

CITY OF CLEVELAND, OHIO



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

**REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 1999 and 1998**

PricewaterhouseCoopers LLP
1500 One Cleveland Center
1375 East Ninth Street
Cleveland OH 44114-1700
Telephone (216) 875 3000
Facsimile (216) 575 0170

REPORT OF INDEPENDENT ACCOUNTANTS

The Honorable Michael R. White, Mayor
and Members of Council
City of Cleveland, Ohio

In our opinion, the accompanying balance sheets and the related statements of operations, changes in equity, and of cash flows present fairly, in all material respects, the financial position of The City of Cleveland, Department of Parks, Recreation and Properties – Division of Parking Facilities, as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the City's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

PricewaterhouseCoopers LLP

July 27, 2000

CITY OF CLEVELAND
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES
BALANCE SHEETS
December 31, 1999 and 1998

	<i>(in thousands of dollars)</i>	
	December 31,	
	1999	1998
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,030	\$ 1,753
Accounts receivable-net of allowance for doubtful accounts of \$14,679 in 1999 and \$12,064 in 1998	252	169
Due from other City of Cleveland departments, divisions or funds	494	88
Inventory of supplies, at cost	45	45
TOTAL CURRENT ASSETS	2,821	2,055
UNAMORTIZED BOND ISSUANCE EXPENSE	1,307	1,400
RESTRICTED ASSETS		
Cash and cash equivalents	3,269	10,332
Investments at market	12,130	5,359
Accrued interest receivable	248	196
TOTAL RESTRICTED ASSETS	15,647	15,887
PROPERTY, PLANT AND EQUIPMENT		
Land	12,929	12,929
Land Improvements	1,264	1,264
Buildings, structures and improvements	65,200	65,200
Furniture, fixtures and equipment	694	694
	80,087	80,087
Less: accumulated depreciation	9,375	7,675
PROPERTY, PLANT AND EQUIPMENT, NET	70,712	72,412
TOTAL ASSETS	\$ 90,487	\$ 91,754

		<i>(in thousands of dollars)</i>	
		December 31,	
		1999	1998
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Current portion of long-term debt		\$ 1,795	\$ 1,715
Accounts payable		34	-
Accrued property taxes		189	190
Due to other City of Cleveland departments, divisions or funds		2	17
Accrued interest payable		1,276	1,298
Accrued wages and benefits		147	131
	TOTAL CURRENT LIABILITIES	<u>3,443</u>	<u>3,351</u>
PAYABLE FROM RESTRICTED ASSETS		16	254
LONG TERM DEBT		<u>68,753</u>	<u>70,005</u>
	TOTAL LIABILITIES	72,212	73,610
EQUITY			
Contributed capital		21,079	21,079
Retained deficit		(2,804)	(2,935)
	TOTAL EQUITY	<u>18,275</u>	<u>18,144</u>
	TOTAL LIABILITIES AND EQUITY	<u>\$ 90,487</u>	<u>\$ 91,754</u>

See notes to financial statements.

CITY OF CLEVELAND
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES
STATEMENTS OF OPERATIONS
For the Years Ended December 31, 1999 and 1998

	<i>(in thousands of dollars)</i>	
	For the	
	Years Ended December 31,	
	1999	1998
OPERATING REVENUES	\$ 7,529	\$ 7,254
OPERATING EXPENSES		
Operations	1,677	1,790
Maintenance	45	53
Depreciation	1,700	1,709
TOTAL OPERATING EXPENSES	<u>3,422</u>	<u>3,552</u>
OPERATING PROFIT	4,107	3,702
OTHER INCOME (EXPENSE)		
Interest income	1,089	984
Interest expense	(4,972)	(4,998)
Amortization of bond issuance costs	(93)	(93)
NET INCOME (LOSS)	<u>\$ 131</u>	<u>\$ (405)</u>

See notes to financial statements.

CITY OF CLEVELAND
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 1999 and 1998

	<i>(in thousands of dollars)</i>		
	Contributed Capital	Retained Earnings	Total
BALANCE AT DECEMBER 31, 1997	\$ 21,079	\$ (2,530)	\$ 18,549
Net loss	-	(405)	(405)
BALANCE AT DECEMBER 31, 1998	21,079	(2,935)	18,144
Net income	-	131	131
BALANCE AT DECEMBER 31, 1999	<u>\$ 21,079</u>	<u>\$ (2,804)</u>	<u>\$ 18,275</u>

See notes to financial statements.

CITY OF CLEVELAND
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 1999 and 1998

	<i>(in thousands of dollars)</i>	
	For the	
	Years Ended December 31,	
	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 7,040	\$ 7,350
Cash payments to suppliers for goods or services	(1,096)	(1,092)
Cash payments to employees for services	(592)	(638)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,352	5,620
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment for acquisition and construction of capital assets	(238)	(97)
Principal paid on long-term debt	(1,715)	(100)
Interest paid on long-term debt	(4,451)	(4,455)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(6,404)	(4,652)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(15,436)	(5,477)
Proceeds from sale and maturity of investment securities	8,665	4,493
Interest received on investments	1,037	994
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(5,734)	10
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,786)	978
Cash and cash equivalents, beginning of year	12,085	11,107
Cash and cash equivalents, end of year	\$ 5,299	\$ 12,085

(in thousands of dollars)
 For the
 Years Ended December 31,
 1999 1998

**RECONCILIATION OF OPERATING PROFIT TO
 NET CASH PROVIDED BY OPERATING ACTIVITIES**

OPERATING PROFIT	\$	4,107	\$	3,702
Adjustments to reconcile operating profit to net cash provided by operating activities:				
Depreciation		1,700		1,709
Change in assets and liabilities:				
Accounts receivable, net		(83)		96
Due from other City of Cleveland departments, divisions or funds		(406)		-
Accounts payable		34		(25)
Accrued property taxes		(1)		138
Due to other City of Cleveland departments, divisions or funds		(15)		(22)
Accrued wages and benefits		16		22
TOTAL ADJUSTMENTS		<u>1,245</u>		<u>1,918</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	5,352	\$	5,620

See notes to financial statements.

CITY OF CLEVELAND
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Revenues: 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. Parking rates are authorized by City Council. Parking fees are collected on a daily basis or monthly basis at certain locations.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by the Governmental Accounting Standards Board ("GASB") Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". In a statement of cash flows, cash receipts and cash payments are classified according to operating, non-capital financing, capital and related financing, and investing 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: Effective January 1, 1998, the Division adopted 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.

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 loan agreement.

Property, Plant and Equipment: Property, plant and equipment is stated on the basis of cost. Maintenance and repair costs are charged to expense as incurred. Depreciation is provided on the straight-line method over the estimated useful lives of the related assets, which range from 5 to 40 years.

Bond Issuance Expense and Discount and Unamortized Loss on Debt Refunding: Bond issuance expense is carried on the Division's books as an asset and unamortized bond discounts are netted against long-term debt. Both are amortized over the lives of the applicable bonds. Unamortized loss on debt refunding is netted against long-term debt and is amortized over the lives of the refunded bonds.

Contributed Capital: Contributed capital represents contributions of land, buildings and equipment from the City of Cleveland which are not subject to mandatory repayment. All contributions received are credited directly to contributed capital.

CITY OF CLEVELAND
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES
NOTES TO FINANCIAL STATEMENTS - Continued
December 31, 1999 and 1998

NOTE B—LONG-TERM DEBT

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

	<u>Interest Rate</u>	<u>Outstanding Principal Amount</u>	
		1999	1998
		<i>(in thousands of dollars)</i>	
Parking Facility Improvement Revenue Bonds due through 2022	4.45-6.00%	\$ 79,190	\$ 80,905
Less:			
Unamortized advance debt refunding		(7,597)	(8,135)
Unamortized discount		(1,045)	(1,050)
Current portion		(1,795)	(1,715)
Total Long-Term Debt		<u>\$ 68,753</u>	<u>\$ 70,005</u>

Future minimum principal and interest payments on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<i>(in thousands of dollars)</i>		
2000	\$ 1,795	\$ 4,375	\$ 6,170
2001	1,875	4,294	6,169
2002	1,965	4,207	6,172
2003	2,075	4,104	6,179
2004	2,175	3,995	6,170
Thereafter	69,305	41,801	111,106
	<u>\$ 79,190</u>	<u>\$ 62,776</u>	<u>\$141,966</u>

The proceeds from the Parking Facility 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 the additional pledged revenues which consist of General Fund parking meter and other non-tax revenues, to meet debt service requirements, if necessary. In 1999 and 1998, 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 December 31, 1999, the Division was in compliance with the terms and requirements of the trust indenture.

CITY OF CLEVELAND
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES
NOTES TO FINANCIAL STATEMENTS - Continued
December 31, 1999 and 1998

NOTE B—LONG-TERM DEBT—Continued

Defeasance of Parking Facility Improvement Revenue Bonds: In 1996 the Division defeased 1992 Parking Facility Revenue Bonds by placing the proceeds of 1996 Parking Facility Revenue Bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements. The aggregate amount of this defeased debt at December 31, 1999 is \$66,380.

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 1999 and 1998, net revenues generated by the two Gateway garages were less than the debt service payments attributed to those garages by \$2,573,000 and \$1,451,000, respectively. Cumulative debt service payments funded by the City that are due from the Gateway totaled \$14,679,000 and \$12,106,000 at December 31, 1999 and 1998, respectively. Due to the uncertainty of collecting such amounts, an allowance has been recorded to offset the amounts in full.

NOTE D—DEPOSITS AND INVESTMENTS

Deposits: The Division's carrying amount of deposits at year-end totaled \$6,077,000. The Division's bank balance was \$6,206,000. Based on the criteria described in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements," \$25,000 of the bank balance was insured or collateralized with securities held by the City or by its agent in the City's name. The remaining balance of \$6,181,000 was uninsured and uncollateralized and was invested in a bank investment contract (BIC). This BIC is secured by securities held by the pledging financial institution's trust department but not in the City's name.

CITY OF CLEVELAND
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES
NOTES TO FINANCIAL STATEMENTS - Continued
December 31, 1999 and 1998

NOTE D—DEPOSITS AND INVESTMENTS—Continued

Investments: GASB Statement No. 3 required the Division to Categorize its investments into one of three categories: Category 1 includes Insured or Registered, or Securities Held by the City or its Agent in the City's Name; Category 2 includes Uninsured and Unregistered, with Securities Held by the Counter party's Trust Department or Agent in the City's Name; Category 3 includes Uninsured and Unregistered, with Securities Held by the Counter party, or its Trust Department or Agent but not in the City's Name. The Division's investments at December 31, 1999 are as follows:

Type of Investment	Category	Market Value	Cost
		<i>(in thousands of dollars)</i>	
U.S. Treasury Bills	2	\$ 9,161	\$ 9,063
State Treasurer Asset Reserve Fund (Star Ohio)	n/a	2,154	2,154
Mutual Funds	n/a	37	37
Total Investments		11,352	11,254
Total Deposits		6,077	6,077
Total Deposits and Investments		\$ 17,429	\$ 17,331

Certain investments included above are classified as cash and cash equivalents in the accompanying balance sheets since they have a maturity of three months or less.

Star Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. Star Ohio investments and investments in mutual funds are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 3.

NOTE E—EMPLOYEE'S RETIREMENT PLAN

The City utilizes Governmental Accounting Standards Board GASB Statement No. 27 "Accounting for Pensions of State and Local Government Employees," which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets and note disclosures in the financial reports of state and local government employers.

CITY OF CLEVELAND
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES
NOTES TO FINANCIAL STATEMENTS - Continued
December 31, 1999 and 1998

NOTE E—EMPLOYEE'S RETIREMENT PLAN—Continued

The Division contributes to a cost-sharing multiple-employer defined plan, Public Employees Retirement System of Ohio (PERS). The plan provides retirement, disability, health care coverage, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085.

The funding policy for the above plan is as follows:

The Ohio Revised Code provides statutory authority for employee and employer contributions. During 1999, PERS employees contributed 8.5% of their salary to the plan and the Division contributed 13.55% of covered payrolls to the plan, of which 4.20% was applied towards the health care program for retirants. The required employer contributions to PERS for the years ending December 31, 1999 and 1998 were approximately \$70,000 for both years, equal to 100% of the required employer contributions for each year.

NOTE F—OTHER POST EMPLOYMENT BENEFITS

The Division provides post-employment health care benefits, defined by GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Government Employers," through its contribution to the PERS.

PERS provides post-retirement health care coverage to service retirants with 10 years or more of qualifying Ohio service credit. The post-retirement health care benefits cover disability recipients and primary survivor recipients. A portion of the Division's contribution to PERS funds post-retirement health care coverage. During 1999, the Division's portion that was used to fund health care was 4.20% of covered payroll. Post-retirement health care benefits are established by state statute.

The post-retirement health care coverage is financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. Expenditures for post-employment health care benefits during 1999 for PERS as a whole were approximately \$524 million. As of December 31, 1999, the unaudited estimated net assets available for future post-employment health care benefit payments for PERS as a whole were approximately \$9.8 billion. The number of benefit recipients eligible for post-employment health care benefits at December 31, 1999 for PERS as a whole was 118,062.

CITY OF CLEVELAND
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES
NOTES TO FINANCIAL STATEMENTS - Continued
December 31, 1999 and 1998

NOTE G—DEFERRED COMPENSATION

Eligible employees of the City of Cleveland may elect to participate in the Ohio Public Employees Deferred Compensation Program created in accordance with Internal Revenue Code Section 457. The program allows employees to defer up to 33.3% of their annual salary not to exceed \$8,000 per year until a future date, usually after retirement. The deferred wages and any earned income are not subject to Federal or State income taxes until actually received by the employee.

Effective September 1, 1998, the Ohio Public Employees Deferred Compensation Program board implemented a trust to hold the assets of the program in accordance with Internal Revenue Code Section 457. The program assets are now property of the trust, which holds the assets on behalf of the participants. Therefore, in accordance with GASB 32 "Accounting and Financial Reporting for Internal Revenue Service Code Section 457 Deferred Compensation Plans", the assets of this program are no longer reported in an agency fund of the City.

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 of Cleveland.

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:

	1999	1998
	<i>(in thousands of dollars)</i>	
Division of Convention Center	\$298	\$149
Department of Community Development	325	410
Municipal Court	20	22

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, 1999 and 1998 are as follows:

	1999	1998
	<i>(in thousands of dollars)</i>	
Parks maintenance	\$113	\$131
Motor vehicle maintenance	12	31

CITY OF CLEVELAND
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES
NOTES TO FINANCIAL STATEMENTS - Continued
December 31, 1999 and 1998

NOTE I—COMMITMENTS AND CONTINGENT LIABILITIES

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

NOTE J—LEASES

The Division leases the land for various parking facilities to managing companies under non-cancelable lease agreements, which expire at various times through the year 2056. Revenues generated from such leases totaled \$180,000 in 1999 and 1998. Future minimum rentals on non-cancelable leases are as follows:

2000	\$ 180,000
2001	180,000
2002	180,000
2003	180,000
2004	180,000
Thereafter	<u>7,080,000</u>
	<u>\$7,980,000</u>