# CITY OF CLEVELAND, OHIO

## DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
## DIVISION OF PARKING FACILITIES

**REPORT ON AUDITS OF FINANCIAL STATEMENTS**
**For the years ended December 31, 2007 and 2006**

# CITY OF CLEVELAND, OHIO

## DEPARTMENT OF PARKS, RECREATION & PROPERTIES
## DIVISION OF PARKING FACILITIES

## TABLE OF CONTENTS

This page intentionally left blank.

Mary Taylor, CPA
Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Division of Parking Facilities
Department of Parks, Recreation, and Properties
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 basic financial statements of the Division of Parking Facilities, Department of Parks, Recreation, and Properties, City of Cleveland, Cuyahoga County, Ohio, (the Division) as of and for the years ended December 31, 2007 and December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the Division's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

As discussed in Note A, the financial statements present only the Division and do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2007 and December 31, 2006, and the respective changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Division of Parking Facilities, Department of Parks, Recreation, and Properties, City of Cleveland, Cuyahoga County, Ohio, as of December 31, 2007 and December 31, 2006, and the respective changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

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

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

June 4, 2008

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## GENERAL

As management of the City of Cleveland's (the "City") Department of Parks, Recreation and Properties, Division of Parking Facilities (the "Division"), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the years ended December 31, 2007 and 2006. Please read this information in conjunction with the Division's financial statements and footnotes which begin on page 12.

The Division was created for the purpose of providing moderately priced off-street parking facilities and on-street metered parking to citizens, visitors, and those who work in the City. The Division's operating revenues are derived primarily from charges for parking at its facilities and from parking meter collections. In 2007, the Division's facilities included four parking garages and four surface lots. In 2006, the Division's facilities included four parking garages and four surface lots.

## COMPARISON OF CURRENT YEAR'S AND PRIOR YEARS' DATA

## FINANCIAL HIGHLIGHTS

- The assets of the Division exceeded its liabilities (net assets) by $20,516,000, $20,028,000, and $18,206,000 at December 31, 2007, 2006 and 2005, respectively. Of these amounts, $10,107,000, $10,256,000 and $633,000 (unrestricted net assets) at December 31, 2007, 2006 and 2005, respectively, may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's total net assets increased by $488,000, $1,822,000, and $99,000 during 2007, 2006 and 2005, respectively. In 2007, there was a decrease in operating income of $78,000, which was attributable to an increase in operating revenue of $1,597,000 due to special events and increased attendance at Gateway events, which was offset by an increase of $1,675,000 of operating expenses. In addition, net non-operating expenses increased by $1,256,000 which was mainly attributable to an increase in interest expense and recognition of amortization related to the issuance of long-term debt and the annual debt payments. In 2006, there was an increase in operating income of $238,000, which was attributable to an increase in special events and increased attendance at Gateway events. In addition, net non-operating expenses decreased by $1,485,000 which was mainly attributable to a decrease in interest expense on long-term debt due to the refunding of debt and the annual debt payments.

- The Division's total bonded debt decreased by $2,795,000 (4.2%), $1,225,000 (1.8%) and $2,305,000 (3.3%) during 2007, 2006 and 2005, respectively. These amounts represent the principal payment made in 2007, the principal payment made and the net effect of the refunding bonds issued in 2006 and the principal payments made in 2005 on its outstanding revenue bonds.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Division's basic financial statements. The accompanying financial statements present financial information for the City of Cleveland's Division of Parking Facilities Fund, in which the City accounts for the activities of off-street parking operations and meter revenue collections. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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

The basic financial statements of the Division can be found on pages 12 - 17 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 19 - 33 of this report.

## CONDENSED BALANCE SHEET INFORMATION

Provided below is condensed balance sheet information for the Division as of December 31, 2007, 2006 and 2005:

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| | | (In thousands) | |
| Assets: | | | |
| Current assets | $ 2,180 | $ 1,320 | $ 1,053 |
| Restricted assets | 18,855 | 18,970 | 18,607 |
| Unamortized bond issuance costs | 3,746 | 4,162 | 790 |
| Capital assets, net | 57,259 | 58,950 | 60,677 |
| Total assets | 82,040 | 83,402 | 81,127 |
| Net Assets and Liabilities: | | | |
| Liabilities: | | | |
| Current liabilities | 4,666 | 4,186 | 3,816 |
| Long term liabilities | 56,858 | 59,188 | 59,105 |
| Total liabilities | 61,524 | 63,374 | 62,921 |
| Net assets: | | | |
| Invested in capital assets, net of related debt | (2,505) | (2,994) | (825) |
| Restricted for capital projects | 4,638 | 4,651 | 4,492 |
| Restricted for debt service | 8,276 | 8,115 | 13,906 |
| Unrestricted | 10,107 | 10,256 | 633 |
| Total net assets | 20,516 | 20,028 | 18,206 |
| Total net assets and liabilities | $ 82,040 | $ 83,402 | $ 81,127 |

## CONDENSED BALANCE SHEET INFORMATION (Continued)

***Assets:***

***Current and restricted assets:*** The Division's current assets have increased from 2005 to 2006 and 2007 and restricted assets have remained fairly consistent over the same period. The increase in current assets in 2007 is primarily due to the increase in cash and cash equivalents at year end. This increase was partially offset by the decrease in restricted cash and cash equivalents at year end. In addition, there was an decrease in unamortized bond issuance costs associated with the issuance of the refunding bonds in 2007. The increase in current assets in 2006 is primarily due to the increase in unrestricted and restricted cash and cash equivalents at year end. This increase was partially offset by the decrease in accrued interest receivable. In addition, there was an increase in unamortized bond issuance costs which was associated with the issuance of refunding bonds in 2006.

***Capital assets****:* The Division's investment in capital assets (net of accumulated depreciation) as of December 31, 2007 and 2006 amounted to $57,259,000 and $58,950,000, respectively. The total decrease in the Division's investment in capital assets was $1,691,000 (2.9%) and $1,727,000 (2.8%) in 2007 and 2006, respectively. These decreases are due to the increase in accumulated depreciation for depreciation expense recognized and accumulated depreciation from vehicles transferred to the Division during 2007 and 2006.

A summary of the activity in the Division's capital assets during the year ended December 31, 2007 is as follows:

| | Balance January 1, 2007 | Additions | Deletions | Transfers | Balance December 31, 2007 |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Land | $ 12,929 | $ | $ | $ | $ 12,929 |
| Land improvements | 1,256 | | | | 1,256 |
| Buildings, structures and improvements | 65,200 | | | | 65,200 |
| Furniture, fixtures, equipment and vehicles | 534 | 71 | (65) | | 540 |
| Total | 79,919 | 71 | (65) | - | 79,925 |
| Accumulated depreciation | (20,969) | (1,762) | 65 | | (22,666) |
| Capital assets, net | $ 58,950 | $ (1,691) | $ - | $ - | $ 57,259 |

## CONDENSED BALANCE SHEET INFORMATION (Continued)

A summary of the activity in the Division's capital assets during the year ended December 31, 2006 is as follows:

| | Balance January 1, 2006 | Additions | Deletions | Transfers | Balance December 31, 2006 |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Land | $ 12,929 | $ | $ | $ | $ 12,929 |
| Land improvements | 1,256 | | | | 1,256 |
| Buildings, structures and improvements | 65,200 | | | | 65,200 |
| Furniture, fixtures, equipment and vehicles | 577 | | (43) | | 534 |
| Total | 79,962 | - | (43) | - | 79,919 |
| Accumulated depreciation | (19,285) | (1,726) | 42 | | (20,969) |
| Capital assets, net | $ 60,677 | $ (1,726) | $ (1) | $ - | $ 58,950 |

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

Additional information on the Division's capital assets can be found in Notes A and E.

***Liabilities:***

***Long-term debt:*** At the end of 2007 and 2006, the Division had total bonded debt outstanding of $62,980,000 and $65,775,000, respectively. This current debt was incurred to refund debt previously issued to construct two new parking garages around the Gateway site and a new Willard Park Garage behind City Hall. The City's first garage on the Gateway site was completed in January 1994. The second garage was completed in August 1994. The Willard Park Garage construction was completed in April 1996. The bonds are backed by the net revenues from these facilities. In addition, the City has pledged additional revenues, which consist of various non-tax revenues, to meet debt service requirements, if necessary. In 2007 and 2006, no additional pledged revenue was required to meet the debt service requirements on the parking bonds.

The activity in the Division's debt obligation outstanding during the year ended December 31, 2007 is summarized below:

| | Balance January 1, 2007 | Debt Issued | Debt Refunded | Debt Retired | Balance December 31, 2007 |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Parking Facilities Improvement Revenue Bonds | $ 65,775 | $ - | $ - | $ (2,795) | $ 62,980 |

## CONDENSED BALANCE SHEET INFORMATION (Continued)

The activity in the Division's debt obligation outstanding during the year ended December 31, 2006 is summarized below:

| | Balance January 1, 2006 | Debt Issued | Debt Refunded (In thousands) | Debt Retired | Balance December 31, 2006 |
|---|---|---|---|---|---|
| Parking Facilities Improvement Revenue Bonds | $ 67,000 | $ 57,520 | $ (56,300) | $ (2,445) | $ 65,775 |

The bond ratings for the Division's revenue bonds have remained constant for the past three years and are as follows:

| | Moody's Investors Service | Standard & Poor's | Fitch Investors Service |
|---|---|---|---|
| Series 1996 Bonds | Aaa | AAA | AAA |
| Series 2006 Bonds | Aaa | AAA | - |

The bond ratings indicated above are insured ratings only. The Division has no ratings on its bonds based solely on its own credit.

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

***Net Assets:*** Net assets serve as a useful indicator of a government's financial position. In the case of the Division, assets exceeded liabilities by $20,516,000, $20,028,000 and $18,206,000 at December 31, 2007, 2006 and 2005, respectively.

Of the Division's net assets at December 31, 2007, $12,914,000 represents resources that are classified as restricted since their use is limited by the bond indentures. In addition, the Division has a net deficit of ($2,505,000) that reflects its investment in capital assets (e.g., land, buildings, furniture) net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The $10,107,000 balance of unrestricted net assets may be used to meet the Division's ongoing obligations to customers and creditors.

Of the Division's net assets at December 31, 2006, $12,766,000 represents resources that are classified as restricted since their use is limited by the bond indentures. In addition, the Division has a net deficit of ($2,994,000) that reflects its investment in capital assets (e.g., land, buildings, furniture) net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The $10,256,000 balance of unrestricted net assets may be used to meet the Division's ongoing obligations to customers and creditors.

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

The Division's operations during 2007 and 2006 increased net assets by $488,000 and $1,822,000, respectively. Provided below are key elements of the Division's results of operations as of and for the years ended December 31, 2007, 2006 and 2005:

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| | | (In thousands) | |
| Operating revenues | $ 10,057 | $ 8,460 | $ 7,202 |
| Operating expenses | 6,140 | 4,465 | 3,445 |
| Operating income | 3,917 | 3,995 | 3,757 |
| Non-operating revenue (expense): | | | |
| Investment income | 938 | 901 | 754 |
| Interest expense | (3,922) | (2,846) | (4,332) |
| Other non-operating expense | (49) | (65) | |
| Sale of scrap | 2 | | |
| Capital contributions | 18 | | |
| Amortization of bond issuance costs and discount | (416) | (163) | (80) |
| Total non-operating revenue (expense), net | (3,429) | (2,173) | (3,658) |
| Capital and other contributions | | | |
| Change in net assets | 488 | 1,822 | 99 |
| Net assets, beginning of year | 20,028 | 18,206 | 18,107 |
| Net assets, end of year | $ 20,516 | $ 20,028 | $ 18,206 |

***Operating revenues:*** From 2006 to 2007, operating revenues increased $1,597,000, or 18.9%. This was due to an increase in attendance at Gateway events and an increase in special events attendance and revenues.

From 2005 to 2006, operating revenues increased $1,258,000, or 17.5%. This was due to an increase in special events and increased attendance at Gateway events.

***Operating expenses***: In 2007, operating expenses increased $1,675,000, or 37.5%. Of this increase, $1,701,000 was associated with operations due to an increase in professional services expense. This increase was partially offset by a $16,000 decrease in depreciation expense. As a result of the changes in operating revenues and expenses, operating income decreased $78,000, or 2.0%, in 2007 from 2006.

In 2006, operating expenses increased $1,020,000, or 29.6%. Of this increase, $1,045,000 was associated with operations due to an increase in professional services expense. This increase was partially offset by a $21,000 decrease in depreciation expense. As a result of the changes in operating revenues and expenses, operating income increased $238,000, or 6.3%, in 2006 from 2005.

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

***Non-operating revenues and expenses:*** From 2006 to 2007, non-operating revenues increased $57,000 or approximately 6.3%. This increase was due to an increase in interest revenue due to higher amounts available for investment during the year and higher interest rates. Non-operating expenses increased $1,313,000 or 42.7% in 2007. This increase is primarily due to an increase in interest expense payments and amortization on long-term debt associated with the revenue bonds.

From 2005 to 2006, non-operating revenues increased $147,000 or approximately 19.5%. This increase was due to an increase in interest revenue due to higher amounts available for investment during the year and higher interest rates. Non-operating expenses decreased $1,338,000 or 30.3% in 2006. This decrease is primarily due to a decrease in interest expense payments on long-term debt associated with the issuance of the refunding bonds.

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

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

The Division is currently assessing their operations to improve efficiencies, identify additional revenue sources and improve existing revenue sources.

City Council has the authority to further increase parking fees when deemed necessary to assist the Division in meeting operational and debt commitments as economic circumstances dictate.

## ADDITIONAL INFORMATION

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

# BASIC FINANCIAL STATEMENTS

**This page intentionally left blank.**

# CITY OF CLEVELAND, OHIO

## DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
## DIVISION OF PARKING FACILITIES
## BALANCE SHEETS
## December 31, 2007 and 2006

| | (*In thousands*) 2007 | 2006 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 1,496 | $ 976 |
| Accounts receivable - net of allowance | 124 | 127 |
| Due from other City of Cleveland departments, divisions or funds | 136 | 59 |
| Inventory of supplies, at cost | 424 | 158 |
| **TOTAL CURRENT ASSETS** | 2,180 | 1,320 |
| **RESTRICTED ASSETS** | | |
| Cash and cash equivalents | 18,791 | 18,918 |
| Accrued interest receivable | 64 | 52 |
| **TOTAL RESTRICTED ASSETS** | 18,855 | 18,970 |
| **UNAMORTIZED BOND ISSUANCE COSTS** | 3,746 | 4,162 |
| **CAPITAL ASSETS** | | |
| Land | 12,929 | 12,929 |
| Land improvements | 1,256 | 1,256 |
| Buildings, structures and improvements | 65,200 | 65,200 |
| Furniture, fixtures, equipment and vehicles | 540 | 534 |
| | 79,925 | 79,919 |
| Less: Accumulated depreciation | (22,666) | (20,969) |
| **CAPITAL ASSETS, NET** | 57,259 | 58,950 |
| **TOTAL ASSETS** | $ 82,040 | $ 83,402 |

(Continued)

# CITY OF CLEVELAND, OHIO

## DEPARTMENT OF PARKS, RECREATION & PROPERTIES
## DIVISION OF PARKING FACILITIES
## BALANCE SHEETS
## December 31, 2007 and 2006

| | (*In thousands*) 2007 | 2006 |
|---|---|---|
| **LIABILITIES AND NET ASSETS** | | |
| **LIABILITIES** | | |
| **CURRENT LIABILITIES** | | |
| Current portion of long-term debt, due within one year | $ 2,945 | $ 2,795 |
| Accounts payable | 373 | 117 |
| Due to other governments | 183 | 92 |
| Due to other City of Cleveland departments, divisions or funds | 87 | 71 |
| Accrued interest payable | 917 | 965 |
| Accrued wages and benefits | 161 | 146 |
| **TOTAL CURRENT LIABILITIES** | 4,666 | 4,186 |
| **LONG TERM LIABILITIES** | | |
| Revenue bonds - excluding amount due within one year | 56,819 | 59,146 |
| Accrued wages and benefits | 39 | 42 |
| **TOTAL LONG TERM LIABILITIES** | 56,858 | 59,188 |
| **TOTAL LIABILITIES** | 61,524 | 63,374 |
| **NET ASSETS** | | |
| Invested in capital assets, net of related debt | (2,505) | (2,994) |
| Restricted for capital projects | 4,638 | 4,651 |
| Restricted for debt service | 8,276 | 8,115 |
| Unrestricted | 10,107 | 10,256 |
| **TOTAL NET ASSETS** | 20,516 | 20,028 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 82,040 | $ 83,402 |

(Concluded)

See notes to financial statements.

**This page intentionally left blank.**

# CITY OF CLEVELAND, OHIO

## DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
## DIVISION OF PARKING FACILITIES
## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
**For the Years Ended December 31, 2007 and 2006**

| | *(In thousands)* 2007 | 2006 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Charges for services | $ 10,057 | $ 8,460 |
| **TOTAL OPERATING REVENUES** | 10,057 | 8,460 |
| **OPERATING EXPENSES** | | |
| Operations | 4,392 | 2,691 |
| Maintenance | 38 | 48 |
| Depreciation | 1,710 | 1,726 |
| **TOTAL OPERATING EXPENSES** | 6,140 | 4,465 |
| **OPERATING INCOME** | 3,917 | 3,995 |
| **NON-OPERATING REVENUE (EXPENSE)** | | |
| Investment income | 938 | 901 |
| Interest expense | (3,922) | (2,846) |
| Other non-operating expense | (49) | (65) |
| Sale of scrap | 2 | |
| Capital contribution | 18 | |
| Amortization of bond issuance costs | (416) | (163) |
| **TOTAL NON-OPERATING REVENUE (EXPENSE) - NET** | (3,429) | (2,173) |
| **INCREASE (DECREASE) IN NET ASSETS** | 488 | 1,822 |
| **NET ASSETS, beginning of year** | 20,028 | 18,206 |
| **NET ASSETS, end of year** | $ 20,516 | $ 20,028 |

See notes to financial statements.

# CITY OF CLEVELAND, OHIO

## DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
## DIVISION OF PARKING FACILITIES
## STATEMENTS OF CASH FLOWS
**For the Years Ended December 31, 2007 and 2006**

| | *(In thousands)* 2007 | 2006 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from customers | $ 10,425 | $ 8,093 |
| Cash payments to suppliers for goods or services | (3,531) | (1,283) |
| Cash payments to employees for services | (1,232) | (1,033) |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | 5,662 | 5,777 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Proceeds from the sale of revenue bonds | | 57,512 |
| Cash paid to escrow agent for refunding | (52) | (58,710) |
| Acquisition and construction of capital assets | | (65) |
| Sale of scrap | 2 | |
| Principal paid on long-term debt | (2,795) | (2,445) |
| Interest paid on long-term debt | (3,351) | (2,419) |
| **NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES** | (6,196) | (6,127) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest received on investments | 927 | 1,058 |
| **NET CASH PROVIDED BY INVESTING ACTIVITIES** | 927 | 1,058 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 393 | 708 |
| **CASH AND CASH EQUIVALENTS, beginning of year** | 19,894 | 19,186 |
| **CASH AND CASH EQUIVALENTS, end of year** | $ 20,287 | $ 19,894 |

(Continued)

# CITY OF CLEVELAND, OHIO

## DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
## DIVISION OF PARKING FACILITIES
## STATEMENTS OF CASH FLOWS
### For the Years Ended December 31, 2007 and 2006

| | *(In thousands)* 2007 | 2006 |
|---|---|---|
| **RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | | |
| Operating Income | $ 3,917 | $ 3,995 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 1,710 | 1,726 |
| Changes in assets and liabilities: | | |
| Accounts receivable, net | 3 | (48) |
| Due from other City of Cleveland departments, divisions or funds | (77) | 11 |
| Inventory of supplies | (266) | (43) |
| Accounts payable | 256 | 107 |
| Due to other governments | 91 | (2) |
| Due to other City of Cleveland departments, divisions or funds | 16 | 8 |
| Accrued wages and benefits | 12 | 23 |
| **TOTAL ADJUSTMENTS** | 1,745 | 1,782 |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | $ 5,662 | $ 5,777 |

(Concluded)

See notes to financial statements.

**This page intentionally left blank.**

# NOTES TO FINANCIAL STATEMENTS
## For the Years Ended December 31, 2007 and 2006

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

***Reporting Model and Basis of Accounting:*** The accounting policies and financial reporting practices of the Division comply with accounting principles generally accepted in the United States of America applicable to governmental units. Beginning January 1, 2002, the Division changed its financial reporting to comply with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. In May 2004, the GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section*, which is effective for the year ended December 31, 2006. The Division has determined that GASB Statement No. 44 has no impact on its financial statements as of December 31, 2006. In June 2005, the GASB issued Statement No. 47, *Accounting for Termination Benefits*, which is effective for the year ended December 31, 2006. The Division has determined that GASB Statement No. 47 has no impact on its financial statements as of December 31, 2006. In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* which is effective for the year ended December 31, 2007. The Division has determined that GASB Statement No. 45 has no impact on its financial statements as of December 31, 2007. Effective January 1, 2007, the City implemented GASB Statement No. 48 "*Sales and Pledges of Receivables and Intra-Entity Transfers of Assets and Future Revenues*", which is effective for the year ended December 31, 2007. GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the Division; however, additional disclosure related to revenues pledged for the repayment of revenue bonds has been provided in Note B.

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

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

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

## NOTES TO FINANCIAL STATEMENTS
## For the Years Ended December 31, 2007 and 2006 (Continued)

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2007 and 2006. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2007 and 2006.

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

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

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The estimated useful lives are as follows:

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

***Compensated Absences:*** The Division accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying balance sheets. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

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

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

## NOTE B – LONG-TERM DEBT

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

| | Interest Rate | Original Issuance | 2007 | 2006 |
|---|---|---|---|---|
| | | | (In thousands) | |
| Parking Facilities Refunding Revenue Bonds | | | | |
| Series 1996, due through 2009 | 6.00% | $ 81,105 | $ 5,665 | $ 8,255 |
| Series 2006, due through 2022 | 4.00%-5.25% | 57,520 | 57,315 | 57,520 |
| | | $ 138,625 | $ 62,980 | $ 65,775 |
| Less: | | | | |
| Unamortized loss on debt refunding | | | (6,773) | (7,701) |
| Unamortized discount and premium | | | 3,557 | 3,867 |
| Current portion | | | (2,945) | (2,795) |
| Total Long-Term Debt | | | $ 56,819 | $ 59,146 |

***Summary:*** Changes in long-term obligations for the year ended December 31, 2007 are as follows:

| | Balance January 1, 2007 | Increase | Decrease | Balance December 31, 2007 | Due Within One Year |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Parking Facilities Refunding Revenue Bonds | | | | | |
| Series 1996, due through 2009 | $ 8,255 | $ - | $ (2,590) | $ 5,665 | $ 2,750 |
| Series 2006, due through 2022 | 57,520 | | (205) | 57,315 | 195 |
| Total revenue bonds | 65,775 | - | (2,795) | 62,980 | 2,945 |
| Accrued wages and benefits | 188 | 12 | | 200 | 161 |
| Total | $ 65,963 | $ 12 | $ (2,795) | $ 63,180 | $ 3,106 |

## NOTES TO FINANCIAL STATEMENTS
## For the Years Ended December 31, 2007 and 2006 (Continued)

### NOTE B – LONG-TERM DEBT (Continued)

***Summary:*** Changes in long-term obligations for the year ended December 31, 2006 are as follows:

| | Balance January 1, 2006 | Increase | Decrease | Balance December 31, 2006 | Due Within One Year |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Parking Facilities Refunding Revenue Bonds | | | | | |
| Series 1996, due through 2009 | $ 67,000 | $ - | $ (58,745) | $ 8,255 | $ 2,590 |
| Series 2006, due through 2022 | | 57,520 | | 57,520 | 205 |
| Total revenue bonds | 67,000 | 57,520 | (58,745) | 65,775 | 2,795 |
| Accrued wages and benefits | 165 | 23 | | 188 | 146 |
| Total | $ 67,165 | $ 57,543 | $ (58,745) | $ 65,963 | $ 2,941 |

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

| | Principal | Interest | Total |
|---|---|---|---|
| | | (In thousands) | |
| 2008 | $ 2,945 | $ 3,145 | $ 6,090 |
| 2009 | 3,120 | 2,972 | 6,092 |
| 2010 | 3,300 | 2,789 | 6,089 |
| 2011 | 3,425 | 2,657 | 6,082 |
| 2012 | 3,570 | 2,520 | 6,090 |
| 2013-2017 | 20,430 | 10,010 | 30,440 |
| 2018-2022 | 26,190 | 4,266 | 30,456 |
| Total | $ 62,980 | $ 28,359 | $ 91,339 |

The proceeds from the Parking Facilities Improvement Revenue Bonds Series 1992 were used to construct two new parking garages around the Gateway site and a new Willard Park Garage behind City Hall. The City's first garage on the Gateway site was completed in January 1994. The second garage was completed in August 1994. The Willard Park Garage construction was completed in April 1996.

The City has pledged the net revenues of the parking facilities, as defined in the trust indenture, as well as additional pledged revenues which consist of various non-tax revenues, to meet debt service requirements, if necessary. In 2007 and 2006, no additional pledged revenue was required to meet the debt service on the parking 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

**NOTE B – LONG-TERM DEBT (Continued)**

December 31, 2007 and 2006, the Division was in compliance with the terms and requirements of the trust indenture.

The City has pledged future revenues from certain parking facilities, net of specified operating expenses, and other operating revenues to repay $62,980,000 in various Parking Facilities Revenue Bonds issued in 1996 and 2006. Proceeds from the bonds provided financing for parking facilities operations. The bonds are payable from parking facilities net revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require the amount of net pledged revenues. The total principal and interest remaining to be paid on the various Parking Facilities Revenue Bonds is $91,339,000. Principal and interest paid for the current year and total net revenues were $6,146,000 and $5,138,000, respectively.

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 September 15, 2006 on a declining notional amount equal to the outstanding principal amount of the City's to be issued Parking Facilities Improvement Revenue Bonds, Series 2006. UBS exercised its option under the Swaption Agreement. The City determined, instead of issuing variable rate bonds, to issue the Series 2006 Bonds as fixed rate obligations and to terminate the Swaption Agreement. The City paid the swap termination fee of $4,452,000 from the proceeds of the Series 2006 Bonds and from an upfront payment of $1,606,000 made by UBS to the City in consideration for the new basis swap transaction described below.

Effective August 15, 2006, the City issued $57,520,000 of Parking Facilities Refunding Revenue Bonds, Series 2006. The bonds were issued to currently refund $56,300,000 of the outstanding Series 1996 Parking Facilities Improvement Revenue Bonds. In addition, proceeds were also used to fund a portion of a payment owed by the City upon early termination under an interest rate swaption agreement entered into in 2003. Net proceeds of $58,709,855 were placed in an irrevocable escrow account and were used to pay the principal, interest and premium on the refunding bonds. As a result, the refunding 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 Transactions***

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

## NOTE B – LONG-TERM DEBT (Continued)

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

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

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

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 of the City. An amount due by the City to UBS upon early termination of the agreement is insured by FSA up to a maximum amount of $8,000,000.

Fair Value: The fair value of the swap at December 31, 2007 and 2006 reported by UBS was $1,569,000 and $1,506,000, respectively, which would be payable by the City.

## NOTE C – RECEIVABLE FROM GATEWAY ECONOMIC DEVELOPMENT CORPORATION

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

In 2007 and 2006, net revenues generated by the two Gateway garages were less than the debt service payments attributed to those garages by $2,074,000 and $1,286,000, respectively. Cumulative debt service payments funded by the City that are due from Gateway totaled $34,098,000 and $32,024,000 at December 31, 2007 and 2006, respectively. Due to the uncertainty of collecting such amounts, allowance accounts have been recorded to offset the amounts in full.

## NOTE D – DEPOSITS AND INVESTMENTS

***Deposits:*** The carrying amount of the Division's deposits at December 31, 2007 and 2006 totaled $993,000 and $957,000, respectively, and the Division's bank balances were $975,000 and $954,000, respectively. The differences represent normal reconciling items.

Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $975,000 and $954,000 of the bank balances at December 31, 2007 and 2006, respectively, were insured or collateralized with securities held by the City or by its agent in the City's name.

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

***Investments:*** The City's investment policies are governed by state statutes and City ordinances, which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; bonds and other State obligations; certificates of deposit; U.S. Government Money Market Mutual Funds; STAROhio; guaranteed investment contracts and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Under City policy, investments are limited to repurchase agreements, U.S. Government securities, certificates of deposit, investments in certain money market mutual funds, and STAROhio. Generally, investments are recorded in segregated accounts by way of book entry through the banks' commercial or trust department and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio statutes prohibit the use of Reverse Repurchase Agreements.

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

<u>Interest rate risk</u>: As a means of limiting its exposure to fair value losses caused by rising interest rates, the Division invests primarily in short-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity. Investment maturities are disclosed in the table on the following page.

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

## NOTE D – DEPOSITS AND INVESTMENTS (Continued)

Credit Risk: Investments in STAROhio carry a rating of AAAm, which is the highest money market fund rating given by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Division has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: The Division places a limitation on the amount it may invest in any one issuer to help minimize the concentration of credit risk. The Division had the following investments at December 31, 2007 and 2006, which include those classified as cash and cash equivalents in the balance sheet in accordance with the provisions of GASB Statement No. 9 since they have a maturity of three months or less:

| Type of Investment | 2007 Fair Value | 2007 Cost | 2006 Fair Value | 2006 Cost | Investment Maturities for 2007: Less than One Year | Investment Maturities for 2007: 1 - 5 Years |
|---|---|---|---|---|---|---|
| | (In thousands) | | | | | |
| STAROhio | $ 509 | $ 509 | $ 19 | $ 19 | $ 509 | |
| Investment in Mutual Funds | 18,785 | 18,785 | 1,085 | 1,085 | 18,785 | |
| Other | | | 17,833 | 17,833 | | |
| Total Investments | 19,294 | 19,294 | 18,937 | 18,937 | 19,294 | - |
| Total Deposits | 993 | 993 | 957 | 957 | 993 | |
| Total Deposits and Investments | $ 20,287 | $ 20,287 | $ 19,894 | $ 19,894 | $ 20,287 | $ - |

These amounts are monies invested by the City Treasurer on behalf of the Division and are used in daily operations with excess monies invested daily in STAROhio and mutual funds. These investments are carried at cost which approximates market value. Amounts represented by "Other" consist of deposits into a collective pool managed by Bank of New York, as trustee.

As of December 31, 2007, the investments in mutual funds and in STAROhio are approximately 97% and 3%, respectively, of the Division's total investments. As of December 31, 2006, the investments in mutual funds and the investment pool ("Other") are approximately 6% and 94%, respectively, of the Division's total investments.

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

**NOTES TO FINANCIAL STATEMENTS**
**For the Years Ended December 31, 2007 and 2006 (Continued)**

## NOTE E – CAPITAL ASSETS

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

| | Balance January 1, 2007 | Additions | Deletions | Transfers | Balance December 31, 2007 |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 12,929 | $ | $ | $ | $ 12,929 |
| Total capital assets, not being depreciated | 12,929 | - | - | - | 12,929 |
| Capital assets, being depreciated: | | | | | |
| Land improvements | 1,256 | | | | 1,256 |
| Buildings, structures and improvements | 65,200 | | | | 65,200 |
| Furniture, fixtures, equipment and vehicles | 534 | 71 | (65) | | 540 |
| Total capital assets, being depreciated | 66,990 | 71 | (65) | - | 66,996 |
| Less: Accumulated depreciation | (20,969) | (1,762) | 65 | - | (22,666) |
| Total capital assets being depreciated, net | 46,021 | (1,691) | - | - | 44,330 |
| Capital assets, net | $ 58,950 | $ (1,691) | $ - | $ - | $ 57,259 |

## NOTE E – CAPITAL ASSETS (Continued)

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

| | Balance January 1, 2006 | Additions | Deletions | Transfers | Balance December 31, 2006 |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 12,929 | $ | $ | $ | $ 12,929 |
| Total capital assets, not being depreciated | 12,929 | - | - | - | 12,929 |
| Capital assets, being depreciated: | | | | | |
| Land improvements | 1,256 | | | | 1,256 |
| Buildings, structures and improvements | 65,200 | | | | 65,200 |
| Furniture, fixtures, equipment and vehicles | 577 | | (43) | | 534 |
| Total capital assets, being depreciated | 67,033 | - | (43) | - | 66,990 |
| Less: Accumulated depreciation | (19,285) | (1,726) | 42 | - | (20,969) |
| Total capital assets being depreciated, net | 47,748 | (1,726) | (1) | - | 46,021 |
| Capital assets, net | $ 60,677 | $ (1,726) | $ (1) | $ - | $ 58,950 |

## NOTE F – PENSION AND RETIREMENT PLANS

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

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

## NOTE F – PENSION AND RETIREMENT PLANS (Continued)

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Member contribution rates were 9.50% in 2007, 9.00% in 2006 and 8.50% in 2005, and employer contribution rates were 13.85% of covered payroll in 2007, 13.70% in 2006 and 13.55% in 2005. The Division's required employer contributions to OPERS for the pension portion of all the plans for the years ending December 31, 2007, 2006 and 2005 were approximately $75,000, $68,000 and $83,000 each year, respectively. The required payments due in 2007, 2006 and 2005 have been made.

## NOTE G – OTHER POST-EMPLOYMENT BENEFITS

***Ohio Public Employees Retirement System***: Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

## NOTE G – OTHER POST-EMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code provides statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members, The Division's contribution rate was 13.85% of covered payroll in 2007, 13.70% of covered payroll in 2006 and 13.55% of covered payroll in 2005. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll. Active members do not make contributions to the OPEB Plan. OPERS' Post Employment Health Care Plan was established under, and is administrated in accordance with Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2007, the employer contribution allocated to the health care plan from January 1 through June 30, 2007 and July 1 through December 31, 2007 was 5% and 6% of covered payroll, respectively. In 2006, 4.50% of covered payroll was used to fund health care and 4.00% of covered payroll in 2005. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or the surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Division's actual contributions for 2007 which were to fund post-employment benefits were approximately $50,000.

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

## NOTE H – RELATED PARTY TRANSACTIONS

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

| | 2007 | 2006 |
|---|---|---|
| | (In thousands) | |
| Division of Convention Center | $ 227 | $ 99 |
| Department of Community Development | 93 | 86 |

## NOTES TO FINANCIAL STATEMENTS
## For the Years Ended December 31, 2007 and 2006 (Continued)

### NOTE H – RELATED PARTY TRANSACTIONS (Continued)

***Operating Expenses:*** The Division is provided various services by other City divisions. Charges are based on actual usage or on a reasonable pro rata basis. The more significant expenses included in the statements of operations for the years ended December 31, 2007 and 2006 are as follows:

| | 2007 | 2006 |
|---|---|---|
| | (In thousands) | |
| Parks Maintenance | $ 80 | $ 61 |
| Motor Vehicle Maintenance | 23 | 19 |
| Cleveland Public Power | 162 | 152 |
| Maintenance | 6 | 15 |
| Telephone | 25 | 17 |

### NOTE I – CONTINGENT LIABILITIES AND RISK MANAGEMENT

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

***Risk Management:*** The Division is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2007 or 2006.

The City provides the choice of four separate health insurance plans for its employees. These plans are provided by two different insurers through commercial insurance. Operating funds are charged a monthly rate per employee, by type of coverage. The City participates in the State of Ohio workers' compensation retrospective rating program.

In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims liability for the Division is immaterial.

## NOTE J – LEASES

The Division leases the land for various parking facilities to management companies under non-cancelable lease agreements, which expire at various times through the year 2056. Revenues generated from such leases totaled $180,000 in 2007 and 2006. Future minimum rentals on non-cancelable leases are as follows:

| | (In thousands) |
|---|---|
| 2008 | $ 180 |
| 2009 | 180 |
| 2010 | 180 |
| 2011 | 180 |
| 2012 | 180 |
| Thereafter | 5,640 |
| | $ 6,540 |

Mary Taylor, CPA
Auditor of State

**CITY OF CLEVELAND**
**DIVISION OF PARKING FACILITIES**

**CUYAHOGA COUNTY**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**JULY 15, 2008**

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us