u>	<u>604</u>	<u>178</u>
Division of financial reporting and control:				
Personnel	1,397	1,397	1,296	101
Other	38	38	27	11
Total division of financial reporting and control	<u>1,435</u>	<u>1,435</u>	<u>1,323</u>	<u>112</u>
Office of information and technology planning:				
Personnel	331	206	172	34
Other	18	18	5	13
Total office of information and technology planning:	<u>349</u>	<u>224</u>	<u>177</u>	<u>47</u>
Division of information system services				
Personnel	2,260	2,035	1,965	70
Other	1,781	1,421	1,162	259
Total division of information system service:	<u>4,041</u>	<u>3,456</u>	<u>3,127</u>	<u>329</u>
TOTAL GENERAL GOVERNMENT	<u>82,226</u>	<u>81,019</u>	<u>78,443</u>	<u>2,576</u>
Public Service:				
Public service administration:				
Personnel	482	482	435	47
Other	33	33	24	9
Total public service administration	<u>515</u>	<u>515</u>	<u>459</u>	<u>56</u>
Division of architecture:				
Personnel	664	664	590	74
Other	35	45	26	19
Total division of architecture	<u>699</u>	<u>709</u>	<u>616</u>	<u>93</u>
Division of waste collection and disposal:				
Personnel	14,124	14,124	14,006	118
Other	13,851	12,906	12,663	243
Total division of waste collection and disposal	<u>27,975</u>	<u>27,030</u>	<u>26,669</u>	<u>361</u>
Division of engineering and construction:				
Personnel	4,707	4,707	4,554	153
Other	418	418	373	45
Total division of engineering and construction:	<u>5,125</u>	<u>5,125</u>	<u>4,927</u>	<u>198</u>
Division of traffic engineering:				
Personnel	3,294	3,294	3,183	111
Other	1,262	1,262	1,201	61
Total division of traffic engineering	<u>4,556</u>	<u>4,556</u>	<u>4,384</u>	<u>172</u>
TOTAL PUBLIC SERVICE	<u>38,870</u>	<u>37,935</u>	<u>37,055</u>	<u>880</u>

(Continued)

CITY OF CLEVELAND, OHIO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
GENERAL FUND-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2008**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Public Safety:				
Public safety administration:				
Personnel	\$ 2,622	\$ 2,422	\$ 2,370	\$ 52
Other	1,350	800	737	63
Total public safety administration	<u>3,972</u>	<u>3,222</u>	<u>3,107</u>	<u>115</u>
Division of police:				
Personnel	163,190	165,440	165,305	135
Other	10,953	11,453	10,819	634
Total division of police	<u>174,143</u>	<u>176,893</u>	<u>176,124</u>	<u>769</u>
Division of fire:				
Personnel	86,838	86,448	86,445	3
Other	3,372	3,697	3,271	426
Total division of fire	<u>90,210</u>	<u>90,145</u>	<u>89,716</u>	<u>429</u>
Division of emergency medical services:				
Personnel	21,282	21,182	21,182	-
Other	2,176	2,551	2,484	67
Total division of emergency medical services	<u>23,458</u>	<u>23,733</u>	<u>23,666</u>	<u>67</u>
Division of correction:				
Personnel	11,051	12,051	11,812	239
Other	2,582	3,382	3,150	232
Total division of correction	<u>13,633</u>	<u>15,433</u>	<u>14,962</u>	<u>471</u>
Division of dog pound:				
Personnel	832	832	800	32
Other	278	278	185	93
Total division of dog pound	<u>1,110</u>	<u>1,110</u>	<u>985</u>	<u>125</u>
TOTAL PUBLIC SAFETY	<u>306,526</u>	<u>310,536</u>	<u>308,560</u>	<u>1,976</u>
Community Development:				
Division of administration services:				
Personnel	693	693	692	1
Other	130	130	115	15
Total division of administration services	<u>823</u>	<u>823</u>	<u>807</u>	<u>16</u>
Division of neighborhood services:				
Personnel	552	552	514	38
Total division of neighborhood services	<u>552</u>	<u>552</u>	<u>514</u>	<u>38</u>
Division of real estate:				
Personnel	264	264	261	3
Other	220	220	218	2
Total division of real estate	<u>484</u>	<u>484</u>	<u>479</u>	<u>5</u>

(Continued)

CITY OF CLEVELAND, OHIO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
GENERAL FUND-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2008**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Director's office:				
Personnel	\$ 414	\$ 414	\$ 407	\$ 7
Other		5		5
Total director's office	<u>414</u>	<u>419</u>	<u>407</u>	<u>12</u>
 TOTAL COMMUNITY DEVELOPMENT	 <u>2,273</u>	 <u>2,278</u>	 <u>2,207</u>	 <u>71</u>
Building and Housing:				
Director's office:				
Personnel	2,006	1,906	1,850	56
Other	412	487	449	38
Total director's office	<u>2,418</u>	<u>2,393</u>	<u>2,299</u>	<u>94</u>
Division of code enforcement:				
Personnel	6,729	6,279	6,273	6
Other	184	184	181	3
Total division of code enforcement	<u>6,913</u>	<u>6,463</u>	<u>6,454</u>	<u>9</u>
Division of construction permitting:				
Personnel	1,572	1,612	1,601	11
Other	23	23	23	-
Total division of construction permitting	<u>1,595</u>	<u>1,635</u>	<u>1,624</u>	<u>11</u>
TOTAL BUILDING AND HOUSING	<u>10,926</u>	<u>10,491</u>	<u>10,377</u>	<u>114</u>
Public Health:				
Public health administration:				
Personnel	660	660	630	30
Other	99	99	46	53
Total public health administration	<u>759</u>	<u>759</u>	<u>676</u>	<u>83</u>
Division of health:				
Personnel	2,213	2,213	2,073	140
Other	1,186	1,186	1,151	35
Total division of health	<u>3,399</u>	<u>3,399</u>	<u>3,224</u>	<u>175</u>
Division of environment:				
Personnel	1,002	1,177	1,085	92
Other	250	250	188	62
Total division of environment	<u>1,252</u>	<u>1,427</u>	<u>1,273</u>	<u>154</u>
Division of air quality:				
Personnel	161	161	124	37
Other	286	286	286	-
Total division of air quality	<u>447</u>	<u>447</u>	<u>410</u>	<u>37</u>
TOTAL PUBLIC HEALTH	<u>5,857</u>	<u>6,032</u>	<u>5,583</u>	<u>449</u>

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, 2008**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Parks, Recreation and Properties:				
Parks, recreation and properties administration:				
Personnel	\$ 584	\$ 584	\$ 575	\$ 9
Other	<u>155</u>	<u>155</u>	<u>153</u>	<u>2</u>
Total parks, recreation and properties administration	<u>739</u>	<u>739</u>	<u>728</u>	<u>11</u>
Division of research, planning and development:				
Personnel	671	702	700	2
Other	<u>80</u>	<u>80</u>	<u>80</u>	<u>-</u>
Total division of research, planning and development	<u>751</u>	<u>782</u>	<u>780</u>	<u>2</u>
Division of recreation:				
Personnel	10,442	9,727	9,727	-
Other	<u>4,477</u>	<u>4,602</u>	<u>4,412</u>	<u>190</u>
Total division of recreation	<u>14,919</u>	<u>14,329</u>	<u>14,139</u>	<u>190</u>
Division of parking facilities:				
Personnel	1,194	1,194	1,106	88
Other	<u>76</u>	<u>81</u>	<u>79</u>	<u>2</u>
Total division of parking facilities	<u>1,270</u>	<u>1,275</u>	<u>1,185</u>	<u>90</u>
Division of park maintenance and properties:				
Personnel	8,913	8,763	8,710	53
Other	<u>5,135</u>	<u>5,135</u>	<u>5,103</u>	<u>32</u>
Total division of park maintenance and properties	<u>14,048</u>	<u>13,898</u>	<u>13,813</u>	<u>85</u>
Division of property management:				
Personnel	6,122	5,572	5,568	4
Other	<u>2,741</u>	<u>2,741</u>	<u>2,602</u>	<u>139</u>
Total division of property management	<u>8,863</u>	<u>8,313</u>	<u>8,170</u>	<u>143</u>
 TOTAL PARKS, RECREATION AND PROPERTIES	 <u>40,590</u>	 <u>39,336</u>	 <u>38,815</u>	 <u>521</u>

(Continued)

CITY OF CLEVELAND, OHIO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
GENERAL FUND-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2008**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Economic Development:				
Economic development administration:				
Personnel	\$ 1,703	\$ 1,703	\$ 1,507	\$ 196
Other	83	84	75	9
Total economic development administration	<u>1,786</u>	<u>1,787</u>	<u>1,582</u>	<u>205</u>
TOTAL ECONOMIC DEVELOPMENT	<u>1,786</u>	<u>1,787</u>	<u>1,582</u>	<u>205</u>
Non-Departmental Expenditures:				
Other	<u>18,470</u>	<u>19,110</u>	<u>18,502</u>	<u>608</u>
TOTAL NON-DEPARTMENTAL EXPENDITURES	<u>18,470</u>	<u>19,110</u>	<u>18,502</u>	<u>608</u>
TOTAL EXPENDITURES	<u>507,524</u>	<u>508,524</u>	<u>501,124</u>	<u>7,400</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,402)	(5,402)	16,672	22,074
OTHER FINANCING SOURCES (USES):				
Transfers in	2,401	2,401	6,674	4,273
Transfers out	(24,090)	(23,090)	(21,922)	1,168
Sale of City assets	<u> </u>	<u> </u>	<u>274</u>	<u>274</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(21,689)</u>	<u>(20,689)</u>	<u>(14,974)</u>	<u>5,715</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES	<u> </u>	<u> </u>	<u>1,598</u>	<u>1,598</u>
NET CHANGE IN FUND BALANCES	(26,091)	(26,091)	3,296	29,387
FUND BALANCES AT BEGINNING OF YEAR	<u>26,149</u>	<u>26,149</u>	<u>26,149</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 58</u>	<u>\$ 58</u>	<u>\$ 29,445</u>	<u>\$ 29,387</u>

(Concluded)

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CITY OF CLEVELAND, OHIO

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

SPECIAL REVENUE FUNDS (Continued)

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

DEBT SERVICE FUNDS

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

Unvoted Tax Supported Obligations Fund	To account for the accumulation of resources for the payment of General Obligation Bonds of the City. 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.
Core City Bonds	To account for the accumulation of resources for the payment of taxable Economic and Community Development Bonds payable from non-tax and net project revenues.

DEBT SERVICE FUNDS (Continued)

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, 2008

(Amounts in 000's)

	Special Revenue Funds - Budgeted					Total Budgeted Funds
	Division of Streets	Restricted Income Tax	Rainy Day Reserve Fund	Schools Recreation and Cultural Activities Fund	Cleveland Stadium Operations	
ASSETS						
Cash and cash equivalents	\$ 672	\$ 13,037	\$ 8,382	\$	\$ 17,943	\$ 40,034
Investments						-
Receivables:						
Taxes		5,980				5,980
Accounts	4					4
Grants						-
Loans						-
Accrued interest					6	6
Assessments						-
Receivables, net	<u>4</u>	<u>5,980</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>5,990</u>
Due from other funds	1	743	18			762
Due from other governments	7,003					7,003
Inventory of supplies	<u>816</u>					<u>816</u>
TOTAL ASSETS	<u>\$ 8,496</u>	<u>\$ 19,760</u>	<u>\$ 8,400</u>	<u>\$ -</u>	<u>\$ 17,949</u>	<u>\$ 54,605</u>
LIABILITIES						
Accounts payable	\$ 974	\$ 432	\$	\$	\$ 6	\$ 1,412
Accrued wages and benefits	2,253					2,253
Due to other governments					453	453
Deferred revenue	4,761	2,551				7,312
Unearned revenue						-
Due to other funds	<u>1,058</u>		<u>8,400</u>			<u>9,458</u>
Total liabilities	<u>9,046</u>	<u>2,983</u>	<u>8,400</u>	<u>-</u>	<u>459</u>	<u>20,888</u>
FUND BALANCES						
Reserves for:						
Loans						-
Inventory	816					816
Debt service					14,888	14,888
Encumbrances		8,169				8,169
Unreserved:						
Designated for future capital improvements		4,318				4,318
Undesignated	<u>(1,366)</u>	<u>4,290</u>			<u>2,602</u>	<u>5,526</u>
Total fund balances	<u>(550)</u>	<u>16,777</u>	<u>-</u>	<u>-</u>	<u>17,490</u>	<u>33,717</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,496</u>	<u>\$ 19,760</u>	<u>\$ 8,400</u>	<u>\$ -</u>	<u>\$ 17,949</u>	<u>\$ 54,605</u>

Special Revenue Funds - Non-Budgeted

Community Development Block Grants	Community Development Funds	Building and Housing Funds	Urban Development Action Funds	Economic Development Funds	Home Weatherization Grants	WIA Grants	General Government Funds
\$ 43	\$ 1,438	\$ 1,621	\$ 37,122	\$ 12,293 4,811	\$ 150	\$	\$ 13,510
		1,672	27				73
4,468	999	1,104			1	2,061	122
12,255	9,131		60,162	13,320 75			
<u>3,616</u>	<u>7,565</u>						
<u>20,339</u>	<u>17,695</u>	<u>2,776</u>	<u>60,189</u>	<u>13,395</u>	<u>1</u>	<u>2,061</u>	<u>195</u>
		28	83	10 257		14	97 142
<u>\$ 20,559</u>	<u>\$ 19,133</u>	<u>\$ 4,425</u>	<u>\$ 97,394</u>	<u>\$ 30,766</u>	<u>\$ 151</u>	<u>\$ 2,075</u>	<u>\$ 13,944</u>
\$ 52	\$ 56	\$ 407	\$ 37	\$ 21	\$	\$ 20	\$ 421
500	1			1		343	103
106	2,557			3,793			178
6,243	6,920	1,672		13		14	70
5,058	511	2,346			151	1,469	270
<u>335</u>	<u>308</u>		<u>1</u>			<u>229</u>	<u>102</u>
<u>12,294</u>	<u>10,353</u>	<u>4,425</u>	<u>38</u>	<u>3,828</u>	<u>151</u>	<u>2,075</u>	<u>1,144</u>
8,265	6,451		60,162	9,527			
			1,561				
			13,942	9,505			3,336
			74	338			442
	<u>2,329</u>		<u>21,617</u>	<u>7,568</u>			<u>9,022</u>
<u>8,265</u>	<u>8,780</u>	<u>-</u>	<u>97,356</u>	<u>26,938</u>	<u>-</u>	<u>-</u>	<u>12,800</u>
<u>\$ 20,559</u>	<u>\$ 19,133</u>	<u>\$ 4,425</u>	<u>\$ 97,394</u>	<u>\$ 30,766</u>	<u>\$ 151</u>	<u>\$ 2,075</u>	<u>\$ 13,944</u>

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2008

(Amounts in 000's)

	Special Revenue Funds - Non-Budgeted					
	Public Service Funds	Public Safety Funds	Public Health Funds	Parks, Recreation and Properties Funds	Gateway Shared Income Tax Funds	Neighborhood Development Investment Fund
ASSETS						
Cash and cash equivalents	\$ 2,039	\$	\$ 1,116	\$ 1,844	\$ 2,746	\$ 4,647
Investments		891				
Receivables:						
Taxes						
Accounts	2			4		6
Grants		6,614	1,709	20		
Loans				126		21,496
Accrued interest		45				
Assessments						
Receivables, net	<u>2</u>	<u>6,659</u>	<u>1,709</u>	<u>150</u>	<u>-</u>	<u>21,502</u>
Due from other funds	4	6	339	2		2
Due from other governments		211			245	
Inventory of supplies						
TOTAL ASSETS	<u>\$ 2,045</u>	<u>\$ 7,767</u>	<u>\$ 3,164</u>	<u>\$ 1,996</u>	<u>\$ 2,991</u>	<u>\$ 26,151</u>
LIABILITIES						
Accounts payable	\$ 4	\$ 412	\$ 107	\$ 80	\$	\$ 2
Accrued wages and benefits		65	532			
Due to other governments		23			1,545	
Deferred revenue			165		68	
Unearned revenue	47	2,712	1,619	130		
Due to other funds			7		1,378	
Total liabilities	<u>51</u>	<u>3,212</u>	<u>2,430</u>	<u>210</u>	<u>2,991</u>	<u>2</u>
FUND BALANCE						
Reserves for:						
Loans						21,496
Inventory						
Debt service						
Encumbrances	66	1,307	191	341		3,925
Unreserved:						
Designated for future capital improvements			42	32		115
Undesignated	<u>1,928</u>	<u>3,248</u>	<u>501</u>	<u>1,413</u>		<u>613</u>
Total fund balances	<u>1,994</u>	<u>4,555</u>	<u>734</u>	<u>1,786</u>	<u>-</u>	<u>26,149</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,045</u>	<u>\$ 7,767</u>	<u>\$ 3,164</u>	<u>\$ 1,996</u>	<u>\$ 2,991</u>	<u>\$ 26,151</u>

<u>Special Revenue Funds - Non-Budgeted</u>				<u>Debt Service Funds - Budgeted</u>			
<u>Core City Program Funds</u>	<u>Supplemental Empowerment Zone</u>	<u>Total Non-Budgeted Funds</u>	<u>Total Special Revenue Funds</u>	<u>Unvoted Tax Supported Obligations Fund</u>	<u>Stadium Bond Fund</u>	<u>Subordinated Income Tax Fund</u>	<u>Lower Euclid Avenue TIF</u>
\$ 26,897	\$ 2,001	\$ 107,467	\$ 147,501	\$ 2,496	\$ 14	\$ 2,201	\$ 222
		5,702	5,702				
		-	5,980	29,984			
113	1	1,898	1,902				
		17,098	17,098	506			
17,028	34,438	167,956	167,956				
12		132	138			1	
		11,181	11,181				
<u>17,153</u>	<u>34,439</u>	<u>198,265</u>	<u>204,255</u>	<u>30,490</u>	<u>-</u>	<u>1</u>	<u>-</u>
20		782	1,544				
	201	1,056	8,059	2,379			
		-	816				
<u>\$ 44,070</u>	<u>\$ 36,641</u>	<u>\$ 313,272</u>	<u>\$ 367,877</u>	<u>\$ 35,365</u>	<u>\$ 14</u>	<u>\$ 2,202</u>	<u>\$ 222</u>
\$ 41	\$ 18	\$ 1,678	\$ 3,090	\$	\$	\$	\$
	33	1,578	3,831				
	35,615	43,817	44,270				
		15,165	22,477	32,869			
		14,313	14,313				
	1	2,361	11,819				
<u>41</u>	<u>35,667</u>	<u>78,912</u>	<u>99,800</u>	<u>32,869</u>	<u>-</u>	<u>-</u>	<u>-</u>
17,028		122,929	122,929				
		-	816				
9,298		10,859	25,747	2,496	14	2,202	222
5,382		37,995	46,164				
727		1,770	6,088				
<u>11,594</u>	<u>974</u>	<u>60,807</u>	<u>66,333</u>	<u>2,496</u>	<u>14</u>	<u>2,202</u>	<u>222</u>
<u>44,029</u>	<u>974</u>	<u>234,360</u>	<u>268,077</u>	<u>2,496</u>	<u>14</u>	<u>2,202</u>	<u>222</u>
<u>\$ 44,070</u>	<u>\$ 36,641</u>	<u>\$ 313,272</u>	<u>\$ 367,877</u>	<u>\$ 35,365</u>	<u>\$ 14</u>	<u>\$ 2,202</u>	<u>\$ 222</u>

CITY OF CLEVELAND, OHIO

**COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008
(Amounts in 000's)**

	<u>Debt Service Funds</u>			<u>Debt Service Funds</u>			<u>Total</u>	<u>Total</u>
	<u>Budgeted</u>			<u>Non-Budgeted</u>				
	<u>Core</u>	<u>Subordinate</u>	<u>Total</u>	<u>Urban</u>	<u>Urban</u>	<u>Total</u>		
<u>City</u>	<u>Lien</u>	<u>Budgeted</u>	<u>Renewal</u>	<u>Reserve</u>	<u>Non-</u>	<u>Service</u>		
	<u>Bonds</u>	<u>Income Tax</u>	<u>Funds</u>	<u>Fund</u>	<u>Fund</u>	<u>Budgeted</u>	<u>Funds</u>	
ASSETS								
Cash and cash equivalents	\$ 3,404	\$ 486	\$ 8,823	\$ 800	\$ 2,195	\$ 2,995	\$ 11,818	
Investments								
Receivables:								
Taxes			29,984			-	29,984	
Accounts			-			-	-	
Grants			506			-	506	
Loans			-			-	-	
Accrued interest	3		4			-	4	
Assessments			-			-	-	
Receivables, net	<u>3</u>	<u>-</u>	<u>30,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,494</u>	
Due from other funds			-			-	-	
Due from other governments			2,379			-	2,379	
Inventory of supplies			-			-	-	
TOTAL ASSETS	<u>\$ 3,407</u>	<u>\$ 486</u>	<u>\$ 41,696</u>	<u>\$ 800</u>	<u>\$ 2,195</u>	<u>\$ 2,995</u>	<u>\$ 44,691</u>	
LIABILITIES								
Accounts payable	\$ 9	\$	\$ 9	\$	\$	\$ -	\$ 9	
Accrued wages and benefits			-			-	-	
Due to other governments			-			-	-	
Deferred revenue			32,869			-	32,869	
Unearned revenue			-			-	-	
Due to other funds			-			-	-	
Total liabilities	<u>9</u>	<u>-</u>	<u>32,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,878</u>	
FUND BALANCE								
Reserve for:								
Loans			-			-	-	
Inventory			-			-	-	
Debt service	3,398	486	8,818	800	2,195	2,995	11,813	
Encumbrances			-			-	-	
Unreserved:								
Designated for future capital improvements			-			-	-	
Undesignated			-			-	-	
Total fund balances	<u>3,398</u>	<u>486</u>	<u>8,818</u>	<u>800</u>	<u>2,195</u>	<u>2,995</u>	<u>11,813</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,407</u>	<u>\$ 486</u>	<u>\$ 41,696</u>	<u>\$ 800</u>	<u>\$ 2,195</u>	<u>\$ 2,995</u>	<u>\$ 44,691</u>	

Capital Projects Funds Non-Budgeted						
<u>Capital/ Urban Renewal Bond Construction</u>	<u>Grant Improvement</u>	<u>Capital Improvement</u>	<u>Certificates of Participation/ Capital Leases</u>	<u>Cleveland Stadium Construction</u>	<u>Total Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 103,853	\$	\$ 4,082	\$ 190	\$ 3,993	\$ 112,118	\$ 271,437
					-	5,702
					-	35,964
					-	1,902
	2,259				2,259	19,863
					-	167,956
79				2	81	223
					-	11,181
<u>79</u>	<u>2,259</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2,340</u>	<u>237,089</u>
		1		1	2	1,546
					-	10,438
					-	816
<u>\$ 103,932</u>	<u>\$ 2,259</u>	<u>\$ 4,083</u>	<u>\$ 190</u>	<u>\$ 3,996</u>	<u>\$ 114,460</u>	<u>\$ 527,028</u>
\$ 1,115	\$ 115	\$ 3,038	\$	\$	\$ 4,268	\$ 7,367
					-	3,831
					-	44,270
					-	55,346
	1,795	40			1,835	16,148
	349				349	12,168
<u>1,115</u>	<u>2,259</u>	<u>3,078</u>	<u>-</u>	<u>-</u>	<u>6,452</u>	<u>139,130</u>
					-	122,929
					-	816
					-	37,560
64,033		322		215	64,570	110,734
32,703		300		108	33,111	39,199
6,081		383	190	3,673	10,327	76,660
<u>102,817</u>	<u>-</u>	<u>1,005</u>	<u>190</u>	<u>3,996</u>	<u>108,008</u>	<u>387,898</u>
<u>\$ 103,932</u>	<u>\$ 2,259</u>	<u>\$ 4,083</u>	<u>\$ 190</u>	<u>\$ 3,996</u>	<u>\$ 114,460</u>	<u>\$ 527,028</u>

(Concluded)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008
(Amounts in 000's)**

	Special Revenue Funds - Budgeted					Total Budgeted Funds
	Division of Streets	Restricted Income Tax	Rainy Day Reserve Fund	Schools Recreation and Cultural Activities Fund	Cleveland Stadium Operations	
REVENUES:						
Income taxes	\$	\$ 36,273	\$	\$	\$	\$ 36,273
Property taxes						-
Other shared revenues	14,347				13,944	28,291
Licenses and permits	2,020					2,020
Charges for services					250	250
Fines, forfeits and settlements						-
Investment earnings	1	372			439	812
Grants						-
Contributions						-
Miscellaneous	15				7	22
Total revenues	<u>16,383</u>	<u>36,645</u>	<u>-</u>	<u>-</u>	<u>14,640</u>	<u>67,668</u>
EXPENDITURES:						
Current:						
General Government						-
Public Service	24,548					24,548
Public Safety						-
Community Development						-
Building and Housing						-
Public Health						-
Parks, Recreation and Properties				2,000	1,479	3,479
Economic Development						-
Capital outlay		10,381				10,381
Debt service:						
Principal retirement		3,182			10,765	13,947
Interest		325			10,555	10,880
General Government						-
Other						-
Total expenditures	<u>24,548</u>	<u>13,888</u>	<u>-</u>	<u>2,000</u>	<u>22,799</u>	<u>63,235</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(8,165)</u>	<u>22,757</u>	<u>-</u>	<u>(2,000)</u>	<u>(8,159)</u>	<u>4,433</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	8,179			1,996	4,640	14,815
Transfers out		(24,013)				(24,013)
Issuance of debt						-
Premium on bonds and notes						-
Discount on bonds and notes						-
Payment to refund bonds and notes						-
Total other financing sources (uses)	<u>8,179</u>	<u>(24,013)</u>	<u>-</u>	<u>1,996</u>	<u>4,640</u>	<u>(9,198)</u>
NET CHANGE IN FUND BALANCES	14	(1,256)	-	(4)	(3,519)	(4,765)
FUND BALANCES AT BEGINNING OF YEAR	<u>(564)</u>	<u>18,033</u>	<u>-</u>	<u>4</u>	<u>21,009</u>	<u>38,482</u>
FUND BALANCES AT END OF YEAR	<u>\$ (550)</u>	<u>\$ 16,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,490</u>	<u>\$ 33,717</u>

Special Revenue Funds - Non-Budgeted							
Community Development Block Grants	Community Development Funds	Building and Housing Funds	Urban Development Action Funds	Economic Development Funds	Home Weatherization Grants	WIA Grants	General Government Funds
\$	\$	\$	\$	\$	\$	\$	\$
				2,502			
	585		189				2,883
							4,640
49	14		942	533			321
28,374	8,566	1,106		896	3,647	11,651	1,066
	475		5,195	584			30
<u>28,423</u>	<u>9,640</u>	<u>1,106</u>	<u>6,326</u>	<u>4,515</u>	<u>3,647</u>	<u>11,651</u>	<u>8,974</u>
							6,052
28,353	9,505				3,647		
		5,228					
			17,732	2,240		11,651	
37			600	11			57
<u>28,390</u>	<u>9,505</u>	<u>5,228</u>	<u>18,332</u>	<u>2,251</u>	<u>3,647</u>	<u>11,651</u>	<u>6,109</u>
33	135	(4,122)	(12,006)	2,264	-	-	2,865
	38	4,122					146
	(22)		(226)	(4,366)			(2,356)
<u>-</u>	<u>16</u>	<u>4,122</u>	<u>(226)</u>	<u>(4,366)</u>	<u>-</u>	<u>-</u>	<u>(2,210)</u>
33	151	-	(12,232)	(2,102)	-	-	655
<u>8,232</u>	<u>8,629</u>	<u>-</u>	<u>109,588</u>	<u>29,040</u>	<u>-</u>	<u>-</u>	<u>12,145</u>
<u>\$ 8,265</u>	<u>\$ 8,780</u>	<u>\$ -</u>	<u>\$ 97,356</u>	<u>\$ 26,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,800</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008**

(Amounts in 000's)

	Special Revenue Funds - Non-Budgeted					
	Public Service Funds	Public Safety Funds	Public Health Funds	Parks, Recreation and Properties Funds	Gateway Shared Income Tax Funds	Neighborhood Development Investment Fund
REVENUES:						
Income taxes	\$	\$	\$	\$	\$	\$
Property taxes						
Other shared revenues					920	240
Licenses and permits			1,174	19		
Charges for services	284		171	1		
Fines, forfeits and settlements		2,804				
Investment earnings	50	63	28	48		120
Grants		6,609	12,758	1,937		
Contributions		1		49		
Miscellaneous			8			899
Total revenues	<u>334</u>	<u>9,477</u>	<u>14,139</u>	<u>2,054</u>	<u>920</u>	<u>1,259</u>
EXPENDITURES:						
Current:						
General Government					920	
Public Service	52					
Public Safety		8,692				
Community Development						
Building and Housing						
Public Health			14,132			
Parks, Recreation and Properties				2,089		
Economic Development						4,650
Capital outlay	13		15			933
Debt service:						
Principal retirement						
Interest						
General Government						
Other						
Total expenditures	<u>65</u>	<u>8,692</u>	<u>14,147</u>	<u>2,089</u>	<u>920</u>	<u>5,583</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>269</u>	<u>785</u>	<u>(8)</u>	<u>(35)</u>	<u>-</u>	<u>(4,324)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in				4		
Transfers out				(16)		(4,100)
Issuance of debt						
Premium on bonds and notes						
Discount on bonds and notes						
Payment to refund bonds and notes						
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12)</u>	<u>-</u>	<u>(4,100)</u>
NET CHANGE IN FUND BALANCES	269	785	(8)	(47)	-	(8,424)
FUND BALANCES AT BEGINNING OF YEAR	<u>1,725</u>	<u>3,770</u>	<u>742</u>	<u>1,833</u>		<u>34,573</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,994</u>	<u>\$ 4,555</u>	<u>\$ 734</u>	<u>\$ 1,786</u>	<u>\$ -</u>	<u>\$ 26,149</u>

Special Revenue Funds - Non-Budgeted				Debt Service Funds - Budgeted			
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
\$	\$	\$ -	\$ 36,273	\$	\$	\$	\$
		-	-	22,351			
		3,662	31,953	4,300			
		1,193	3,213				
830		4,943	5,193				
		7,444	7,444				
667	35	2,870	3,682	196	3	31	2
	4,290	80,900	80,900				
		80	80				
7,239		14,434	14,456				
<u>8,736</u>	<u>4,325</u>	<u>115,526</u>	<u>183,194</u>	<u>26,847</u>	<u>3</u>	<u>31</u>	<u>2</u>
		6,972	6,972				
		52	24,600				
		8,692	8,692				
		41,505	41,505				
		5,228	5,228				
		14,132	14,132				
		2,089	5,568				
9,198	4,882	50,353	50,353				
397		2,063	12,444				
		-	13,947	33,450	110	2,000	429
		-	10,880	16,572	648	2,507	219
		-	-			4,797	
		-	-				
<u>9,595</u>	<u>4,882</u>	<u>131,086</u>	<u>194,321</u>	<u>50,022</u>	<u>758</u>	<u>9,304</u>	<u>648</u>
<u>(859)</u>	<u>(557)</u>	<u>(15,560)</u>	<u>(11,127)</u>	<u>(23,175)</u>	<u>(755)</u>	<u>(9,273)</u>	<u>(646)</u>
		4,310	19,125	22,504	758	4,287	612
(2,053)		(13,139)	(37,152)			59,960	
		-	-			2,969	
		-	-				
		-	-			(57,320)	
<u>(2,053)</u>	<u>-</u>	<u>(8,829)</u>	<u>(18,027)</u>	<u>22,504</u>	<u>758</u>	<u>9,896</u>	<u>612</u>
(2,912)	(557)	(24,389)	(29,154)	(671)	3	623	(34)
<u>46,941</u>	<u>1,531</u>	<u>258,749</u>	<u>297,231</u>	<u>3,167</u>	<u>11</u>	<u>1,579</u>	<u>256</u>
\$ 44,029	\$ 974	\$ 234,360	\$ 268,077	\$ 2,496	\$ 14	\$ 2,202	\$ 222

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008**

(Amounts in 000's)

	Debt Service Funds Budgeted			Debt Service Funds Non-Budgeted			Total Debt Service Funds
	Subordinate		Total Budgeted Funds	Urban Renewal Fund	Urban Renewal Reserve Fund	Total Non- Budgeted Funds	
	Core City Bonds	Lien Income Tax Fund					
REVENUES:							
Income taxes	\$	\$	\$ -	\$	\$	\$ -	\$ -
Property taxes			22,351			-	22,351
Other shared revenues			4,300			-	4,300
Licenses and permits			-			-	-
Charges for services			-			-	-
Fines, forfeits and settlements			-			-	-
Investment earnings	82	5	319	8	28	36	355
Grants			-			-	-
Contributions			-			-	-
Miscellaneous			-	1,134		1,134	1,134
Total revenues	<u>82</u>	<u>5</u>	<u>26,970</u>	<u>1,142</u>	<u>28</u>	<u>1,170</u>	<u>28,140</u>
EXPENDITURES:							
Current:							
General Government			-			-	-
Public Service			-			-	-
Public Safety			-			-	-
Community Development			-			-	-
Building and Housing			-			-	-
Public Health			-			-	-
Parks, Recreation and Properties			-			-	-
Economic Development			-			-	-
Capital outlay			-			-	-
Debt service:							
Principal retirement	1,195		37,184	435		435	37,619
Interest	2,015	1,038	22,999	439		439	23,438
General Government	345		5,142	252		252	5,394
Other			-			-	-
Total expenditures	<u>3,555</u>	<u>1,038</u>	<u>65,325</u>	<u>1,126</u>	<u>-</u>	<u>1,126</u>	<u>66,451</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,473)</u>	<u>(1,033)</u>	<u>(38,355)</u>	<u>16</u>	<u>28</u>	<u>44</u>	<u>(38,311)</u>
OTHER FINANCING SOURCES (USES):							
Transfers in	2,053	1,519	31,733		18	18	31,751
Transfers out			-	(18)		(18)	(18)
Issuance of debt	28,160		88,120			-	88,120
Premium on bonds and notes			2,969			-	2,969
Discount on bonds and notes			-			-	-
Payment to refund bonds and notes	(26,965)		(84,285)			-	(84,285)
Total other financing sources (uses)	<u>3,248</u>	<u>1,519</u>	<u>38,537</u>	<u>(18)</u>	<u>18</u>	<u>-</u>	<u>38,537</u>
NET CHANGE IN FUND BALANCES	(225)	486	182	(2)	46	44	226
FUND BALANCES AT BEGINNING OF YEAR	<u>3,623</u>		<u>8,636</u>	<u>802</u>	<u>2,149</u>	<u>2,951</u>	<u>11,587</u>
FUND BALANCES AT END OF YEAR	<u>\$ 3,398</u>	<u>\$ 486</u>	<u>\$ 8,818</u>	<u>\$ 800</u>	<u>\$ 2,195</u>	<u>\$ 2,995</u>	<u>\$ 11,813</u>

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, 2008
(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	\$	\$	\$	\$ -	\$ 35,756	\$ 35,756	\$ 36,370	\$ 614
Other shared revenues	14,219	14,219	14,428	209				-
Licenses and permits	1,692	1,692	1,641	(51)				-
Charges for services	5,633	5,633	3,786	(1,847)				-
Investment earnings			2	2	400	400	424	24
Miscellaneous	2	2	161	159				-
Total revenues	<u>21,546</u>	<u>21,546</u>	<u>20,018</u>	<u>(1,528)</u>	<u>36,156</u>	<u>36,156</u>	<u>36,794</u>	<u>638</u>
EXPENDITURES:								
Public Service:								
Personnel	15,713	16,263	16,025	238				-
Other	12,124	12,624	12,311	313				-
Parks, Recreation and Properties								
Other				-				-
Capital outlay				-	9,200	9,200	9,200	-
Principal retirement				-	3,182	3,182	3,182	-
Interest				-	325	325	325	-
Total expenditures	<u>27,837</u>	<u>28,887</u>	<u>28,336</u>	<u>551</u>	<u>12,707</u>	<u>12,707</u>	<u>12,707</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,291)</u>	<u>(7,341)</u>	<u>(8,318)</u>	<u>(977)</u>	<u>23,449</u>	<u>23,449</u>	<u>24,087</u>	<u>638</u>
OTHER FINANCING SOURCES (USES):								
Transfers in	6,279	7,329	8,179	850				-
Transfers out				-	(24,013)	(24,013)	(24,013)	-
Total other financing sources (uses)	<u>6,279</u>	<u>7,329</u>	<u>8,179</u>	<u>850</u>	<u>(24,013)</u>	<u>(24,013)</u>	<u>(24,013)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(12)	(12)	(139)	(127)	(564)	(564)	74	638
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES			137	137			26	26
FUND BALANCES AT BEGINNING OF YEAR	<u>12</u>	<u>12</u>	<u>12</u>	<u>-</u>	<u>564</u>	<u>564</u>	<u>564</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 664</u>	<u>\$ 664</u>

Rainy Day Reserve Fund				Schools Recreation and Cultural Activities			
Original Budget	Revised Budget	Actual	Variance-Positive (Negative)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
\$	\$	\$	\$ -	\$	\$	\$	\$ -
			-				-
			-				-
		218	218				-
			-				-
<u>-</u>	<u>-</u>	<u>218</u>	<u>218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
			-				-
			-				-
			-	2,000	2,000	2,000	-
			-				-
			-				-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>218</u>	<u>218</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>
1,000	1,000	1,000	-	2,000	2,000	1,996	(4)
<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>1,996</u>	<u>(4)</u>
1,000	1,000	1,218	218	-	-	(4)	(4)
			-				-
<u>7,164</u>	<u>7,164</u>	<u>7,164</u>	<u>-</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>-</u>
<u>\$ 8,164</u>	<u>\$ 8,164</u>	<u>\$ 8,382</u>	<u>\$ 218</u>	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ (4)</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
BUDGETED SPECIAL REVENUE FUNDS-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2008
(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	\$	\$	\$	\$ -	\$ 35,756	\$ 35,756	\$ 36,370	\$ 614
Other shared revenues	13,750	13,750	13,628	(122)	27,969	27,969	28,056	87
Licenses and permits				-	1,692	1,692	1,641	(51)
Charges for services	250	250	250	-	5,883	5,883	4,036	(1,847)
Investment earnings	750	750	485	(265)	1,150	1,150	1,129	(21)
Miscellaneous			7	7	2	2	168	166
Total revenues	<u>14,750</u>	<u>14,750</u>	<u>14,370</u>	<u>(380)</u>	<u>72,452</u>	<u>72,452</u>	<u>71,400</u>	<u>(1,052)</u>
EXPENDITURES:								
Public Service:								
Personnel				-	15,713	16,263	16,025	238
Other	850	735	592	143	12,974	13,359	12,903	456
Parks, Recreation and Properties								
Other				-	2,000	2,000	2,000	-
Capital outlay	275	1,040	880	160	9,475	10,240	10,080	160
Principal retirement	10,765	10,115	10,765	(650)	13,947	13,297	13,947	(650)
Interest	9,063	11,363	10,556	807	9,388	11,688	10,881	807
Total expenditures	<u>20,953</u>	<u>23,253</u>	<u>22,793</u>	<u>460</u>	<u>63,497</u>	<u>66,847</u>	<u>65,836</u>	<u>1,011</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,203)</u>	<u>(8,503)</u>	<u>(8,423)</u>	<u>80</u>	<u>8,955</u>	<u>5,605</u>	<u>5,564</u>	<u>(41)</u>
OTHER FINANCING SOURCES (USES):								
Transfers in	8,067	7,017	4,640	(2,377)	17,346	17,346	15,815	(1,531)
Transfers out				-	(24,013)	(24,013)	(24,013)	-
Total other financing sources (uses)	<u>8,067</u>	<u>7,017</u>	<u>4,640</u>	<u>(2,377)</u>	<u>(6,667)</u>	<u>(6,667)</u>	<u>(8,198)</u>	<u>(1,531)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,864	(1,486)	(3,783)	(2,297)	2,288	(1,062)	(2,634)	(1,572)
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES				-			163	163
FUND BALANCES AT BEGINNING OF YEAR	<u>21,639</u>	<u>21,639</u>	<u>21,639</u>	<u>-</u>	<u>29,383</u>	<u>29,383</u>	<u>29,383</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 23,503</u>	<u>\$ 20,153</u>	<u>\$ 17,856</u>	<u>\$ (2,297)</u>	<u>\$ 31,671</u>	<u>\$ 28,321</u>	<u>\$ 26,912</u>	<u>\$ (1,409)</u>

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CITY OF CLEVELAND, OHIO

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
BUDGETED DEBT SERVICE FUNDS-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2008**

(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	\$ 22,290	\$ 22,290	\$ 22,351	\$ 61	\$	\$	\$	\$ -
Other shared revenues	4,132	4,132	4,300	168				-
Investment earnings	410	410	201	(209)	20	20	3	(17)
Grants	506	506		(506)				-
Miscellaneous				-				-
Total revenues	<u>27,338</u>	<u>27,338</u>	<u>26,852</u>	<u>(486)</u>	<u>20</u>	<u>20</u>	<u>3</u>	<u>(17)</u>
EXPENDITURES:								
Principal retirement	33,450	33,450	33,450	-	110	110	110	-
Interest	16,572	16,572	16,572	-	648	648	648	-
General Government				-				-
Total expenditures	<u>50,022</u>	<u>50,022</u>	<u>50,022</u>	<u>-</u>	<u>758</u>	<u>758</u>	<u>758</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(22,684)</u>	<u>(22,684)</u>	<u>(23,170)</u>	<u>(486)</u>	<u>(738)</u>	<u>(738)</u>	<u>(755)</u>	<u>(17)</u>
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds			4	4	758	758	758	-
Restricted income tax fund	22,500	22,500	22,500	-				-
Transfers out:								
To other subfunds				-				-
Issuance of Debt				-				-
Payment to refund bonds and notes				-				-
Premium on bonds and notes				-				-
Total other financing sources	<u>22,500</u>	<u>22,500</u>	<u>22,504</u>	<u>4</u>	<u>758</u>	<u>758</u>	<u>758</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(184)</u>	<u>(184)</u>	<u>(666)</u>	<u>(482)</u>	<u>20</u>	<u>20</u>	<u>3</u>	<u>(17)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>3,162</u>	<u>3,162</u>	<u>3,162</u>	<u>-</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 2,978</u>	<u>\$ 2,978</u>	<u>\$ 2,496</u>	<u>\$ (482)</u>	<u>\$ 31</u>	<u>\$ 31</u>	<u>\$ 14</u>	<u>\$ (17)</u>

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)
\$	\$	\$	\$ -	\$	\$	\$	\$ -	\$	\$	\$	\$ -
50	50	34	(16)	5	5	2	(3)	100	100	82	(18)
<u>50</u>	<u>50</u>	<u>34</u>	<u>(16)</u>	<u>5</u>	<u>5</u>	<u>2</u>	<u>(3)</u>	<u>100</u>	<u>100</u>	<u>82</u>	<u>(18)</u>
2,000	2,000	2,000	-	429	429	429	-	1,195	1,195	1,195	-
3,000	3,000	2,507	493	219	219	219	-	2,362	2,662	2,015	647
	4,829	4,797	32					85	467	336	131
<u>5,000</u>	<u>9,829</u>	<u>9,304</u>	<u>525</u>	<u>648</u>	<u>648</u>	<u>648</u>	<u>-</u>	<u>3,642</u>	<u>4,324</u>	<u>3,546</u>	<u>778</u>
<u>(4,950)</u>	<u>(9,779)</u>	<u>(9,270)</u>	<u>509</u>	<u>(643)</u>	<u>(643)</u>	<u>(646)</u>	<u>(3)</u>	<u>(3,542)</u>	<u>(4,224)</u>	<u>(3,464)</u>	<u>760</u>
5,000	4,287	4,287	-	648	598	612	14	2,996	1,435	2,053	618
			-				-				-
	59,960	59,960	-				-		28,160	28,160	-
	(57,321)	(57,320)	1				-		(26,965)	(26,965)	-
	2,969	2,969	-				-				-
<u>5,000</u>	<u>9,895</u>	<u>9,896</u>	<u>1</u>	<u>648</u>	<u>598</u>	<u>612</u>	<u>14</u>	<u>2,996</u>	<u>2,630</u>	<u>3,248</u>	<u>618</u>
50	116	626	510	5	(45)	(34)	11	(546)	(1,594)	(216)	1,378
<u>1,575</u>	<u>1,575</u>	<u>1,575</u>	<u>-</u>	<u>256</u>	<u>256</u>	<u>256</u>	<u>-</u>	<u>3,620</u>	<u>3,620</u>	<u>3,620</u>	<u>-</u>
<u>\$ 1,625</u>	<u>\$ 1,691</u>	<u>\$ 2,201</u>	<u>\$ 510</u>	<u>\$ 261</u>	<u>\$ 211</u>	<u>\$ 222</u>	<u>\$ 11</u>	<u>\$ 3,074</u>	<u>\$ 2,026</u>	<u>\$ 3,404</u>	<u>\$ 1,378</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
BUDGETED DEBT SERVICE FUNDS-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2008**

(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	\$	\$	\$	\$ -	\$ 22,290	\$ 22,290	\$ 22,351	\$ 61
Other shared revenues				-	4,132	4,132	4,300	168
Investment earnings	15	15	5	(10)	600	600	327	(273)
Grants				-	506	506	-	(506)
Miscellaneous				-				-
Total revenues	<u>15</u>	<u>15</u>	<u>5</u>	<u>(10)</u>	<u>27,528</u>	<u>27,528</u>	<u>26,978</u>	<u>(550)</u>
EXPENDITURES:								
Principal retirement				-	37,184	37,184	37,184	-
Interest	1,800	1,500	1,038	462	24,601	24,601	22,999	1,602
General Government				-	85	5,296	5,133	163
Total expenditures	<u>1,800</u>	<u>1,500</u>	<u>1,038</u>	<u>462</u>	<u>61,870</u>	<u>67,081</u>	<u>65,316</u>	<u>1,765</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,785)</u>	<u>(1,485)</u>	<u>(1,033)</u>	<u>452</u>	<u>(34,342)</u>	<u>(39,553)</u>	<u>(38,338)</u>	<u>1,215</u>
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds	645	645	6	(639)	10,047	7,723	7,720	(3)
Restricted income tax fund	1,800	1,545	1,513	(32)	24,300	24,045	24,013	(32)
Transfers out:								
To other subfunds				-	-	-	-	-
Issuance of Debt				-	-	88,120	88,120	-
Payment to refund bonds and notes				-	-	(84,286)	(84,285)	1
Premium on bonds and notes				-	-	2,969	2,969	-
Total other financing sources	<u>2,445</u>	<u>2,190</u>	<u>1,519</u>	<u>(671)</u>	<u>34,347</u>	<u>38,571</u>	<u>38,537</u>	<u>(34)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>660</u>	<u>705</u>	<u>486</u>	<u>(219)</u>	<u>5</u>	<u>(982)</u>	<u>199</u>	<u>1,181</u>
FUND BALANCES AT BEGINNING OF YEAR				-	<u>8,624</u>	<u>8,624</u>	<u>8,624</u>	-
FUND BALANCES AT END OF YEAR	<u>\$ 660</u>	<u>\$ 705</u>	<u>\$ 486</u>	<u>\$ (219)</u>	<u>\$ 8,629</u>	<u>\$ 7,642</u>	<u>\$ 8,823</u>	<u>\$ 1,181</u>

(Concluded)

CITY OF CLEVELAND, OHIO

NONMAJOR ENTERPRISE FUNDS

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

Water Pollution Control

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

Convention Center

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

West Side Market

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

East Side Market

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

Municipal Parking Lots

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

Cemeteries

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

Golf Courses

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

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET - NONMAJOR ENTERPRISE FUNDS

DECEMBER 31, 2008

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 32,139	\$ 804	\$ 210	\$ 184
Investments	5,036			
Receivables:				
Accounts	74,036	663		
Unbilled revenue	2,797			
Accrued interest	69			
Less: Allowance for doubtful accounts	<u>(448)</u>	<u>(251)</u>		
Receivables, net	<u>76,454</u>	<u>412</u>	<u>-</u>	<u>-</u>
Due from other funds	399	3	1	
Inventory of supplies	<u>243</u>			
Total current assets	<u>114,271</u>	<u>1,219</u>	<u>211</u>	<u>184</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents				
Investments				
Accrued interest receivable				
Total restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unamortized bond issuance costs				
Capital assets:				
Land	297	4,261	198	413
Land improvements				484
Utility plant	124,682			
Buildings, structures and improvements	2,658	59,149	6,890	2,400
Furniture, fixtures, equipment and vehicles	11,236	1,480	28	450
Construction in progress	8,365	19	7,667	
Less: Accumulated depreciation	<u>(79,126)</u>	<u>(59,589)</u>	<u>(4,697)</u>	<u>(2,163)</u>
Total capital assets, net	<u>68,112</u>	<u>5,320</u>	<u>10,086</u>	<u>1,584</u>
Total noncurrent assets	<u>68,112</u>	<u>5,320</u>	<u>10,086</u>	<u>1,584</u>
TOTAL ASSETS	<u>\$ 182,383</u>	<u>\$ 6,539</u>	<u>\$ 10,297</u>	<u>\$ 1,768</u>

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 1,406	\$ 62	\$ 578	\$ 35,383
			5,036
117	3		74,819
			2,797
			69
			(699)
<u>117</u>	<u>3</u>	<u>-</u>	<u>76,986</u>
96			499
492	1	110	846
<u>2,111</u>	<u>66</u>	<u>688</u>	<u>118,750</u>
17,694	4,342		22,036
	2,004		2,004
9	34		43
<u>17,703</u>	<u>6,380</u>	<u>-</u>	<u>24,083</u>
3,338			3,338
12,929	252	208	18,558
1,256	399	4,033	6,172
			124,682
65,757	6,096	1,816	144,766
1,313	790	1,196	16,493
			16,051
<u>(24,256)</u>	<u>(2,790)</u>	<u>(4,655)</u>	<u>(177,276)</u>
<u>56,999</u>	<u>4,747</u>	<u>2,598</u>	<u>149,446</u>
<u>78,040</u>	<u>11,127</u>	<u>2,598</u>	<u>176,867</u>
<u>\$ 80,151</u>	<u>\$ 11,193</u>	<u>\$ 3,286</u>	<u>\$ 295,617</u>

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET - NONMAJOR ENTERPRISE FUNDS

DECEMBER 31, 2008

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,878	\$ 363	\$ 135	\$
Accrued wages and benefits	1,669	424	69	
Due to other funds	3,517	171	48	
Due to other governments	76,869			
Accrued interest payable				
Current portion of long-term obligations	<u>656</u>			
Total current liabilities	84,589	958	252	
Long-term liabilities:				
Accrued wages and benefits	184	95	16	
Construction loans payable	3,796			
Revenue bonds payable				
Total liabilities	<u>88,569</u>	<u>1,053</u>	<u>268</u>	
NET ASSETS				
Invested in capital assets, net of related debt	63,660	5,320	10,086	1,584
Restricted for debt service				
Unrestricted	<u>30,154</u>	<u>166</u>	<u>(57)</u>	<u>184</u>
Total net assets	<u>93,814</u>	<u>5,486</u>	<u>10,029</u>	<u>1,768</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 182,383</u>	<u>\$ 6,539</u>	<u>\$ 10,297</u>	<u>\$ 1,768</u>

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 145	\$ 32	\$ 12	\$ 2,565
155	199	149	2,665
102	54	20	3,912
185			77,054
867			867
<u>3,120</u>			<u>3,776</u>
4,574	<u>285</u>	<u>181</u>	90,839
36	39	44	414
			3,796
<u>54,214</u>			<u>54,214</u>
<u>58,824</u>	<u>324</u>	<u>225</u>	<u>149,263</u>
2,959	4,747	2,598	90,954
8,252			8,252
<u>10,116</u>	<u>6,122</u>	<u>463</u>	<u>47,148</u>
<u>21,327</u>	<u>10,869</u>	<u>3,061</u>	<u>146,354</u>
<u>\$ 80,151</u>	<u>\$ 11,193</u>	<u>\$ 3,286</u>	<u>\$ 295,617</u>

(Concluded)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS-NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
OPERATING REVENUES:				
Charges for services	\$ 26,344	\$ 1,999	\$ 1,135	\$ _____
Total operating revenue	<u>26,344</u>	<u>1,999</u>	<u>1,135</u>	<u> </u>
OPERATING EXPENSES:				
Operations	8,951	6,480	1,163	12
Maintenance	8,993	42	63	1
Depreciation	4,829	358	219	60
Total operating expenses	<u>22,773</u>	<u>6,880</u>	<u>1,445</u>	<u>73</u>
OPERATING INCOME (LOSS)	<u>3,571</u>	<u>(4,881)</u>	<u>(310)</u>	<u>(73)</u>
NON-OPERATING REVENUE (EXPENSES):				
Investment income	989	26	6	5
Interest expense	(174)			
Hotel tax		4,237		
Gain (Loss) on disposal of capital assets				
Other revenues (expenses)	<u>912</u>	<u> </u>	<u> </u>	<u> </u>
Total non-operating revenues (expenses)	<u>1,727</u>	<u>4,263</u>	<u>6</u>	<u>5</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	5,298	(618)	(304)	(68)
Capital contributions	70	44	1,604	
Transfers in	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CHANGE IN NET ASSETS	5,368	(574)	1,300	(68)
NET ASSETS AT BEGINNING OF YEAR	<u>88,446</u>	<u>6,060</u>	<u>8,729</u>	<u>1,836</u>
NET ASSETS AT END OF YEAR	<u>\$ 93,814</u>	<u>\$ 5,486</u>	<u>\$ 10,029</u>	<u>\$ 1,768</u>

Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
<u>\$ 9,523</u>	<u>\$ 1,378</u>	<u>\$ 1,399</u>	<u>\$ 41,778</u>
<u>9,523</u>	<u>1,378</u>	<u>1,399</u>	<u>41,778</u>
3,359	1,974	1,833	23,772
57	39	69	9,264
<u>1,698</u>	<u>214</u>	<u>229</u>	<u>7,607</u>
<u>5,114</u>	<u>2,227</u>	<u>2,131</u>	<u>40,643</u>
<u>4,409</u>	<u>(849)</u>	<u>(732)</u>	<u>1,135</u>
441	212	28	1,707
(3,656)			(3,830)
			4,237
	(8)	(2)	(10)
<u>(383)</u>	<u>74</u>	<u>321</u>	<u>924</u>
<u>(3,598)</u>	<u>278</u>	<u>347</u>	<u>3,028</u>
811	(571)	(385)	4,163
		126	1,844
	<u>306</u>		<u>306</u>
811	(265)	(259)	6,313
<u>20,516</u>	<u>11,134</u>	<u>3,320</u>	<u>140,041</u>
<u>\$ 21,327</u>	<u>\$ 10,869</u>	<u>\$ 3,061</u>	<u>\$ 146,354</u>

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 23,167	\$ 1,851	\$ 1,134	\$
Cash payments to suppliers for goods or services	(7,236)	(3,013)	(678)	(14)
Cash payments to employees for services	(10,235)	(3,528)	(501)	
Agency activity on behalf of NEORS	3,638			
Net cash provided by (used for) operating activities	<u>9,334</u>	<u>(4,690)</u>	<u>(45)</u>	<u>(14)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received through transfers from other funds				
Cash received from hotel tax		4,184		
Cash receipts (payments) from/ to other governments	6			
Other				
Net cash provided by (used for) noncapital financing activities	<u>6</u>	<u>4,184</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of revenue bonds, loans and notes				
Acquisition and construction of capital assets	(4,905)			
Principal paid on long-term debt	(226)			
Interest paid on long-term debt	(89)			
Cash paid to escrow agent for refunding				
Net cash provided by (used for) capital and related financing activities	<u>(5,220)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investment securities				
Proceeds from sale and maturity of investment securities				
Interest received on investments	1,007	31	6	5
Net cash provided by (used for) investing activities	<u>1,007</u>	<u>31</u>	<u>6</u>	<u>5</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,127	(475)	(39)	(9)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>27,012</u>	<u>1,279</u>	<u>249</u>	<u>193</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 32,139</u>	<u>\$ 804</u>	<u>\$ 210</u>	<u>\$ 184</u>

Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
\$ 10,194	\$ 1,394	\$ 1,399	\$ 39,139
(3,195)	(563)	(900)	(15,599)
(1,133)	(1,482)	(1,051)	(17,930)
			3,638
<u>5,866</u>	<u>(651)</u>	<u>(552)</u>	<u>9,248</u>
	305	321	626
			4,184
			6
	<u>75</u>		<u>75</u>
<u>-</u>	<u>380</u>	<u>321</u>	<u>4,891</u>
(1,413)		(183)	(6,501)
(2,945)			(3,171)
(3,191)			(3,280)
<u>(7,549)</u>	<u>-</u>	<u>(183)</u>	<u>(12,952)</u>
	3,971		3,971
496	352	28	1,925
<u>496</u>	<u>4,323</u>	<u>28</u>	<u>5,896</u>
(1,187)	4,052	(386)	7,083
<u>20,287</u>	<u>352</u>	<u>964</u>	<u>50,336</u>
<u>\$ 19,100</u>	<u>\$ 4,404</u>	<u>\$ 578</u>	<u>\$ 57,419</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED BY (USED FOR)				
OPERATING ACTIVITIES:				
Operating income (loss)	\$ 3,571	\$ (4,881)	\$ (310)	\$ (73)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	4,829	358	219	60
Changes in assets and liabilities:				
Receivables, net	(11,582)	(207)		
Due from other funds	86	1		
Inventory of supplies	3			
Accounts payable	(67)	139	13	
Accrued wages and benefits	67	17	(3)	(1)
Due to other funds	261	(117)	36	
Due to other governments	12,166			
Total adjustments	<u>5,763</u>	<u>191</u>	<u>265</u>	<u>59</u>
NET CASH PROVIDED BY (USED FOR)				
OPERATING ACTIVITIES	<u>\$ 9,334</u>	<u>\$ (4,690)</u>	<u>\$ (45)</u>	<u>\$ (14)</u>

Municipal Parking <u>Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	Total Nonmajor Enterprise <u>Funds</u>
\$ 4,409	\$ (849)	\$ (732)	\$ 1,135
1,698	214	229	7,607
7	2		(11,780)
40			127
(68)	(1)	(36)	(102)
(228)	(16)		(159)
2	1	19	102
15	(2)	(32)	161
(9)			12,157
<u>1,457</u>	<u>198</u>	<u>180</u>	<u>8,113</u>
<u>\$ 5,866</u>	<u>\$ (651)</u>	<u>\$ (552)</u>	<u>\$ 9,248</u>

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INTERNAL SERVICE FUNDS

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

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

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET - ALL INTERNAL SERVICE FUNDS

DECEMBER 31, 2008

(Amounts in 000's)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>	<u>Utilities Administration</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,995	\$ 635	\$ 197	\$ 2,572
Receivables:				
Accounts	2			
Accrued interest				
Receivables, net	<u>2</u>		<u>-</u>	<u>-</u>
Due from other funds	1,393	1	68	6
Inventory of supplies	<u>916</u>	<u>90</u>		
Total current assets	<u>5,306</u>	<u>726</u>	<u>265</u>	<u>2,578</u>
Capital assets:				
Land	663			
Land improvements	146			
Buildings, structures and improvements	2,674			
Furniture, fixtures, equipment and vehicles	3,925	1,062		172
Construction in progress		802		
Less: Accumulated depreciation	<u>(4,921)</u>	<u>(601)</u>		<u>(83)</u>
Total capital assets, net	<u>2,487</u>	<u>1,263</u>	<u>-</u>	<u>89</u>
Total noncurrent assets	<u>2,487</u>	<u>1,263</u>	<u>-</u>	<u>89</u>
TOTAL ASSETS	<u>\$ 7,793</u>	<u>\$ 1,989</u>	<u>\$ 265</u>	<u>\$ 2,667</u>

<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Workers' Compensation Reserve</u>	<u>Total</u>
\$ 106	\$ 1,904	\$ 1,210	\$ 1,138	\$ 7,870	\$ 18,627
					2
-	-	-	-	-	2
22	4	861	163	13,616	16,134
					1,006
<u>128</u>	<u>1,908</u>	<u>2,071</u>	<u>1,301</u>	<u>21,486</u>	<u>35,769</u>
					663
					146
					2,674
		137	25		5,321
					802
		<u>(137)</u>	<u>(5)</u>		<u>(5,747)</u>
<u>-</u>	<u>-</u>		<u>20</u>	<u>-</u>	<u>3,859</u>
<u>-</u>	<u>-</u>		<u>20</u>	<u>-</u>	<u>3,859</u>
<u>\$ 128</u>	<u>\$ 1,908</u>	<u>\$ 2,071</u>	<u>\$ 1,321</u>	<u>\$ 21,486</u>	<u>\$ 39,628</u>

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET - ALL INTERNAL SERVICE FUNDS

DECEMBER 31, 2008

(Amounts in 000's)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>	<u>Utilities Administration</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 706	\$ 114	\$ 1	\$ 24
Accrued wages and benefits	954	125	9	699
Due to other funds	264	24	2	18
Due to other governments	_____	_____	_____	_____
Total current liabilities	1,924	263	12	741
Long-term liabilities				
Accrued wages and benefits	252	28	1	164
Total liabilities	2,176	291	13	905
NET ASSETS				
Invested in capital assets, net of related debt	2,487	1,263		89
Unrestricted	3,130	435	252	1,673
Total net assets	5,617	1,698	252	1,762
TOTAL LIABILITIES AND NET ASSETS	\$ 7,793	\$ 1,989	\$ 265	\$ 2,667

<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Workers' Compensation Reserve</u>	<u>Total</u>
\$ 2	\$ 118	\$ 496	\$ 8	\$	\$ 1,469
39	891	161	60	6,971	9,909
	12		10		330
	887				887
<u>41</u>	<u>1,908</u>	<u>657</u>	<u>78</u>	<u>6,971</u>	<u>12,595</u>
<u>28</u>		<u>61</u>	<u>35</u>	<u>14,515</u>	<u>15,084</u>
<u>69</u>	<u>1,908</u>	<u>718</u>	<u>113</u>	<u>21,486</u>	<u>27,679</u>
<u>59</u>		<u>1,353</u>	<u>1,188</u>		<u>8,090</u>
<u>59</u>	<u>-</u>	<u>1,353</u>	<u>1,208</u>	<u>-</u>	<u>11,949</u>
<u>\$ 128</u>	<u>\$ 1,908</u>	<u>\$ 2,071</u>	<u>\$ 1,321</u>	<u>\$ 21,486</u>	<u>\$ 39,628</u>

(Concluded)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

(Amounts in 000's)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>
OPERATING REVENUES:			
Charges for services	\$ 21,134	\$ 2,434	\$ 880
Total operating revenue	<u>21,134</u>	<u>2,434</u>	<u>880</u>
OPERATING EXPENSES:			
Operations	18,799	2,390	843
Maintenance	1,063	118	
Depreciation	264	84	
Total operating expenses	<u>20,126</u>	<u>2,592</u>	<u>843</u>
OPERATING INCOME (LOSS)	<u>1,008</u>	<u>(158)</u>	<u>37</u>
NON-OPERATING REVENUES:			
Investment income	<u>58</u>	<u>16</u>	<u>4</u>
Total non-operating revenues	<u>58</u>	<u>16</u>	<u>4</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,066	(142)	41
Capital contributions	42	123	
Transfers in			
Transfers out			
CHANGE IN NET ASSETS	1,108	(19)	41
NET ASSETS AT BEGINNING OF YEAR	<u>4,509</u>	<u>1,717</u>	<u>211</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,617</u>	<u>\$ 1,698</u>	<u>\$ 252</u>

<u>Utilities Administration</u>	<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Workers' Compensation Reserve</u>	<u>Total</u>
\$ 6,425	\$ 204	\$ 8,077	\$ 5,591	\$ 1,860	\$ 2,557	\$ 49,162
<u>6,425</u>	<u>204</u>	<u>8,077</u>	<u>5,591</u>	<u>1,860</u>	<u>2,557</u>	<u>49,162</u>
5,433	617	8,456	6,159	657	2,557	45,911
71		65	287	1,086		2,690
14				2		364
<u>5,518</u>	<u>617</u>	<u>8,521</u>	<u>6,446</u>	<u>1,745</u>	<u>2,557</u>	<u>48,965</u>
<u>907</u>	<u>(413)</u>	<u>(444)</u>	<u>(855)</u>	<u>115</u>	<u>-</u>	<u>197</u>
<u>42</u>		<u>444</u>	<u>48</u>	<u>34</u>		<u>646</u>
<u>42</u>	<u>-</u>	<u>444</u>	<u>48</u>	<u>34</u>	<u>-</u>	<u>646</u>
949	(413)	-	(807)	149	-	843
43						208
	387					387
<u>992</u>	<u>(26)</u>	<u>-</u>	<u>(807)</u>	<u>149</u>	<u>-</u>	<u>1,438</u>
<u>770</u>	<u>85</u>		<u>2,160</u>	<u>1,059</u>		<u>10,511</u>
<u>\$ 1,762</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ 1,353</u>	<u>\$ 1,208</u>	<u>\$ -</u>	<u>\$ 11,949</u>

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

(Amounts in 000's)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 21,329	\$ 2,644	\$ 875
Cash payments to suppliers for goods or services	(13,526)	(1,702)	(777)
Cash payments to employees for services	<u>(6,287)</u>	<u>(844)</u>	<u>(73)</u>
Net cash provided by (used for) operating activities	<u>1,516</u>	<u>98</u>	<u>25</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advance (repayment) from/to General Fund			
Cash received through transfers from other funds			
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets		<u>(267)</u>	
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>(267)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	<u>59</u>	<u>19</u>	<u>4</u>
Net cash provided by investing activities	<u>59</u>	<u>19</u>	<u>4</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,575	(150)	29
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,420</u>	<u>785</u>	<u>168</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,995</u>	<u>\$ 635</u>	<u>\$ 197</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,008	\$ (158)	\$ 37
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	264	84	
Change in assets and liabilities:			
Receivables, net	(1)		
Due from other funds	196	209	(5)
Inventory of supplies	10	13	
Accounts payable	136	(20)	(6)
Accrued wages and benefits	(93)	(16)	
Due to other funds	(4)	(14)	(1)
Due to other governments			
Total adjustments	<u>508</u>	<u>256</u>	<u>(12)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 1,516</u>	<u>\$ 98</u>	<u>\$ 25</u>

<u>Utilities Administration</u>	<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Workers' Compensation Reserve</u>	<u>Total</u>
\$ 6,426	\$ 194	\$ 6,321	\$ 6,116	\$ 1,875	\$ 1,000	\$ 46,780
(632)	(439)	(3,139)	(5,027)	(1,368)		(26,610)
<u>(4,797)</u>	<u>(179)</u>	<u>(5,406)</u>	<u>(1,079)</u>	<u>(354)</u>		<u>(19,019)</u>
<u>997</u>	<u>(424)</u>	<u>(2,224)</u>	<u>10</u>	<u>153</u>	<u>1,000</u>	<u>1,151</u>
	387					387
<u>-</u>	<u>387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>387</u>
(54)						(321)
(54)	-	-	-	-	-	(321)
45		460	51	37		675
<u>45</u>	<u>-</u>	<u>460</u>	<u>51</u>	<u>37</u>	<u>-</u>	<u>675</u>
988	(37)	(1,764)	61	190	1,000	1,892
<u>1,584</u>	<u>143</u>	<u>3,668</u>	<u>1,149</u>	<u>948</u>	<u>6,870</u>	<u>16,735</u>
<u>\$ 2,572</u>	<u>\$ 106</u>	<u>\$ 1,904</u>	<u>\$ 1,210</u>	<u>\$ 1,138</u>	<u>\$ 7,870</u>	<u>\$ 18,627</u>
\$ 907	\$ (413)	\$ (444)	\$ (855)	\$ 115	\$	\$ 197
14				2		364
1	7					7
	(17)		525	15	(1,557)	(634)
						23
12	(5)	(14)	340	(10)		433
60	4	27		32	2,557	2,571
3		(38)		(1)		(55)
		(1,755)				(1,755)
<u>90</u>	<u>(11)</u>	<u>(1,780)</u>	<u>865</u>	<u>38</u>	<u>1,000</u>	<u>954</u>
<u>\$ 997</u>	<u>\$ (424)</u>	<u>\$ (2,224)</u>	<u>\$ 10</u>	<u>\$ 153</u>	<u>\$ 1,000</u>	<u>\$ 1,151</u>

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CITY OF CLEVELAND, OHIO

AGENCY FUNDS

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

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

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

(Amounts in 000's)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
MUNICIPAL COURTS				
ASSETS				
Cash and cash equivalents	\$ 9,075	\$ 23,557	\$ 23,907	\$ 8,725
Total assets	<u>\$ 9,075</u>	<u>\$ 23,557</u>	<u>\$ 23,907</u>	<u>\$ 8,725</u>
LIABILITIES				
Due to others	\$ 9,075	\$ 23,557	\$ 23,907	\$ 8,725
Total liabilities	<u>\$ 9,075</u>	<u>\$ 23,557</u>	<u>\$ 23,907</u>	<u>\$ 8,725</u>
 CENTRAL COLLECTION AGENCY				
ASSETS				
Cash and cash equivalents	\$ 9,483	\$ 4,498	\$ 9,483	\$ 4,498
Taxes receivable	32,582	22,611	32,582	22,611
Due from other governments	<u>3,036</u>	<u>1,301</u>	<u>3,036</u>	<u>1,301</u>
Total assets	<u>\$ 45,101</u>	<u>\$ 28,410</u>	<u>\$ 45,101</u>	<u>\$ 28,410</u>
LIABILITIES				
Due to other governments	\$ 45,101	\$ 28,410	\$ 45,101	\$ 28,410
Total liabilities	<u>\$ 45,101</u>	<u>\$ 28,410</u>	<u>\$ 45,101</u>	<u>\$ 28,410</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

(Amounts in 000's)

	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at End of Year</u>
OTHER AGENCIES				
ASSETS				
Cash and cash equivalents	\$ 16,372	\$ 327,788	\$ 328,671	\$ 15,489
Total assets	<u>\$ 16,372</u>	<u>\$ 327,788</u>	<u>\$ 328,671</u>	<u>\$ 15,489</u>
LIABILITIES				
Due to others	\$ 16,372	\$ 327,788	\$ 328,671	\$ 15,489
Total liabilities	<u>\$ 16,372</u>	<u>\$ 327,788</u>	<u>\$ 328,671</u>	<u>\$ 15,489</u>
 TOTALS-ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 34,930	\$ 355,843	\$ 362,061	\$ 28,712
Taxes receivable	32,582	22,611	32,582	22,611
Due from other governments	<u>3,036</u>	<u>1,301</u>	<u>3,036</u>	<u>1,301</u>
Total assets	<u>\$ 70,548</u>	<u>\$ 379,755</u>	<u>\$ 397,679</u>	<u>\$ 52,624</u>
LIABILITIES				
Due to other governments	\$ 45,101	\$ 28,410	\$ 45,101	\$ 28,410
Due to others	<u>25,447</u>	<u>351,345</u>	<u>352,578</u>	<u>24,214</u>
Total liabilities	<u>\$ 70,548</u>	<u>\$ 379,755</u>	<u>\$ 397,679</u>	<u>\$ 52,624</u>

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

CITY OF CLEVELAND, OHIO

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY SOURCE*

DECEMBER 31, 2008

(Amounts in 000's)

Governmental Funds Capital Assets:	
Land	\$ 64,810
Land improvements	122,414
Buildings, structures and improvements	589,332
Furniture, fixtures, equipment and vehicles	159,823
Infrastructure	439,244
Construction in progress	<u>128,397</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 <u>\$ 1,504,020</u>
 Investment in Governmental Funds Capital Assets by Source:	
General obligation bonds	\$ 663,853
General Fund and other revenues	346,443
Special Revenue Fund revenues:	
Restricted income taxes	145,926
Federal grants	306,961
Certificates of participation	17,556
Gifts	<u>23,281</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 <u>\$ 1,504,020</u>

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

CITY OF CLEVELAND, OHIO

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY FUNCTION AND ACTIVITY*

DECEMBER 31, 2008

(Amounts in 000's)

	<u>Total</u>	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings, Structures and Improvements</u>	<u>Furniture, Fixtures, Equipment and Vehicles</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>
General Government:							
General government	\$ 329,352	\$ 208	\$	\$ 303,302	\$ 16,876	\$ 3,745	\$ 5,221
City Hall	20,135	877		19,258			
Justice Center	29,768			28,922	846		
Charles V. Carr Municipal Center	647		15	632			
Total general government	<u>379,902</u>	<u>1,085</u>	<u>15</u>	<u>352,114</u>	<u>17,722</u>	<u>3,745</u>	<u>5,221</u>
Public Service:							
Waste collection	27,589	499		8,259	17,229	1,460	142
Engineering and construction	430,593		20,025		2,556	326,200	81,812
Streets	130,564	1,540	11,495	14,393	18,543	84,593	
Traffic engineering	4,860			813	1,838	1,639	570
Other	44,919	2,669		31,640	924		9,686
Total public service	<u>638,525</u>	<u>4,708</u>	<u>31,520</u>	<u>55,105</u>	<u>41,090</u>	<u>413,892</u>	<u>92,210</u>
Public Safety:							
Police	104,110	4,805	317	58,585	39,090	162	1,151
Fire	61,904	1,670		28,885	31,345		4
Emergency medical service	14,554			784	7,871	5,614	285
Correction	7,602	272		6,554	752		24
Dog pound	852			662	190		
Total public safety	<u>189,022</u>	<u>6,747</u>	<u>317</u>	<u>95,470</u>	<u>79,248</u>	<u>5,776</u>	<u>1,464</u>
Public Health:							
Health and environment	11,727	1,112	36	9,341	1,238		
Total public health	<u>11,727</u>	<u>1,112</u>	<u>36</u>	<u>9,341</u>	<u>1,238</u>	<u>-</u>	<u>-</u>
Parks, Recreation and Properties:							
Park maintenance and properties	96,409	37,388	22,484	13,369	16,358	234	6,576
Research, planning and development	53,937	903	33,284	3,162	91	2,997	13,500
Recreation	88,948	976	32,952	51,781	2,412		827
Total parks, recreation and properties	<u>239,294</u>	<u>39,267</u>	<u>88,720</u>	<u>68,312</u>	<u>18,861</u>	<u>3,231</u>	<u>20,903</u>
Community Development:							
Community development	34,736	6,004	1,531	8,990	1,380	8,640	8,191
Total community development	<u>34,736</u>	<u>6,004</u>	<u>1,531</u>	<u>8,990</u>	<u>1,380</u>	<u>8,640</u>	<u>8,191</u>
Economic Development:							
Economic development	6,659	5,887	275		13	379	105
Total economic development	<u>6,659</u>	<u>5,887</u>	<u>275</u>	<u>-</u>	<u>13</u>	<u>379</u>	<u>105</u>
Building and Housing:							
Building and housing	4,155				271	3,581	303
Total building and housing	<u>4,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>271</u>	<u>3,581</u>	<u>303</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 1,504,020</u>	<u>\$ 64,810</u>	<u>\$ 122,414</u>	<u>\$ 589,332</u>	<u>\$ 159,823</u>	<u>\$ 439,244</u>	<u>\$ 128,397</u>

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

CITY OF CLEVELAND, OHIO

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY* FOR THE YEAR ENDED DECEMBER 31, 2008

(Amounts in 000's)

	Balance January 1, <u>2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	Balance December 31, <u>2008</u>
General Government:					
General government	\$ 327,440	\$ 2,291	\$ (243)	\$ (136)	\$ 329,352
City Hall	20,135				20,135
Justice Center	29,768				29,768
Charles V. Carr Municipal Center	647				647
Total general government	<u>377,990</u>	<u>2,291</u>	<u>(243)</u>	<u>(136)</u>	<u>379,902</u>
Public Service:					
Waste collection	27,659	187	(345)	88	27,589
Engineering and construction	406,177	37,712	(48)	(13,248)	430,593
Streets	126,944	5,447	(1,623)	(204)	130,564
Traffic engineering	4,713	654		(507)	4,860
Other	48,025	2,939	(62)	(5,983)	44,919
Total public service	<u>613,518</u>	<u>46,939</u>	<u>(2,078)</u>	<u>(19,854)</u>	<u>638,525</u>
Public Safety:					
Police	100,697	6,367	(2,928)	(26)	104,110
Fire	62,207	1,513	(1,816)		61,904
Emergency medical service	14,615	269	(361)	31	14,554
Correction	7,500	41		61	7,602
Dog pound	870		(18)		852
Total public safety	<u>185,889</u>	<u>8,190</u>	<u>(5,123)</u>	<u>66</u>	<u>189,022</u>
Public Health:					
Health and environment	11,801	10	(96)	12	11,727
Total public health	<u>11,801</u>	<u>10</u>	<u>(96)</u>	<u>12</u>	<u>11,727</u>
Parks, Recreation and Properties:					
Park maintenance and properties	95,848	926	(654)	289	96,409
Research, planning and development	48,862	10,791		(5,716)	53,937
Recreation	87,808	1,239	(99)		88,948
Total parks, recreation and properties	<u>232,518</u>	<u>12,956</u>	<u>(753)</u>	<u>(5,427)</u>	<u>239,294</u>
Community Development:					
Community development	31,386	5,215	(24)	(1,841)	34,736
Total community development	<u>31,386</u>	<u>5,215</u>	<u>(24)</u>	<u>(1,841)</u>	<u>34,736</u>
Economic Development:					
Economic development	7,913	1,963		(3,217)	6,659
Total economic development	<u>7,913</u>	<u>1,963</u>	<u>-</u>	<u>(3,217)</u>	<u>6,659</u>
Building and Housing:					
Building and housing	4,006	295	(88)	(58)	4,155
Total building and housing	<u>4,006</u>	<u>295</u>	<u>(88)</u>	<u>(58)</u>	<u>4,155</u>
TOTAL GOVERNMENTAL FUNDS					
CAPITAL ASSETS	<u>\$ 1,465,021</u>	<u>\$ 77,859</u>	<u>\$ (8,405)</u>	<u>\$ (30,455)</u>	<u>\$ 1,504,020</u>

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

STATISTICAL SECTION

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CITY OF CLEVELAND, OHIO
Statistical Section
December 31, 2008

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

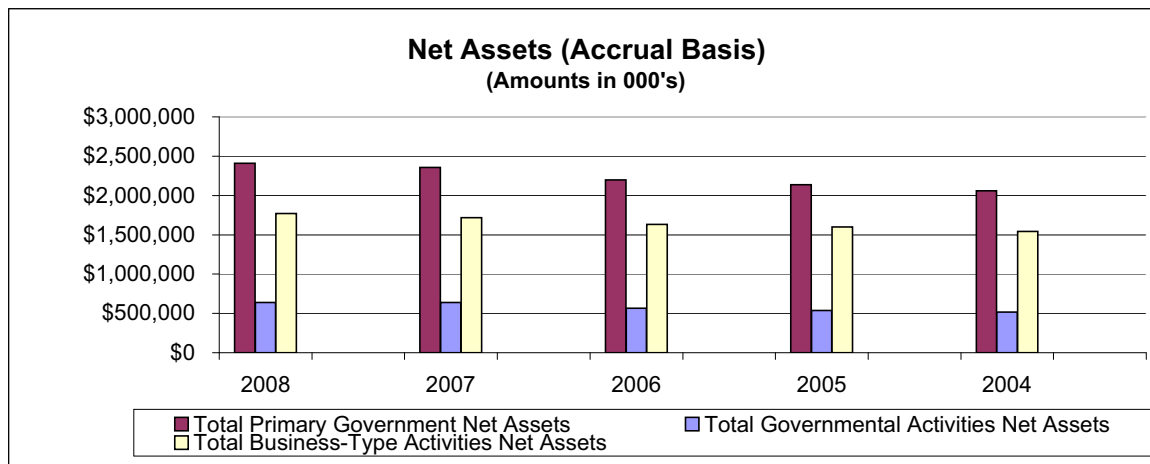
<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	S3-S6
Revenue Capacity These schedules contain information to help the reader assess the City’s most significant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

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

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

	2008	2007	2006	2005	2004
Governmental Activities					
Invested in capital assets, net of related debt	\$555,076	\$484,758	\$412,430	\$395,600	\$371,601
Restricted:					
Debt service	29,321	28,532	26,838	1,381	5,003
Other purposes	149,997	186,279	184,523	192,148	194,035
Unrestricted	<u>(95,968)</u>	<u>(59,630)</u>	<u>(56,318)</u>	<u>(52,676)</u>	<u>(53,281)</u>
<i>Total Governmental Activities Net Assets</i>	<u>\$638,426</u>	<u>\$639,939</u>	<u>\$567,473</u>	<u>\$536,453</u>	<u>\$517,358</u>
Business-Type Activities					
Invested in capital assets, net of related debt	\$985,556	\$957,587	\$886,978	\$838,164	\$780,436
Restricted	272,613	252,514	247,802	287,039	285,256
Unrestricted	<u>512,876</u>	<u>506,745</u>	<u>496,624</u>	<u>474,875</u>	<u>478,229</u>
<i>Total Business-Type Activities Net Assets</i>	<u>\$1,771,045</u>	<u>\$1,716,846</u>	<u>\$1,631,404</u>	<u>\$1,600,078</u>	<u>\$1,543,921</u>
Primary Government					
Invested in capital assets, net of related debt	\$1,540,632	\$1,442,345	\$1,299,408	\$1,233,764	\$1,152,037
Restricted	451,931	467,325	459,163	480,568	484,294
Unrestricted	<u>416,908</u>	<u>447,115</u>	<u>440,306</u>	<u>422,199</u>	<u>424,948</u>
<i>Total Primary Government Net Assets</i>	<u>\$2,409,471</u>	<u>\$2,356,785</u>	<u>\$2,198,877</u>	<u>\$2,136,531</u>	<u>\$2,061,279</u>



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

	2008	2007	2006	2005	2004
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$36,824	\$30,470	\$32,311	\$22,174	\$22,143
Public Service	5,517	4,490	5,158	6,208	5,030
Public Safety	21,709	21,087	12,773	15,953	16,046
Community Development	5,440	1,203	2		
Building and Housing	12,323	10,528	10,701	10,871	11,948
Public Health	2,893	2,979	2,898	2,918	2,262
Parks, Recreation and Properties	1,351	1,160	746	913	692
Economic Development	1,057	471	4,496	46	118
Subtotal - Charges for Services	<u>87,114</u>	<u>72,388</u>	<u>69,085</u>	<u>59,083</u>	<u>58,239</u>
Operating Grants and Contributions:					
General Government	1,789	1,994	1,508	1,876	1,865
Public Service	14,317	14,459	14,230	14,234	13,798
Public Safety	7,448	5,789	9,364	9,153	7,561
Community Development	42,129	50,344	56,882	51,848	59,734
Building and Housing	1,106	3,353	3,407		
Public Health	12,786	14,079	13,838	10,963	8,778
Parks, Recreation and Properties	16,417	16,123	16,232	354	2,427
Economic Development	33,121	21,077	40,397	42,164	30,704
Subtotal - Operating Grants and Contributions	<u>129,113</u>	<u>127,218</u>	<u>155,858</u>	<u>130,592</u>	<u>124,867</u>
Capital Grants and Contributions:					
General Government	3,057	5,380	23,839	26,899	14,745
Public Service	13,094	75,871			
Community Development		1,315			
Parks, Recreation and Properties				89	125
Subtotal - Capital Grants and Contributions	<u>16,151</u>	<u>82,566</u>	<u>23,839</u>	<u>26,988</u>	<u>14,870</u>
<i>Total Governmental Activities Program Revenues</i>	<u>232,378</u>	<u>282,172</u>	<u>248,782</u>	<u>216,663</u>	<u>197,976</u>
Business-Type Activities:					
Charges for Services:					
Water	242,872	242,014	209,694	222,635	209,622
Electricity	158,237	155,559	146,293	150,263	141,143
Airport facilities	111,402	105,887	105,711	111,087	110,882
Nonmajor activities	41,950	40,614	33,821	33,843	35,079
Subtotal - Business-Type Activities	<u>554,461</u>	<u>544,074</u>	<u>495,519</u>	<u>517,828</u>	<u>496,726</u>
Operating Grants and Contributions:					
Water	8,384	11,033	8,242		
Electricity	2,118	2,589	1,796		
Airport facilities	3,809	3,718	2,944	7,726	
Nonmajor activities	5,557	6,399	1,616	100	48
Subtotal - Operating Grants and Contributions	<u>19,868</u>	<u>23,739</u>	<u>14,598</u>	<u>7,826</u>	<u>48</u>
Capital Grants and Contributions:					
Water	3,460	7,906	6,817	12,408	5,448
Electricity	2,803	1,485	1,135	2,285	1,079
Airport facilities	54,646	73,358	53,280	40,975	50,377
Nonmajor activities	3,155	2,591	6,201	5,505	4,698
Subtotal - Capital Grants and Contributions	<u>64,064</u>	<u>85,340</u>	<u>67,433</u>	<u>61,173</u>	<u>61,602</u>
<i>Total Business-Type Activities Program Revenues</i>	<u>638,393</u>	<u>653,153</u>	<u>577,550</u>	<u>586,827</u>	<u>558,376</u>
<i>Total Primary Government Program Revenues</i>	<u>\$870,771</u>	<u>\$935,325</u>	<u>\$826,332</u>	<u>\$803,490</u>	<u>\$756,352</u>

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

	2008	2007	2006	2005	2004
Expenses					
Governmental Activities:					
General Government	\$101,878	\$99,311	\$99,187	\$97,544	\$88,587
Public Service	87,154	86,435	81,248	80,888	78,634
Public Safety	329,922	322,840	301,208	293,242	281,140
Community Development	44,550	54,425	62,701	56,413	65,603
Building and Housing	15,831	13,999	13,832	10,650	10,703
Public Health	20,351	21,412	27,674	24,950	22,537
Parks, Recreation and Properties	61,628	54,332	45,546	44,840	42,734
Economic Development	53,944	39,168	44,739	41,030	49,372
Interest on debt	32,896	27,763	32,162	27,557	30,815
<i>Total Governmental Activities Expenses</i>	<u>748,154</u>	<u>719,685</u>	<u>708,297</u>	<u>677,114</u>	<u>670,125</u>
Business-Type Activities					
Water	213,335	205,470	204,994	192,187	188,118
Electricity	154,426	148,832	141,546	153,676	136,927
Airport facilities	172,274	167,967	157,976	146,807	145,749
Nonmajor activities	44,507	45,762	42,112	41,526	41,333
<i>Total Business-Type Activities Expenses</i>	<u>584,542</u>	<u>568,031</u>	<u>546,628</u>	<u>534,196</u>	<u>512,127</u>
<i>Total Primary Government Program Expenses</i>	<u>1,332,696</u>	<u>1,287,716</u>	<u>1,254,925</u>	<u>1,211,310</u>	<u>1,182,252</u>
Net (Expense)/Revenue					
Governmental Activities	(515,776)	(437,513)	(459,515)	(460,451)	(472,149)
Business-Type Activities	53,851	85,122	30,922	52,631	46,249
<i>Total Primary Government Net Expense</i>	<u>(461,925)</u>	<u>(352,391)</u>	<u>(428,593)</u>	<u>(407,820)</u>	<u>(425,900)</u>
General Revenues and Other Changes in Net Assets					
Governmental Activities					
Taxes:					
Income taxes	329,316	317,268	302,084	288,191	293,387
Property taxes	65,398	69,313	66,762	64,390	69,483
Other taxes	25,918	28,567	26,492	25,051	22,011
Shared revenues	28,587	23,805	16,949	22,468	20,470
Grants and contributions not restricted to specific programs				1	94
State and local government funds	52,450	51,164	55,905	55,696	57,072
Unrestricted investment earnings	3,344	5,670	4,273	2,989	1,273
Other	9,556	14,482	18,460	21,135	18,855
Transfers	(306)	(290)	(390)	(375)	(2,283)
<i>Total Governmental Activities</i>	<u>514,263</u>	<u>509,979</u>	<u>490,535</u>	<u>479,546</u>	<u>480,362</u>
Business-Type Activities					
Unrestricted investment earnings	42	30	14	2,205	1,215
Other				946	93
Transfers	306	290	390	375	2,283
<i>Total Business-Type Activities Expenses</i>	<u>348</u>	<u>320</u>	<u>404</u>	<u>3,526</u>	<u>3,591</u>
<i>Total Primary Government General Revenues and Other Changes in Net Assets</i>	<u>514,611</u>	<u>510,299</u>	<u>490,939</u>	<u>483,072</u>	<u>483,953</u>
Change in Net Assets					
Governmental Activities	(1,513)	72,466	31,020	19,095	8,213
Business-Type Activities	54,199	85,442	31,326	56,157	49,840
<i>Total Primary Government Change in Net Assets</i>	<u>\$52,686</u>	<u>\$157,908</u>	<u>\$62,346</u>	<u>\$75,252</u>	<u>\$58,053</u>

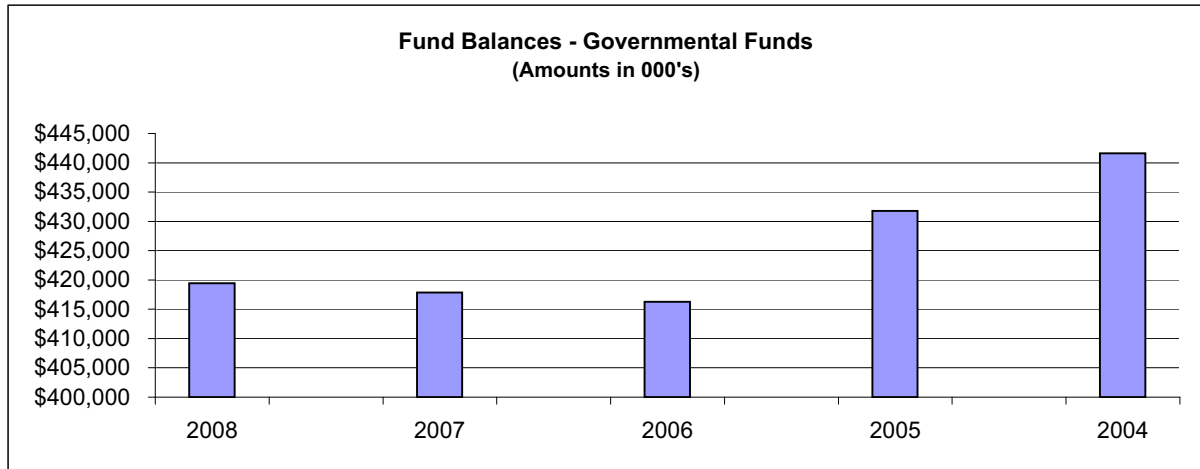
Note:

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.

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

	2008	2007	2006	2005	2004
General Fund					
Reserved	\$14,689	\$14,455	\$13,029	\$11,520	\$13,258
Unreserved	16,856	17,399	22,502	24,693	21,376
Total General Fund	<u>31,545</u>	<u>31,854</u>	<u>35,531</u>	<u>36,213</u>	<u>34,634</u>
All Other Governmental Funds					
Reserved	272,039	277,669	278,984	280,042	272,122
Unreserved reported in:					
Special Revenue funds	72,421	77,223	77,287	65,786	89,325
Capital Projects funds	43,438	31,136	24,458	49,750	45,522
Total All Other Governmental Funds	<u>387,898</u>	<u>386,028</u>	<u>380,729</u>	<u>395,578</u>	<u>406,969</u>
Total Governmental Funds	<u>\$419,443</u>	<u>\$417,882</u>	<u>\$416,260</u>	<u>\$431,791</u>	<u>\$441,603</u>



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

	2008	2007	2006	2005	2004
Revenues					
Income taxes	\$326,464	\$311,784	\$303,446	\$292,193	\$294,200
Property taxes	65,258	69,254	66,787	66,055	67,999
State and local government funds	52,269	53,506	55,908	55,899	55,808
Other shared revenues	81,200	80,789	73,810	59,576	57,213
Licenses and permits	15,047	13,802	14,520	14,806	16,033
Charges for services	26,000	24,388	20,973	23,182	18,707
Fines, forfeits and settlements	34,763	31,246	27,877	19,985	19,611
Investment earnings	8,871	16,875	13,809	8,774	3,758
Grants	94,769	167,125	137,278	126,139	118,228
Contributions	549	549	3,113	3,650	6,131
Miscellaneous	27,649	18,581	18,683	14,394	21,462
<i>Total Revenues</i>	<u>732,839</u>	<u>787,899</u>	<u>736,204</u>	<u>684,653</u>	<u>679,150</u>
Expenditures					
Current:					
General Government	91,664	84,578	74,905	71,107	71,291
Public Service	60,105	60,700	58,739	60,049	56,044
Public Safety	318,339	311,606	293,093	282,684	272,752
Community Development	43,677	53,668	62,031	55,688	65,034
Building and Housing	15,691	13,892	13,668	10,472	10,497
Public Health	19,724	21,014	26,903	24,121	21,862
Parks, Recreation and Properties	42,593	40,494	37,817	35,503	32,934
Economic Development	51,921	33,787	44,632	40,446	46,966
Other	10,627	9,206	9,256	11,212	11,510
Capital outlay	60,513	120,680	65,216	84,438	82,780
Inception of capital lease		3,933	3,302	4,130	9,271
Debt service:					
Principal retirement	51,566	44,258	37,648	39,384	40,865
Interest	34,318	30,075	31,462	29,822	32,002
General Government	5,394				
Other	1,868	2,438	662	2,338	1,778
<i>Total Expenditures</i>	<u>808,000</u>	<u>830,329</u>	<u>759,334</u>	<u>751,394</u>	<u>755,586</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(75,161)</u>	<u>(42,430)</u>	<u>(23,130)</u>	<u>(66,741)</u>	<u>(76,436)</u>
Other Financing Sources (Uses)					
Transfers in	57,550	61,064	41,853	43,245	47,256
Transfers out	(58,243)	(61,894)	(42,665)	(43,697)	(50,271)
Issuance of debt	266,160			121,395	35,115
Premium on bonds and notes	4,042	3,730		13,306	1,504
Discount on bonds and notes	(386)	(18)		(54)	(200)
Payment to refund bonds and notes	(192,675)	(140,457)		(94,145)	
Proceeds from sale of general obligation bonds and notes		181,420			16,760
Loan proceeds					11,365
Sale of City assets	274	207	8,411	8,454	
Proceeds from capital lease				8,425	6,628
<i>Total Other Financing Sources (Uses)</i>	<u>76,722</u>	<u>44,052</u>	<u>7,599</u>	<u>56,929</u>	<u>68,157</u>
<i>Net Change in Fund Balances</i>	<u>\$1,561</u>	<u>\$1,622</u>	<u>(\$15,531)</u>	<u>(\$9,812)</u>	<u>(\$8,279)</u>
Debt Service as a Percentage of Noncapital Expenditures	12.2%	10.8%	10.1%	10.7%	11.1%

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

Collection Year	Real Property			Tangible Personal Property	
	Assessed Value		Estimated Actual Value	Public Utility	
	Residential/ Agricultural	Commercial Industrial/PU		Assessed Value	Estimated Actual Value
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
2000	2,015,095	2,085,641	11,716,388	444,315	504,903
1999	2,015,165	2,070,172	11,672,391	478,752	544,036

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.

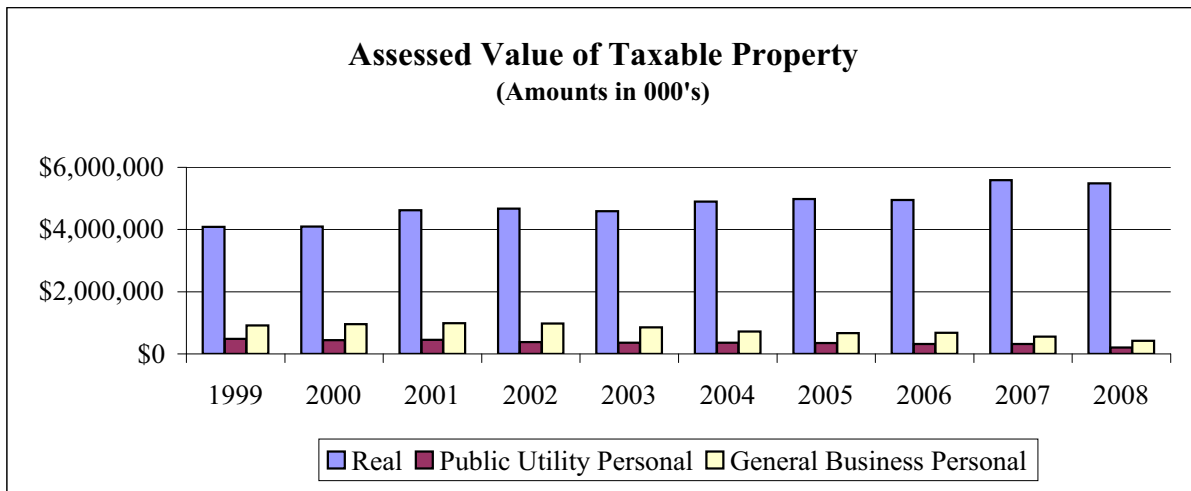
Beginning in 2003, the assessed valuation of personal property constituting "inventory" was reduced from 25% of true value to 23%, in 2006 it was further reduced to 18.75%, in 2007 to 12.50%, and in 2008 to 6.25%. The percentage is scheduled to decrease to 0% in 2009.

Electric deregulation took place January 1, 2001. Under prior law, an electric company's taxable production equipment was assessed at 100% of true value, while all of its other taxable property was assessed at 88% of true value. Effective in 2002, the valuation on electric utility production equipment was reduced from 100% to 25% of true value, with makeup payments in varying amounts to be made through 2016 to taxing subdivisions by the State 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
\$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
952,829	3,811,316	5,497,880	16,032,607	34.3
913,154	3,652,616	5,477,243	15,869,043	34.5



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

	2008	2007	2006	2005
Unvoted Millage				
Debt	4.350000	4.350000	4.350000	4.350000
Fire Pension	0.050000	0.050000	0.050000	0.050000
<i>Total Unvoted Millage</i>	<u>4.400000</u>	<u>4.400000</u>	<u>4.400000</u>	<u>4.400000</u>
Charter Millage				
Operating	7.750000	7.750000	7.750000	7.750000
Fire Pension	0.250000	0.250000	0.250000	0.250000
Police Pension	0.300000	0.300000	0.300000	0.300000
<i>Total Charter Millage</i>	<u>8.300000</u>	<u>8.300000</u>	<u>8.300000</u>	<u>8.300000</u>
Total Millage	<u><u>12.700000</u></u>	<u><u>12.700000</u></u>	<u><u>12.700000</u></u>	<u><u>12.700000</u></u>

Overlapping Rates by Taxing District

City School District				
Residential/Agricultural Real	29.076676	29.050497	29.002818	31.588821
Commercial/Industrial and Public Utility Real	44.661009	44.592555	44.858685	48.826505
General Business and Public Utility Personal	64.800000	64.800000	64.800000	64.800000
County				
Residential/Agricultural Real	12.660733	11.868868	11.865485	11.722742
Commercial/Industrial and Public Utility Real	12.815297	12.453559	12.494099	12.588063
General Business and Public Utility Personal	13.320000	13.420000	13.420000	13.520000
Special Taxing Districts (1)				
Residential/Agricultural Real	10.330071	9.059500	9.045800	9.853500
Commercial/Industrial and Public Utility Real	10.838537	10.191700	10.252900	11.084900
General Business and Public Utility Personal	11.580000	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.

2004	2003	2002	2001	2000	1999
4.350000	4.350000	4.350000	4.350000	4.350000	4.350000
0.050000	0.050000	0.050000	0.050000	0.050000	0.050000
4.400000	4.400000	4.400000	4.400000	4.400000	4.400000
7.750000	7.750000	7.750000	7.750000	7.750000	7.750000
0.250000	0.250000	0.250000	0.250000	0.250000	0.250000
0.300000	0.300000	0.300000	0.300000	0.300000	0.300000
8.300000	8.300000	8.300000	8.300000	8.300000	8.300000
12.700000	12.700000	12.700000	12.700000	12.700000	12.700000

31.586780	31.559197	34.359166	34.356020	30.160715	34.477041
48.636211	48.764909	48.821444	48.257023	43.006176	47.312181
64.800000	64.800000	64.800000	64.800000	60.600000	64.800000

10.975355	10.989859	12.460892	11.381449	11.396642	11.411285
11.984633	12.043316	12.876350	12.002276	11.929733	12.373539
13.520000	13.520000	14.650000	14.650000	14.650000	13.750000

9.851200	9.168300	4.306000	4.307000	4.311600	4.982100
11.011300	10.525300	4.886300	4.822800	4.716700	5.276300
11.580000	11.280000	5.550000	5.550000	5.550000	5.550000

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

Year	Total Tax Levy	Current Tax Collections (1)	Percent of Current Tax Collections To Tax Levy	Delinquent Tax Collections	Total Tax Collections
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
2000	84,432,235	62,471,564	73.99	4,214,775	66,686,339
1999	83,655,993	63,427,067	75.82	4,219,704	67,646,771

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.

<u>Percent of Total Tax Collections To Tax Levy</u>	<u>Accumulated Outstanding Delinquent Taxes</u>	<u>Percentage of Delinquent Taxes to Total Tax Levy</u>
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
78.98	16,484,006	19.52
80.86	13,869,371	16.58

City of Cleveland, Ohio
Principal Taxpayers - Real Estate Tax (1)
 2008 and 1999

<u>2008</u>		
<u>Taxpayer</u>	<u>Real Property Assessed Valuation (1)</u>	<u>Percentage of Real Assessed Valuation</u>
Cleveland Electric Illuminating Co.	140,684,540	2.57 %
City of Cleveland, Ohio	137,750,750	2.51
Cleveland Clinic Foundation	101,495,590	1.85
Case Western Reserve University	59,652,010	1.09
Cleveland Financial Associates	49,232,020	0.90
East Ohio Gas	34,800,200	0.64
National City Center LLC	27,949,990	0.51
ISG Cleveland Inc.	26,790,930	0.49
TIC OCC Ainley, LLC	22,177,160	0.40
Behringer Harvard 600	21,000,000	0.38
Total	\$621,533,190	11.34 %
Total Assessed Valuation	\$5,480,592,160	
<u>1999</u>		
<u>Taxpayer</u>	<u>Real Property Assessed Valuation (1&2)</u>	<u>Percentage of Real Assessed Valuation</u>
City of Cleveland, Ohio	\$80,962,360	2.10 %
ZML-Cleve Public Sq LLC	56,306,250	1.46
Lakeside Associates	35,350,000	0.92
LTV Steel Company, Incorporated	32,400,450	0.84
BRE.City Center LLC	31,819,000	0.83
600 Superior Place Partnership	24,850,000	0.65
Federal Reserve Bank of Cleveland	23,721,670	0.62
Erievew Joint Venture	22,925,000	0.60
PHS Mt. Sinai, Incorporated	21,294,000	0.55
Tower City	17,406,860	0.45
Total	\$347,035,590	9.02 %
Total Assessed Valuation	\$4,085,337,000	

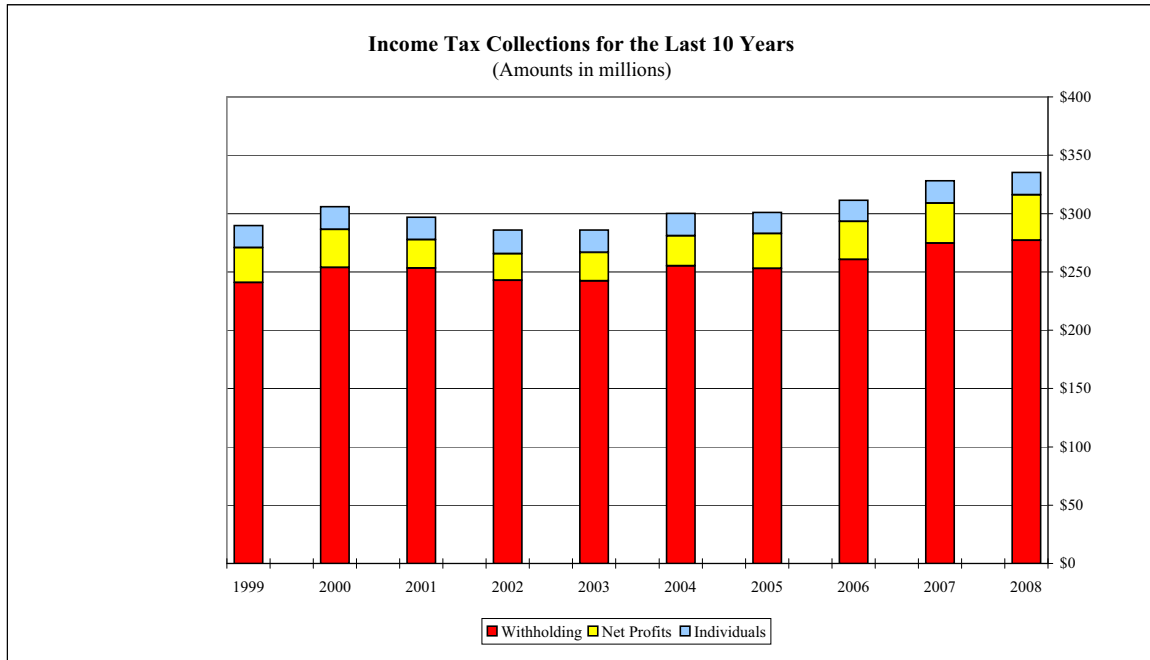
(1) The amounts presented represent the assessed values upon which 2008 and 1999 collections were based.

(2) Includes Public Utilities Real Property.

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
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
2000	2.00	305,917,114	253,730,942	82.94	32,600,247	10.66	19,585,925	6.40
1999	2.00	289,787,744	240,955,591	83.15	29,901,253	10.32	18,930,900	6.53



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 (1)
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	
2000	316,950,000	9,160,000	10,000,000	1,350,000	69,500,000	167,379,000	
1999	312,225,000	9,430,000	10,000,000	1,859,000	70,700,000	174,485,000	

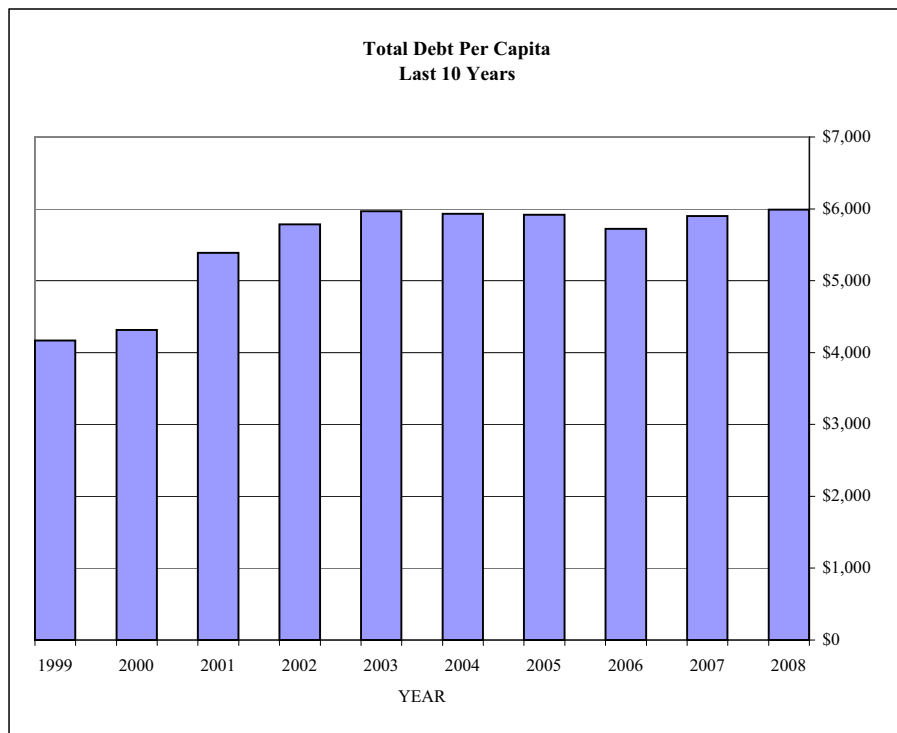
Note:

Population and Personal Income data are presented on page S20.

(1) Subordinate Lien Income Tax Bonds were issued in 2008.

Business-Type Activities

Revenue Bonds	OWDA/ OPWC Loans	Total Debt	Percentage of Personal Income	Per Capita
\$2,100,768,000	\$119,196,000	\$2,865,609,000	41.91%	\$5,990
2,075,755,000	124,432,000	2,823,428,000	41.30	5,902
1,995,045,000	121,354,000	2,736,424,000	40.02	5,720
2,049,820,000	124,134,000	2,831,627,000	41.42	5,919
2,102,986,000	80,770,000	2,837,621,000	41.50	5,931
2,160,842,000	55,958,000	2,854,159,000	41.75	5,966
2,181,898,000	24,615,000	2,766,805,000	40.47	5,783
2,018,731,000	13,117,000	2,578,386,000	37.71	5,390
1,482,976,000	7,412,000	2,064,727,000	30.20	4,316
1,521,601,000	8,175,000	2,108,475,000	45.04	4,170



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
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
2000	478,403 (b)	5,497,880	310,370,000	5.65	648.76
1999	505,616 (a)	5,447,243	304,650,000	5.59	602.53

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) 1990 Federal Census
- (b) 2000 Federal Census

(2) Cuyahoga County Auditor's Office.

City of Cleveland, Ohio
Computation of Direct and Overlapping Governmental Activities Debt
 December 31, 2008

Jurisdiction	Governmental Activities Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City
Direct - City of Cleveland			
General Obligation Bonds	\$313,630,000	100.00 %	\$313,630,000
Revenue Notes/Bonds	2,100,768,000	100.00	2,100,768,000
OWDA/OPWC Loans	112,275,000	100.00	112,275,000
Capital Leases	8,604,000	100.00	8,604,000
Urban Renewal Bonds/Notes	6,325,000	100.00	6,325,000
Subordinated Income Tax Refunding Bonds	59,960,000	100.00	59,960,000
Subordinate Lien Income Tax Bonds	59,560,000	100.00	59,560,000
Non-tax Revenue Bonds	67,617,000	100.00	67,617,000
<i>Total Direct Debt</i>	<u>2,728,739,000</u>		<u>2,728,739,000</u>
Overlapping			
Cleveland Municipal School District			
General Obligation Bonds	180,881,872	97.03	175,509,680
Cuyahoga County			
General Obligation Bonds	181,185,000	18.84	34,135,254
Regional			
Transit Authority	154,655,000	18.84	29,137,002
<i>Total Overlapping Debt</i>	<u>516,721,872</u>		<u>238,781,936</u>
Total	<u><u>\$3,245,460,872</u></u>		<u><u>\$2,967,520,936</u></u>

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

Source: Cuyahoga County Auditor's Office.

City of Cleveland, Ohio

Legal Debt Margin

Last Ten Years

	2008	2007	2006	2005
Total Assessed Property Value	<u>\$6,114,332,281</u>	<u>\$6,457,247,750</u>	<u>\$5,939,704,867</u>	<u>\$6,007,616,318</u>
Overall Legal Debt Limit (10½% of Assessed Valuation)	<u>642,004,890</u>	<u>678,011,014</u>	<u>623,669,011</u>	<u>630,799,713</u>
Debt Outstanding:				
General Obligation Bonds	313,630,000	336,990,000	323,795,000	353,325,000
Revenue Notes/Bonds	2,100,768,000	2,075,755,000	1,995,045,000	2,049,820,000
Urban Renewal Bonds/Notes	6,325,000	6,760,000	7,170,000	7,555,000
Subordinated Income Tax Refunding Bonds	59,960,000	58,900,000	60,700,000	62,400,000
Subordinate Lien Income Tax Bonds	59,560,000			
OWDA/OPWC Loans	112,275,000	110,070,000	103,415,000	78,498,000
Non-tax Revenue Bonds	<u>67,617,000</u>	<u>68,091,000</u>	<u>69,353,000</u>	<u>70,085,000</u>
Total Gross Indebtedness	2,720,135,000	2,656,566,000	2,559,478,000	2,621,683,000
Less:				
General Obligation Bonds	313,630,000	336,990,000	323,795,000	353,325,000
Revenue Notes/Bonds	2,100,768,000	2,075,755,000	1,995,045,000	2,049,820,000
Urban Renewal Bonds/Notes	6,325,000	6,760,000	7,170,000	7,555,000
Subordinated Income Tax Refunding Bonds	59,960,000	58,900,000	60,700,000	62,400,000
Subordinate Lien Income Tax Bonds	59,560,000			
OWDA/OPWC Loans	112,275,000	110,070,000	103,415,000	78,498,000
Non-tax Revenue Bonds	67,617,000	68,091,000	69,353,000	70,085,000
General Obligation Bond Retirement Fund Balance	<u>2,496,000</u>	<u>3,167,000</u>	<u>3,530,000</u>	<u>5,321,000</u>
Total Net Debt Applicable to Debt Limit*	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin Within 10½% Limitations	<u>\$642,004,890</u>	<u>\$678,011,014</u>	<u>\$623,669,011</u>	<u>\$630,799,713</u>
Legal Debt Margin as a Percentage of the Debt Limit	100.00%	100.00%	100.00%	100.00%
Unvoted Debt Limitation (5½% of Assessed Valuation)	<u>\$336,288,276</u>	<u>\$355,148,626</u>	<u>\$326,683,768</u>	<u>\$330,418,898</u>
Total Gross Indebtedness	2,720,135,000	2,656,566,000	2,559,478,000	2,621,683,000
Less:				
General Obligation Bonds	313,630,000	336,990,000	323,795,000	353,325,000
Revenue Notes/Bonds	2,100,768,000	2,075,755,000	1,995,045,000	2,049,820,000
Urban Renewal Bonds/Notes	6,325,000	6,760,000	7,170,000	7,555,000
Subordinated Income Tax Refunding Bonds	59,960,000	58,900,000	60,700,000	62,400,000
Subordinate Lien Income Tax Bonds	59,560,000			
OWDA/OPWC Loans	112,275,000	110,070,000	103,415,000	78,498,000
Non-tax Revenue Bonds	67,617,000	68,091,000	69,353,000	70,085,000
General Obligation Bond Retirement Fund Balance	<u>2,496,000</u>	<u>3,167,000</u>	<u>3,530,000</u>	<u>5,321,000</u>
Net Debt Within 5½% Limitations*	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unvoted Legal Debt Margin Within 5½% Limitations	<u>\$336,288,276</u>	<u>\$355,148,626</u>	<u>\$326,683,768</u>	<u>\$330,418,898</u>
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.

2004	2003	2002	2001	2000	1999
<u>\$5,977,142,243</u>	<u>\$5,804,048,750</u>	<u>\$6,031,560,000</u>	<u>\$6,058,647,000</u>	<u>\$5,497,881,312</u>	<u>\$5,477,243,429</u>
<u>627,599,936</u>	<u>609,425,119</u>	<u>633,313,800</u>	<u>636,157,935</u>	<u>577,277,538</u>	<u>575,110,560</u>
346,700,000	356,900,000	319,085,000	293,380,000	316,950,000	312,225,000
2,102,986,000	2,160,842,000	2,181,898,000	2,018,731,000	1,482,976,000	1,512,601,000
12,215,000	12,555,000	12,825,000	13,075,000	9,160,000	9,430,000
64,000,000	65,500,000	66,900,000	68,200,000	69,500,000	70,700,000
52,616,000	33,045,000	16,746,000	13,117,000	7,412,000	8,175,000
<u>70,715,000</u>	<u>45,600,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
2,649,232,000	2,674,442,000	2,607,454,000	2,416,503,000	1,895,998,000	1,923,131,000
346,700,000	356,900,000	318,340,000	291,210,000	313,355,000	312,225,000
2,102,986,000	2,160,842,000	2,181,898,000	2,018,731,000	1,482,976,000	1,512,601,000
12,215,000	12,555,000	12,825,000	13,075,000	9,160,000	9,430,000
64,000,000	65,500,000	66,900,000	68,200,000	69,500,000	70,700,000
52,616,000	33,045,000	16,746,000	13,117,000	7,412,000	8,175,000
70,715,000	45,600,000	10,000,000	10,000,000	10,000,000	10,000,000
7,491,000	4,331,000	2,865,000	772,000	6,580,000	7,575,000
-	-	-	1,398,000	-	-
<u>\$627,599,936</u>	<u>\$609,425,119</u>	<u>\$633,313,800</u>	<u>\$634,759,935</u>	<u>\$577,277,538</u>	<u>\$575,110,560</u>
100.00%	100.00%	100.00%	99.78%	100.00%	100.00%
<u>\$328,742,823</u>	<u>\$319,222,681</u>	<u>\$331,735,800</u>	<u>\$333,225,585</u>	<u>\$302,383,472</u>	<u>\$301,248,389</u>
2,649,232,000	2,674,442,000	2,607,454,000	2,416,503,000	1,895,998,000	1,923,131,000
346,700,000	356,900,000	318,340,000	291,210,000	313,355,000	312,225,000
2,102,986,000	2,160,842,000	2,181,898,000	2,018,731,000	1,482,976,000	1,512,601,000
12,215,000	12,555,000	12,825,000	13,075,000	9,160,000	9,430,000
64,000,000	65,500,000	66,900,000	68,200,000	69,500,000	70,700,000
52,616,000	33,045,000	16,746,000	13,117,000	7,412,000	8,175,000
70,715,000	45,600,000	10,000,000	10,000,000	10,000,000	10,000,000
7,491,000	4,331,000	2,865,000	772,000	6,580,000	7,575,000
-	-	-	1,398,000	-	-
<u>\$328,742,823</u>	<u>\$319,222,681</u>	<u>\$331,735,800</u>	<u>\$331,827,585</u>	<u>\$302,383,472</u>	<u>\$301,248,389</u>
100.00%	100.00%	100.00%	99.58%	100.00%	100.00%

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

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service		Coverage
				Principal	Interest	
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
2000	90,205,000	47,381,000	42,824,000	14,315,000	18,116,700	1.32
1999	77,943,000	40,252,000	37,691,000	12,100,000	15,027,792	1.39

(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		Coverage
				Principal	Interest	
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
2000	137,407,000	104,889,000	32,518,000	6,465,000	12,980,000	1.67
1999	132,651,000	99,436,000	33,215,000	6,210,000	13,030,000	1.73

(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	
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
2000	225,060,000	109,159,000	115,901,000	20,605,000	38,526,675	1.96
1999	213,777,000	99,700,000	114,077,000	18,265,000	39,401,000	1.98

(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

2008		
Employer	Employees	Percentage of Total County Employment
The Cleveland Clinic Foundation	32,415	5.50%
University Hospitals of Cleveland	10,904	1.85
Cuyahoga County	9,566	1.62
Progressive Corp.	9,057	1.54
Giant Eagle	8,800	1.49
United States Postal Service	8,032	1.36
City of Cleveland	7,950	1.35
National City Corporation	6,467	1.10
KeyCorp	6,326	1.07
The MetroHealth System	5,757	0.98
Total	105,274	17.86%
Total Employment within the County	589,600	

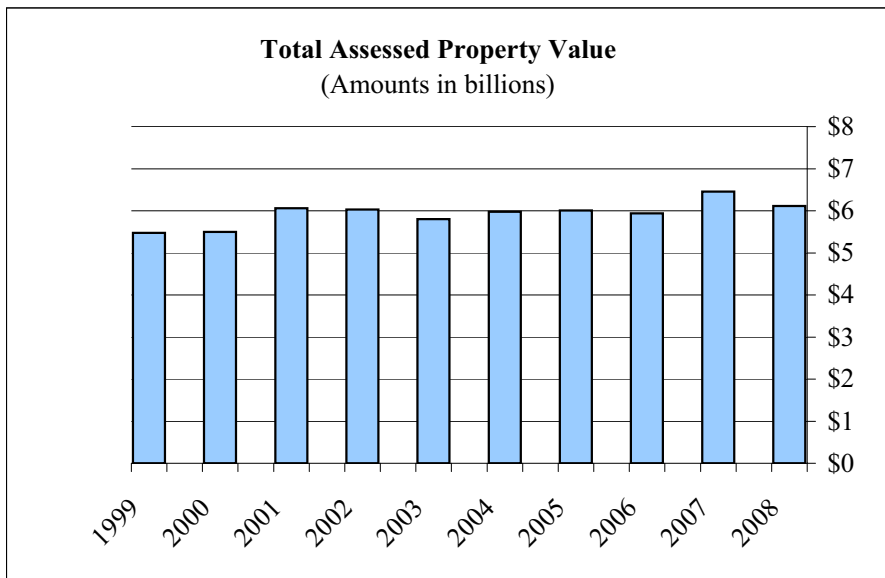
1998	
Employer	Employees
Cleveland Clinic Health Systems	19,625
University Hospitals Health System	12,944
United States of America	10,983
Cuyahoga County	9,713
Cleveland City School District	8,905
City of Cleveland	8,660
KeyCorp	7,475
Ford Motor Co.	6,600
United States Postal Service	6,562
Progressive Corp	5,416
Total	96,883
Total Employment within the County	N/A

N/A - Information not available.

Source: Number of employees from Crain's Cleveland:
Book of Lists 2009, Largest Cuyahoga County Employers
Book of Lists 1999, Largest Cuyahoga County Employers

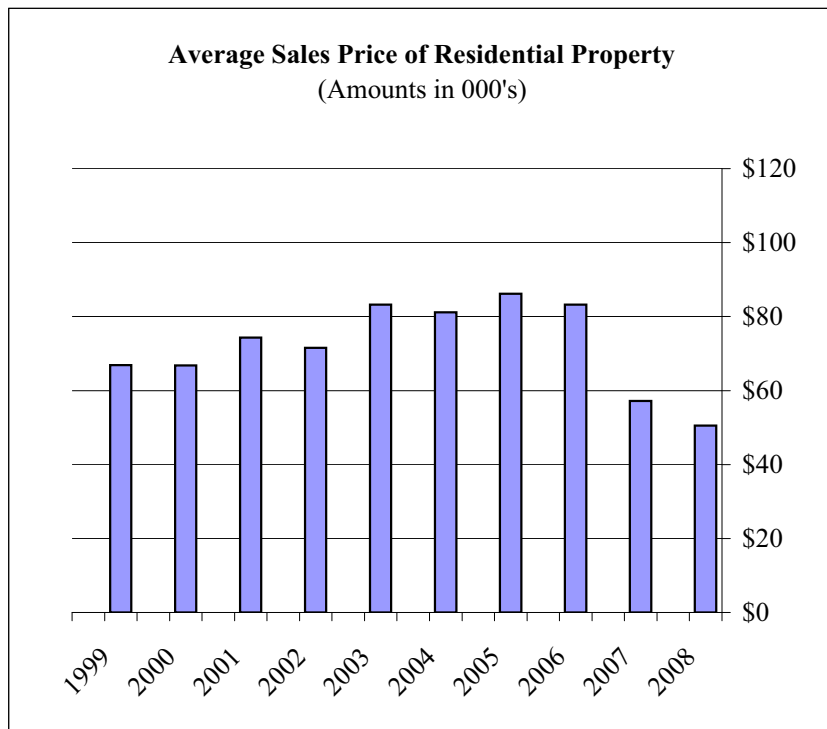
City of Cleveland, Ohio
Demographic and Economic Statistics
Last Ten Years

Year	Population (1)	Total Personal Income (5)	Personal Income Per Capita (1)	Median Household Income (1)	Median Age (1)
2008	478,403	\$6,836,857,273	14,291	\$25,928	33
2007	478,403	6,836,857,273	14,291	25,928	33
2006	478,403	6,836,857,273	14,291	25,928	33
2005	478,403	6,836,857,273	14,291	25,928	33
2004	478,403	6,836,857,273	14,291	25,928	33
2003	478,403	6,836,857,273	14,291	25,928	33
2002	478,403	6,836,857,273	14,291	25,928	33
2001	478,403	6,836,857,273	14,291	25,928	33
2000	478,403	6,836,857,273	14,291	25,928	33
1999	505,616	4,680,992,928	9,258	17,822	31.8



- (1) Source: U. S. Census Bureau.
- (2) Source: Ohio Department of Education Website: "<http://www.ode.state.oh.us/>".
- (3) Source: Ohio Labor Market Info, Website: "<http://lmi.state.oh.us/laus/LAUS.html>".
- (4) Source: Cuyahoga County Auditor's Office.
- (5) Computation of per capita personal income multiplied by population.

Educational Attainment: Bachelor's Degree or Higher (1)	School Enrollment (2)	City Unemployment Rate (3)	Average Sales Price of Residential Property (4)	Total Assessed Property Value (4) (Amount in 000's)
11.4	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
11.4	76,367	7.4	66,800	5,497,880
8.1	76,574	8.4	66,892	5,477,243



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

Function/Program	2008	2007	2006	2005
General Government				
Council	64.50	62.50	63.50	65.00
Mayor's Office	27.50	26.00	25.00	29.50
Landmarks Commission	5.50	5.50	5.00	4.50
Building Standards and Appeals	5.50	5.50	5.00	6.00
Board of Zoning Appeals	4.50	4.50	4.50	5.50
Civil Service Commission	10.00	11.50	10.00	10.50
Community Relations Board	27.50	27.00	28.50	23.50
City Planning Commission	23.00	26.00	23.00	26.00
Equal Employment Opportunity	11.00	13.00	13.00	14.00
Court	541.50	551.00	544.00	541.50
Office of Budget Administration	7.00	8.00	7.00	7.00
Aging	21.00	22.50	20.50	18.00
Personnel and Human Resources	17.00	20.00	19.00	18.00
Consumer Affairs	6.00	5.00	5.00	3.00
Law	86.50	89.50	88.50	89.00
Finance	250.50	255.00	255.00	255.50
Security of Persons and Property				
Administration	39.00	42.50	39.50	39.00
Police	2,095.50	2,105.00	2,176.50	2,179.00
Fire	883.00	902.00	915.00	916.00
EMS	252.00	288.00	292.00	297.00
House of Corrections	176.50	183.50 (1)	N/A	N/A
Dog Pound	14.50	14.50	14.50	13.00
Public Health Services	169.50	168.50 (1)	260.00	253.00
Leisure Time Activities				
Parks, Recreation and Property Administration	7.00	8.00	8.00	7.00
Research, Planning and Development	9.00	9.00	9.00	10.00
Recreation	233.50	238.00	165.00	170.50
Convention Center, Westside Market and Cleveland Stadium	54.50	59.50	49.50	54.00
Parking Facilities	44.50	49.00	46.50	47.50
Property Management	87.50	89.50	93.00	100.00
Parks Maintenance	151.00	164.00	161.00	170.00
Community Development	77.50	78.50	81.00	87.50
Building and Housing	147.00	161.00	165.00	170.00
Economic Development	73.00	88.00	94.00	98.00
Public Service				
Public Service Administration	5.00	5.00	5.00	5.00
Architecture	7.00	8.00	9.00	9.00
Waste Collection and Disposal	225.50	252.50	244.50	225.50
Engineering and Construction	60.50	65.50	65.50	69.50
Motor Vehicle Maintenance	86.00	95.00	102.00	100.00
Streets	283.50	306.00	288.50	303.00
Traffic Engineering	40.00	41.00	44.00	44.00
Port Control	406.50	386.00	369.50	377.50
Basic Utility Services				
Water	1,215.50	1,194.00	1,207.00	1,216.00
Cleveland Public Power	340.00	341.00	337.00	341.00
Water Pollution Control	150.00	157.00	144.00	147.00
Totals:	<u>8,442.50</u>	<u>8,632.00</u>	<u>8,502.00</u>	<u>8,565.50</u>

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

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

N/A - Information not available.

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

Function/Program	2008	2007	2006	2005	2004
General Government					
<i>Council and Clerk</i>					
Number of ordinances passed	771	784	846	899	891
Number of resolutions passed	304	363	361	306	292
Number of planning commission docket items (5)	444	441	768	725	669
Zoning board of appeals docket items	242	263	265	394	337
<i>Finance Department</i>					
Number of checks issued	47,670	47,985	49,533	50,541	48,808
Amount of checks written	\$1,251,719,916	\$1,287,268,015	\$1,284,108,296	\$1,266,586,217	\$1,211,743,500
Interest earnings for fiscal year (cash basis)	\$45,366,880	\$63,335,510	\$53,988,258	\$42,035,213	\$38,154,383
Number of receiving warrants	16,141	15,300	14,799	14,485	14,344
Number of journal entries issued	41,217	43,619	43,186	39,839	41,543
Number of budget adjustments issued	5	2	3	5	4
Agency ratings - Standard & Poor's (1)	AA	A	A	A	A
Agency ratings - Moody's Financial Services (1)	A2	A2	A2	A2	A2
Health insurance costs vs. General Fund expenditures %	14.00%	14.00%	14.00%	14.00%	12.00%
General Fund receipts (cash basis in thousands)	\$517,796	\$509,616	\$490,927	\$471,755	\$455,775
General Fund expenditures (cash basis in thousands)	\$501,124	\$485,410	\$465,162	\$451,323	\$484,856
General Fund cash balances (in thousands)	\$40,685	\$41,885	\$30,957	\$29,738	\$24,058
<i>Income Tax Department</i>					
Number of individual returns	232,210	238,319	248,108	267,712	287,904
Number of business returns	29,014	28,335	30,567	25,763	30,584
Number of business withholding accounts	14,653	14,469	16,200	14,942	15,503
Amount of penalties and interest collected	\$2,357,490	\$1,912,554	\$1,999,859	\$1,990,879	\$2,471,464
Annual number of corporate withholding forms processed	151,256	152,334	169,933	136,931	148,779
Annual number of balance due statements forms processed	44,637	39,767	45,909	47,252	53,458
Annual number of estimated payment forms processed	51,527	57,092	56,163	55,036	62,115
Annual number of reconciliations of withholdings processed	12,198	12,488	18,929	9,075	14,723
<i>Engineer Contracted Services</i>					
Dollar amount of construction overseen by engineer (2)	\$159,540,000	\$251,305,000	\$141,733,000	\$52,741,000	\$78,562,000
<i>Municipal Court</i>					
Number of civil cases	19,890	18,569	22,909	21,567	22,418
Number of criminal cases	120,077	113,661	121,676	121,791	113,822
<i>Vital Statistics</i>					
<i>Certificates filed (4)</i>					
Number of births	16,942	17,235	17,645	17,638	18,191
Number of deaths	12,354	12,086	11,992	12,343	12,296
Number of fetal deaths	447	399	312	361	294
<i>Certificates issued (4)</i>					
Number of births	77,967	102,140	98,545	101,284	58,452
Number of deaths	65,149	64,436	84,615	66,268	38,684
<i>Civil Service</i>					
Number of police entry tests administered	0	1	0	0	0
Number of fire entry tests administered	0	0	0	0	0
Number of police promotional tests administered	3	0	0	0	0
Number of fire promotional tests administered	0	0	0	0	0
Number of hires of police officers from certified lists	106	73	0	0	0
Number of hires of fire/medics from certified lists	0	0	0	0	0
Number of promotions from police certified lists	40	0	0	39	19
Number of promotions from fire certified lists	10	49	0	0	0

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

Function/Program	2008	2007	2006	2005	2004
Building Department Indicators					
Construction permits issued	10,631	8,397	9,163	9,699	10,020
Estimated value of construction	\$814,646,916	\$648,592,297	\$743,566,106	\$652,537,749	\$558,278,403
Number of other permits issued	9,710	8,971	9,157	9,272	9,489
Amount of revenue generated from permits	\$7,364,794	\$7,112,426	\$7,399,513	\$7,504,979	\$8,661,198
Number of contract registrations issued	2,783	2,887	3,077	3,700	2,200
Number of rental inspections performed	558	829	868	1,680	1,735
Annual apartment/rooming house license fees	\$1,331,940	\$1,427,208	\$1,290,830	\$1,367,157	\$1,433,689
Security of Persons and Property					
Police					
Number of traffic citations issued	79,089	62,652	77,003	82,642	77,424
Number of parking citations issued	49,012	49,669	59,311	51,947	54,268
Number of criminal arrests	39,596	39,087	40,678	39,002	38,090
Number of accident reports completed	15,525	16,239	17,374	18,878	20,655
Part 1 offenses (major offenses)	39,237	41,400	44,018	42,352	39,933
DUI arrests	695	847	577	705	660
Prisoners	38,629	38,142	39,851	38,259	37,426
Motor vehicle accidents	15,525	16,239	17,374	18,878	20,655
Fatalities from motor vehicle accidents	52	34	39	38	49
Community diversion program youths	169	229	177	155	273
Fire					
Fire calls - incoming for services (7)	60,263	63,403	61,702	65,825	56,236
Fires	2,790	3,343	3,296	3,195	3,202
Fires with loss	1,095	1,807	1,708	1,904	1,641
Fires with losses exceeding \$10K	362	479	362	379	316
Fire losses \$	\$11,242,477	\$19,115,824	\$21,567,578	\$18,292,877	\$18,140,355
Fire safety inspections	8,110	9,764	5,901	6,027	6,198
Number of times mutual aid given to fire	11	5	N/A	87	39
Number of times mutual aid received for fire	0	0	0	0	0
EMS					
EMS calls - incoming for service (3)	88,934	88,506	86,010	91,161	87,009
Ambulance billing collections (net)	\$12,091,087	\$11,394,837	\$10,698,730	\$10,075,142	\$8,830,211
Number of times mutual aid given to EMS	0	0	0	0	0
Number of times mutual aid received for EMS	0	0	0	0	0
Public Health and Welfare					
Number of health inspections					
Barber shops	227	263	251	237	230
Food	9,611	7,914	8,143	8,140	8,175
Hotels/motels	37	31	31	27	29
Marinas	11	11	11	11	11
Mobile home parks	5	5	5	5	5
Laundries	62	81	68	59	46
Nuisance	17,205	23,402	20,057	18,317	18,299
Pools	127	131	129	146	129
Schools	195	274	235	376	225
Day care inspections	98	109	104	95	101
Maternity inspections	4	4	3	4	4
Abortion inspections	6	5	5	5	5
Cemetery burials	17	54	27	49	73
Cemetery cremations	149	144	83	45	32

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

Function/Program	2008	2007	2006	2005	2004
Leisure Time Activities					
Recreation men and women leagues receipts	\$6,825	\$6,375	\$5,730	\$7,140	\$10,455
Economic Development					
Grant amounts received (Amounts in 000's)	\$16,194	\$16,044	\$17,386	\$20,701	\$16,857
Public Service					
Street improvements - asphalt overlay (linear feet)	113,772	65,000	40,000	162,800	101,000
Crackseal coating program (miles)	30	24	15	60	40
Street repair (curbs, aprons, berms, asphalt) (hours)	95,000	95,000	95,000	95,000	95,000
Guardrail repair (hours)	3,000	1,100	1,600	1,000	800
Paint striping					
Lane line (miles)	630	650	650	650	633
Crosswalks (each)	5,700	6,000	6,000	6,000	5,900
Arrows (each)	2,800	3,000	3,000	3,000	2,800
Street sweeper (hours)	49,000	36,000	30,000	30,000	15,000
Cold patch (hours)	31,000	31,000	31,000	31,000	31,000
Snow and ice removal regular hours	132,000	132,000	132,000	132,000	132,000
Snow and ice removal overtime hours	15,000	18,000	8,000	30,000	23,000
Leaf collection (hours)	20,000	17,000	17,000	17,000	17,000
Holiday lights setup (hours)	4	5	5	5	5
Equipment repair/body shop (hours)	1,010	809	1,066	1,179	1,664
Tons of snow melting salt purchased November-March	85,000	82,000	64,500	83,000	40,000
Cost of salt purchased	\$3,330,000	\$2,640,000	\$2,128,363	\$2,750,034	\$1,321,066
Refuse disposal per year (in tons) August through July	266,035	293,801	303,196	333,497	316,083
Refuse disposal costs per year August through July	\$7,790,729	\$7,944,516	\$8,662,913	\$7,761,318	\$7,461,798
Annual recycling tonnage (excluding leaf, and compost items)	9,000	8,584	16,435	16,088	12,825
Percentage of waste recycled	3.39%	2.93%	5.42%	4.82%	4.06%
Port Control					
Cleveland Hopkins Airport					
Landed weight (in thousands of pounds)	7,256,242	7,380,384	7,467,746	7,910,706	8,074,843
Total operations	235,975	244,719	249,967	258,926	263,561
Total passengers	11,106,194	11,458,898	11,321,050	11,463,391	11,264,937
Total enplaned passengers	5,545,205	5,722,338	5,646,470	5,724,440	5,613,255
Burke Lakefront Airport					
Landed weight	N/A	N/A	N/A	N/A	N/A
Total operations	69,231	68,137	77,593	73,064	84,101
Total passengers	188,171	204,582	214,947	188,381	199,194
Total enplaned passengers	93,772	102,039	107,786	93,941	99,563
Water Department					
Water rates per 1st 300 cubic feet of water used (6)	\$10.63	\$9.62	\$8.71	\$8.71	\$8.41
Average number of water accounts billed monthly (cubic feet)	137,528	138,727	139,129	140,166	138,338
Total water collections annually (including P&I)	\$218,285,825	\$214,378,311	\$192,386,791	\$202,615,763	\$190,316,017
Payments to Cleveland for bulk water purchases	\$18,399,096	\$20,353,610	\$19,632,453	\$21,102,439	\$19,422,375
Wastewater Department					
Sewer and sanitary calls for service	8,275	7,585	6,515	6,188	5,481
After hours sewer calls (hours)	147	384	448	526	437

(1) General obligation bond rating.

(2) Amounts are new construction starts. The majority of engineering and construction projects are multi-year projects.

(3) Does not include incoming fire calls for 2005 and 2006. Fire calls for service, approximately 40,000 per year.

(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 to reflect all calls for service received.

N/A - Information not available.

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

Function/Program	2008	2007	2006	2005
General Government				
Square footage occupied	3,700,000	3,700,000	2,310,732	2,310,732
Administrative vehicles	27	26	28	26
Police				
Stations	6	6	6	6
Square footage of buildings (1)	769,536	769,536	769,536	769,536
Vehicles	764	921	958	979
Fire				
Stations	26	26	26	26
Square footage of buildings	313,224	313,224	313,224	313,224
Vehicles	132	155	153	152
EMS				
Stations (headquarters)	1	1	1	1
Square footage of buildings	33,000	33,000	33,000	33,000
Vehicles	46	49	57	53
Port Control (Hopkins)				
Runways	3	3	4	4
Terminal area (approximate square footage) (2)	935,000	935,000	935,000	935,000
Gates	96	96	96	96
Parking spaces (approximately)				
Long term	2,500	2,500	2,500	2,500
Short term	4,200	4,200	4,200	4,200
Surface	500	500	500	0
Total parking spaces	7,200	7,200	7,200	6,700
Vehicles	325	326	362	345
Other Public Works				
Streets (miles)	1,319	1,319	1,280	1,280
Service vehicles	741	760	828	842

2004	2003	2002	2001	2000	1999
2,187,420	2,187,420	2,187,420	2,187,420	2,187,420	2,187,420
25	23	21	21	21	16
6	6	6	6	6	6
769,536	769,536	769,536	769,536	769,536	769,536
905	872	897	892	877	911
26	26	26	26	25	25
313,224	313,224	313,224	313,224	313,224	313,224
147	154	135	138	133	135
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
47	46	44	45	48	52
4	4	4	3	3	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	1,500
0	0	0	0	0	0
6,700	6,700	6,700	6,700	6,700	4,000
321	314	299	294	286	274
1,240	1,210	1,210	1,200	1,180	1,160
859	857	931	903	899	897

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

Function/Program	2008	2007	2006	2005
Recreation				
Number of parks	155	154	150	150
Number of playgrounds	110	110	111	112
Number of baseball diamonds	134	138	140	140
Number of tennis courts	114	120	120	120
Number of basketball courts				
Full	110	111	118	120
Half	10	10	12	16
Number of soccer fields	7	7	12	12
Number of recreation centers	19	19	19	19
Number of pools				
Indoor	18	18	18	18
Outdoor	23	23	22	22
Number of aquatic playgrounds	8	8	7	6
Number of golf courses	2	2	2	2
Number of ice rinks	1	1	1	1
Number of roller rinks	1	1	1	1
Number of fine arts centers	1	1	1	1
Number of greenhouses	1	1	1	1
Number of camps	1	1	1	1
Total park acreage	1,491	1,490	1,477	1,477
Vehicles	157	161	163	154
Wastewater				
Sanitary sewers (miles)	156	156	171	171
Storm sewers (miles)	164	164	199	199
Combined sewers (miles)	920	920	1,065	1,065
Vehicles	114	128	83	82
Electric Power				
Vehicles	291	308	306	287
Water Department				
Water lines (miles) (3)	2,321	2,321	2,172	2,168
Vehicles	759	811	832	827

- (1) Includes Dog Kennels, Inspection Garage and House of Corrections.
- (2) Concourse D is approximately 170,000 square feet, has 33 gates and was opened in 1999.
- (3) This was a calculated total on all trunk mains [20" diameter and larger] (458.55 miles), distribution mains [16" and smaller] within the City of Cleveland (1301.5 mi.), plus distribution mains within certain suburbs with newly defined service agreements (561.1 mi.) 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.

N/A - Information not available.

2004	2003	2002	2001	2000	1999
146	146	145	145	145	145
111	109	111	112	113	113
141	141	142	142	143	143
131	134	136	134	136	136
123	121	N/A	N/A	N/A	N/A
18	18	N/A	N/A	N/A	N/A
12	11	11	8	8	8
19	18	18	18	18	18
18	17	17	17	17	17
22	22	23	24	24	24
6	4	4	N/A	N/A	N/A
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1,440	1,444	1,414	1,421	1,427	1,427
145	143	137	123	110	99
171	171	171	171	171	171
199	199	199	199	199	199
1,065	1,065	1,065	1,065	1,065	1,065
81	81	81	81	83	83
269	276	269	267	263	259
2,042	2,040	2,039	2,039	2,038	2,037
814	801	804	828	865	881

CITY OF CLEVELAND, OHIO

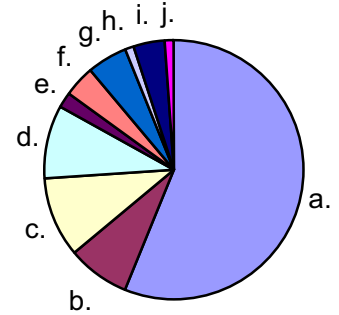
SCHEDULE OF STATISTICS-GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2008

OPERATING RATIOS: GENERAL FUND-BUDGET BASIS

REVENUE DOLLAR BY SOURCE

Where the money came from

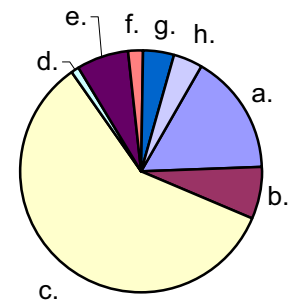
a. Income taxes	a. \$0.56
b. Property taxes	b. 0.08
c. State local government funds	c. 0.10
d. Other shared revenues	d. 0.09
e. Licenses and permits	e. 0.02
f. Charges for services	f. 0.04
g. Fines, forfeits and settlements	g. 0.05
h. Investment earnings	h. 0.01
i. Miscellaneous	i. 0.04
j. Transfers in	j. 0.01
	\$1.00



EXPENDITURE DOLLAR BY FUNCTION

Where the money was spent

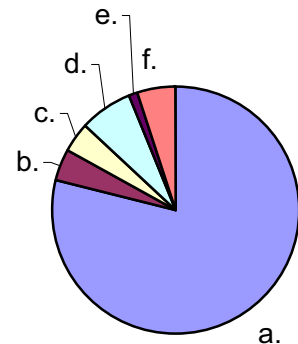
a. General Government	a. \$0.16
b. Public Service	b. 0.07
c. Public Safety	c. 0.59
d. Public Health	d. 0.01
e. Parks, Recreation and Properties	e. 0.07
f. Building and Housing	f. 0.02
g. Economic and Community Development and other	g. 0.04
h. Transfers out	h. 0.04
	\$1.00



EXPENDITURE DOLLAR BY OBJECT

What the money was spent on

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



SPECIAL THANKS TO:

The Division of Financial Reporting and Control

Accounting and Administrative

Shelfie Carter
Kay Cebron
Donnetta Conley
Greg Cordek
Michael Gehlmann
Michael Klein

Va'Kedia Stiggers
Sharon Teter
Gary Walker
Pandora Ward
Sylvia Ware
Kathleen Woidke

Data Processing

Sharon Muchewicz
Sigrid Truxel
Penny Gearo

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Donn Nottage, Chief Photographer

City of Cleveland
Bureau of Photographic Services

Cover color separations and printing

City of Cleveland
Division of Printing and Reproduction

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



Mary Taylor, CPA
Auditor of State

CITY OF CLEVELAND

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 5, 2009**