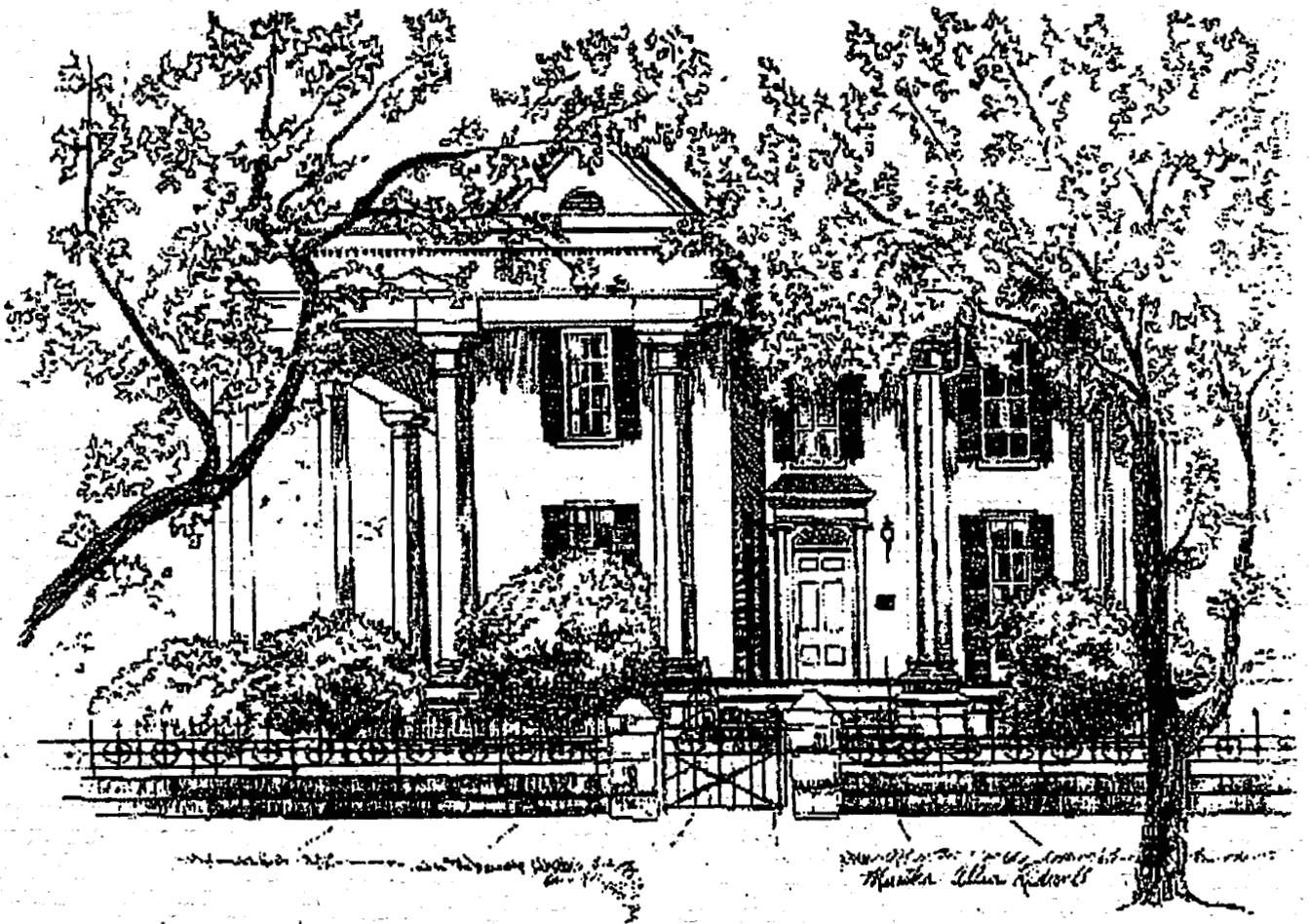


Comprehensive Annual Financial Report City of Cleveland, Tennessee



**For the Year Ended
June 30, 2006**

CITY OF CLEVELAND, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2006

Prepared by:
Department of Finance

CITY OF CLEVELAND, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2006

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City of Cleveland

CLEVELAND, TENNESSEE



Janice S. Casteel
Director of Finance
and Administration / City Clerk
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December 15, 2006

Honorable Mayor,
Members of the City Council and
Citizens of the City of Cleveland, Tennessee

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audit in accordance with generally accepted auditing standards by a firm licensed certified public accountant. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Cleveland for the fiscal year ended June 30, 2006.

This report consists of management's representations concerning the finances of the City of Cleveland. 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 of Cleveland 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 of Cleveland's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Cleveland's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Cleveland's financial statements have been audited by Arnett, Kirksey, Kimsey, Sullivan, Lay, and Lusk, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Cleveland, for the fiscal year ended June 30, 2006, 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 independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Cleveland's financial statements, for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Cleveland 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 City of Cleveland'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 located in the Single Audit Section at the end of this Comprehensive Annual Financial Report.

GAAP require 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 of Cleveland's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY OF CLEVELAND

The City of Cleveland, incorporated in 1903, is located in the southeastern corner of the state. Cleveland has a highly diversified economy, having the sixth largest number of manufacturing companies of any community in the state, and being a regional shopping destination and health care provider for surrounding counties. Its proximity to the mountains, whitewater rafting, and Cherokee Indian heritage is increasing the tourism component of the economy.

The City of Cleveland operates under the council-manager form of government, established by an amended Private Act Charter in 1993, following a referendum. Five council-members are elected from districts, and the mayor and two council members are elected at large. All elections are non-partisan, and the terms are for four years, with half the members elected every two years. Policy-making and legislative authority are vested in the council. The council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, hiring the city manager, and appointing the city attorney and city judge. The city manager is responsible for carrying out the policies and ordinances of the city council, for overseeing the city's day-to-day operations, and for appointing the heads of the various departments.

The city provides a full range of services which include police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events. In addition to general government activities, the governing body exercises, or has the authority to exercise,

oversight of the Utilities Department and the Cleveland City Schools; therefore, these activities are included in the financial statements. However, the Cleveland Housing Authority, the Bradley/Cleveland Industrial Development Board and the Health and Educational Facilities Board have not met the established criteria for inclusion; and, accordingly, are excluded from this report.

The annual budget serves as the foundation for the City of Cleveland's financial planning and control. All departments of the city are required to submit capital requests to the city manager by February 1st and operating budget requests to the finance director by March 1st each year. The city manager and finance director make revenue estimates for the upcoming fiscal year. A budget work session is held in mid April, at which time department heads and the city manager make presentations to the council. The finance director and city manager present projections for the current fiscal year's budget and the preliminary operating budget for council review. In addition, the city manager presents the council with his recommendation for a six-year capital improvements program based upon the fall planning session held by the city council, city manager, and department heads. After much review and debate among the council, the budget is revised to include any recommendations of the city council. A proposed budget is submitted to the city council by June 1st. The council is required to hold public hearings on the proposed budget and to adopt a final budget and tax rate by June 30th each year, which is the close of the city's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Departmental budget officers, with approval of the department head and finance director, may make transfers of appropriations within a department. Transfers of appropriations between funds, however, require approval of the city council. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 22-44 as part of the basic financial statements for the governmental funds. The school fund comparison is presented on pages 45-54. For nonmajor governmental funds, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 80.

Factors Affecting Financial Condition

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 of Cleveland operates.

Local economy. The economic growth of the City of Cleveland has continued to increase, primarily due to its commercial and industrial diversification. The City of Cleveland and parts of Bradley County were declared an Urbanized Area in FY2002, which makes the city eligible for transportation, planning, and construction monies through the Metropolitan Planning Organization (MPO) process. The city was declared a Metropolitan Statistical Area in July 2004 which made Cleveland eligible for other federal funds, such as Community Development Block Grants. This designation helps economic development activities by increasing the appeal of Cleveland to national

franchise companies. Certain federal reimbursements have increased in the health industry and to individuals.

Several local manufacturers have started or continued expansion projects during FY2006. Among those are construction of a \$1 million facility for International Paper, \$882,000 building for Lynnc Properties, and \$535,187 expansion for Manufacturer Chemicals. Three major commercial projects were permitted in FY2006 including the \$1.25 million dollar Easy Auto Headquarters, \$1.2 million dollar Tennessee Valley Credit Union building, and the \$1.2 million dollar Horizon Travel Center. EMJ Corporation completed construction of Peerless Medical Center estimated at \$6.6 million. The \$4.8 million dollar renovation of Arnold Memorial Elementary School was recently completed and construction of the city's \$6 million dollar Police Service Center will be completed by the end of the year.

New restaurants opened or under construction in the community include Starbucks, Moe's Grill, Subway, Firehouse Subs, and a new Pizza Hut and Dairy Queen Grill & Chill at Exit 20.

Long-term financial planning. In October 2005, the city council approved \$25.5 million dollars in variable rate notes for the City of Cleveland and Cleveland Utilities. The \$18.5 million in city projects includes the new police service center, new Freewill Road Fire Station, public works projects and equipment, partial funding of the new Mayfield Elementary, Phase I of the Arnold Elementary renovations, HVAC and roof replacements for various schools, buses and other school equipment. Cleveland Utilities' \$7 million will fund projects for their water, wastewater, and electric divisions. Water projects planned include upgrade to Hiwassee River intake station. Wastewater projects include equalization basin construction, Clearwater interceptor upgrade, and annexation projects. Electric projects include continued expansion of South Cleveland substation and construction of Fletcher substation.

The city council held a long-range planning session in October. Future projects identified by the city council as priorities include: construction of the Woolen Mill Branch Detention Pond, construction of a new airport, expansion of the Cleveland Public Library, development of a contingency plan for loss of income, new public works building, CALEA accreditation for the Cleveland Police Department, and identification of alternate revenue sources for the city.

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposit and the State Treasurer's investment pool. The city bids its banking services and is able to negotiate a higher interest rate on its checking account which allows unrestricted use of city funds while earning a higher yield.

Risk management. A safety committee was formed on the recommendation of the Tennessee Municipal League, and a part-time safety director was hired in FY2005. The safety committee consists of employees from each department and will focus on safety and liability issues citywide. The city has held employee accident prevention training

classes. Third-party coverage is currently maintained for individual worker's compensation claims and general liability claims.

Pension and other postemployment benefits. The City of Cleveland sponsors a multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS) for its employees. The city is required to contribute at an actuarially determined rate. The contribution requirement of plan members is set by state statute. The contribution requirement for Cleveland is established and may be amended by the TCRS Board of Trustees.

Employees of the Cleveland Utilities Electric Division hired prior to October 15, 1993 participate in a cost-sharing multiple-employer pension plan administered by the Central Service Association (the "CSA Plan"). Their participants are not required to contribute to the plan.

The Cleveland City Schools contribute to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEPP), a cost-sharing multiple employer defined benefit pension plan administered by the TCRS. Most teachers are required by state statute to contribute 5 percent of their salary to the plan.

The City of Cleveland also provides postretirement health and dental care benefits for certain retirees. These benefits are financed on a pay-as-you-go basis. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the City of Cleveland's pension arrangements and postemployment benefits can be found on pages 74-78 in Notes 17 and 18 in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cleveland for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. This was the eighteenth consecutive year that the city has received this prestigious award. In order to be awarded a Certificate of Achievement, the city published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

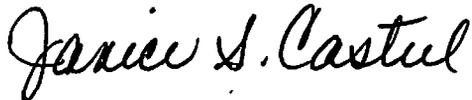
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the city also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the last eight fiscal years, Fiscal Years beginning in Fiscal Year 1999. In order to qualify for the Distinguished Budget Presentation Award,

the city's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this CAFR on a timely basis was made possible by the dedicated service of the city's budget officers, department heads, and the employees of the administration and finance department. Credit must also be given to the mayor and city council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Cleveland's finances.

Respectfully submitted,



Janice S. Casteel
Director of Finance & Administration/City Clerk



Joe Cate
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cleveland
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OFFICIALS
June 30, 2006**

**Tom Rowland
Mayor**

**Richard Banks
Rod Davis
Bambi Hines
Avery Johnson, Sr.
David May, Jr.
George Poe, Jr.
Bill Robertson**

**Councilman
Councilman
Councilwoman
Councilman/Vice Mayor
Councilman
Councilman
Councilman**

Joe Cate

City Manager

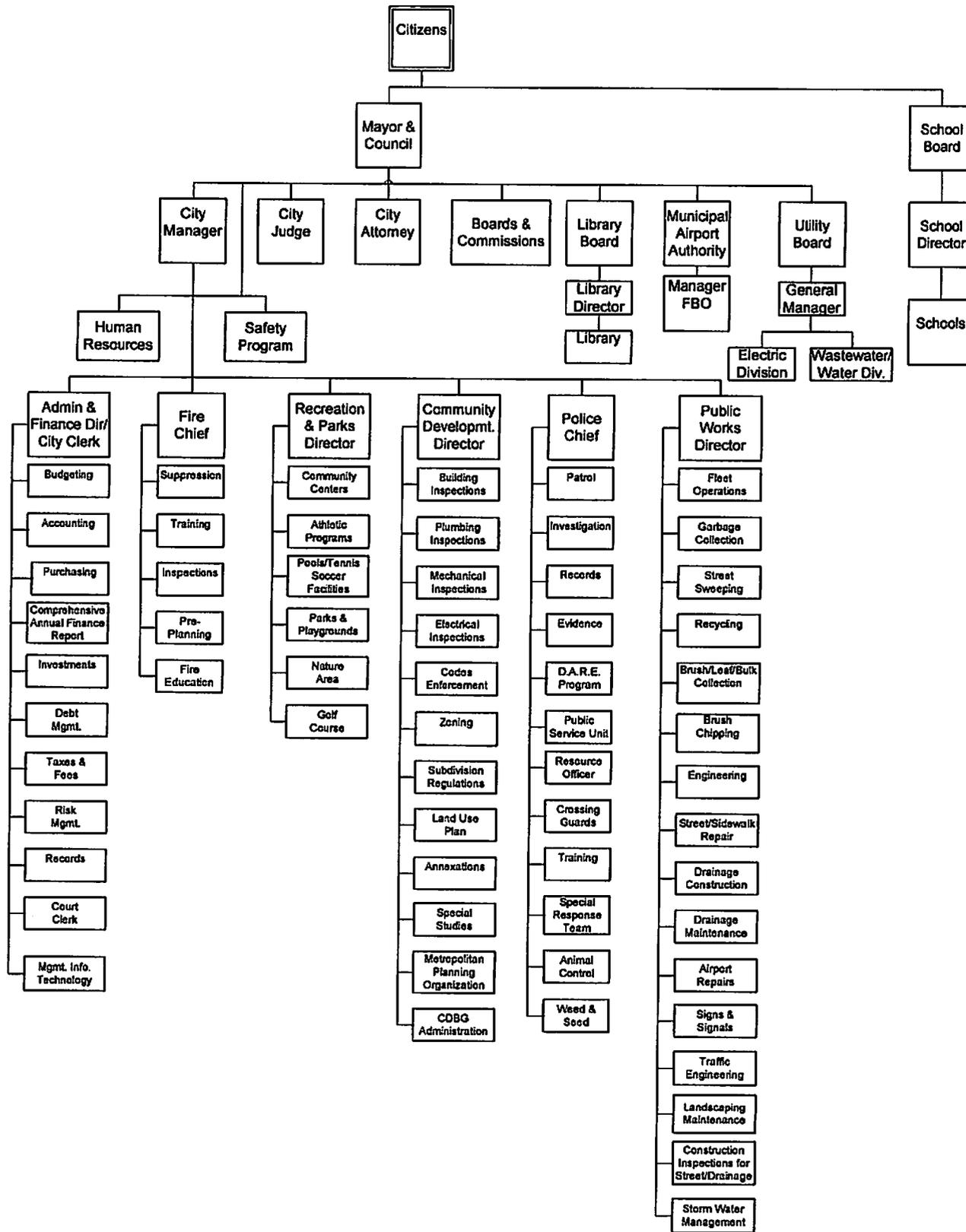
Department Heads

**Chuck Atchley
Janice S. Casteel
Rick Denning
Tom Grant
Andrew Hunt
Bill B. Moss
L. Harlen Painter
Patti Pettit
Wesley Benard Snyder, Jr.
Greg Thomas
Tom Wheeler**

**Fire Chief
Director of Finance and Administration/City Clerk
School Superintendent
Director of Public Works
Library Director
City Judge
City Attorney
Parks and Recreation Director
Police Chief
Planning and Inspection
Manager, Cleveland Utilities**

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Organizational Chart for the City of Cleveland, Tennessee



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ARNETT, KIRKSEY, KIMSEY, SULLIVAN, LAY & LUSK, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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WILLIAM B. KIRKSEY, CPA
BUDDY E. KIMSEY, CPA
VICKI PIERCE SULLIVAN, CPA
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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
NATIONAL ASSOCIATION OF
CERTIFIED VALUATION ANALYSTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Council
of the City of Cleveland
Cleveland, Tennessee

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, Tennessee, as of and for the year ended June 30, 2006, 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 of Cleveland, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit.

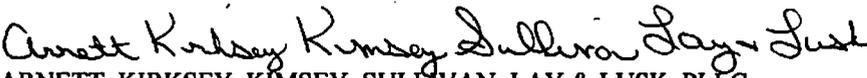
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and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

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, Tennessee, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and School Fund, for the year 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 December 6, 2006, on our consideration of the City of Cleveland's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Schedule of Funding Progress-Retirement Plans, and management's discussion and analysis on page 79 and pages 3 through 15 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Cleveland's basic financial statements. The accompanying schedule of federal and state financial assistance activity is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. In addition, the introductory section, the combining and individual nonmajor fund financial statements and schedules, the statistical section and the other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of federal and state financial assistance activity, the combining and individual nonmajor fund financial statements and schedules, and the other information section have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


ARNETT, KIRKSEY, KIMSEY, SULLIVAN, LAY & LUSK, PLLC
Certified Public Accountants

December 6, 2006

Management's Discussion and Analysis

As management of the City of Cleveland, we offer readers of the city's financial statements this narrative overview and analysis of the financial activities of the City of Cleveland for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in pages i-vi of this report.

Financial Highlights

- The assets of the City of Cleveland exceeded its liabilities at June 30, 2006 by \$180,347,144 (net assets). Of this amount, \$39,302,175 (unrestricted net assets) may be used to meet the city's ongoing obligations to citizens and creditors.
- Net assets (defined as the difference in revenues and expenses) increased by \$5,740,645, an increase of 3.3% over FY2005. The City of Cleveland's changes in net assets is detailed in the chart on page six of this report. Total revenues increased \$16,649,063 which included an additional \$11,298,278 in charges for services, \$1,916,527 in operational grants and contributions, and \$3,434,258 in other revenues. Expenses increased \$15,441,472 over last fiscal year with the largest increases in funding (\$9,010,153) in the electric division of Cleveland Utilities for the purchase of power, (\$2,019,877) for education, and (\$1,483,024) for the water and sewer division of Cleveland Utilities. Other significant increases included (\$970,604) in public safety and (\$836,136) for public works.
- The city's property tax rate remained at \$1.65 per hundred dollars of assessment; however, the state's certified tax rate due to reappraisal was \$1.56. The nine cent tax increase was necessary to fund the debt service payments for \$18.5 million in bonds which included \$10 million for a new Mayfield Elementary school, renovations to Arnold Elementary, and other school improvements; \$6 million for the new police service center; and \$2.5 million for other city projects.
- The city's residential sanitation fee remained constant at \$6 per month.
- The city and county entered into a new fire contract in which the county agreed to pay \$1,650,000 for fire suppression service for the fringe area.
- As of the close of the current fiscal year, the City of Cleveland's governmental funds reported combined ending fund balances of \$21,468,291. Only 4.6% is reserved for specific purposes, and the remaining 95.4%, or \$20,473,696, is available for spending at the city's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$7,861,168, or 35.3% of total general fund expenditures. Expenditures do not include transfers to other funds, which totaled \$14,155,908 in the city's general fund.
- Long-term debt was increased with the addition of a new issue of \$25.5 million during fiscal year 2006, of which \$18.5 million was issued for the city as discussed above, \$4.5 million was issued for the water division of Cleveland Utilities and \$2.5 million for its electric division.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction of the City of Cleveland's basic financial statements. The City of Cleveland's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* presents information on all of the City of Cleveland'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 of Cleveland is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal 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 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 of Cleveland 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 of Cleveland include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Cleveland include Cleveland Utilities Electric and Water Systems and Brush Chipping.

The government-wide financial statements include not only the City of Cleveland itself (which is the primary government), but also the operations of the Cleveland City Schools, Cleveland Public Library, and Cleveland Municipal Airport Authority which are not considered legally separate. However, the Cleveland Housing Authority, the Bradley/Cleveland Industrial Development Board, and the Health and Educational Facilities Board are not legal entities of the City of Cleveland, and accordingly are excluded from this report.

The government-wide financial statements can be found on pages 16-17 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 of Cleveland, 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 of Cleveland can be divided into two categories: governmental funds and proprietary 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 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 government's near-term financing decisions. Both the governmental fund balance sheet and 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 of Cleveland maintains twenty-eight 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 and school fund, which are considered to be major funds. Data from the other twenty-six 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 later in this report beginning on page 80.

The City of Cleveland adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major governmental funds including the general fund and school fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-54 of this report.

Proprietary funds. The City of Cleveland maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Cleveland uses enterprise funds to account for its Cleveland Utilities Electric and Water operations and the Brush Chipping operation. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Cleveland's various functions. The City of Cleveland uses an internal service fund to account for its fleet of vehicles. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Cleveland Utilities Electric and Water operations, both of which are considered to be major funds of the City of Cleveland, and the Brush Chipping fund. Individual fund data for the Brush Chipping Fund is located on page 117. Since there is only one internal service fund, it is presented in the proprietary fund financial statement and additional data is located on pages 118-119.

The basic proprietary fund financial statements can be found on pages 55-58 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 59-78 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Cleveland's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 79 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 80-116 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Cleveland, assets exceeded liabilities by \$180,347,144 at the close of this fiscal year.

The largest portion of the City of Cleveland's net assets (78 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any debt used to acquire those assets that is still outstanding. The City of Cleveland uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Cleveland's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Cleveland's Net Assets

	Governmental Activities		Business-type Activities		Total	
	FY2006	FY2005	FY2006	FY2005	FY2006	FY2005
Current assets	\$47,587,971	\$41,241,883	\$30,793,623	\$25,147,280	\$78,381,594	\$66,389,163
Receivables and other noncurrent assets	0	0	506,052	517,646	506,052	517,646
Deferred Charges	89,853	94,845	351,998	331,205	441,851	426,050
Capital assets	101,439,320	96,031,926	141,123,260	136,488,989	242,562,580	232,520,915
Total assets	149,117,144	137,368,654	172,774,933	162,485,120	321,892,077	299,853,774
Long-term liabilities outstanding	52,038,508	43,617,168	46,704,719	42,416,150	98,743,227	86,033,318
Other liabilities	25,729,632	24,600,127	17,072,074	14,613,830	42,801,706	39,213,957
Total liabilities	77,768,140	68,217,295	63,776,793	57,029,980	141,544,933	125,247,275
Net assets:						
Invested in capital assets, net of related debt	48,522,525	51,571,926	92,062,798	92,033,295	140,585,323	143,605,221
Restricted	459,646	459,646	0	0	459,646	459,646
Unrestricted	22,366,833	17,119,787	16,935,342	13,421,845	39,302,175	30,541,632
Total net assets	\$71,349,004	\$69,151,359	\$108,998,140	\$105,455,140	\$180,347,144	\$174,606,499

Less than one percent of the City of Cleveland's net assets represents resources that are subject to external restrictions on how they may be used. The remaining \$39,302,175 in unrestricted net assets may be used to meet the government's ongoing obligations to its citizens and creditors.

At June 30, 2006, the City of Cleveland is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental activities. Governmental activities increased the City of Cleveland's net assets by \$2,197,645, which accounts for 38 percent of the total growth in the net assets of the City of Cleveland. Key elements of this increase are as follows:

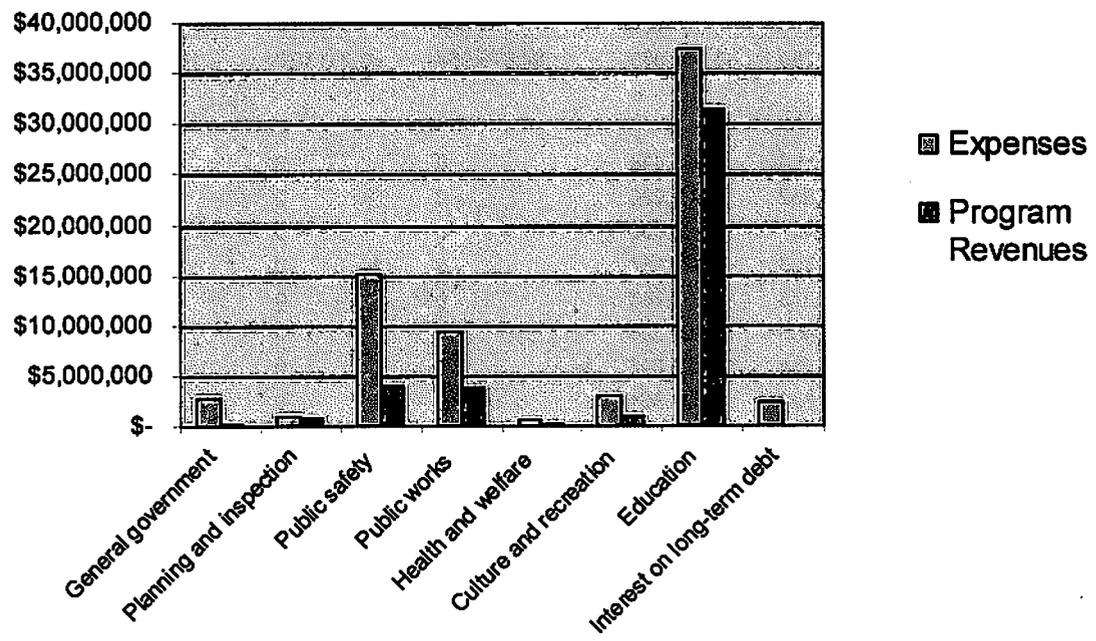
City of Cleveland's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	FY2006	FY2005	FY2006	FY2005	FY2006	FY2005
Revenues:						
Program revenues:						
Charges for services	\$8,200,575	\$7,706,701	\$92,986,777	\$82,182,373	\$101,187,352	\$89,889,074
Operating grants and contributions	31,417,297	29,500,770	0	0	31,417,297	29,500,770
Capital grants and contributions	1,770,080	2,342,151	1,121,813	708,439	2,891,893	3,050,590
General revenues:						
Property taxes	14,798,767	12,987,076	0	0	14,798,767	12,987,076
Other taxes	14,442,910	13,267,177	0	0	14,442,910	13,267,177
Grants and contributions not restricted						
to specific programs	481,343	442,832	0	0	481,343	442,832
Other	960,778	621,856	568,364	340,266	1,529,142	962,122
Total revenues	72,071,750	66,868,563	94,676,954	83,231,078	166,748,704	150,099,641
Expenses:						
General government	2,693,884	2,391,498	0	0	2,693,884	2,391,498
Planning and inspection	1,054,852	622,028	0	0	1,054,852	622,028
Public safety	15,151,467	14,180,863	0	0	15,151,467	14,180,863
Public works	9,265,703	8,429,567	0	0	9,265,703	8,429,567
Health and welfare	552,573	538,263	0	0	552,573	538,263
Culture and recreation	2,962,458	2,952,398	0	0	2,962,458	2,952,398
Education	37,495,574	35,475,697	0	0	37,495,574	35,475,697
Interest on long-term debt	2,297,623	1,992,504	0	0	2,297,623	1,992,504
Water and sewer	0	0	17,588,719	16,105,695	17,588,719	16,105,695
Electric	0	0	71,747,592	62,737,439	71,747,592	62,737,439
Other enterprise	0	0	197,614	140,635	197,614	140,635
Total expenses	71,474,134	66,582,818	89,533,925	78,983,769	161,008,059	145,566,587
Increase in net assets before transfers	597,616	285,745	5,143,029	4,247,309	4,533,054	4,533,054
Transfers	1,600,029	1,493,683	(1,600,029)	(1,493,683)	0	0
Increase in net assets	2,197,645	1,779,428	3,543,000	2,753,626	5,740,645	4,533,054
Net assets – beginning	69,151,359	67,371,931	105,455,140	102,701,514	174,606,499	170,073,445
Net assets – ending	\$71,349,004	\$69,151,359	\$108,998,140	\$105,455,140	\$180,347,144	\$174,606,499

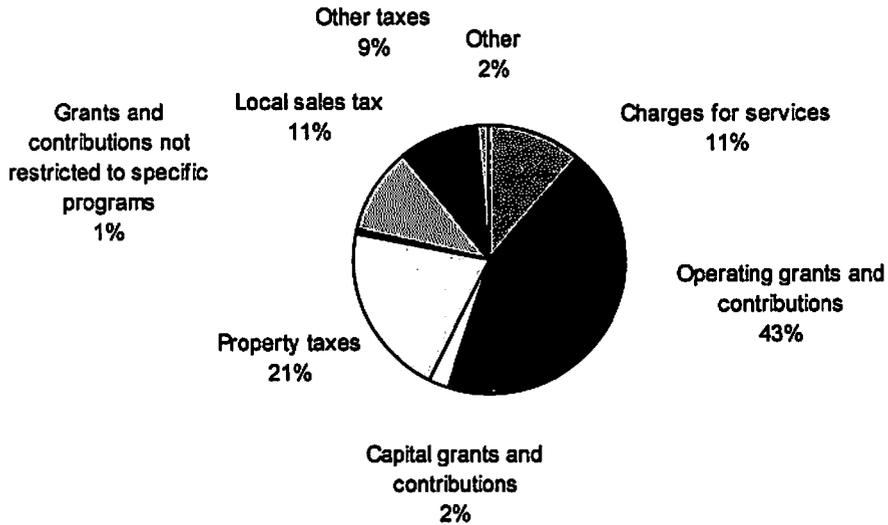
- The city's state certified property tax rate increased by nine cents to \$1.65 per \$100 of assessed value in fiscal year 2006. Property tax revenues increased \$1,811,691, or 13.9%, due to the tax increase for debt service for the \$18.5 million bond issue and continued growth in Cleveland.
- Operating grants and contributions increased \$1,916,527 largely due to increases in school funding from the federal, state and local governments.
- Charges for services increased \$493,874, or 6.4% largely due to the new fire contract with Bradley County.

- Cleveland's second largest revenue source is local sales tax which increased 5.8%, or \$414,789, over last fiscal year. In Tennessee, the first half of local sales tax goes to education based upon average daily attendance. The second half is generally distributed between cities and counties based upon whether the sale occurred in the city or the county; however, Cleveland and Bradley County's local sales tax (second half) is distributed according to a local agreement, instead of the state's situs-based formula.
- The most significant increases in expenditures were \$2 million for education, \$970,604 for public safety, and \$836,136 for public works.

Expenses and Program Revenues – Governmental Activities

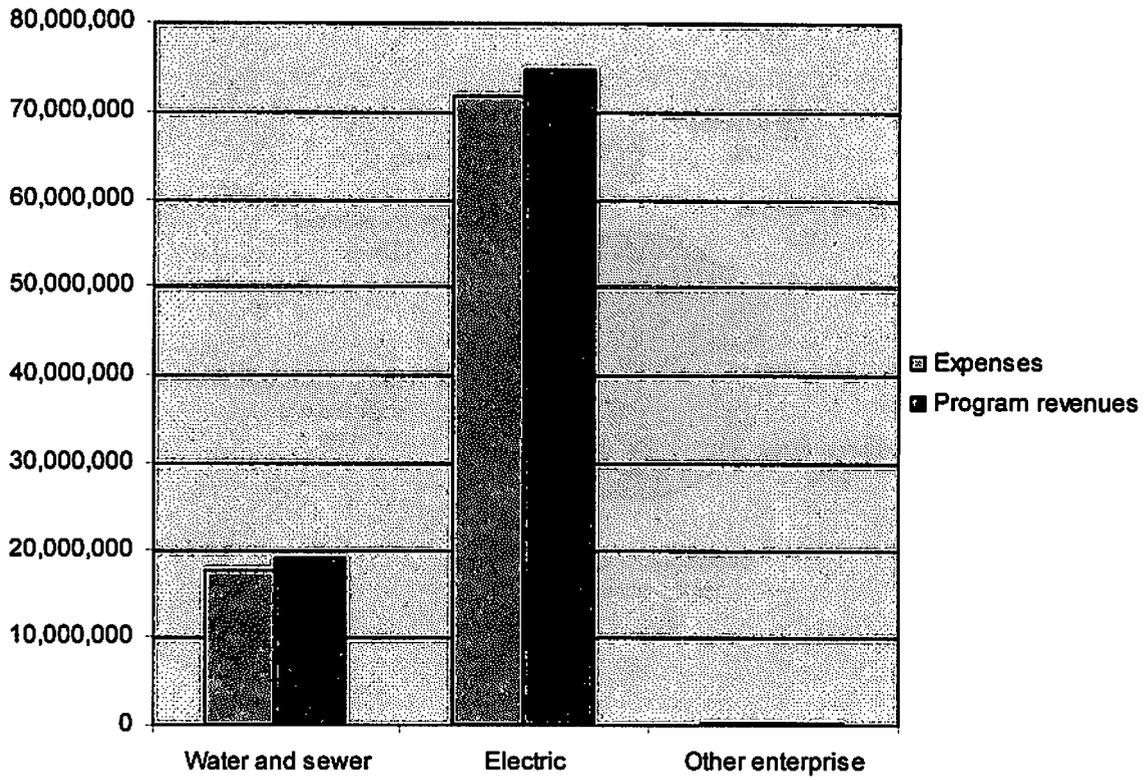


Revenues by Source – Governmental Activities

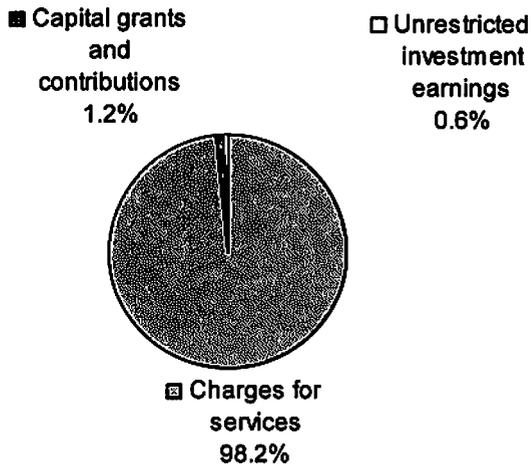


Business-type activities. Business-type activities increased the City of Cleveland's net assets by \$3,543,000, which is 62 percent of the total increase in net assets. The increase is attributed to the electric and water operations of Cleveland Utilities. The change in net assets for the electric division was \$2,009,526 for fiscal year 2006. The total change in net assets was the result of an increase in net assets invested in capital assets (net of related debt) of \$475,006 and an increase in unrestricted net assets of \$1,534,520. The change in net assets for the water division was \$1,527,078. This included \$1,121,813 of plant recovered through contributions in aid of construction. The total change in net assets was the result of a decrease in net assets invested in capital assets of \$415,714 and an increase in unrestricted net assets of \$1,942,792.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the City's Funds

As noted earlier, the City of Cleveland uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Cleveland'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 of Cleveland's financing requirements. The unreserved fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year for future unforeseen emergencies.

As of the end of the current fiscal year, the City of Cleveland's governmental funds reported combined ending fund balances of \$21,468,291, an increase of \$5,231,229 in comparison with the prior year. Approximately 95 percent of this total amount (\$20,473,696) constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for spending because it has already been committed. Within the governmental funds, \$221,578 is reserved for capital outlay, \$224,100 for books and equipment, \$88,771 for federal projects, \$500 for noncurrent loans, and \$459,646 for endowment.

The general fund is the chief operating fund of the City of Cleveland. At the end of the current fiscal year, unreserved fund balance of the general fund was \$7,861,168. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total general fund expenditures. Unreserved fund balance represents 35% of total fund expenditures. However, unreserved fund balance only represents 22% when compared to total fund expenditures and transfers to other funds (e.g., debt service and schools).

The fund balance of the City of Cleveland's general fund decreased by \$601,587 during the current fiscal year. For fiscal year 2006, the Fire Fund was combined with the General Fund since a separate Fire Fund is not required by the new fire contract with Bradley County. The city budgeted to purchase \$1.7 in capital equipment for the fire department from the fund balance which had accumulated from the fire contract with Bradley County. The general fund was able to minimize its use of fund balance. Key factors include revenues collections more than \$900,000 above the final amended budget and the good management of city departments to under spend their budgets including general government with \$76,698, planning and inspections with \$64,280, public safety with \$121,653, public works with \$36,031, health and welfare with \$18,045, parks and recreation with \$111,877, and appropriations with \$9,771.

The debt service fund has a total fund balance of \$2,602,622. The net increase in fund balance during the current year in the debt service fund was \$954,878, due to lower interest rates on the city's variable rate loans and improved interest earnings.

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

Unrestricted net assets at the end of the year amounted to \$8,498,787 for the Cleveland Utilities Water Division, \$8,457,051 for Cleveland Utilities Electric Division, (\$20,496) for other enterprise funds (which includes only the Brush Chipping Fund), and \$235,461 for the Fleet Management Fund.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$583,257, and are listed below:

- \$234,390 in decreases in general government activities due to the change in accounting for the state's share of business taxes, electrical fees, and litigation taxes, and miscellaneous decreases in other line items
- \$238 in miscellaneous increases in the Planning and Inspection Department
- \$436,593 in decreases in public safety activities largely due to the retirement of several long-time police and fire personnel coupled with the savings from some unfilled positions
- \$5,265 in decreases in public works activities due to decreases in personnel and fringe benefit costs of \$66,284, increases in operating expenditures of \$13,237 and \$47,782 in additional capital equipment
- \$10,340 in increases in the Animal Control Department due to increases in vehicle maintenance, gasoline, and equipment purchased from special donations
- \$82,413 in increases in recreation activities due to \$33,444 in increases in personnel and fringe benefits, \$42,969 in increases in operating expenditures, and \$6,000 for capital equipment. Vacant positions from the previous fiscal year were mistakenly omitted from the budget. Operating increases included vehicle maintenance, gas and oil, building maintenance and utilities. A used one-ton pickup was purchased for Cherokee Springs Golf Course for \$6,000.

Departmental budget officers closely monitored expenditures during the fiscal year in order to minimize budget amendments.

Capital Asset and Debt Administration

Capital assets. The City of Cleveland's investment in capital assets for its governmental and business type activities as of June 30, 2006 amounts to \$242,563,580 (net of accumulated depreciation), which is a \$10,042,665 increase over last fiscal year. This investment in capital assets includes land, buildings, other improvements, equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Governmental activities increased \$5,407,394 in capital assets largely due to construction projects underway at the end of last fiscal year and other changes explained below.
- General government's \$168,232 in additions was primarily due to equipment and improvements to the Cleveland Public Library.
- Public safety activities added \$1,166,899 in capital assets including construction of the Freewill Road Fire Hall, purchase of a hazmat truck, and the purchase of a 75' aerial ladder truck for the fire department. The \$6 million Cleveland Police Service Center is currently under construction.
- Public works activities added \$1,198,876 primarily in infrastructure (primary roads, secondary roads, and drainage).

- Parks and Recreation activities added \$213,921 in capital assets including construction of a multi-purpose field and construction of an additional section of the greenway.
- City schools added \$2,661,596 in capital assets largely due to the purchase of property for the new Mayfield Elementary School and renovations to Arnold Elementary.
- Business-type activities added \$4,635,271 in total capital assets primarily due to \$3,741,252 in improvements to buildings and systems and an increase of \$943,448 in construction in progress.

City of Cleveland's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	FY2006	FY2005	FY2006	FY2005	FY2006	FY2005
Land	\$ 7,843,773	\$ 6,968,773	\$ 1,429,564	\$ 1,449,204	\$ 9,273,337	\$ 8,417,977
Buildings and systems	48,457,807	49,598,736	137,523,647	133,782,395	185,981,454	183,381,131
Improvements other than buildings	2,139,772	2,336,656	0	0	2,139,772	2,336,656
Furniture, fixtures, equipment & vehicles	7,655,009	5,912,698	108,766	138,555	7,763,775	6,051,253
Infrastructure	31,573,535	31,215,063	0	0	31,573,535	31,215,063
Construction in progress	3,769,424	0	2,062,283	1,118,835	5,831,707	1,118,835
Total	\$101,439,320	\$96,031,926	\$ 141,124,260	\$136,488,989	\$242,563,580	\$232,520,915

Additional information on the City of Cleveland's capital assets can be found in Note 4 on pages 66-67 of this report.

Long-term debt. At the end of the current fiscal year, the City of Cleveland had total debt outstanding of \$112,210,000. Of this amount, \$17,785,000 comprises bonds backed solely by the full faith and credit of the city. The city also issues bonds secured by specified revenue sources (i.e., revenue bonds); however, in the event of default, the full faith and credit of the city are irrevocably pledged. The city had \$24,875,000 in revenue bonds outstanding at the end of the fiscal year. The city also finances capital projects through loans from bond proceeds issued by the Public Building Authorities of Sevier and Blount Counties, Tennessee, including \$43,795,000 for city general projects and \$25,755,000 for Cleveland Utilities.

City of Cleveland's Outstanding Debt

(General Obligation Bonds, Revenue Bonds, Loans through Bond Proceeds issued by the Public Building Authorities of Sevier and Blount Counties, Tennessee, and other long-term notes)

	Governmental activities		Business-type activities		Total	
	FY2006	FY2005	FY2006	FY2005	FY2006	FY2005
General obligation bonds	17,785,000	18,925,000	0	0	17,785,000	18,925,000
Long-term notes issued through Sevier & Blount Counties, TN	43,795,000	25,535,000	25,755,000	19,650,000	69,550,000	45,185,000
Revenue bonds	0	0	24,875,000	26,495,000	24,875,000	26,495,000
Less bond discount/premiums	0	0	(38,397)	(3,021,068)	(38,397)	(3,021,068)
Less Deferred Charges for refunding	(572,980)	(604,812)	(1,531,141)	75,180	(2,104,121)	(529,632)
Total	61,007,020	43,855,188	49,060,462	43,199,112	110,067,482	87,054,300

During a prior year, the Public Building Authorities, at the request of the city, entered into interest rate swap agreements for all of the outstanding Local Government Improvement Bonds, Series IV-C-3 and A-2-A. During the term of the swap agreements, the city effectively pays a fixed rate on the debt plus or minus the difference between the variable interest due the bondholders and the variable rate received from the counterparty. Additional details about the city's long-term debt are included in Note 6 on pages 68-71.

The City of Cleveland maintains an "A" rating from Standard & Poor's and an "A2" rating from Moody's Investor Service for general obligation debt. The revenue bonds of Cleveland Utilities carry the same ratings.

State statutes do not limit the amount of general obligation debt a governmental entity may issue; however, the city has adopted a financial policy which limits long-term debt to 10 percent of its total assessed valuation. This calculation does not include revenue bonds issued for improvements in the electric and water systems. The city's legal debt margin at June 30, 2006 is \$30,581,983, and is calculated on page 148 of this report.

Economic Factors and Next Year's Budget and Rates

- The 2005 annual average adjusted unemployment rate for Bradley County was 5.3 percent, which is up from 5.1 percent from a year ago. Tennessee's average unemployment rate was 5.6 percent and the national average rate was 5.1 percent.
- In 2003 Cleveland was designated an "Urbanized Area" by the U.S. Census Bureau, which means that the city and the urban area immediately outside the corporate limits have a population in excess of 50,000. This designation is an indication that the city has grown and will continue to grow in the future and makes the city eligible for transportation, planning, and construction monies through the Metropolitan Planning Organization (MPO) process.
- The city qualifies as an Entitlement Community for the CDBG program due to designation as a principal city in a Metropolitan Statistical Area (MSA).
- Local sales tax collections improved during the current fiscal year.

All of these factors were considered in preparing the city's budget for the 2007 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund decreased \$601,587 for the purchase of fire equipment as previously discussed. Management has again been conservative in estimating revenues for 2007. The city's property tax rate and the residential sanitation fee were not increased, and no use of general fund balance is projected for the new fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Cleveland'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 financial information may be addressed to the City of Cleveland, Office of the Finance Director, Post Office Box 1519, Cleveland, Tennessee 37364-1519.

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CITY OF CLEVELAND, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2006

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 19,668,952	\$ 13,876,741	\$ 33,545,693
Cash and cash equivalents - restricted	459,646	505,363	965,009
Investments	622,489	0	622,489
Accounts receivable - net	581,387	14,591,513	15,172,900
Property taxes receivable - net	16,289,863	0	16,289,863
Sales tax receivable	1,368,262	0	1,368,262
Due from other government agencies	8,310,989	0	8,310,989
Internal balances	140,000	(140,000)	0
Inventories	140,173	1,888,174	2,028,347
Prepays	0	71,832	71,832
Notes receivable - current	6,210	0	6,210
Total current assets	\$ 47,587,971	\$ 30,793,623	\$ 78,381,594
Noncurrent assets:			
Receivable from customers for conservation loans	\$ 0	\$ 457,414	\$ 457,414
Deferred charges	89,853	351,998	441,851
Other noncurrent assets	0	48,638	48,638
Capital assets:			
Land and construction in progress	11,613,197	3,491,847	15,105,044
Other capital assets, net of accumulated depreciation	89,826,123	137,631,413	227,457,536
Total noncurrent assets	\$ 101,529,173	\$ 141,981,310	\$ 243,510,483
Total Assets	\$ 149,117,144	\$ 172,774,933	\$ 321,892,077
LIABILITIES			
Current liabilities:			
Accrued liabilities	\$ 1,821,998	\$ 0	\$ 1,821,998
Accounts payable	2,013,489	9,722,060	11,735,549
Customer deposits	0	1,977,363	1,977,363
Interest payable	279,325	364,344	643,669
Unearned revenue	20,016,368	0	20,016,368
Bonds and notes payable - current	1,495,000	2,835,000	4,330,000
Compensated absences payable - current	103,452	0	103,452
Other current liabilities	0	2,173,307	2,173,307
Total current liabilities	\$ 25,729,632	\$ 17,072,074	\$ 42,801,706
Long-term liabilities:			
Conservation advances from TVA	\$ 0	\$ 479,257	\$ 479,257
Bonds and notes payable	50,848,815	46,225,462	97,074,277
Compensated absences payable	1,189,693	0	1,189,693
Total long-term liabilities	\$ 52,038,508	\$ 46,704,719	\$ 98,743,227
Total Liabilities	\$ 77,768,140	\$ 63,776,793	\$ 141,544,933
NET ASSETS			
Invested in capital assets, net of related debt	\$ 48,522,525	\$ 92,062,798	\$ 140,585,323
Restricted for:			
Perpetual care:			
Nonexpendable	459,646	0	459,646
Unrestricted	22,366,833	16,935,342	39,302,175
Total Net Assets	\$ 71,349,004	\$ 108,998,140	\$ 180,347,144

CITY OF CLEVELAND, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,693,884	\$ 34,332	\$ 110,380	\$ 0	\$ (2,549,172)	\$ 0	\$ (2,549,172)
Planning and inspection	1,054,852	394,625	450,939	0	(209,288)	0	(209,288)
Public safety	15,151,467	3,836,923	200,089	0	(11,114,455)	0	(11,114,455)
Public works	9,265,703	2,087,180	1,653,091	0	(5,525,432)	0	(5,525,432)
Health and welfare	552,573	223,382	0	0	(329,191)	0	(329,191)
Culture and recreation	2,962,458	507,004	481,134	23,569	(1,950,751)	0	(1,950,751)
Education	37,495,574	1,117,129	28,521,664	1,746,511	(6,110,270)	0	(6,110,270)
Interest on long-term debt	2,297,623	0	0	0	(2,297,623)	0	(2,297,623)
Total governmental activities	\$ 71,474,134	\$ 8,200,575	\$ 31,417,297	\$ 1,770,080	\$ (30,086,182)	\$ 0	\$ (30,086,182)
Business-type activities:							
Water and sewer	\$ 17,588,719	\$ 17,957,369	\$ 0	\$ 1,121,813	\$ 0	\$ 1,490,463	\$ 1,490,463
Electric	71,747,592	74,832,241	0	0	0	3,084,649	3,084,649
Brush Chipping	197,614	197,167	0	0	0	(447)	(447)
Total business-type activities	\$ 89,533,925	\$ 92,986,777	\$ 0	\$ 1,121,813	\$ 0	\$ 4,574,665	\$ 4,574,665
Total primary government	\$ 161,008,059	\$ 101,187,352	\$ 31,417,297	\$ 2,891,893	\$ (30,086,182)	\$ 4,574,665	\$ (25,511,517)
General revenues:							
Property taxes					\$ 14,798,767	\$ 0	\$ 14,798,767
Interest and penalty on taxes					133,275	0	133,275
In lieu of taxes					19,829	0	19,829
Local sales tax					7,601,091	0	7,601,091
Wholesale beer tax					1,131,612	0	1,131,612
Gross receipts tax					821,430	0	821,430
Franchise tax					1,142,767	0	1,142,767
State sales tax - unrestricted					2,517,380	0	2,517,380
Other state taxes - unrestricted					1,075,526	0	1,075,526
Grants and contributions not restricted to specific programs					481,343	0	481,343
Unrestricted investment earnings					960,778	568,364	1,529,142
Transfers					1,600,029	(1,600,029)	0
Total general revenues and transfers					\$ 32,283,827	\$ (1,031,665)	\$ 31,252,162
Change in net assets					\$ 2,197,645	\$ 3,543,000	\$ 5,740,645
Net assets - beginning					69,151,359	105,455,140	174,606,499
Net assets - ending					\$ 71,349,004	\$ 108,998,140	\$ 180,347,144

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,413,801	\$ 2,992,552	\$ 11,174,095	\$ 19,580,448
Cash and cash equivalents - restricted	0	0	459,646	459,646
Investments	0	0	622,489	622,489
Accounts receivable - net	384,707	0	176,161	560,868
Property taxes receivable - net	16,289,863	0	0	16,289,863
Sales tax receivable	438,730	929,532	0	1,368,262
Due from other government agencies	2,086,787	5,529,593	694,609	8,310,989
Due from other funds	61,301	0	145,000	206,301
Inventories	6,641	0	0	6,641
Notes receivable	0	0	6,210	6,210
	<u>0</u>	<u>0</u>	<u>6,210</u>	<u>6,210</u>
Total Assets	<u>\$ 24,681,830</u>	<u>\$ 9,451,677</u>	<u>\$ 13,278,210</u>	<u>\$ 47,411,717</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accrued liabilities	\$ 0	\$ 1,683,217	\$ 138,781	\$ 1,821,998
Accounts payable	334,511	265,479	1,411,405	2,011,395
Due to other funds	0	0	61,301	61,301
Matured interest payable	0	0	1,097	1,097
Matured bonds payable	0	0	1,000	1,000
Unearned revenue	16,486,151	5,550,979	9,505	22,046,635
	<u>16,486,151</u>	<u>5,550,979</u>	<u>9,505</u>	<u>22,046,635</u>
Total Liabilities	<u>\$ 16,820,662</u>	<u>\$ 7,499,675</u>	<u>\$ 1,623,089</u>	<u>\$ 25,943,426</u>
Fund balances:				
Reserved for:				
Capital outlay	\$ 0	\$ 0	\$ 221,578	\$ 221,578
Books and equipment	0	0	224,100	224,100
Federal projects	0	0	88,771	88,771
Noncurrent loans	0	0	500	500
Endowment	0	0	459,646	459,646
Unreserved	7,861,168	1,952,002	0	9,813,170
Unreserved, reported in nonmajor:				
Special revenue	0	0	1,990,288	1,990,288
Debt service	0	0	2,602,622	2,602,622
Capital projects	0	0	6,045,791	6,045,791
Permanent fund	0	0	21,825	21,825
	<u>0</u>	<u>0</u>	<u>21,825</u>	<u>21,825</u>
Total fund balances	<u>\$ 7,861,168</u>	<u>\$ 1,952,002</u>	<u>\$ 11,655,121</u>	<u>\$ 21,468,291</u>
Total liabilities and fund balances	<u>\$ 24,681,830</u>	<u>\$ 9,451,677</u>	<u>\$ 13,278,210</u>	<u>\$ 47,411,717</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total fund balances per governmental funds balance sheet	\$ 21,468,291
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	100,107,451
Long-term liabilities, including bonds, notes payable, compensated absences and interest payable are not due and payable in the current period and therefore are not reported in the funds.	(53,824,334)
Internal service funds are used by management to charge the costs of fleet management services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,567,329
Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	2,030,267
Net assets of governmental activities	<u><u>\$ 71,349,004</u></u>

CITY OF CLEVELAND, TENNESSEE
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2006

Revenues:	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
Taxes	\$ 25,598,961	\$ 0	\$ 0	\$ 25,598,961
Licenses and permits	511,731	0	0	511,731
Intergovernmental	3,793,992	23,420,183	9,058,141	36,272,316
Fines and forfeitures	1,123,283	0	740,224	1,863,507
Charges for services	2,777,178	341,299	2,734,509	5,852,986
Interest	346,743	248,727	365,342	960,812
Miscellaneous	71,642	576,298	335,031	982,971
Total revenues	\$ 34,223,530	\$ 24,586,507	\$ 13,233,247	\$ 72,043,284
Expenditures:				
Current:				
General government	\$ 1,916,715	\$ 0	\$ 137,146	\$ 2,053,861
Planning and inspection	575,006	0	386,239	961,245
Public safety	13,206,717	0	485,888	13,692,605
Public works	3,538,318	0	4,125,708	7,664,026
Health and welfare	415,101	0	0	415,101
Culture and recreation	1,620,611	0	1,071,908	2,692,519
Education	0	28,833,409	5,190,456	34,023,865
Appropriations	996,770	0	0	996,770
Capital outlay	0	0	12,123,365	12,123,365
Debt service:				
Principal retirement	0	70,000	1,310,000	1,380,000
Interest and fiscal charges	0	12,375	2,233,147	2,245,522
Total expenditures	\$ 22,269,238	\$ 28,915,784	\$ 27,063,857	\$ 78,248,879
Excess (deficiency) of revenues over expenditures	\$ 11,954,292	\$ (4,329,277)	\$ (13,830,610)	\$ (6,205,595)
Other financing sources (uses):				
Transfers in	\$ 1,600,029	\$ 4,876,955	\$ 11,056,120	\$ 17,533,104
Transfers out	(14,155,908)	(382,305)	(1,394,862)	(15,933,075)
Notes issued	0	0	9,836,795	9,836,795
Total other financing sources (uses)	\$ (12,555,879)	\$ 4,494,650	\$ 19,498,053	\$ 11,436,824
Net change in fund balances	\$ (601,587)	\$ 165,373	\$ 5,667,443	\$ 5,231,229
Fund balance at beginning of year	8,462,755	1,786,629	5,987,678	16,237,062
Fund balance at end of year	\$ 7,861,168	\$ 1,952,002	\$ 11,655,121	\$ 21,468,291

CITY OF CLEVELAND, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006

Net change in fund balances for total governmental funds \$ 5,231,229

Governmental funds report capital outlay 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. 5,452,231

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 28,466

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,380,000

Notes issued are reported as a financial resource in the governmental funds. However, this is reported as an increase in long-term liabilities in the statement of net assets. During the current year additional loan proceeds were drawn on notes payable. (9,836,795)

Internal service funds are used by management to charge the costs of fleet management services to individual funds. The net revenue of the internal service fund is reported with governmental activities. 46,477

Some items 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. These activities consist of:

Net increase in accrued interest	\$	(15,277)	
Amortization of debt issuance cost		(36,824)	
Increase in compensated absences		(51,862)	
Total additional expenditures		(103,963)	(103,963)

Change in net assets of governmental activities \$ 2,197,645

CITY OF CLEVELAND, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Taxes:				
Property taxes - real estate	\$ 14,067,791	\$ 13,967,791	\$ 14,331,482	\$ 363,691
Property taxes - utility	266,538	417,475	417,475	0
Interest and penalty on taxes	115,000	115,000	133,275	18,275
In lieu of taxes	19,100	19,400	19,829	429
Local sales tax	7,512,522	7,473,754	7,601,091	127,337
Wholesale beer tax	1,160,000	1,098,500	1,131,612	33,112
Gross receipts tax	890,400	890,400	821,430	(68,970)
Franchise taxes - gas	516,000	596,000	802,918	206,918
Franchise taxes - charter	290,000	310,000	339,849	29,849
Total taxes	\$ 24,837,351	\$ 24,888,320	\$ 25,598,961	\$ 710,641
Licenses and permits:				
Beer licenses	\$ 5,800	\$ 4,500	\$ 5,000	\$ 500
Beer renewal fee	12,500	12,000	11,892	(108)
Liquor license	1,800	1,200	3,450	2,250
Liquor license renewals	11,000	12,000	13,990	1,990
Building permits	175,000	200,000	248,251	48,251
Electrical permits	79,000	0	8,951	8,951
Electrical licenses	18,800	15,000	14,720	(280)
Mechanical permits	13,000	15,000	24,379	9,379
Mechanical licenses	6,420	6,420	6,736	316
Plumbing permits	38,000	42,000	46,543	4,543
Plumbing licenses	11,800	9,500	10,525	1,025
Street cut permits	60,000	60,000	66,854	6,854
Stormwater permits	13,000	13,000	15,920	2,920
Rezoning fee	1,200	2,725	3,925	1,200
Pud rezoning fee	4,000	1,000	1,550	550
Zoning appeal fee	1,200	500	551	51
Zoning letter fee	650	1,000	1,325	325
Miscellaneous fees	0	800	300	(500)
Recreation permits and maintenance fee	6,000	7,000	6,740	(260)
Plat review fee	5,000	5,000	5,505	505
Plans review fee	10,000	11,000	11,159	159
Certificate of occupancy	10,000	2,500	3,165	665
Alley or street abandonment fee	300	0	300	300
Total licenses and permits	\$ 484,470	\$ 422,145	\$ 511,731	\$ 89,586
Intergovernmental revenues:				
Federal grant - COPS fast	\$ 0	\$ 0	\$ 21,783	\$ 21,783
Federal grant - protective vest	0	3,744	3,744	0
Police training supplement	48,600	48,600	45,646	(2,954)
Fire training supplement	0	42,000	28,000	(14,000)
Federal - homeland security - police	0	98,000	0	(98,000)
Federal - homeland security - fire	0	65,000	42,917	(22,083)
State tree grant	0	5,000	5,000	0

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, TENNESSEE

GENERAL FUND

(Continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues - (Continued)				
Intergovernmental revenues - (Continued)				
State sales tax	\$ 2,334,077	\$ 2,535,000	\$ 2,517,380	\$ (17,620)
State income tax	700,000	450,000	287,338	(162,662)
State beer tax	18,500	19,500	18,554	(946)
State mixed drink tax	58,000	65,000	94,182	29,182
State gas inspection tax	84,200	84,200	82,973	(1,227)
State highway maintenance tax	144,000	184,000	162,381	(21,619)
T.V.A. - In lieu of taxes	265,000	268,000	271,998	3,998
Excise tax	146,500	212,000	212,096	96
Total intergovernmental revenues	\$ 3,798,877	\$ 4,080,044	\$ 3,793,992 ✓	\$ (286,052)
Fines and forfeitures:				
Traffic tickets	\$ 655,000	\$ 850,000	\$ 827,669	\$ (22,331)
Parking tickets	38,500	24,000	23,112	(888)
Animal Shelter	1,500	0	0	0
Beer fines	0	3,000	10,315	7,315
Garnishments	4,000	3,000	1,596	(1,404)
Court clerk fees	0	2,500	2,937	437
Drug fines	38,000	38,000	92,266	54,266
Sessions court	58,000	46,000	48,920	2,920
Circuit court	24,000	22,000	21,154	(846)
Officers - sessions court	65,000	75,000	85,899	10,899
Officers - circuit court	3,000	3,000	3,375	375
State refunds	2,200	2,000	2,000	0
Sex offender registry	0	1,200	4,040	2,840
Total fines and forfeitures	\$ 889,200	\$ 1,069,700	\$ 1,123,283 ✓	\$ 53,583
Charges for services:				
SRO - Education Foundation	\$ 0	\$ 26,717	\$ 30,525	\$ 3,808
Fire inspection fees	0	1,000	975	(25)
Police accident reports	19,000	19,000	19,384	384
Police department contracted services	40,000	40,000	37,863	(2,137)
Police - Hamilton Co. Meth Lab	8,000	2,287	2,932	645
Airport maintenance	10,300	10,300	4,030	(6,270)
Animal Shelter - sales	500	9,450	7,328	(2,122)
Bradley County - animal control	216,203	216,203	216,054	(149)
Bradley County - fire protection	1,650,000	1,650,000	1,650,000	0
Bradley County - fire tax	0	0	204,815	204,815
Tinsley Pool gate	15,000	20,000	25,959	5,959
Tinsley Pool concessions	5,000	5,000	5,739	739
Tinsley Pool rental	0	0	420	420
Tinsley Park tournament	16,500	20,000	8,141	(11,859)
Tinsley Park concessions	13,000	17,000	22,446	5,446
Tinsley Park rental	0	1,550	1,915	365
Cleveland Community Center	4,000	4,000	5,340	1,340

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues - (Continued):				
Charges for services - (Continued)				
Northeast Recreation	\$ 600	\$ 2,600	\$ 2,822	\$ 222
Northeast Recreation - panther	0	7,950	8,013	63
Park and recreation miscellaneous	2,000	2,000	2,105	105
SRO - City Schools	172,000	172,200	166,188	(6,012)
Cherokee Springs concessions	20,000	24,000	24,647	647
Cherokee Springs permits	65,000	61,000	58,290	(2,710)
Cherokee Springs tournaments	20,000	24,000	25,383	1,383
Cherokee Springs specials	108,000	122,500	128,739	6,239
Cherokee Springs cart rental fee	30,000	31,000	30,984	(16)
Cherokee Springs trail fee	6,000	5,500	5,596	96
Cherokee Springs cart shed rental	5,000	4,500	3,540	(960)
Cherokee Springs green fees	26,500	30,000	31,663	1,663
Cherokee Springs pro shop	17,000	16,000	14,019	(1,981)
Cherokee Springs miscellaneous	4,500	4,500	6,007	1,507
Wellness program dues	15,000	24,700	25,316	616
Total charges for services	\$ 2,489,103	\$ 2,574,957	\$ 2,777,178	\$ 202,221
Interest	\$ 86,000	\$ 225,000	\$ 346,743	\$ 121,743
Miscellaneous revenues:				
Central services building rent	\$ 6,500	\$ 0	\$ 0	\$ 0
Sale of maps - engineering	0	0	266	266
Flex plan refund	0	500	377	(123)
Donation - trees	5,000	11,300	11,287	(13)
Old timers banquet	3,000	3,000	2,262	(738)
Sign and decal reimbursement	0	510	8,429	7,919
Police DARE donations	0	10,132	13,257	3,125
Donations - Northeast Recreation	0	818	1,596	778
TML safety grant	0	2,000	2,000	0
Animal Control donations	0	2,072	3,455	1,383
Donations - fire safety	0	88	87	(1)
TML reimbursement - sign	0	1,086	1,086	0
TML reimbursement - police vehicle	0	4,716	8,103	3,387
TML reimbursement - property damage	0	8,501	9,844	1,343
TML reimbursement - workers comp	0	1,630	5,240	3,610
Miscellaneous	2,000	4,000	4,353	353
Total miscellaneous revenues	\$ 16,500	\$ 50,353	\$ 71,642	\$ 21,289
Total revenues	\$ 32,601,501	\$ 33,310,519	\$ 34,223,530	\$ 913,011

CITY OF CLEVELAND, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	<u>Budgeted Amounts</u>		* <u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current				
General government:				
Legislative and judicial:				
Salaries - administrative	\$ 50,248	\$ 50,248	\$ 50,438	\$ (190)
Salaries - city council	62,400	62,400	62,750	(350)
Salaries - judicial	30,528	30,528	30,649	(121)
Part time wages	1,000	1,000	0	1,000
Service awards	0	400	400	0
Longevity	5,100	5,100	5,100	0
Sold vacations	1,000	1,000	966	34
Christmas bonus	325	325	325	0
Dental insurance	3,826	3,826	3,965	(139)
Social Security taxes	11,521	11,521	10,513	1,008
Health insurance	42,505	42,505	39,322	3,183
Retirement	21,692	21,692	17,512	4,180
Life and disability insurance	3,680	3,680	870	2,810
Postage	550	550	315	235
Printing	1,500	1,500	696	804
Subscriptions and memberships	6,178	6,178	4,167	2,011
Advertising	2,000	3,000	3,090	(90)
Telephone and pager	10,700	10,700	11,185	(485)
Government consulting services	14,000	14,000	13,347	653
Equipment repair and replacement	1,575	1,136	946	190
Contract maintenance services	2,600	2,600	2,568	32
Emergency repairs - city buildings	20,000	20,000	16,564	3,436
Travel and training	12,000	12,000	10,431	1,569
Council work sessions	3,000	3,000	1,095	1,905
Complimentary meals	1,000	1,000	738	262
Office expenditures and paper	4,000	4,000	2,667	1,333
Janitorial	360	360	0	360
Insurance - general liability	965	899	899	0
Insurance - workers compensation	1,191	943	0	943
Employee bonds	8,400	0	0	0
Rent - parking lots	3,000	3,000	3,000	0
Service pins - all departments	500	701	701	0
Employee Christmas dinner	1,400	1,400	1,164	236
Fireworks display	5,600	5,600	5,963	(363)
Miscellaneous	500	338	1,545	(1,207)
Office machinery and equipment	6,000	6,000	5,760	240
Council room equipment and supplies	1,697	697	602	95
Total legislative and judicial	<u>\$ 342,541</u>	<u>\$ 333,827</u>	<u>\$ 310,253</u>	<u>\$ 23,574</u>

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The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Expenditures - (Continued)				
Current - (Continued)				
General government - (Continued)				
Administration and finance				
Salaries	\$ 679,643	\$ 680,121	\$ 661,359	\$ 18,762
I S technician	57,435	0	0	0
Overtime wages	7,500	7,500	8,159	(659)
Part time wages	12,000	18,000	14,973	3,027
Service awards	150	150	150	0
Longevity	7,200	7,200	7,200	0
Sold vacations	6,410	7,100	7,057	43
Christmas bonus	1,733	1,841	1,726	115
College pay	2,870	2,715	2,715	0
Dental insurance	6,500	5,750	6,034	(284)
Social Security tax	59,283	59,283	50,273	9,010
Health insurance	64,335	63,965	64,174	(209)
Retirement	102,298	102,461	98,358	4,103
Life and disability insurance	8,800	8,800	8,038	762
Employee assistance program	8,540	8,850	8,848	2
Education reimbursement	6,600	6,600	4,435	2,165
Worker's compensation claims	200	200	0	200
Flex spending program	4,200	6,000	3,667	2,333
Laundry and dry cleaning	450	450	401	49
Postage	17,500	17,500	17,726	(226)
Postage machine lease	1,380	1,600	1,590	10
Printing	11,250	13,250	12,393	857
Printing - property taxes	4,085	3,920	3,918	2
Citizens Newsletter	2,000	2,200	3,774	(1,574)
Subscriptions and memberships	4,200	4,600	5,038	(438)
Advertising	5,700	5,000	4,171	829
Utilities	15,225	19,500	21,281	(1,781)
Telephone	22,500	22,500	25,384	(2,884)
Contracted services - computer systems	156,220	190,341	179,177	11,164
Drug and alcohol tests	3,500	4,150	5,152	(1,002)
Legal fees	65,000	76,000	84,938	(8,938)
Audit fees	44,625	44,625	44,625	0
Reappraisal fee	60,000	43,640	43,636	4
Appraisal fee	2,000	1,500	1,500	0
Vehicle	750	1,200	747	453
Small equipment repairs	600	600	75	525
Copier maintenance	3,900	3,900	3,155	745
Building maintenance	16,000	20,000	20,141	(141)
Maintenance - Little building	250	165	161	4
Car allowance	8,400	8,400	9,100	(700)

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Expenditures - (Continued)				
Current - (Continued)				
General government - (Continued)				
Administration and finance - (Continued)				
Training and travel	\$ 15,190	\$ 11,500	\$ 10,086	\$ 1,414
Departmental work sessions	750	1,150	1,272	(122)
Credit card fees	0	14,000	8,701	5,299
Pest control	750	750	775	(25)
Office expenditures	21,000	25,000	24,281	719
First aid safety supplies	100	100	87	13
Janitorial supplies	1,000	2,000	1,941	59
Gasoline and oil	1,900	1,900	1,580	320
Insurance - buildings and contents	2,750	2,250	2,236	14
Insurance - vehicles	550	561	561	0
Insurance - general liability	4,650	4,949	4,949	0
Insurance - workers compensation	3,715	5,986	3,581	2,405
Insurance - professional liability	32,175	27,913	27,913	0
Insurance - employee bonds	100	50	0	50
Computer software support	14,000	10,000	956	9,044
Contracted services - security	1,500	1,500	1,500	0
State - business tax	140,500	0	0	0
State - electric fees	79,000	0	0	0
State - litigation tax	25,000	0	0	0
Tax refunds	10,000	29,000	29,710	(710)
Employee appreciation day	6,000	6,000	5,947	53
Miscellaneous	500	500	19,716	(19,216)
Bad debt	41,400	41,400	23,273	18,127
Equipment	1,500	1,500	2,148	(648)
Total administration and finance	<u>\$ 1,885,262</u>	<u>\$ 1,659,586</u>	<u>\$ 1,606,462</u>	<u>\$ 53,124</u>
Total general government	<u>\$ 2,227,803</u>	<u>\$ 1,993,413</u>	<u>\$ 1,916,715</u>	<u>\$ 76,698</u>
Planning and Inspection:				
Salaries	\$ 375,058	\$ 370,052	\$ 345,162	\$ 24,890
Overtime wages	2,300	2,300	1,765	535
Part time wages	4,170	4,170	4,038	132
Accumulated holiday pay	0	0	142	(142)
Service awards	150	250	250	0
Longevity	2,450	2,450	2,450	0
Sold vacations	2,500	2,500	1,326	1,174
Christmas bonus	1,188	1,188	1,083	105
Dental insurance	4,745	4,104	4,099	5
Social security taxes	29,778	29,778	26,439	3,339
Health insurance	55,960	49,268	40,018	9,250
Retirement	55,628	55,628	44,682	10,946
Life and disability insurance	5,571	5,571	4,729	842

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, TENNESSEE
GENERAL FUND

(Continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Expenditures - (Continued)				
Current - (Continued)				
Planning and inspection - (Continued)				
Planning and inspection - (Continued)				
Education reimbursement	\$ 2,640	\$ 0	\$ 0	\$ 0
Worker's compensation claims	250	250	0	250
Laundry and dry cleaning	1,922	1,722	851	871
Postage	1,000	1,700	1,620	80
Printing and artwork	1,200	1,375	1,374	1
Subscriptions and memberships	3,000	3,000	2,952	48
Advertising	1,000	1,628	1,493	135
Utilities	6,405	7,405	7,153	252
Telephone	9,000	9,000	7,582	1,418
Legal services - urban renewal	200	200	12	188
Vehicle maintenance	5,700	7,700	6,804	896
Office equipment maintenance	1,500	1,550	1,667	(117)
Building maintenance	5,000	3,540	3,196	344
Car allowance	4,200	4,200	4,550	(350)
Travel and training	7,350	8,181	5,672	2,509
Complimentary meals	380	580	580	0
Contracted services - pest control	240	240	216	24
Office supplies	7,400	9,300	8,995	305
First aid kits	214	114	75	39
Janitorial supplies	1,200	700	491	209
Uniforms	2,100	2,100	1,973	127
Gasoline and oil	7,810	15,143	10,300	4,843
Insurance - buildings and contents	790	790	726	64
Insurance - vehicles and equipment	1,574	1,645	1,645	0
Insurance - general liability	1,655	1,677	1,677	0
Insurance - workers compensation	13,570	13,715	13,715	0
Insurance - employee bonds	50	50	0	50
Lease purchase	0	2,250	2,250	0
Planning commission	3,500	4,000	4,008	(8)
Board of zoning appeals	2,200	1,200	414	786
Historic zoning commission	2,000	1,400	1,151	249
Miscellaneous	500	100	129	(29)
Office equipment	4,000	5,572	5,552	20
Total planning and inspection	<u>\$ 639,048</u>	<u>\$ 639,286</u>	<u>\$ 575,006</u>	<u>\$ 64,280</u>

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CITY OF CLEVELAND, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Expenditures - (Continued)				
Current - (Continued)				
Public safety:				
Police department:				
Salaries	\$ 3,878,390	\$ 3,808,410	\$ 3,794,126	\$ 14,284
Overtime wages	130,000	130,000	134,588	(4,588)
Part time wages	7,505	32,955	32,061	894
Accumulated holiday pay	17,480	5,000	3,800	1,200
Salaries - school patrol	81,605	65,000	64,371	629
Supplemental pay	1,950	1,530	1,530	0
State grant - in service training	48,600	48,600	45,127	3,473
Overtime - contracted services	40,000	40,000	34,179	5,821
Service awards	2,500	2,500	1,975	525
Longevity	46,700	46,700	46,700	0
Sold vacations	33,700	33,700	32,543	1,157
Christmas bonus	12,669	12,129	12,127	2
College pay	11,940	11,215	11,215	0
Dental insurance	39,920	36,498	37,164	(666)
Social security taxes	329,947	324,187	309,294	14,893
Health insurance	485,905	449,395	437,620	11,775
Retirement	617,255	590,296	579,792	10,504
Life and disability insurance	48,980	49,048	47,450	1,598
Unemployment compensation	7,500	7,500	4,786	2,714
Education reimbursement	13,200	7,500	2,207	5,293
Worker's compensation claims	11,500	6,000	5,914	86
Laundry and dry cleaning	26,400	21,600	21,201	399
Employee physicals	11,575	5,525	7,713	(2,188)
Pre-employment tests	2,000	1,000	781	219
Uniforms - school patrol	7,000	6,000	5,516	484
Postage	3,000	2,000	1,721	279
Lease - radio tower	4,000	4,000	3,822	178
Contracted services - vehicles	6,500	5,500	5,648	(148)
Communications - replacement	10,000	11,800	10,529	1,271
Digital pagers	4,500	3,500	3,336	164
Printing	10,000	11,450	10,655	795
Annual report	0	1,208	0	1,208
Subscriptions and memberships	3,900	3,900	3,901	(1)
Advertising	900	500	528	(28)
Awards program	0	122	0	122
Utilities	33,000	33,000	27,090	5,910
Telephone	61,000	61,400	58,920	2,480
NCIC computer line	8,000	8,000	6,155	1,845
Vehicle maintenance	420,000	405,000	419,847	(14,847)

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Expenditures - (Continued)				
Current - (Continued)				
Public safety - (Continued)				
Police department - (Continued)				
Small equipment repair	\$ 1,000	\$ 1,000	\$ 1,027	\$ (27)
Copier maintenance	7,700	4,350	4,168	182
Travel and training	39,200	39,200	36,210	2,990
Mutual aid meals	1,400	750	878	(128)
Police supplies	2,000	4,000	5,025	(1,025)
Batteries	2,000	3,000	2,337	663
Tapes - video and audio	1,000	500	459	41
Detective supplies	6,500	4,500	3,614	886
Film	5,300	5,800	4,145	1,655
Crime scene unit supplies	4,500	5,500	5,109	391
SRT supplies	5,500	6,000	6,307	(307)
Office expenditures and paper	25,800	24,000	22,693	1,307
Protective vests	12,000	24,742	12,301	12,441
Safety supplies	1,400	1,000	998	2
Janitorial supplies	3,500	3,500	2,202	1,298
Uniform reimbursement	63,000	53,567	50,120	3,447
Ammunition	18,300	18,775	19,097	(322)
Crime prevention	2,550	1,750	985	765
Gasoline and oil	150,000	194,980	202,626	(7,646)
Video maintenance	1,500	1,500	0	1,500
Canine fees	3,700	4,450	4,404	46
Insurance - buildings and contents	3,750	2,625	2,621	4
Insurance - vehicles and equipment	56,200	51,246	51,246	0
Insurance - general liability	68,300	59,414	59,414	0
Insurance - workers compensation	206,490	154,071	154,070	1
Insurance - employee bonds	400	500	448	52
Building rent	45,000	53,500	50,371	3,129
Computer software support	15,000	16,000	15,955	45
Miscellaneous	500	500	294	206
Honor Guard	500	500	476	24
Volunteer services	8,000	8,000	5,758	2,242
Investigative funds	2,000	2,000	500	1,500
D.A.R.E. program	0	15,018	10,123	4,895
Donations - Trauma Bear Program	0	14	0	14
Handgun replacement	2,000	4,025	4,019	6
Small equipment	1,000	11,250	8,033	3,217
Replacement vehicles	0	9,562	0	9,562
Office equipment	2,000	5,945	5,087	858
Computer equipment	0	1,600	2,104	(504)

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Expenditures - (Continued)				
Current - (Continued)				
Public safety - (Continued)				
Police department - (Continued)				
Bomb robot	\$ 0	\$ 34,210	\$ 13,183	\$ 21,027
Barcoding equipment	0	0	9,694	(9,694)
Total police department	<u>\$ 7,248,011</u>	<u>\$ 7,126,512</u>	<u>\$ 7,004,033</u>	<u>\$ 122,479</u>
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Fire department:				
Salaries	\$ 3,989,651	\$ 3,705,096	\$ 3,801,121	\$ (96,025)
Overtime wages	95,000	95,000	91,404	3,596
Accumulated holiday pay	5,000	5,000	1,452	3,548
Fire runs	68,000	35,000	29,413	5,587
Supplemental pay	26,000	23,000	22,300	700
State grant - in service training	42,000	42,000	28,519	13,481
Service awards	3,225	2,150	2,150	0
Longevity	72,500	67,100	70,600	(3,500)
Sold vacations	25,000	12,000	11,577	423
Christmas bonus	9,043	8,743	8,662	81
College pay	3,210	3,210	3,193	17
Dental insurance	34,451	34,451	33,108	1,343
Social security taxes	331,905	305,640	293,806	11,834
Health insurance	419,191	409,191	405,854	3,337
Retirement	623,011	573,228	590,312	(17,084)
Life and disability insurance	63,000	48,000	45,954	2,046
Education reimbursement	7,200	7,200	3,064	4,136
Worker's compensation claims	6,500	6,500	5,046	1,454
Laundry and dry cleaning	13,500	11,500	11,287	213
Immunization and physicals	8,000	5,000	6,644	(1,644)
Recruit testing	2,000	2,605	2,604	1
Postage	450	750	776	(26)
Communications replacement	5,000	5,000	2,213	2,787
Pager	3,300	0	0	0
Printing	500	1,000	947	53
Subscriptions and memberships	2,700	2,700	1,801	899
Advertising	500	500	728	(228)
Utilities	75,600	83,600	86,400	(2,800)
Telephone	36,000	41,000	43,323	(2,323)
Apparatus equipment testing	3,900	2,000	1,810	190
Vehicle maintenance	65,000	73,000	72,156	844
Small equipment repair	2,800	2,800	497	2,303
Copier maintenance	2,800	2,800	2,338	462
Building maintenance	35,500	34,900	26,571	8,329

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, TENNESSEE

GENERAL FUND

(Continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Expenditures - (Continued)				
Current - (Continued)				
Public safety - (Continued)				
Fire department - (Continued)				
Vehicle body repair	\$ 2,000	\$ 2,000	\$ 0	\$ 2,000
Travel and training	25,000	17,000	13,943	3,057
Mutual aid meals	2,000	1,700	189	1,511
Towels and cloths	800	800	562	238
Batteries	2,000	2,000	842	1,158
Electronics - camera supplies	800	800	35	765
Office supplies	5,800	5,300	6,184	(884)
Arson supplies	4,000	3,000	1,143	1,857
Safety	4,000	4,000	4,419	(419)
Janitorial supplies	10,000	13,000	12,486	514
Bedding	1,400	1,400	660	740
Uniforms	49,000	44,000	47,486	(3,486)
Vehicle graphics	400	400	1,085	(685)
Housewares	1,400	500	98	402
Gasoline	19,800	30,800	29,015	1,785
Appliance repair	2,400	2,400	2,212	188
Extinguisher refills	1,000	1,000	377	623
Insurance - building and contents	8,180	8,140	7,353	787
Insurance - vehicles and equipment	23,732	18,305	18,305	0
Insurance - general liability	44,008	37,507	37,507	0
Insurance - workers compensation	143,779	131,218	131,218	0
Miscellaneous	500	1,300	1,392	(92)
Donations - Honor Guard	1,490	1,490	1,303	187
Public information	1,000	500	0	500
City funded - Honor Guard	1,000	0	0	0
Fire prevention program	2,500	2,000	1,779	221
Roofing project	0	31,379	32,818	(1,439)
Hazmat equipment	0	65,000	43,072	21,928
ISO firefighting equipment	25,000	10,000	3,390	6,610
Office equipment	1,900	0	0	0
Telephone system	0	38,549	38,104	445
Breathing apparatus equipment	7,000	7,000	3,129	3,871
Furniture	3,200	3,200	2,854	346
Computer equipment	0	3,800	4,531	(731)
Computer software	0	13,788	6,389	7,399
Small equipment	0	5,600	4,133	1,467
Exercise equipment	2,000	1,000	0	1,000
Total fire department	\$ 6,478,526	\$ 6,161,540	\$ 6,165,643	\$ (4,103)

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Expenditures - (Continued)				
Current - (Continued)				
Public safety - (Continued)				
Safety program:				
Salaries	\$ 12,000	\$ 12,000	\$ 12,462	\$ (462)
Christmas bonus	108	0	0	0
Social security taxes	918	918	953	(35)
Hazard communications	500	500	230	270
Confined spaces	4,100	6,900	6,900	0
Respiratory protection	8,400	7,600	3,275	4,325
Travel and training	2,500	4,500	2,490	2,010
Infectious disease control	2,400	400	783	(383)
Hazmat cleanup	2,000	1,500	1,731	(231)
Office supplies	500	1,000	1,592	(592)
Incentive program	5,000	5,000	6,625	(1,625)
Total safety program	\$ 38,426	\$ 40,318	\$ 37,041	\$ 3,277
Total public safety	\$ 13,764,963	\$ 13,328,370	\$ 13,206,717	\$ 121,653
Public works:				
Operations division:				
Salaries	\$ 813,153	\$ 784,046	\$ 782,264	\$ 1,782
Overtime wages	9,300	6,600	7,089	(489)
Part time wages	16,096	19,400	20,483	(1,083)
Service awards	1,000	800	800	0
Longevity	11,900	11,975	13,525	(1,550)
Sold vacation	8,962	5,619	6,615	(996)
Christmas bonus	2,825	2,599	2,599	0
College pay	905	905	905	0
Dental insurance	10,197	9,000	9,117	(117)
Social security tax	66,107	63,744	60,124	3,620
Health insurance	128,412	117,648	115,126	2,522
Retirement	122,966	118,008	115,669	2,339
Life and disability insurance	10,288	10,288	8,623	1,665
Unemployment compensation	2,000	0	0	0
Education reimbursement	500	0	500	(500)
Worker's compensation claims	2,000	4,500	5,196	(696)
Laundry and dry cleaning	750	750	511	239
Pre-employment drug testing	300	300	40	260
Safety shoes	2,800	2,500	2,136	364
Postage	300	300	277	23
Printing	300	300	35	265
Subscriptions and memberships	550	650	568	82
Advertising	100	200	250	(50)

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Expenditures - (Continued)				
Current - (Continued)				
Public works - (Continued)				
Operations division - (Continued)				
Utilities	\$ 25,500	\$ 28,500	\$ 32,120	\$ (3,620)
Telephone	14,300	14,300	16,582	(2,282)
Surveys	3,000	0	0	0
Small equipment maintenance - signs	1,700	1,700	809	891
Building maintenance	9,000	10,200	10,553	(353)
Travel and training	2,000	2,000	1,570	430
Department work sessions	900	1,000	1,315	(315)
Contracted services	0	5,050	5,040	10
Pest control	1,000	1,000	887	113
Office expenditures and paper	6,600	7,000	6,414	586
Operating supplies	3,600	4,800	3,887	913
Safety supplies	1,200	1,200	860	340
Janitorial supplies	1,200	1,200	1,524	(324)
Uniforms	13,500	17,800	16,137	1,663
Gasoline and oil	60,480	73,441	70,861	2,580
Repairs and parts	220,500	209,482	143,263	66,219
Sign shop supplies	2,500	2,800	2,886	(86)
Sign parts and supplies	40,000	0	0	0
Major safety markings	47,000	53,000	55,662	(2,662)
Thermoplastic contract	20,200	22,800	21,628	1,172
Paving and materials	176,349	197,120	248,146	(51,026)
Insurance - building and contents	7,508	7,619	7,619	0
Insurance - vehicle and equipment	16,085	10,583	10,583	0
Insurance - general liability	13,770	12,950	12,950	0
Insurance - workers compensation	41,472	32,676	32,675	1
Insurance - employee bonds	100	100	0	100
Worksessions and Christmas dinner	700	700	697	3
Miscellaneous	500	1,686	1,676	10
Softball sponsor	1,500	2,000	2,000	0
Small equipment	4,000	4,000	3,999	1
Small equipment - signs	2,400	2,400	2,173	227
Equipment - sign cutter	0	31,500	32,180	(680)
Equipment - paint machine	0	8,500	8,500	0
Asphalt material spreader	0	0	6,420	(6,420)
1 Ton truck accessory	0	0	2,891	(2,891)
Total operations division	<u>\$ 1,950,275</u>	<u>\$ 1,929,239</u>	<u>\$ 1,916,959</u>	<u>\$ 12,280</u>

CITY OF CLEVELAND, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Expenditures - (Continued)				
Current - (Continued)				
Public works - (Continued)				
Engineering :				
Salaries	\$ 261,927	\$ 254,596	\$ 239,460	\$ 15,136
Overtime wages	1,200	595	11	584
Part time wages	4,170	4,170	3,841	329
Service awards	150	100	100	0
Longevity	700	775	775	0
Sold vacation	1,876	1,376	1,067	309
Christmas bonus	761	650	650	0
Dental insurance	2,768	2,621	2,321	300
Social Security taxes	20,715	20,215	18,299	1,916
Health insurance	36,392	34,630	34,346	284
Retirement	38,659	37,659	35,099	2,560
Life and disability insurance	3,348	3,348	3,901	(553)
Education reimbursement	400	1,836	1,230	606
Worker's compensation claims	500	500	0	500
Clothing allowance and shoes	1,550	1,550	1,250	300
Postage	125	125	14	111
Printing	300	300	178	122
Subscriptions and memberships	2,200	2,200	1,895	305
Advertising	800	400	86	314
Utilities	17,100	15,000	11,579	3,421
Telephone	11,550	7,500	7,091	409
Vehicle maintenance	7,500	5,000	3,830	1,170
Office equipment maintenance	4,000	2,500	1,030	1,470
Building maintenance	5,000	5,000	12,864	(7,864)
Travel and training	2,940	2,840	2,953	(113)
Complimentary meals	300	486	573	(87)
Contracted services	0	0	1,835	(1,835)
Contracted services - pest control	180	180	144	36
Office expenditures	6,400	6,400	6,092	308
Operating supplies	1,000	400	211	189
Janitorial	700	700	711	(11)
Uniforms	2,600	700	299	401
Gasoline and oil	4,500	6,409	6,289	120
Insurance - building and contents	1,615	1,615	1,487	128
Insurance - vehicle and equipment	2,330	1,058	1,058	0
Insurance - general liability	1,536	1,210	1,210	0
Insurance - workers compensation	7,991	9,633	9,633	0
Insurance - employee bonds	100	100	40	60
Miscellaneous	500	500	172	328

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, TENNESSEE

GENERAL FUND

(Continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Expenditures - (Continued)				
Current - (Continued)				
Public works - (Continued)				
Engineering - (Continued)				
Computer equipment	\$ 3,600	\$ 0	\$ 1,926	\$ (1,926)
Equipment	1,000	2,900	2,330	570
Vehicle	0	8,500	6,130	2,370
Total engineering	<u>\$ 460,983</u>	<u>\$ 446,277</u>	<u>\$ 424,010</u>	<u>\$ 22,267</u>
Sign and signal:				
Street lighting	\$ 537,959	\$ 551,000	\$ 546,328	\$ 4,672
Telephone	3,300	3,300	2,701	599
Traffic light utility service	35,370	35,850	38,891	(3,041)
Traffic light repair maintenance	121,751	121,751	132,192	(10,441)
Traffic signal supplies	1,800	1,800	784	1,016
Signalization	5,000	5,000	0	5,000
Small equipment	2,400	2,400	8,134	(5,734)
Total sign and signal	<u>\$ 707,580</u>	<u>\$ 721,101</u>	<u>\$ 729,030</u>	<u>\$ (7,929)</u>
Landscaping maintenance:				
Salaries	\$ 234,142	\$ 231,167	\$ 229,003	\$ 2,164
Overtime wages	2,000	2,000	1,368	632
Part time wages	3,400	6,375	5,472	903
Service awards	100	350	350	0
Longevity	2,300	2,250	2,250	0
Sold vacation	2,778	1,365	541	824
Christmas bonus	864	867	866	1
Dental insurance	2,296	2,296	2,365	(69)
Social security taxes	18,787	18,787	17,338	1,449
Health Insurance	36,104	33,304	33,303	1
Retirement	35,117	35,117	31,875	3,242
Life and disability insurance	2,508	2,508	2,828	(320)
Worker's compensation claims	500	500	290	210
Pre-employment testing	200	200	75	125
Postage	25	25	20	5
Printing	75	75	0	75
Subscriptions and memberships	400	400	455	(55)
Advertising	125	125	105	20
Utilities	500	750	747	3
Telephone	2,600	3,100	2,781	319
Vehicle maintenance	60,000	60,000	58,486	1,514
Equipment repairs	4,000	2,500	2,169	331

The accompanying notes are an integral part of these financial statements.

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CITY OF CLEVELAND, TENNESSEE

GENERAL FUND

(Continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Expenditures - (Continued)				
Current - (Continued)				
Public works - (Continued)				
Landscaping maintenance - (Continued)				
Travel and training	\$ 2,940	\$ 3,400	\$ 3,316	\$ 84
Other contracted services	1,200	218	218	0
Office expenditures	600	600	577	23
Botanical supplies	10,000	10,000	7,747	2,253
Uniforms	6,000	5,500	5,176	324
State grant - trees	0	5,000	5,000	0
Donations - memorial tree fund	0	12,060	11,015	1,045
Gasoline and oil	13,500	19,100	23,029	(3,929)
Insurance - vehicle and equipment	1,539	3,458	3,458	0
Insurance - general liability	1,910	1,210	1,210	0
Insurance - workers compensation	12,266	10,143	10,143	0
Miscellaneous	500	500	542	(42)
3/4 Ton truck accessory	0	0	1,854	(1,854)
Small equipment	1,500	2,482	2,347	135
Total landscaping maintenance	\$ 460,776	\$ 477,732	\$ 468,319	\$ 9,413
Total public works	\$ 3,579,614	\$ 3,574,349	\$ 3,538,318	\$ 36,031
Health and welfare:				
Animal Control:				
Salaries	\$ 206,805	\$ 206,805	\$ 201,294	\$ 5,511
Overtime wages	24,000	24,000	21,977	2,023
Part-time wages	3,130	3,130	2,713	417
Service awards	100	100	100	0
Longevity	3,150	3,150	3,150	0
Sold vacation	1,062	600	560	40
Christmas bonus	758	758	758	0
Dental insurance	2,550	2,550	2,320	230
Social Security tax	18,535	18,535	16,771	1,764
Health insurance	34,825	34,825	31,282	3,543
Retirement	34,656	33,356	32,571	785
Life and disability insurance	4,915	2,800	2,699	101
Unemployment compensation	0	0	998	(998)
Worker's compensation claims	2,500	1,500	1,199	301
Laundry and dry cleaning	4,500	3,750	2,372	1,378
Employee physicals	200	200	40	160
Protective immunizations	1,500	300	45	255
Postage	35	35	7	28

The accompanying notes are an integral part of these financial statements.

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CITY OF CLEVELAND, TENNESSEE

GENERAL FUND

(Continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Expenditures - (Continued)				
Current - (Continued)				
Health and welfare - (Continued)				
Animal Control - (Continued)				
Contracted services - vehicles	\$ 800	\$ 1,200	\$ 1,200	\$ 0
Printing	1,350	2,050	1,981	69
Subscriptions and memberships	300	450	569	(119)
Advertising	540	340	94	246
Utilities and pager	6,500	9,000	8,270	730
Telephone	5,800	6,775	8,244	(1,469)
Adoption and veterinary fees	0	500	316	184
Vehicle maintenance	15,000	20,669	21,523	(854)
Copier maintenance	700	400	199	201
Grounds improvement	500	1,700	1,711	(11)
Building maintenance	5,000	3,800	4,076	(276)
Training and travel	2,940	2,000	1,804	196
Landfill	3,000	2,500	2,250	250
Office supplies and printing	2,500	1,500	1,974	(474)
Janitorial supplies	850	1,200	1,896	(696)
Uniforms and safety shoes	3,000	3,000	3,006	(6)
Gasoline and oil	11,300	14,200	13,458	742
Euthanasia and supplies	5,850	5,000	5,061	(61)
Pet food	1,200	2,200	2,260	(60)
Donations - cages and supplies	0	3,921	386	3,535
Insurance - building and contents	345	345	317	28
Insurance - vehicles and equipment	1,250	1,517	1,517	0
Insurance - general liability	1,030	1,110	1,110	0
Insurance - workers compensation	8,220	9,765	9,765	0
Insurance - employee bonds	110	110	0	110
Miscellaneous	500	500	11	489
Equipment	1,000	1,000	1,247	(247)
Total Animal Control	\$ 422,806	\$ 433,146	\$ 415,101	\$ 18,045
Total health and welfare	\$ 422,806	\$ 433,146	\$ 415,101	\$ 18,045

CITY OF CLEVELAND, TENNESSEE

GENERAL FUND

(Continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Expenditures - (Continued)				
Current - (Continued)				
Culture and recreation:				
Northeast Recreation Center:				
Salaries	\$ 87,371	\$ 87,371	\$ 85,432	\$ 1,939
Part time wages	24,780	28,000	22,554	5,446
Accumulated holiday pay	0	0	1,146	(1,146)
Service awards	0	200	200	0
Longevity	1,800	1,250	1,250	0
Sold vacation	2,254	2,254	573	1,681
Christmas bonus	434	434	433	1
Dental insurance	1,160	760	696	64
Social security tax	8,923	9,142	8,423	719
Health insurance	14,852	8,900	8,877	23
Retirement	13,319	12,944	12,025	919
Life and disability insurance	1,003	1,003	987	16
Unemployment compensation	695	200	0	200
Education reimbursement	1,320	0	0	0
Worker's compensation claims	220	220	0	220
Utilities	25,200	32,000	33,364	(1,364)
Telephone	2,310	2,310	2,797	(487)
Building maintenance	12,000	11,000	12,595	(1,595)
Team competition and trips	3,000	3,000	2,355	645
Office expenditures and paper	600	1,600	1,883	(283)
Janitorial supplies	600	600	1,193	(593)
Gasoline	0	500	263	237
Pool	4,000	4,000	5,139	(1,139)
Athletic supplies	4,000	4,000	3,010	990
Program development	6,000	6,000	5,956	44
Insurance - building and contents	3,179	3,000	2,797	203
Insurance - general liability	947	1,452	1,452	0
Insurance - workers compensation	2,718	2,589	2,588	1
Miscellaneous	500	575	593	(18)
BCCSA activities	0	10,200	10,200	0
Team donations	0	818	627	191
Youth achievement program	6,500	6,500	4,280	2,220
Swim team	2,000	2,000	1,956	44
Panther account	0	7,950	8,163	(213)
Small equipment	484	484	0	484
Total Northeast Recreation Center	\$ 232,169	\$ 253,256	\$ 243,807	\$ 9,449

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CITY OF CLEVELAND, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Expenditures - (Continued)				
Current - (Continued)				
Culture and recreation - (Continued)				
Parks and recreation:				
Salaries	\$ 227,066	\$ 246,489	\$ 240,651	\$ 5,838
Overtime wages	5,803	5,803	2,891	2,912
Part time wages	39,400	39,400	19,807	19,593
Longevity	2,400	2,400	2,400	0
Sold vacation	4,371	2,310	966	1,344
Christmas bonus	975	780	866	(86)
College pay	125	125	125	0
Dental insurance	2,558	2,558	2,579	(21)
Social security tax	21,439	23,026	19,667	3,359
Health insurance	35,529	36,355	38,111	(1,756)
Retirement	34,907	37,931	35,547	2,384
Life and disability insurance	3,283	3,283	2,643	640
Unemployment compensation	672	1,140	1,140	0
Education reimbursement	1,350	350	0	350
Worker's compensation claims	2,397	1,000	0	1,000
Laundry and dry cleaning	450	450	443	7
Pre-employment testing	75	75	0	75
Postage	200	200	195	5
Utilities	6,600	6,600	6,596	4
Telephone	5,500	5,500	6,263	(763)
Comprehensive assessment	3,000	3,000	3,000	0
Vehicle maintenance	34,800	38,000	34,255	3,745
Equipment and repairs	12,000	8,800	3,542	5,258
Grounds maintenance	28,100	28,100	23,342	4,758
Fletcher building	10,000	10,000	9,302	698
Car allowance	4,200	4,200	4,550	(350)
Training and travel	2,050	4,550	5,295	(745)
Office expenditures	1,680	1,680	1,758	(78)
Uniforms	4,000	4,000	3,974	26
Gasoline and oil	8,250	19,750	19,172	578
Insurance - building and contents	2,695	2,743	2,742	1
Insurance - vehicles and equipment	2,165	2,322	2,322	0
Insurance - general liability	2,845	3,284	3,284	0
Insurance - workers compensation	8,723	9,809	9,808	1
Miscellaneous	500	500	416	84
Old timers banquet	3,000	3,000	2,028	972

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, TENNESSEE
GENERAL FUND

(Continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Expenditures - (Continued)				
Current - (Continued)				
Culture and recreation - (Continued)				
Parks and recreation - (Continued)				
Office machinery and equipment	\$ 500	\$ 400	\$ 0	\$ 400
Small equipment	1,454	1,554	2,049	(495)
Total parks and recreation	<u>\$ 525,062</u>	<u>\$ 561,467</u>	<u>\$ 511,729</u>	<u>\$ 49,738</u>
			√	
Cleveland Community Center:				
Salaries	\$ 115,919	\$ 115,919	\$ 126,051	\$ (10,132)
Part time wages	50,106	42,000	37,959	4,041
Longevity	3,300	3,300	3,300	0
Sold vacation	2,230	1,845	1,844	1
Christmas bonus	434	434	433	1
Dental insurance	910	910	1,049	(139)
Social security tax	13,217	13,217	12,806	411
Health insurance	13,043	13,043	13,213	(170)
Retirement	17,673	17,673	18,490	(817)
Life and disability insurance	1,394	1,394	1,463	(69)
Worker's compensation claims	110	110	0	110
Utilities	26,400	26,400	29,797	(3,397)
Telephone	3,300	4,000	3,549	451
Vehicle maintenance	600	600	342	258
Building maintenance	7,500	7,500	7,912	(412)
Team trips and competition	2,000	2,000	0	2,000
Office expenditures and paper	600	600	620	(20)
Janitorial contract	1,800	1,800	1,324	476
Pool	4,400	4,400	4,040	360
Athletic supplies	1,500	1,500	904	596
Ceramic supplies	500	500	327	173
Insurance - building and contents	2,907	2,622	2,622	0
Insurance - general liability	1,355	1,850	1,850	0
Insurance - workers compensation	4,090	3,939	3,938	1
Contracted services - floor maintenance	2,700	2,700	2,370	330
Contracted services - security	1,320	1,164	1,164	0
Miscellaneous	500	500	320	180
Junior pro basketball	5,500	4,000	2,308	1,692
Cardinal account	9,000	9,000	1,280	7,720
Equipment	1,500	1,500	385	1,115
Total Cleveland Community Center	<u>\$ 295,808</u>	<u>\$ 286,420</u>	<u>\$ 281,660</u>	<u>\$ 4,760</u>

CITY OF CLEVELAND, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Expenditures - (Continued)				
Current - (Continued)				
Culture and recreation - (Continued)				
Tinsley Park:				
Salaries	\$ 75,000	\$ 99,510	\$ 84,054	\$ 15,456
Overtime	0	960	594	366
Social Security taxes	7,306	7,306	6,476	830
Unemployment compensation	275	0	0	0
Utilities	22,842	22,842	26,114	(3,272)
Telephone	2,750	1,550	832	718
Maintenance and repairs	18,000	18,000	16,139	1,861
Janitorial supplies	800	2,000	3,422	(1,422)
Tournament	15,000	9,000	6,365	2,635
Pool	10,000	10,000	10,536	(536)
Concession supplies	15,000	15,000	16,184	(1,184)
Insurance - building and contents	2,865	2,865	2,432	433
Insurance - general liability	893	1,086	1,086	0
Insurance - workers compensation	2,809	2,106	2,105	1
Total Tinsley Park	\$ 173,540	\$ 192,225	\$ 176,339	\$ 15,886
Cherokee Springs				
Salaries	\$ 164,694	\$ 164,694	\$ 155,607	\$ 9,087
Part time wages	25,000	25,000	31,215	(6,215)
Longevity	600	600	600	0
Sold vacation	3,169	1,500	1,927	(427)
Christmas bonus	758	650	650	0
Dental insurance	1,842	1,842	1,952	(110)
Social security taxes	14,858	14,722	13,950	772
Health insurance	27,078	26,078	22,926	3,152
Retirement	24,537	28,968	21,557	7,411
Life and disability insurance	2,310	2,310	2,243	67
Unemployment	1,000	1,000	0	1,000
Worker's compensation claims	100	100	0	100
Printing	1,000	1,000	0	1,000
Subscriptions and memberships	1,000	1,000	1,084	(84)
Advertising and marketing	2,000	2,000	1,213	787
Utilities	23,100	23,100	17,731	5,369
Telephone	4,600	6,875	7,274	(399)
Vehicle maintenance	1,000	1,000	1,114	(114)
Equipment parts and maintenance	18,000	18,000	16,802	1,198
Maintenance and repairs	8,000	8,000	7,915	85
Building maintenance	12,000	12,000	10,792	1,208
Golf cart maintenance	10,000	10,000	7,423	2,577

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, TENNESSEE

GENERAL FUND

(Continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Expenditures - (Continued)				
Current - (Continued)				
Culture and recreation - (Continued)				
Cherokee Springs - (Continued)				
Travel and training	\$ 980	\$ 980	\$ 628	\$ 352
Contracted services - pest control	300	300	168	132
Office expenditures	3,800	3,800	4,872	(1,072)
Janitorial	1,500	1,500	1,397	103
Uniform	600	600	107	493
Golf course accessories	1,500	1,500	1,215	285
Gasoline	3,000	500	0	500
Tires, tubes, etc.	1,000	1,000	861	139
Irrigation and drainage supplies	5,000	5,000	431	4,569
Proshop	14,400	14,400	10,853	3,547
Concession supplies	11,550	18,550	21,523	(2,973)
Small supplies	350	350	378	(28)
Fertilizer and chemicals	20,000	20,000	20,990	(990)
Insurance - building and contents	1,260	1,260	1,136	124
Insurance - general liability	1,968	2,649	2,649	0
Insurance - workers compensation	7,242	7,892	7,892	0
Contracted services - security	1,900	1,900	1,736	164
Miscellaneous	500	500	265	235
One ton pickup	0	6,000	6,000	0
Total Cherokee Springs Golf Course	\$ 423,496	\$ 439,120	\$ 407,076	\$ 32,044
Total culture and recreation	\$ 1,650,075	\$ 1,732,488	\$ 1,620,611	\$ 111,877
Appropriations:				
Jointly funded agencies	\$ 3,842	\$ 1,842	\$ 0	\$ 1,842
Regional Museum	33,000	33,000	33,000	0
MTAS benchmarking	4,000	4,000	4,000	0
Municipal League dues	9,102	9,102	9,102	0
Chamber of Commerce	38,000	38,000	38,000	0
Southeast Tennessee Development	7,439	7,439	7,438	1
Mainstreet Cleveland	22,396	22,396	22,396	0
Cemetery Association	11,500	11,500	11,500	0
Court's Community Services	46,000	48,000	48,189	(189)
Keep America Beautiful	21,450	21,450	21,450	0
Juvenile Court match	1,101	1,101	1,101	0
United Way supporters	250	250	0	250
SETHRA - Transit	111,158	111,158	111,158	0
Communications Center	450,000	450,000	450,000	0
Emergency Management	73,115	73,115	73,115	0

The accompanying notes are an integral part of these financial statements.

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CITY OF CLEVELAND, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Expenditures - (Continued)				
Current - (Continued)				
Appropriations - (Continued)				
Emergency Management debt	\$ 2,200	\$ 2,200	\$ 2,200	\$ 0
Child Welfare Service	1,000	1,000	1,000	0
Veterans Affairs Office	14,662	14,662	14,662	0
Behavioral Research	2,000	2,000	2,000	0
Development Services Agency	6,175	6,175	6,175	0
Community Services Agency	83,791	83,791	83,791	0
Emergency Aid	500	500	0	500
Life Challenge of Cleveland	1,000	1,000	0	1,000
Senior Center improvements	18,000	18,000	16,633	1,367
Aqua Tigers equipment	2,000	2,000	2,000	0
Midget Football	3,500	3,500	3,500	0
Sports for Youth	6,500	6,500	6,500	0
Cleveland Youth Softball	4,000	4,000	4,000	0
Soccer Association	5,000	5,000	5,000	0
Soccer Association - land	5,000	5,000	0	5,000
Foothills Country Fair	1,000	1,000	1,000	0
Vocational School	17,860	17,860	17,860	0
Total appropriations	<u>\$ 1,006,541</u>	<u>\$ 1,006,541</u>	<u>\$ 996,770</u>	<u>\$ 9,771</u>
Total expenditures	<u>\$ 23,290,850</u>	<u>\$ 22,707,593</u>	<u>\$ 22,269,238</u>	<u>\$ 438,355</u>
Excess of revenues over expenditures	<u>\$ 9,310,651</u>	<u>\$ 10,602,926</u>	<u>\$ 11,954,292</u>	<u>\$ 1,351,366</u>
Other financing sources (uses):				
Transfers in	\$ 1,391,689	\$ 1,600,029	\$ 1,600,029	\$ 0
Transfers out	<u>(12,425,275)</u>	<u>(13,996,192)</u>	<u>(14,155,908)</u>	<u>(159,716)</u>
Total other financing sources(uses)	<u>\$ (11,033,586)</u>	<u>\$ (12,396,163)</u>	<u>\$ (12,555,879)</u>	<u>\$ (159,716)</u>
Net change in fund balances	\$ (1,722,935)	\$ (1,793,237)	\$ (601,587)	\$ 1,191,650
Fund balance at beginning of year	<u>8,462,755</u>	<u>8,462,755</u>	<u>8,462,755</u>	<u>0</u>
Fund balance at end of year	<u>\$ 6,739,820</u>	<u>\$ 6,669,518</u>	<u>\$ 7,861,168</u>	<u>\$ 1,191,650</u>

\$ 36,425,146

CITY OF CLEVELAND, TENNESSEE
SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
Federal government:				
Education of the handicapped	\$ 41,764	\$ 21,751	\$ 23,198	\$ 1,447
Other Federal through State	0	99,374	83,203	(16,171)
Total federal government	\$ 41,764	\$ 121,125	\$ 106,401	\$ (14,724)
State of Tennessee:				
Basic Education Program	\$ 13,512,000	\$ 14,249,930	\$ 14,243,330	\$ (6,600)
School food service	24,601	25,119	25,119	0
Driver education	8,000	8,000	6,129	(1,871)
Other state education funds	72,000	97,333	34,703	(62,630)
Career ladder program	353,485	353,485	258,603	(94,882)
Career ladder extended contract	197,127	197,127	161,147	(35,980)
Vocational work study	1,850	1,850	0	(1,850)
Other vocational	650	650	5,000	4,350
Other state funds	0	232,052	200,107	(31,945)
State mixed drink tax	40,000	40,000	53,431	13,431
State income tax	8,942	12,578	54,961	42,383
Total State of Tennessee	\$ 14,218,655	\$ 15,218,124	\$ 15,042,530	\$ (175,594)
Bradley County:				
Property taxes - current	\$ 4,488,244	\$ 4,404,544	\$ 4,377,653	\$ (26,891)
Property taxes - prior	270,557	270,557	180,071	(90,486)
Interest and penalty	28,000	28,000	28,589	589
In lieu of taxes - Local Utilities	1,645	1,645	1,224	(421)
Marriage license	3,187	3,187	2,694	(493)
Bank excise tax	44,500	44,500	41,986	(2,514)
Interstate telecommunications tax	0	4,475	4,943	468
Local sales tax	3,600,332	3,527,732	3,634,092	106,360
Total Bradley County	\$ 8,436,465	\$ 8,284,640	\$ 8,271,252	\$ (13,388)
Total Intergovernmental	\$ 22,696,884	\$ 23,623,889	\$ 23,420,183	\$ (203,706)
Charges for services:				
Tuition	\$ 83,385	\$ 83,385	\$ 87,751	\$ 4,366
Tuition - other	73,000	73,000	88,184	15,184
Community service fees	216,040	216,040	161,164	(54,876)
Criminal background fee	4,800	4,800	4,200	(600)
Total charges for services	\$ 377,225	\$ 377,225	\$ 341,299	\$ (35,926)

CITY OF CLEVELAND, TENNESSEE
SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues - (Continued)				
Interest	\$ 129,285	\$ 159,285	\$ 248,727	\$ 89,442
Miscellaneous:				
Contributions	\$ 319,672	\$ 376,272	\$ 390,043	\$ 13,771
Other	119,241	197,881	183,072	(14,809)
Sale of equipment	1,500	2,856	3,183	327
Total miscellaneous	\$ 440,413	\$ 577,009	\$ 576,298	\$ (711)
Total revenues	\$ 23,643,807	\$ 24,737,408	\$ 24,586,507	\$ (150,901)
Expenditures:				
Current:				
Education:				
Regular instruction:				
Teachers	\$ 10,232,002	\$ 10,294,336	\$ 10,286,751	\$ 7,585
Career ladder program	193,000	193,000	164,383	28,617
Career ladder extended contract	175,000	175,000	129,400	45,600
Homebound teachers	35,336	35,336	40,395	(5,059)
Assistants	945,858	882,058	821,959	60,099
Other salaries and wages	68,189	68,189	81,219	(13,030)
Certified substitute teachers	92,780	92,780	123,064	(30,284)
Non-certified substitute teachers	120,000	120,000	117,851	2,149
Social security	721,198	722,048	690,167	31,881
State retirement	722,093	722,843	695,060	27,783
Life insurance	15,607	15,607	24,305	(8,698)
Medical insurance	1,208,493	1,262,893	1,261,555	1,338
Unemployment compensation	2,400	2,400	5,728	(3,328)
Employer medicare liability	168,667	168,867	161,410	7,457
Other fringe benefits	56,400	56,400	60,422	(4,022)
Maintenance and repair	13,230	13,230	11,479	1,751
Other contracted services	249,045	244,795	300,833	(56,038)
Instructional supplies	165,245	165,245	187,159	(21,914)
Textbooks	225,000	225,000	231,869	(6,869)
Other supplies and materials	33,455	284,225	339,579	(55,354)
Other charges	23,500	38,000	36,421	1,579
Regular instruction equipment	87,395	196,596	141,588	55,008
Total regular instruction	\$ 15,553,893	\$ 15,978,848	\$ 15,912,597	\$ 66,251
Special education:				
Teachers	\$ 1,225,194	\$ 1,318,365	\$ 1,295,962	\$ 22,403
Career ladder program	27,000	27,000	18,000	9,000
Homebound teachers	1,000	1,000	8,907	(7,907)
Assistants	214,612	233,234	221,996	11,238
Certified substitute teachers	4,000	4,000	5,465	(1,465)
Non-certified substitute teachers	3,000	3,000	3,177	(177)

CITY OF CLEVELAND, TENNESSEE
SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Expenditures - (Continued):				
Current - (Continued):				
Education - (Continued):				
Special education - (Continued):				
Social security	\$ 90,005	\$ 94,505	\$ 90,190	\$ 4,315
State retirement	100,044	104,044	100,681	3,363
Life insurance	1,956	1,956	1,956	0
Medical insurance	186,139	196,569	188,934	7,635
Employer medicare liability	21,050	22,092	21,093	999
Contracts with private agencies	23,500	23,500	15,930	7,570
Maintenance and other repair services	1,700	1,700	1,059	641
Other contracted services	8,000	8,000	6,131	1,869
Instructional supplies	21,627	21,627	21,741	(114)
Other supplies and materials	6,823	19,947	22,301	(2,354)
Special education equipment	4,100	4,100	558	3,542
Total special education	\$ 1,939,750	\$ 2,084,639	\$ 2,024,081	\$ 60,558
Vocational education:				
Teachers	\$ 636,560	\$ 693,885	\$ 687,666	\$ 6,219
Career ladder program	4,000	4,000	1,000	3,000
Certified substitute teachers	1,500	1,500	3,040	(1,540)
Non-certified substitute teachers	1,000	1,000	1,705	(705)
Social security	39,469	39,469	40,336	(867)
State retirement	35,231	35,231	37,876	(2,645)
Life insurance	639	639	639	0
Medical insurance	76,683	79,153	79,049	104
Employer medicare liability	9,231	9,231	9,433	(202)
Maintenance and repair services	11,000	11,000	1,459	9,541
Travel	0	0	334	(334)
Tuition	375	375	350	25
Other contracted services	4,500	4,500	1,433	3,067
Instructional supplies	35,200	35,200	43,097	(7,897)
Other supplies and materials	2,300	2,300	1,653	647
Other charges	0	0	3,334	(3,334)
Vocational instruction equipment	50,500	125,500	128,047	(2,547)
Total vocational education	\$ 908,188	\$ 1,042,983	\$ 1,040,451	\$ 2,532
Students:				
Attendance:				
Supervisor	\$ 34,692	\$ 35,012	\$ 35,012	\$ 0
Social security	2,151	2,151	2,120	31
State retirement	1,908	1,908	1,926	(18)
Life insurance	120	120	120	0
Medical insurance	2,044	2,069	2,069	0
Employer medicare liability	503	503	496	7
Total attendance	\$ 41,418	\$ 41,763	\$ 41,743	\$ 20

CITY OF CLEVELAND, TENNESSEE
SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Expenditures - (Continued):				
Current - (Continued):				
Education - (Continued):				
Students - (Continued):				
Health services:				
Medical personnel	\$ 50,524	\$ 50,524	49,991	\$ 533
Social security	3,133	3,133	3,015	118
State retirement	7,326	7,326	3,668	3,658
Life insurance	94	94	94	0
Medical insurance	4,087	4,137	4,138	(1)
Employer medicare liability	733	733	705	28
Travel	500	500	312	188
Other contracted services	515	515	563	(48)
Drugs and medical supplies	2,000	2,000	1,260	740
Other supplies and materials	3,000	3,000	3,561	(561)
Total health services	<u>\$ 71,912</u>	<u>\$ 71,962</u>	<u>\$ 67,307</u>	<u>\$ 4,655</u>
Other student support:				
Career ladder program	\$ 13,000	\$ 13,000	\$ 9,000	\$ 4,000
Guidance personnel	516,606	487,331	487,743	(412)
Psychological personnel	80,334	80,334	73,969	6,365
Attendants	40,744	76,151	73,631	2,520
Social security	40,045	40,045	38,538	1,507
State retirement	37,280	37,280	31,389	5,891
Life insurance	867	867	867	0
Medical insurance	51,302	47,802	45,680	2,122
Employer medicare liability	9,435	9,435	9,013	422
Evaluation and testing	14,425	14,425	20,226	(5,801)
Maintenance and repair services	600	600	0	600
Postal charges	1,400	1,400	588	812
Other contracted services	162,000	162,000	167,905	(5,905)
Other supplies and materials	14,765	14,765	6,994	7,771
Other charges	4,966	4,966	0	4,966
Other equipment	450	450	65	385
Total other student support	<u>\$ 988,219</u>	<u>\$ 990,851</u>	<u>\$ 965,608</u>	<u>\$ 25,243</u>
Total students	<u>\$ 1,101,549</u>	<u>\$ 1,104,576</u>	<u>\$ 1,074,658</u>	<u>\$ 29,918</u>
Instructional staff:				
Regular instruction program:				
Supervisor	\$ 432,637	\$ 287,338	\$ 287,338	\$ 0
Career ladder program	20,000	20,000	22,805	(2,805)
Librarians	387,981	393,877	393,849	28
Materials supervisor	69,383	71,086	70,024	1,062
Secretaries	85,690	85,690	76,954	8,736
Other salaries and wages	58,805	58,805	58,493	312

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, TENNESSEE
SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Expenditures - (Continued):				
Current - (Continued):				
Education - (Continued):				
Instructional staff - (Continued)				
Regular instruction program - (Continued)				
Social security	\$ 64,535	\$ 55,998	\$ 54,096	\$ 1,902
State retirement	71,002	63,429	61,981	1,448
Life insurance	1,183	1,183	1,183	0
Medical insurance	95,183	86,983	83,027	3,956
Employer medicare liability	15,093	13,097	12,652	445
Dues and subscriptions	4,000	4,000	1,820	2,180
Travel	24,040	26,040	25,046	994
Other contracted services	9,500	22,883	35,330	(12,447)
Library books	40,830	40,830	39,245	1,585
Other supplies and materials	25,250	25,250	18,005	7,245
In-service staff development	125,000	128,525	126,992	1,533
Other equipment	6,500	6,500	5,706	794
Total regular instruction program	<u>\$ 1,536,612</u>	<u>\$ 1,391,514</u>	<u>\$ 1,374,546</u>	<u>\$ 16,968</u>
Special education:				
Supervisor	\$ 66,761	\$ 67,822	\$ 67,822	\$ 0
Career ladder program	3,000	3,000	0	3,000
In-service training	700	700	100	600
Social security	2,791	4,086	4,085	1
State retirement	3,837	3,837	3,730	107
Life insurance	29	29	29	0
Medical insurance	4,087	4,137	4,138	(1)
Employer medicare liability	1,001	1,001	956	45
Consultants	500	0	0	0
Travel	1,500	2,000	2,135	(135)
Other equipment	850	850	0	850
Total special education	<u>\$ 85,056</u>	<u>\$ 87,462</u>	<u>\$ 82,995</u>	<u>\$ 4,467</u>
Vocational education:				
Supervisor	\$ 69,326	\$ 69,967	\$ 69,967	\$ 0
Career ladder program	3,000	3,000	3,000	0
Secretaries	40,620	40,620	34,604	6,016
Other salaries and wages	40,523	40,523	11,676	28,847
Social security	9,515	9,515	6,629	2,886
State retirement	15,744	15,744	8,240	7,504
Life insurance	72	72	72	0
Medical insurance	22,182	22,182	15,434	6,748
Employer medicare liability	2,225	2,225	1,550	675
Travel	5,300	5,300	3,175	2,125
Other contracted services	1,500	1,500	839	661

CITY OF CLEVELAND, TENNESSEE
SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Expenditures - (Continued):				
Current - (Continued):				
Education - (Continued):				
Instructional staff - (Continued):				
Vocational education - (Continued):				
Other supplies and materials	\$ 3,500	\$ 3,500	\$ 2,758	\$ 742
In-service training	2,000	2,000	0	2,000
Other charges	159	159	0	159
Other equipment	6,000	6,000	3,563	2,437
Total vocational education	<u>\$ 221,666</u>	<u>\$ 222,307</u>	<u>\$ 161,507</u>	<u>\$ 60,800</u>
Total instructional staff	<u>\$ 1,843,334</u>	<u>\$ 1,701,283</u>	<u>\$ 1,619,048</u>	<u>\$ 82,235</u>
General administration:				
Board of education:				
Board and committee members fees	\$ 52,800	\$ 52,800	\$ 52,800	\$ 0
Social security	3,274	3,274	3,274	0
Employer medicare	766	766	766	0
Other fringe benefits	740	740	732	8
Audit services	8,500	11,000	11,000	0
Dues and membership	11,753	11,753	16,070	(4,317)
Legal services	10,000	10,000	17,834	(7,834)
Liability insurance	29,035	31,813	31,813	0
Premiums on corporate surety bonds	7,039	7,714	7,714	0
Trustee's commission	77,000	92,000	98,965	(6,965)
Worker's compensation insurance	105,047	107,447	120,561	(13,114)
Criminal investigation	8,000	8,000	7,840	160
Refund for criminal investigation	2,000	2,000	2,352	(352)
Other charges	32,000	32,000	23,654	8,346
Total board of education	<u>\$ 347,954</u>	<u>\$ 371,307</u>	<u>\$ 395,375</u>	<u>\$ (24,068)</u>
Office of superintendent:				
Administrative officer	\$ 110,630	\$ 111,524	\$ 111,524	\$ 0
Assistants	0	77,543	77,543	0
Career ladder program	1,000	1,000	0	1,000
Secretaries	55,963	55,963	55,623	340
Other salaries and wages	7,200	7,320	7,400	(80)
Social security	10,650	13,731	13,731	0
State retirement	14,650	18,871	18,871	0
Life insurance	195	195	195	0
Medical insurance	15,948	17,690	17,690	0
Employer medicare liability	2,491	3,591	3,591	0
Other fringe benefits	5,425	5,425	4,845	580
Communication	98,000	98,000	81,993	16,007
Dues and memberships	2,500	2,500	2,829	(329)
Postal charges	6,500	6,500	5,797	703
Travel	4,300	4,300	4,665	(365)
Other contracted services	22,600	22,600	22,003	597

CITY OF CLEVELAND, TENNESSEE
SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Expenditures - (Continued):				
Current - (Continued):				
Education - (Continued):				
General administration - (Continued):				
Office of the superintendent - (Continued):				
Office supplies	\$ 18,000	\$ 18,000	\$ 11,378	\$ 6,622
Other charges	17,900	17,900	11,927	5,973
Administrative equipment	5,000	5,000	4,154	846
Total office of superintendent	<u>\$ 398,952</u>	<u>\$ 487,653</u>	<u>\$ 455,759</u>	<u>\$ 31,894</u>
Total general administration	<u>\$ 746,906</u>	<u>\$ 858,960</u>	<u>\$ 851,134</u>	<u>\$ 7,826</u>
Office of the Principal:				
Principals	\$ 576,302	\$ 571,802	\$ 571,859	\$ (57)
Career ladder program	29,000	29,000	14,000	15,000
Assistant principals	311,304	306,604	306,550	54
Secretaries	317,611	305,611	306,909	(1,298)
Clerical personnel	21,244	21,244	17,979	3,265
Social security	76,597	75,897	72,097	3,800
State retirement	99,547	97,847	93,593	4,254
Life insurance	1,386	1,386	1,386	0
Medical insurance	110,191	110,541	110,637	(96)
Employer medicare liability	17,914	17,740	16,862	878
Dues and memberships	2,535	2,535	3,195	(660)
Maintenance and repair services	3,250	3,250	3,741	(491)
Postal charges	7,220	7,220	4,001	3,219
Travel	5,100	5,100	1,109	3,991
Other contracted services	17,035	17,035	15,355	1,680
Office supplies	10,900	10,900	9,128	1,772
Other charges	335	335	183	152
Administrative equipment	21,945	31,810	23,547	8,263
Total office of the principal	<u>\$ 1,629,416</u>	<u>\$ 1,615,857</u>	<u>\$ 1,572,131</u>	<u>\$ 43,726</u>
Business administration:				
Bookkeepers	\$ 128,564	\$ 128,564	\$ 128,478	\$ 86
Social security	7,971	7,971	7,760	211
State retirement	18,642	18,642	17,033	1,609
Life insurance	163	163	163	0
Medical insurance	8,776	8,886	8,886	0
Employer medicare liability	1,864	1,864	1,815	49
Data processing services	7,326	7,326	7,252	74
Travel	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 390</u>	<u>\$ 610</u>
Total business administration	<u>\$ 174,306</u>	<u>\$ 174,416</u>	<u>\$ 171,777</u>	<u>\$ 2,639</u>
Operation and maintenance of plant:				
Operation of plant:				
Custodial personnel	\$ 21,207	\$ 21,207	\$ 21,020	\$ 187
Social security	1,315	1,315	988	327
State retirement	3,075	3,075	3,048	27

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, TENNESSEE
SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Expenditures - (Continued):				
Current - (Continued):				
Education - (Continued):				
Operation and maintenance of plant - (Continued)				
Operation of plant - (Continued)				
Life insurance	\$ 84	\$ 84	\$ 84	\$ 0
Medical insurance	7,624	7,498	7,497	1
Employer medicare liability	307	307	231	76
Janitorial services	604,848	604,848	593,001	11,847
Rentals	6,000	6,000	6,000	0
Other contracted services	51,270	51,270	57,905	(6,635)
Electricity	908,744	955,588	984,468	(28,880)
Natural gas	147,000	157,000	216,941	(59,941)
Water and sewer	149,593	149,593	118,127	31,466
Other supplies and materials	25,000	25,000	89,372	(64,372)
Boiler insurance	5,796	6,170	6,170	0
Building and contents insurance	105,592	112,411	112,411	0
Total operation of plant	\$ 2,037,455	\$ 2,101,366	\$ 2,217,263	\$ (115,897)
Maintenance of plant:				
Supervisor	\$ 56,101	\$ 56,101	\$ 57,372	\$ (1,271)
Maintenance personnel	312,262	312,262	306,174	6,088
Other salaries and wages	35,000	35,000	7,394	27,606
Social security	24,706	24,706	21,338	3,368
State retirement	53,413	53,413	41,546	11,867
Life insurance	592	592	592	0
Medical insurance	70,225	71,103	71,103	0
Employer medicare liability	5,849	5,849	4,990	859
Maintenance and repair services - building	44,000	98,256	96,080	2,176
Maintenance and repair services - equipment	2,000	2,000	0	2,000
Other contracted services	86,000	86,000	203,100	(117,100)
Equipment and machinery parts	10,200	10,200	0	10,200
Other supplies and materials	200,000	200,000	95,340	104,660
Other charges	5,000	5,000	1,732	3,268
Maintenance equipment	2,500	12,700	13,996	(1,296)
Total maintenance of plant	\$ 907,848	\$ 973,182	\$ 920,757	\$ (52,425)
Total operation and maintenance	\$ 2,945,303	\$ 3,074,548	\$ 3,138,020	\$ (63,472)
Transportation:				
Supervisor	\$ 28,623	\$ 28,623	\$ 26,979	\$ 1,644
Mechanics	48,882	48,882	48,572	310
Bus drivers	352,682	352,682	369,650	(16,968)
Social security	26,672	26,672	27,322	(650)
State retirement	11,238	11,238	5,843	5,395
Life insurance	94	94	94	0
Medical insurance	14,815	19,277	19,277	0

CITY OF CLEVELAND, TENNESSEE
SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Expenditures - (Continued):				
Current - (Continued):				
Education - (Continued):				
Transportation - (Continued)				
Employer medicare	\$ 6,238	\$ 6,238	\$ 6,390	\$ (152)
Contracts with parents	1,000	1,000	0	1,000
Medical and dental services	3,500	3,500	1,100	2,400
Travel	1,100	1,100	600	500
Other contracted services	5,000	5,000	9,997	(4,997)
Diesel fuel	54,000	120,500	119,186	1,314
Gasoline	26,000	16,000	17,816	(1,816)
Lubricants	2,000	2,000	1,216	784
Tires and tubes	9,962	9,962	10,144	(182)
Vehicle parts	65,940	65,940	70,405	(4,465)
Other supplies and materials	2,000	2,000	1,089	911
Vehicle and equipment insurance	31,675	34,707	34,707	0
Other charges	15,550	15,550	2,195	13,355
Transportation equipment	484,405	488,405	3,528	484,877
Total transportation	\$ 1,191,376	\$ 1,259,370	\$ 776,110	\$ 483,260
Food service:				
Other salaries and wages	\$ 28,856	\$ 28,856	\$ 28,694	\$ 162
Social security	1,789	1,789	1,519	270
State retirement	4,184	4,184	4,161	23
Life insurance	47	47	47	0
Medical insurance	7,191	7,281	7,281	0
Employer medicare liability	418	418	355	63
Other charges	2,460	2,460	8,775	(6,315)
Total food service	\$ 44,945	\$ 45,035	\$ 50,832	\$ (5,797)
Community services:				
Supervisor	\$ 41,280	\$ 41,280	\$ 50,657	\$ (9,377)
Part-time employees	25,000	25,000	25,000	0
Other salaries and wages	262,228	262,228	227,132	35,096
Social security	20,368	20,368	18,571	1,797
State retirement	2,815	2,815	4,966	(2,151)
Life insurance	34	34	0	34
Medical insurance	8,413	4,013	7,693	(3,680)
Employer medicare liability	4,764	4,764	4,343	421
Advertising	1,075	1,075	3,151	(2,076)
Janitorial services	1,000	1,000	0	1,000
Travel	11,150	11,150	12,646	(1,496)
Other contracted services	22,700	27,100	4,945	22,155
Food supplies	29,200	29,200	25,926	3,274
Other supplies and materials	24,802	24,802	11,181	13,621
Refunds	350	350	194	156

CITY OF CLEVELAND, TENNESSEE
SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Expenditures - (Continued):				
Current - (Continued):				
Education - (Continued):				
Community services - (Continued):				
Other charges	\$ 7,231	\$ 7,231	\$ 3,290	\$ 3,941
Other equipment	3,542	3,542	2,768	774
Total community services	<u>\$ 465,952</u>	<u>\$ 465,952</u>	<u>\$ 402,463</u>	<u>\$ 63,489</u>
Early Childhood Education				
Contracts with other public agencies	\$ 0	\$ 232,052	\$ 200,107	\$ 31,945
Total childhood education	<u>\$ 0</u>	<u>\$ 232,052</u>	<u>\$ 200,107</u>	<u>\$ 31,945</u>
Total education	<u>\$ 28,544,918</u>	<u>\$ 29,638,519</u>	<u>\$ 28,833,409</u>	<u>\$ 805,110</u>
Debt Service:				
Principal	\$ 70,000	\$ 70,000	\$ 70,000	\$ 0
Interest and fiscal charges	12,375	12,375	12,375	0
Total debt service	<u>\$ 82,375</u>	<u>\$ 82,375</u>	<u>\$ 82,375</u>	<u>\$ 0</u>
Total expenditures	<u>\$ 28,627,293</u>	<u>\$ 29,720,894</u>	<u>\$ 28,915,784</u>	<u>\$ 805,110</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (4,983,486)</u>	<u>\$ (4,983,486)</u>	<u>\$ (4,329,277)</u>	<u>\$ 654,209</u>
Other Financing Sources (Uses)				
Transfers in	\$ 5,354,416	\$ 5,354,416	\$ 4,876,955	\$ (477,461)
Transfers out	<u>(370,930)</u>	<u>(370,930)</u>	<u>(382,305)</u>	<u>(11,375)</u>
Total other financing sources(uses)	<u>\$ 4,983,486</u>	<u>\$ 4,983,486</u>	<u>\$ 4,494,650</u>	<u>\$ (488,836)</u>
Net change in fund balances	\$ 0	\$ 0	\$ 165,373	\$ 165,373
Fund balance at beginning of year	<u>1,786,629</u>	<u>1,786,629</u>	<u>1,786,629</u>	<u>0</u>
Fund balance at end of year	<u><u>\$ 1,786,629</u></u>	<u><u>\$ 1,786,629</u></u>	<u><u>\$ 1,952,002</u></u>	<u><u>\$ 165,373</u></u>

CITY OF CLEVELAND, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

	Enterprise				Internal Service Fund
	Cleveland Utilities Water Division	Cleveland Utilities Electric Division	Other Enterprise Funds	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 6,891,147	\$ 6,875,823	\$ 109,771	\$ 13,876,741	\$ 88,504
Cash and cash equivalents - restricted	505,363	0	0	505,363	0
Accounts receivable - net	3,176,649	11,405,131	9,733	14,591,513	20,519
Inventories	263,529	1,624,645	0	1,888,174	133,532
Prepays	52,929	18,903	0	71,832	0
Total current assets	\$ 10,889,617	\$ 19,924,502	\$ 119,504	\$ 30,933,623	\$ 242,555
Noncurrent assets:					
Receivable from customer for conservation loans	\$ 0	\$ 457,414	\$ 0	\$ 457,414	\$ 0
Debt issue cost, being amortized	295,882	56,116	0	351,998	0
Other assets	0	48,638	0	48,638	0
Capital assets:					
Land and construction in progress	2,553,470	938,377	0	3,491,847	108,291
Other capital assets, net of accumulated depreciation	87,635,366	49,887,281	108,766	137,631,413	1,223,577
Total noncurrent assets	\$ 90,484,718	\$ 51,387,826	\$ 108,766	\$ 141,981,310	\$ 1,331,868
Total assets	\$ 101,374,335	\$ 71,312,328	\$ 228,270	\$ 172,914,933	\$ 1,574,423
LIABILITIES AND FUND EQUITY					
Current liabilities:					
Accounts payable	\$ 1,046,540	\$ 8,675,520	\$ 0	\$ 9,722,060	\$ 2,094
Customer deposits	0	1,977,363	0	1,977,363	0
Due to other funds	0	0	140,000	140,000	5,000
Accrued interest	364,344	0	0	364,344	0
Notes payable - current	915,000	275,000	0	1,190,000	0
Revenue bonds payable - current	1,645,000	0	0	1,645,000	0
Other current liabilities	1,275,828	897,479	0	2,173,307	0
Total current liabilities	\$ 5,246,712	\$ 11,825,362	\$ 140,000	\$ 17,212,074	\$ 7,094
Noncurrent liabilities:					
Conservation advances from TVA	\$ 0	\$ 479,257	\$ 0	\$ 479,257	\$ 0
Notes payable	18,355,000	6,210,000	0	24,565,000	0
Revenue bonds payable (net of unamortized discount)	21,660,462	0	0	21,660,462	0
Total noncurrent liabilities	\$ 40,015,462	\$ 6,689,257	\$ 0	\$ 46,704,719	\$ 0
Total liabilities	\$ 45,262,174	\$ 18,514,619	\$ 140,000	\$ 63,916,793	\$ 7,094
NET ASSETS					
Invested in capital assets, net of related debt	\$ 47,613,374	\$ 44,340,658	\$ 108,766	\$ 92,062,798	\$ 1,331,868
Unrestricted	8,498,787	8,457,051	(20,496)	16,935,342	235,461
Total net assets	\$ 56,112,161	\$ 52,797,709	\$ 88,270	\$ 108,998,140	\$ 1,567,329

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2006

	Enterprise Funds				Internal Service Fund
	Cleveland Utilities Water Division	Cleveland Utilities Electric Division	Other Enterprise Funds	Total	
Operating Revenues:					
Charges for services	\$ 16,226,782	\$ 73,789,881	\$ 197,167	\$ 90,213,830	\$ 678,989
Other operating revenues	1,730,587	1,042,360	0	2,772,947	2,426
Total operating revenues	\$ 17,957,369	\$ 74,832,241	\$ 197,167	\$ 92,986,777	\$ 681,415
Operating Expenses:					
Power purchased	\$ 0	\$ 61,591,372	\$ 0	\$ 61,591,372	\$ 0
Operation expenses	9,523,320	5,064,255	159,326	14,746,901	597,053
Maintenance expense	2,537,692	2,220,349	0	4,758,041	0
Depreciation and amortization	3,859,845	2,645,587	29,788	6,535,220	46,331
Total operating expenses	\$ 15,920,857	\$ 71,521,563	\$ 189,114	\$ 87,631,534	\$ 643,384
Operating income	\$ 2,036,512	\$ 3,310,678	\$ 8,053	\$ 5,355,243	\$ 38,031
Non Operating Revenues (Expenses):					
Interest income	\$ 221,493	\$ 340,028	\$ 6,843	\$ 568,364	\$ 6,951
Interest expense	(1,703,232)	(226,029)	(8,500)	(1,937,761)	0
Gain on sale of assets	35,370	0	0	35,370	0
Total nonoperating revenues (expenses)	\$ (1,446,369)	\$ 113,999	\$ (1,657)	\$ (1,334,027)	\$ 6,951
Income before contributions and transfers	\$ 590,143	\$ 3,424,677	\$ 6,396	\$ 4,021,216	\$ 44,982
Capital contributions	1,121,813	0	0	1,121,813	1,495
Transfers in	0	0	0	0	0
Transfers out	(184,878)	(1,415,151)	0	(1,600,029)	0
Change in net assets	\$ 1,527,078	\$ 2,009,526	\$ 6,396	\$ 3,543,000	\$ 46,477
Total net assets - beginning	54,585,083	50,788,183	81,874	105,455,140	1,520,852
Total net assets - ending	\$ 56,112,161	\$ 52,797,709	\$ 88,270	\$ 108,998,140	\$ 1,567,329

CITY OF CLEVELAND, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2006

	Enterprise Funds				Internal Service Funds
	Cleveland Utilities Water Division	Cleveland Utilities Electric Division	Other Enterprise Funds	Total	
Cash flows from operating activities:					
Receipts from customers	\$ 17,252,248	\$ 72,907,669	\$ 200,149	\$ 90,360,066	\$ 676,788
Payments to suppliers	(7,503,680)	(60,899,895)	(139,751)	(68,543,326)	(349,996)
Internal activity - payments to other funds	0	0	(30,000)	(30,000)	0
Payments to employees for services	(4,211,046)	(5,717,708)	(19,579)	(9,948,333)	(285,836)
Net cash provided by operating activities	\$ 5,537,522	\$ 6,290,066	\$ 10,819	\$ 11,838,407	\$ 40,956
Cash flows from noncapital financing activities:					
Transfers out	\$ (184,878)	\$ (1,415,151)	\$ 0	\$ (1,600,029)	\$ 0
Net cash provided by financing activities	\$ (184,878)	\$ (1,415,151)	\$ 0	\$ (1,600,029)	\$ 0
Cash flows from capital and related financing activities:					
Additions to plants	\$ (5,798,552)	\$ (5,986,053)	\$ 0	\$ (11,784,605)	\$ 0
Proceeds received for contributions in aid of construction	1,121,813	0	0	1,121,813	0
Removal cost	(177,747)	(173,389)	0	(351,136)	0
Salvage	2,232	117,358	0	119,590	0
Contributions in aid of construction	0	420,033	0	420,033	0
Proceeds from issuance of debt	4,500,000	2,500,000	0	7,000,000	0
Payment of principal on long-term debt	(2,315,000)	(200,000)	0	(2,515,000)	0
Payment of interest on long-term debt	(1,553,750)	(226,821)	(8,500)	(1,789,071)	0
Proceeds from sale of assets	99,559	0	0	99,559	0
Debt issue cost	(31,276)	(14,217)	0	(45,493)	0
Net cash provided by (used in) capital and related financing activities	\$ (4,152,721)	\$ (3,563,089)	\$ (8,500)	\$ (7,823,869)	\$ 0
Cash flows from investing activities:					
Interest received	\$ 221,493	\$ 340,028	\$ 6,843	\$ 568,364	\$ 6,951
Net cash provided by investing activities	\$ 221,493	\$ 340,028	\$ 6,843	\$ 568,364	\$ 6,951
Net increase (decrease) in cash and cash equivalents	\$ 1,421,416	\$ 1,651,854	\$ 9,162	\$ 2,982,873	\$ 47,907
Cash and cash equivalents, beginning of year	5,975,094	5,223,969	100,609	11,299,672	40,597
Cash and cash equivalents, end of year	\$ 7,396,510	\$ 6,875,823	\$ 109,771	\$ 14,282,545	\$ 88,504

The accompanying notes are an integral part of these financial statements.

CITY OF CLEVELAND, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2006

(Continued)

	Enterprise Funds				Internal Service Funds
	Cleveland Utilities Water Division	Cleveland Utilities Electric Division	Other Enterprise Funds	Total	
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 2,036,512	\$ 3,310,678	\$ 8,053	\$ 5,355,243	\$ 38,031
Adjustments to reconcile net operating revenues to net cash provided by operating activities:					
Depreciation	4,015,812	2,847,046	29,788	6,892,646	46,331
Changes in operating assets and liabilities					
Accounts receivable	(705,121)	(2,131,645)	2,978	(2,833,788)	(4,627)
Allowance for doubtful accounts	0	10,910	0	10,910	0
Inventories	(17,399)	68,154	0	50,755	(16,463)
Receivable from customers for conservation loans	0	26,823	0	26,823	0
Prepays	(52,929)	275,913	0	222,984	0
Accounts payable	418,925	1,403,309	0	1,822,234	(22,316)
Customer deposits	0	180,250	0	180,250	0
Due to other funds	0	0	(30,000)	(30,000)	0
Other current liabilities	(158,278)	313,381	0	155,103	0
Conservation loans	0	(14,753)	0	(14,753)	0
Net cash provided by operating activities	\$ 5,537,522	\$ 6,290,066	\$ 10,819	\$ 11,838,407	\$ 40,956

CITY OF CLEVELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Cleveland, Tennessee was incorporated in 1903 under the provisions of Chapter 307 of The Acts of 1903. The City operates under the Council-Manager form of government as authorized under Chapter 78 of the Private Acts of 1993 and amended by Chapter 165 of the Private Acts of 1994 as it relates to the operation of the school system. The City provides the following services as authorized by its charter: health, public safety, welfare and general government services.

The following is a summary of significant policies:

A. Reporting Entity

The financial statements of the City of Cleveland include those of separately administered organizations that have a significant operational or financial relationship with the City.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements as part of the primary government:

Cleveland Board of Education

The Board of Education consists of seven members. Members are elected to four-year terms. The Council levies taxes for the Board's operations and issues debt for its capital projects. The financial position and results of operations of the Board of Education are reported in the School Fund, School Federal Projects Fund, and School Food Services Fund as governmental fund types, and included as part of the primary government due to the fact that it is not considered to be legally separate.

Cleveland Board of Public Utilities

The Board of Public Utilities consists of five members appointed by the City Council. The City Council has authority over the Board, prescribes the rules and regulations to which the Board must comply, and must approve their budget and proposed changes in rates. The financial position and results of operations of the Board of Public Utilities are presented in the Cleveland Utilities Water Division and Cleveland Utilities Electric Division in the enterprise fund section. The activities of the Board of Public Utilities are includable as part of the primary government due to the fact that it is not considered to be legally separate.

Cleveland Public Library Board

The Board of Cleveland Public Library consists of seven members appointed by the City Council and the County Commission. The Board is fiscally dependent upon the City because the City Council approves the Library's budget and issues debt for its capital projects. The financial position and results of operations of the Cleveland Public Library Board are reported in the Library Fund as a governmental fund type and includable as part of the primary government due to the fact that it is not considered to be legally separate.

B. Government-wide and Fund Financial Statements

Government-wide Statements - The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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 revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenue, including all taxes, are presented as general revenue.

Fund Financial Statements - The fund financial statements provide information about the City's funds, including its governmental funds and proprietary funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

School Fund. This fund is used to account for the revenues and expenditures of the City of Cleveland public school system.

The City reports the following major enterprise funds:

Cleveland Utilities Water Division. This fund is used to account for the provision of water services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, billing and collection.

Cleveland Utilities Electric Division. This fund is used to account for the provision of electric service to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, maintenance, financing, billing and collection.

B. Government-wide and Fund Financial Statements - (Cont.)

Additionally, the government reports the following fund type:

Internal Service Fund. This fund is used to account for the maintenance of all vehicles owned by the City of Cleveland and various other government agencies.

C. Measurement focus, Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, gasoline taxes, wholesale beer taxes, income taxes, mixed drink taxes, and in-lieu of taxes are susceptible to accrual. Licenses and permits, fines and forfeitures, gross receipts taxes and excise taxes are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are 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 recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operation. The principal operating revenues of the City's enterprise funds and internal service fund are charges to customers for sales and services. Cleveland Utilities - Water Division also recognizes as operating revenue the portion of the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The effect of interfund activity has been eliminated from the government-wide financial statements.

All governmental and business-type activities and enterprise funds of the City follow FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails.

D. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three months or less, primarily with local financial institutions.

E. Investments

Investments are stated at fair value based on quoted market prices, except for non-negotiable certificates of deposit that are reported at cost, which approximates fair value. Legal provisions of the city charter require that all investments be properly insured or collateralized with a federal depository. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and pooled investment funds.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectable. The reserve method is used to estimate the allowance for electric and water service receivables.

The City's property tax is levied each October 1, on the assessed value listed as of the prior January 1, for all real and personal property located in the City. City property tax revenues are recognized when levied to the extent they result in current receivables. Taxes not collected as of March 1 of the following year are considered delinquent and are subject to lien on April 1 of the succeeding year.

G. Inventories and Prepaid Items

Inventories are valued at the lower of average cost or market, using the first-in, first-out method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

H. Restricted Assets

Certain proceeds of the Cleveland Utilities - Water Division revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. They are represented mostly by cash and certificates of deposit. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., primary roads, secondary roads, drainage), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

I. Capital Assets - (Cont.)

Property plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Years
Infrastructure - Roads	50
Infrastructure - Drainage	20
Buildings	20-50
Vehicles	5
Equipment	5-10
Other Improvements	25

Cleveland Utilities

Electric Division		Water Division	
Class	Years	Class	Years
Structures, transmission and distribution systems	33-50	Structures, transmission and distribution systems	25-50
Equipment	10-20	Equipment	10-20
Transportation equipment	5	Transportation equipment	5

Cleveland Utilities uses a composite straight-line rate expressed as a percentage of average depreciable plant. The 2006 rates for the Electric Division and Water Divisions were 3.4% and 2.7% respectively. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its costs, together with the cost of removal less salvage, is charged to the reserve for depreciation. Replacements of property (exclusive of minor items of property) for Cleveland Utilities are charged to utility plant accounts.

Cleveland Utilities Electric and Water Divisions charge a portion of depreciation on certain transportation equipment to other expense classifications based on relative usage. Depreciation charged to other accounts was \$201,459 and \$155,967 for Cleveland Utilities Electric Division and Water Division respectively. The following schedule reconciles this allocation of depreciation expense:

	<u>Reconciliation</u>
Depreciation and amortization per statement of revenues, expenses and changes in net assets	\$ 6,535,220
Depreciation charged to clearing account	<u>357,426</u>
Depreciation and amortization per statement of cash flows	<u>\$ 6,892,646</u>

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Long-term obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Fund equity

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 use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. The City holds budget hearings in mid April of each year with all department heads submitting requests. The operating budget includes proposed expenditures and the means of financing them. Also, a six-year capital budget is presented in conjunction with the operating budget.
2. At a later date, the City Manager makes a formal presentation to the Council for the finalized budget.
3. Prior to July 1, the budget and property tax rate are due for passage by Ordinance.
4. The City Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Expenditures may not exceed appropriations at the fund level.
5. Formal legally adopted budgets are employed as a management control device during the year for all funds except for Cleveland Utilities - Electric and Water Divisions. Budgeted amounts reflected in the accompanying final budget and actual comparison are as originally adopted and amended by the City Council.
6. All appropriations which are not expended lapse at year end.
7. During the year, supplementary appropriations were necessary. The effect of the amendments were to increase budgeted revenues by \$5,645,202, increase budgeted expenditures by \$6,014,013, and increase budgeted expenses by \$36,000.

Note 2 - DEPOSITS AND INVESTMENTS

At year end, all deposits of the City of Cleveland were covered by federal depository insurance or by collateral held by the State of Tennessee Collateral Pool for Public Deposits.

At year end, the government's investment balances, other than certificates of deposit, were held in the State of Tennessee Local Government Investment Pool. Investments are valued based upon the value of pool shares. The responsibility for conducting the State's investment program resides with the State Treasurer pursuant to Tennessee Code Annotated, Section 9-4-602 and shall be exercised in accordance with the investment policy and resolutions of the State Funding Board.

	Investment Maturities			
	Fair Value	Less than One Year	One to Five Years	Six to Ten Years
Certificates of Deposit	\$ 406,038	\$ 0	\$ 406,038	\$ 0
State Treasurer's investment pool	216,451	216,451	0	0
Total investments	\$ 622,489	\$ 216,451	\$ 406,038	\$ 0

Interest rate risk - In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the amount invested in long-term investments and bidding the amount of interest earned on checking accounts with area banks. Presently, the City is earning sixty-one percent of prime on deposit accounts. During fiscal year ended June 30, 2006 a total of \$1,529,142 was earned in interest income.

Credit risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2006 the City's investment in the State Treasurer's investment pool was rated AAAM by Standard & Poor's and Aaa by Moody's Investors Service.

Note 3 - RECEIVABLES

Receivables as of year end for the government's individual major funds, nonmajor, and internal service funds in the aggregate, including the applicable allowances for uncollectable accounts are as follows:

Receivables	Inter-governmental	Taxes	Customer Accounts	Other	Allowance for Uncollectibles	Net Receivables
General	\$ 2,086,787	\$ 17,056,702	\$ 0	\$ 384,707	\$ (328,109)	\$ 19,200,087
School	5,817,910	929,532	0	0	(288,317)	6,459,125
Water	0	0	3,178,739	0	(2,090)	3,176,649
Electric	0	0	11,513,710	0	(108,579)	11,405,131
Nonmajor	694,609	0	30,252	176,161	0	901,022
Totals	\$ 8,599,306	\$ 17,986,234	\$ 14,722,701	\$ 560,868	\$ (727,095)	\$ 41,142,014

Cleveland Utilities Electric and Water Divisions recognize revenues based on billings to customers on monthly meter-reading cycles and also an accrual for the estimate of unbilled revenue for service provided from the date of each meter reading to the end of the month.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the

Note 3 - RECEIVABLES - (Cont.)

end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Delinquent property taxes receivable (general fund)	\$ 973,443	\$ 0	\$ 973,443
Delinquent property taxes receivable (school fund)	329,285	0	329,285
County shared fire tax (general fund)	163,200	0	163,200
Income tax (general fund)	142,871	0	142,871
State beer tax (general fund)	4,939	0	4,939
TVA - In-lieu of tax (general fund)	66,249	0	66,249
Sales tax (school fund)	328,871	0	328,871
Income tax (school fund)	21,409	0	21,409
2006 Property tax levy (general fund)	0	15,117,379	15,117,379
2006 County shared revenues (school fund)	0	4,871,414	4,871,414
Fees collected in advance (school food service)	0	9,505	9,505
Fees collected in advance (general fund)	0	18,070	18,070
Total	\$ 2,030,267	\$ 20,016,368	\$ 22,046,635

Note 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,968,773	\$ 875,000	\$ 0	\$ 7,843,773
Construction in progress	0	3,769,424	0	3,769,424
Total capital assets not being depreciated	\$ 6,968,773	\$ 4,644,424	\$ 0	\$ 11,613,197
Capital assets, being depreciated:				
Buildings	\$ 63,765,939	\$ 947,384	\$ (360,861)	\$ 64,352,462
Improvements other than buildings	5,402,968	127,573	(272,865)	5,257,676
Infrastructure	40,979,706	1,250,958	0	42,230,664
Furniture, fixtures, equipment and vehicles	20,131,861	3,540,291	(673,646)	22,998,506
Total capital assets being depreciated	\$ 130,280,474	\$ 5,866,206	\$ (1,307,372)	\$ 134,839,308
Less accumulated depreciation for				
Buildings	(14,167,203)	(1,897,962)	170,510	(15,894,655)
Improvements other than buildings	(3,066,312)	(130,143)	78,551	(3,117,904)
Infrastructure	(9,764,643)	(892,486)	0	(10,657,129)
Furniture, fixtures, equipment and vehicles	(14,219,163)	(1,754,764)	630,430	(15,343,497)
Total accumulated depreciation	\$ (41,217,321)	\$ (4,675,355)	\$ 879,491	\$ (45,013,185)
Total capital assets being depreciated, net	\$ 89,063,153	\$ 1,190,851	\$ (427,881)	\$ 89,826,123
Governmental activities capital assets, net	\$ 96,031,926	\$ 5,835,275	\$ (427,881)	\$ 101,439,320
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 1,449,204	\$ 5,372	\$ (25,012)	\$ 1,429,564
Construction work-in-progress	1,118,835	943,448	0	2,062,283
Total capital assets not being depreciated	\$ 2,568,039	\$ 948,820	\$ 0	\$ 3,491,847

Note 4 - CAPITAL ASSETS - (Cont.)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Plant in service	\$ 217,978,420	\$ 10,371,546	\$ (1,302,451)	\$ 227,047,515
Equipment	297,470	0	0	297,470
Total capital assets being depreciated	\$ 218,275,890	\$ 10,371,546	\$ (1,302,451)	\$ 227,344,985
Less accumulated depreciation for				
Plant in service	\$ (84,196,025)	\$ (6,794,147)	\$ 1,465,304	\$ (89,524,868)
Equipment	(158,915)	(29,789)	0	(188,704)
Total accumulated depreciation	\$ (84,354,940)	\$ (6,823,936)	\$ 1,465,304	\$ (89,713,572)
Total capital assets being depreciated, net	\$ 133,920,950	\$ 3,547,610	\$ 162,853	\$ 137,631,413
Business-type activities capital assets	\$ 136,488,989	\$ 4,496,430	\$ 162,853	\$ 141,123,260

Depreciation expense was charged to governmental functions as follows:

General government	\$ 81,827
Planning and inspection	37,858
Public safety	625,811
Public works	1,169,516
Health and welfare	14,608
Culture and recreation	346,725
Education	2,352,678
Capital assets held by the government's internal service fund are charged to various functions based on usage	46,332
Total depreciation expense - governmental activities	\$ 4,675,355

Note 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2006, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental	\$ 61,301
Nonmajor governmental	Nonmajor enterprise	140,000
Nonmajor governmental	Internal service fund	5,000
		<u>\$ 206,301</u>

Of the total interfund receivable/payable balances, \$96,301 is expected to be repaid within one year. Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

Note 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - (Cont.)

Transfers out:	Transfers in:			Total
	General Fund	School Fund	Nonmajor Governmental	
General fund	\$ 0	\$ 4,712,011	\$ 9,443,897	\$ 14,155,908
School fund	0	0	382,305	382,305
Cleveland Utilities - Electric	1,415,151	0	0	1,415,151
Cleveland Utilities - Water	184,878	0	0	184,878
Nonmajor Governmental	0	164,944	1,229,918	1,394,862
	<u>\$ 1,600,029</u>	<u>\$ 4,876,955</u>	<u>\$ 11,056,120</u>	<u>\$ 17,533,104</u>

Note 6 - LONG-TERM DEBT

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have also been issued to refund older issues of general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with increasing amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	4.80-5.25%	\$ 1,025,000
Governmental activities - refunding	3.00-5.00%	16,760,000
		<u>\$ 17,785,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending June 30.	Principal	Interest	Total Requirements
2007	\$ 1,245,000	\$ 773,338	\$ 2,018,338
2008	1,380,000	714,874	2,094,874
2009	1,435,000	649,678	2,084,678
2010	1,205,000	582,402	1,787,402
2011	1,130,000	526,738	1,656,738
2012-2016	3,580,000	2,040,887	5,620,887
2017-2021	4,555,000	1,296,613	5,851,613
2022-2026	3,255,000	283,788	3,538,788
	<u>\$ 17,785,000</u>	<u>\$ 6,868,318</u>	<u>\$ 24,653,318</u>

Revenue Bonds

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service.

The revenue bonds are collateralized as to payment of principal and interest by a pledge of sufficient revenues, after deduction of all current operating expenses, to meet principal and interest payments when due. In the event of a deficiency of revenues, the full faith, credit and resources of the City of Cleveland are irrevocably pledged for the prompt payment of principal and interest when due. Revenue bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Wastewater treatment - Cleveland Utilities Water Division	2.00-5.00%	\$ 24,875,000

Debt service requirements to maturity for revenue bonds of Cleveland Utilities for the fiscal year ended June 30, 2006, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2007	\$ 1,645,000	\$ 952,265	\$ 2,597,265
2008	1,675,000	892,713	2,567,713
2009	1,970,000	829,006	2,799,006
2010	2,010,000	756,063	2,766,063
2011	1,810,000	682,708	2,492,708
2012-2016	8,850,000	2,222,892	11,072,892
2017-2021	3,540,000	1,035,261	4,575,261
2022-2026	2,145,000	501,923	2,646,923
2027-2031	1,230,000	80,283	1,310,283
	<u>\$ 24,875,000</u>	<u>\$ 7,953,114</u>	<u>\$ 32,828,114</u>

Notes Payable

Principal requirements to maturity for notes payable accounted for in the governmental activities for the fiscal year ended June 30, 2006, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2007	\$ 250,000	\$ 1,941,020	\$ 2,191,020
2008	260,000	1,929,532	2,189,532
2009	270,000	1,917,595	2,187,595
2010	320,000	1,907,232	2,227,232
2011	465,000	1,892,082	2,357,082
2012-2016	5,595,000	8,927,261	14,522,261
2017-2021	6,965,000	7,498,258	14,463,258
2022-2026	11,245,000	5,730,696	16,975,696
2027-2031	18,425,000	2,492,044	20,917,044
	<u>\$ 43,795,000</u>	<u>\$ 34,235,720</u>	<u>\$ 78,030,720</u>

This schedule reflects the current year issuance of \$18,500,000, in notes of which only \$9,836,795 has been drawdown as of June 30, 2006.

Note 6 - LONG-TERM DEBT (Cont.)

Principal requirements to maturity for notes payable accounted for in the business-type activities for the fiscal year ended June 30, 2006, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Requirements
2007	1,190,000	1,287,750	2,477,750
2008	1,220,000	1,228,250	2,448,250
2009	1,290,000	1,167,250	2,457,250
2010	1,315,000	1,105,751	2,420,751
2011	1,345,000	1,037,001	2,382,001
2012-2016	6,625,000	4,160,002	10,785,002
2017-2021	6,340,000	2,574,250	8,914,250
2022-2026	4,605,000	1,080,249	5,685,249
2027-2031	1,825,000	214,998	2,039,998
	<u>\$ 25,755,000</u>	<u>\$ 13,855,501</u>	<u>\$ 39,610,501</u>

Changes in Long-Term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 18,925,000	\$ 0	\$ (1,140,000)	\$ 17,785,000	\$ 1,245,000
Notes payable	25,535,000	9,836,795	(240,000)	35,131,795	250,000
Compensated absences	1,241,283	1,225,406	(1,173,544)	1,293,145	103,452
Less deferred charges: for refunding	(604,812)	0	31,832	(572,980)	0
Total	<u>\$ 45,096,471</u>	<u>\$ 11,062,201</u>	<u>\$ (2,521,712)</u>	<u>\$ 53,636,960</u>	<u>\$ 1,598,452</u>
Business-type activities:					
Revenue bonds	\$ 26,495,000	\$ 0	\$ (1,620,000)	\$ 24,875,000	\$ 1,645,000
Notes payable	19,650,000	7,000,000	(895,000)	25,755,000	1,190,000
Conservation advances	592,314	191,563	(206,316)	577,561	98,304
Less bond discount/premiums	(47,175)	0	8,778	(38,397)	0
Less deferred charges	(1,642,131)	0	110,990	(1,531,141)	0
	<u>\$ 45,048,008</u>	<u>\$ 7,191,563</u>	<u>\$ (2,601,548)</u>	<u>\$ 49,638,023</u>	<u>\$ 2,933,304</u>

Compensated absences are generally liquidated by the general fund, school fund, school federal projects fund, school food service fund, library fund, state street aid fund, and solid waste management fund.

On December 15, 2005, the Public Building Authority of Blount County, Tennessee, issued \$25,500,000 in aggregate principal amount of Local Government Public Improvement Bonds, Adjustable Rate Series D-4-A for the purpose of making a loan to the City of Cleveland, Tennessee. The proceeds of this loan are being used to finance the costs of improving the electric system of the City of Cleveland and to provide funds for capital improvements to various departments of the City. The loan matures June 1, 2031 and bears interest at a weekly variable rate. As of June 30, 2006 the Electric and Water Divisions had drawdown their loan balance of \$7,000,000. Other various departments of the City have drawdown a total of \$9,836,795 of the \$18,500,000, available balance.

Note 6 - LONG-TERM DEBT (Cont.)

Interest Rate Swap - Notes Payable

Under its loan agreement, the Public Building Authority of Blount County, TN (the "Authority"), at the request of the City, has entered into an interest rate swap agreement for all of outstanding notes, series A-2-A, and IV-C-3.

In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the City requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$10 million Series IV-C-3, and its \$11.175 million Series A-2-A variable rate notes. The intention of the swap was to effectively change the City's variable interest rate on the notes to a synthetic fixed rate.

Under the swap, the Authority pays the counterparty a fixed payment of 4.25 percent (IV-C-3), and 4.430 percent (A-2-A) and receives a payment computed as 70 percent of the three-month London Interbank Offered Rate (LIBOR). The notes mature and the related swap agreements mature on June 1, 2025, (IV-C-3), and June 1, 2030, (A-2-A). As of June 30, 2006, rates were as follows:

Interest rate swap	IV-C-3	A-2-A
Fixed payment to counterparty	4.425 %	4.430 %
Variable payment from counterparty	(3.837)	(3.837)
Net interest rate swap payment	0.588 %	0.593 %
Variable-rate note payments	3.907	3.907
Synthetic interest rate on notes	4.495 %	4.500 %

As of June 30, 2006, the swaps had a negative fair value of \$406,902, (IV-C-3) and \$566,591 (A-2-A). The negative fair value of the swaps may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the variable rate notes adjust to changing interest rates, the notes do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

As of June 30, 2006, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swaps become positive, the City would be exposed to credit risk in the amount of the derivative's fair value. The swaps counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the Authority, on behalf of the City, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, was rated "AAA" by Standard and Poor's and Fitch and "Aaa" by Moody's Investor Service as of June 30, 2006. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

Note 7 - RESTRICTED ASSETS

Cleveland Utilities' restricted assets are represented by cash, certificates of deposit, and unexpended bond proceeds and are presented as required under the terms of bond indentures and resolutions.

Note 8 - JOINT VENTURES

The City of Cleveland together with Bradley County and the City of Charleston, have created the Cleveland Bradley Communications Center (CBCC) to combine Emergency 911 services that were operated separately by each government. The CBCC's board is comprised of one member appointed by each government and six other Cleveland City and Bradley County employees who are involved in emergency response management. The City has constructed a building and purchased equipment for the CBCC at a total cost of \$1,311,046. The City is financing this endeavor through loans from bond proceeds issued by the Public Authority of Sevier County, Tennessee. The City is receiving impact payments from the CBCC equal to the debt service requirements. Separate financial statements are issued for the CBCC and may be obtained by writing to the CBCC, Guthrie Drive, Cleveland, Tennessee 37312.

Note 9 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance 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, notes payable, compensated absences and interest payable are not due and payable in the current period and therefore are not reported in the funds." The details of this \$53,824,334 difference are as follows:

Bonds payable	\$ 17,785,000
Notes payable	35,131,795
Compensated absences	1,293,145
Interest payable	277,227
Less deferred charges	(89,853)
Less refunding charges	<u>(572,980)</u>
Net adjustment	<u>\$ 53,824,334</u>

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 for 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 \$5,452,231 difference are as follows:

Depreciation expense	\$ (4,629,023)
Capital outlay	<u>10,081,254</u>
Net adjustment	<u>\$ 5,452,231</u>

Another element of that reconciliation states that "Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets." The details of this \$1,380,000 difference are as follows:

Principal repayments:	
General Obligation Bonds	\$ 1,140,000
Notes	<u>240,000</u>
Net adjustment	<u>\$ 1,380,000</u>

Note 10 - COMMITMENTS AND CONTINGENCIES

Cleveland Utilities Board is a party to a contract with TVA dated August 17, 1976, under which the Electric Division purchases its entire requirements for electric power and energy from TVA for resale. The contract may be terminated by either TVA or the Board at any time upon not less than five years' prior written notice.

The Cleveland Utilities Board is a party to a contract with the Hiwassee Utilities Commission (HUC) dated June 22, 2006 under which the Water Division agrees to purchase an annual quantity of water equal to an average of 2,466,667 gallons of water per day. The contract language calls for this minimum requirement to adjust to 5,333,000 gallons per day on July 1, 2008, provided improvements and an expansion to the HUC plant have been substantially completed by that time.

The Cleveland Utilities Board is a party to a contract with the Hiwassee Utilities Commission (HUC) dated January 21, 1982, under which HUC agrees to contract with the Water Division for operating the water filter plant owned by HUC in Charleston, Tennessee. Cleveland Utilities provides all necessary functions of the day-to-day operation of the plant. Cleveland Utilities is reimbursed for all costs incurred in operating the plant plus additional amounts for overhead as called for in the contract. Cleveland Utilities is not responsible for property insurance on the HUC facilities.

On September 16, 2005, Cleveland Utilities received a Commissioner's Order from the Tennessee Department of Environment and Conservation. The order deals with the violations of Cleveland Utilities' NPDES Permit related to overflows in the sewer collection system. Cleveland Utilities reported the violations listed in the order to TDEC. The Board authorized the utility to engage the services of legal counsel to appeal the order. The appeal was filed September 22, 2005, and on January 25, 2006, an "agreed order" was signed by all parties. The agreed order outlines certain requirements to be undertaken by the utility to address the violations as they are listed in the order. An outside consultant has been contracted to coordinate the work.

Note 11 - LITIGATION

The City generally follows the practice of recording liabilities from claims and legal actions only when they become fixed or determinable in amount. The City of Cleveland and Cleveland Utilities Electric and Water Divisions are involved in certain legal matters, the outcome of which is not presently determinable. It is the opinion of management, based in part on the advice of legal counsel, that these matters will not have a material adverse effect on the results of operations or the financial position of the City and Cleveland Utilities.

Note 12 - TENNESSEE VALLEY AUTHORITY (TVA) CONSERVATION PROGRAMS

Cleveland Utilities - Electric Division is a fiscal intermediary for TVA conservation programs. Under these programs, the Division obtains advances from TVA to administer loans to qualified customers approved by TVA. The repayment of the customer loans is based on monthly amortization schedules ranging from three to ten years. The TVA advances are repaid monthly as payments are received on outstanding customer loans. Amounts billed monthly to customers but not yet received are included in Accounts Receivable - other. All other amounts are reported as long-term. TVA assumes all credit risks under these programs. Effective June 30, 1997, TVA sold its loans to First American National Bank which was acquired by AmSouth Bank during the year ended June 30, 2000. This sale changes the parties to the arrangement described above but does not change the Board's role as a fiscal intermediary.

Note 13 - RISK MANAGEMENT

It is the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. The City has commercial insurance coverage for property, employee theft, and major equipment. The City is also a member of the Tennessee Municipal League Risk Management Pool and receives coverage for worker's compensation claims and general liability. The City pays an

Note 13 - RISK MANAGEMENT (Cont.)

annual premium to the Tennessee Municipal League (TML) for its insurance coverage. The creation of the TML Risk Management Pool provides for it to be self-sustaining through member premiums. Settled claims from losses have not exceeded insurance coverage in any of the past three fiscal years.

Note 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, accounts receivable, and various current liabilities reported in proprietary funds are reasonable estimates of their fair value because of the short-term maturity of these financial instruments.

Note 15 - DEFERRED COMPENSATION PLAN

During fiscal year ended June 30, 1998, the City of Cleveland implemented GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. This Statement rescinds GASB No. 2, Financial Reporting of Deferred Compensation Plans Adopted under the Provision of Internal Revenue Code Section 457. The effect of the new statement is to eliminate the requirement for statement presentation and note disclosure for plans that are held in trust and meet the requirements of Section 457(g).

Note 16 - ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Note 17 - RETIREMENT COMMITMENTS

CLEVELAND BOARD OF EDUCATION, CLEVELAND FIRE AND POLICE DEPARTMENTS, CLEVELAND CITY-OTHER DEPARTMENTS, CLEVELAND UTILITIES-WATER DIVISION, CLEVELAND UTILITIES-ELECTRIC DIVISION, CLEVELAND SANITATION DEPARTMENT

PLAN DESCRIPTION

Certain employees of the above Departments of the City of Cleveland are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirements for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 5 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City of Cleveland participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

FUNDING POLICY

The City of Cleveland Plan is noncontributory and has assumed employee contributions up to 5.0 percent of annual covered payroll.

The City of Cleveland is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2006 was 14.50% of annual covered payroll. The contribution requirement of plan members is set by state statute. Contribution requirement for Cleveland City is established and may be amended by the TCRS Board of Trustees.

ANNUAL PENSION COST

For the year ending June 30, 2006, the City's annual pension cost of \$3,340,890 to TCRS was equal to the City's required and actual contributions. The required contributions were determined as part of the July 1, 2006 actuarial valuation using the frozen entry age method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The City's unfunded actuarial liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 10 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/06	\$ 3,340,890	100%	\$0.00
6/30/05	3,044,151	100%	\$0.00
6/30/04	2,410,210	100%	\$0.00
6/30/03	2,311,987	100%	\$0.00
6/30/02	1,657,787	100%	\$0.00
6/30/01	1,528,993	100%	\$0.00
6/30/00	1,168,091	100%	\$0.00
6/30/99	1,066,807	100%	\$0.00
6/30/98	1,009,794	100%	\$0.00

CLEVELAND CITY SCHOOLS SYSTEM

PLAN DESCRIPTION

The Cleveland City Schools contribute to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are

determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The maximum annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

FUNDING POLICY

Most teachers are required by state statute to contribute 5 percent of their salary to the plan. The Cleveland City Schools are required to contribute at an actuarially determined rate. The rate for the fiscal year ending June 30, 2006 was 5.50 percent of annual covered payroll. The contribution requirement of Cleveland City Schools is established and may be amended by the TCRS Board of Trustees. Cleveland City School's contributions to the TCRS for the years ending June 30, 2006, 2005, and 2004, were \$887,735, \$868,646, and \$504,253, respectively, equal to the required contributions for each year.

CLEVELAND UTILITIES - CSA PENSION PLAN

PLAN DESCRIPTION

All employees of the Cleveland Utilities - Electric Division hired prior to October 15, 1993 participate in a cost-sharing multiple-employer pension plan administered by the Central Service Association (the "CSA Plan"). The CSA Plan provides retirement benefits to plan members. Section 5.1 & 5.2 of the Pension Plan for employees of Central Service Association ("CSA") assigns the authority to establish an amend benefit provisions to the CSA Board of Directors.

On October 1, 2005, Cleveland Utilities-Electric Division withdrew from the CSA Non-governmental plan in a spin off whereby assets and liabilities were transferred into the Central Service Association Pension Plan for Governmental Employees, a new tax-qualified multiple employer defined benefit pension plan that is maintained as a governmental plan (as defined under section 414(d) of the Internal Revenue Code). The CSA Governmental Plan is substantially the same as the CSA Non-governmental plan with certain exceptions, including, but not limited to, (1) the CSA Governmental Plan will not be subject to any PBGC requirements, (2) benefits under the CSA Governmental Plan will not be insured by the PBGC, and (3) the CSA Governmental Plan will not be subject to the additional deficit reduction contribution funding requirements of Code Section 412(1).

The Cleveland Utilities Board will serve as the "Plan Sponsor," in regard to employees participating in the plan (active and retired) and CSA shall continue to serve as the "Plan Administrator."

Note 17 - RETIREMENT COMMITMENTS - (Cont.)

CSA issues a publicly available financial report that includes financial statements and required supplementary information for the CSA plan. That report may be obtained by writing Central Service Association, 93 Coley Road, Tupelo, MS 38803-3480, or by calling (662) 842-5962.

FUNDING POLICY

Participants are not required to contribute to the CSA Plan. The Board is required to contribute an actuarially determined amount. The contribution requirements of the Board are established and may be amended by the CSA Board of Directors. The Board's contributions to the CSA Plan for the year ending June 30, 2006, 2005 and 2004 were \$866,496, \$516,537, and \$408,357, respectively, and were equal to the required contribution established by the CSA Board.

ANNUAL PENSION COST AND NET PENSION OBLIGATION

Determined in accordance with GASB Statement No. 27, there is no net pension obligation as the Board has contributed the annual required contribution, adjusted with interest, as calculated by actuarial valuation. The annual required contribution was determined as part of an actuarial valuation performed as of October 1, 2005, using the frozen entry age method. Significant actuarial assumptions used in the valuation included (a) a rate of return on the investment of present and future assets of 7.0% per year compounded annually, (b) projected salary increases of 4% per year compounded annually, and (c) no postretirement benefit increases.

Note 18 - POSTRETIREMENT BENEFITS

In addition to the pension benefits described above, Cleveland Utilities-Water and Electric Divisions provide postretirement medical, hospitalization and dental benefits to all employees who retire from the Divisions. At June 30, 2006, 64 retirees were eligible to receive such benefits. Although there exists no statutory, contractual or other authority under which provisions and obligations to contribute are established, the Division has no plans to discontinue these benefits. Expenses for postretirement health care benefits are recognized as retirees' insurance premiums are paid. Such expenses amounted to \$168,156 for 2006.

Retired employees of general government not eligible for Medicare, Medicaid or other employer provided insurance benefits may continue coverage with the City's health insurance plan, and if they meet the minimum requirements, will be eligible for a premium reduction based on years of service, the City paying the reduced amount of premium. The reduction schedule is a 50% reduction for 15 years of service and an additional 3.33% reduction for each additional year of service to a maximum 100% paid for 30 or more years of service. At June 30, 2006, thirty-three retirees were eligible to receive such benefits, and premiums paid for retirees totaled \$69,841.

Beginning July 1, 1997, the Cleveland City Schools began paying a portion of health insurance premiums for employees retiring during the 1998 fiscal year. The employee must reach a minimum age of 55 years or be eligible for disability retirement under the rules of the Tennessee Consolidated Retirement System. The retired employees coverage shall terminate if the retiree becomes eligible for coverage under a plan provided by a new employer or the date of eligibility for coverage with Medicare/Medicaid. During the current fiscal year, \$60,422 was paid in health insurance premiums for 40 eligible retirees.

In June 2004, the Governmental Accounting Standards Board issued Statement No. 45 ("GASB 45"), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 45's objective is to establish standards for the measurement, recognition, and display of post-employment benefit expenses, related liabilities, note disclosures, and required supplementary

Note 18 - POSTRETIREMENT BENEFITS (Cont.)

information. The implementation of GASB 45 will require a significant number of actuarial calculations to determine annual required contributions to be expensed and accrued as liabilities. GASB 45 does not require funding of plan benefits.

The requirements of GASB 45 are effective in three phases based on a government's total annual revenues. The City of Cleveland plans to implement GASB 34 in the year ending June 30, 2008. The adoption could have a material impact on the Board's financial statements.

Note 19 - SUBSEQUENT EVENTS

Effective October 1, 2006, TVA decreased the rates charged to Cleveland Utilities for purchased power by approximately 4.24%. The decrease was "passed-through" to Cleveland Utilities customers in the form of a retail rate decrease of approximately 3.67%. TVA implemented a fuel cost adjustment on October 1, 2006, to be adjusted quarterly. The first adjustment, effective on October 1, 2006, was 0%. The next adjustment will apply to meter readings on January 1, 2007, and beyond.

On September 28, 2006, the Cleveland Utilities Board approved a request that the City issue new debt for Cleveland Utilities for \$8,750,000 as budgeted in the fiscal year 2007 budget. The new debt includes \$1,500,000, for the electric division and \$7,250,000, for the water/sewer division.

Note 20 - NEW GASB

In May 2004, The Governmental Accounting Standards Board, (GASB) issued Statement No. 44, *Economic Condition Reporting: The Statistical Section*. GASB 44's objective is to provide guidance on the schedules and narrative explanations in the statistical section. The City of Cleveland is implementing GASB No. 44 in the current fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM(TCRS)
RETIREMENT PLAN

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/05	\$48,146	\$54,909	\$6,763	87.68%	\$21,480	31.49%
07/01/03	\$41,234	\$48,856	\$7,622	84.40%	\$19,221	39.65%
07/01/01	\$35,796	\$43,901	\$8,105	81.54%	\$17,071	47.48%
07/01/99	\$30,327	\$35,423	\$5,096	85.61%	\$14,556	35.01%
06/30/97	\$24,843	\$27,004	\$2,161	92.00%	\$12,531	17.25%
06/30/95	\$19,344	\$20,658	\$1,314	93.64%	\$10,664	12.32%
06/30/93	\$16,259	\$16,606	\$347	97.91%	\$9,006	3.85%
06/30/91	\$13,022	\$13,650	\$628	95.40%	\$8,049	7.80%

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenues that are legally restricted to finance specific functions or activities of government and which, therefore, cannot be diverted to other uses.

State Street Aid Fund: This fund accounts for maintenance of all non-State streets in the City. Revenues are provided from a portion of the State of Tennessee gasoline and motor fuels tax.

Solid Waste Management Fund: This fund accounts for the revenues and expenditures of the City of Cleveland's Solid Waste Management program.

School Federal Projects Fund: This fund accounts for federal project funds received from the Federal government and for the disbursement of those funds for federal programs of the City of Cleveland.

School Food Services Fund: This fund is used to account for the revenues and expenditures of the City of Cleveland public school cafeterias.

Library Fund: This fund is used to account for revenues and expenditures of the City's public library.

Drug Enforcement Fund: This fund is used to account for investigations of violations of controlled substance laws and is funded primarily by the state statute from the receipt of fines and costs related to drug enforcement cases.

Fletcher Park Trust Fund: This fund is used to account for funds bequeathed to the City of Cleveland by Leonard G. and Agnes W. Fletcher for the development of the Fletcher Park.

Greenway Fund: This fund is used to account for a grant from the State of Tennessee Department of Transportation, as well as City and County contributions, to be used for Phase II of the City/County Greenway Project.

Weed and Seed Fund: This fund is used to account for a grant from the United States Department of Justice to enhance the quality of life for citizens, typically from depressed and crime-ridden areas.

Storm Water Management Fund: This fund is a newly established fund used to meet the National Pollutant Discharge Elimination System requirements. It is funded by a transfer from the general fund.

Metropolitan Transportation Planning Organization Fund: This fund will serve Cleveland and the urbanized portions of Bradley County by transportation planning and the implementation of transportation projects.

Cleveland Municipal Airport Authority Fund: This fund is used to account for grants and local funds used to meet the aviation needs of the community.

Project Safe Neighborhood Grant: This fund is used to account for funds received from the United States Department of Justice to reduce gun violence-particularly gun violence among adolescents.

Community Development Block Grant: This fund is used to account for a grant received from the United States Department of Housing and Urban Development.

Byrne Memorial Justice Assistance Grants: These funds are used to account for grants received from the United States Department of Justice for the purchase of in-car video cameras.

Department of Justice Asset Forfeiture Fund: This fund accounts for all monies received from participation in a Federal Equitable Sharing Agreement with the U.S. Department of Justice and the U.S. Department of the Treasury.

Debt Service

The Debt Service Fund is used for the accumulation of resources for, and the payment of, principal and interest on general long-term debt.

Capital Projects

The Capital Projects Funds are used to account for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds.

Housing and Community Development Rehab Fund: This fund accounts for monies received from repayments of low interest loans for rehabilitation of homes within the community.

Housing and Community Development UDAG Fund: This fund accounts for monies received from repayments of low interest loans for rehabilitation of homes within the community.

Capital Improvement Program Fund: This fund serves as a planning tool for the city's capital improvement needs and accounts for projected revenues and expenditures needed to meet those needs.

THDA Home Grant Fund: This fund accounts for grants received from the Tennessee Housing Development Agency for housing rehabilitation in the community.

2002 General Improvement Bond Fund: This fund accounts for bonds issued to finance the renovation of the Central Service Building for the Planning and Inspections operation, to fund an airport study, to purchase equipment for various city departments, to replace roofs at Mayfield Elementary and Cleveland High School, and site preparation for the Public Works complex and construction of the garage facility.

2004 Bradley County Capital Outlay Note Fund: This fund accounts for notes issued by Bradley County to fund the public school system's capital improvement needs.

2005 VI-E-4 General Improvement Bond Fund: This fund is used to account for the proceeds of a \$1,025,000 General Improvement Bond Issue. Funds will be used to purchase land and design the new Fire Station, preliminary work on the new Police Service Center, Public Works Improvements, and various equipments for city's departments.

2005 D-4-A General Improvement Bond Fund: This fund is used to accounts for the proceeds of an \$18.5 Million General Improvement Bond with \$10 Million for school improvements on the roads for the new Mayfield Elementary, \$6.8 Million for a new Police Service Center and Fire Hall located at Freewill Road, also \$1.6 Million will be used for public works projects and to purchase new equipment.

Permanent Fund

Meiler Estate Animal Shelter Trust Fund: This fund is used to account for funds bequeathed to the City of Cleveland Animal Control by John and Elizabeth Jean Meiler.

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CITY OF CLEVELAND, TENNESSEE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2006

Special Revenue

	<u>State Street Aid Fund</u>	<u>Solid Waste Management Fund</u>	<u>School Federal Projects Fund</u>	<u>School Food Services Fund</u>	<u>Library Fund</u>	<u>Drug Enforcement Fund</u>
ASSETS						
Cash and cash equivalents	\$ 16,565	\$ 27,335	\$ 49,940	\$ 154,338	\$ 163,918	\$ 738,931
Cash and cash equivalents - restricted	0	0	0	0	0	0
Investments	0	0	0	0	406,038	0
Accounts receivable	0	160,161	0	0	0	0
Due from other government agencies	180,220	0	288,069	108,771	13,550	57,229
Due from other funds	0	0	0	0	0	0
Notes receivable	0	0	0	0	0	0
Total Assets	<u>\$ 196,785</u>	<u>\$ 187,496</u>	<u>\$ 338,009</u>	<u>\$ 263,109</u>	<u>\$ 583,506</u>	<u>\$ 796,160</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accrued liabilities	\$ 0	\$ 0	\$ 138,781	\$ 0	\$ 0	\$ 0
Accounts payable	835	3,486	110,457	29,796	0	230
Due to other funds	0	0	0	0	0	0
Matured interest payable	0	0	0	0	0	0
Matured bonds payable	0	0	0	0	0	0
Deferred revenue	0	0	0	9,505	0	0
Total Liabilities	<u>\$ 835</u>	<u>\$ 3,486</u>	<u>\$ 249,238</u>	<u>\$ 39,301</u>	<u>\$ 0</u>	<u>\$ 230</u>
Fund Balances:						
Reserved for capital outlay	\$ 0	\$ 0	\$ 0	\$ 0	\$ 221,578	\$ 0
Reserved for book and equipment	0	0	0	0	224,100	0
Reserved for federal projects	0	0	88,771	0	0	0
Reserved for noncurrent loans	0	0	0	0	0	0
Reserved for endowment	0	0	0	0	0	0
Unreserved-undesignated	195,950	184,010	0	223,808	137,828	795,930
Total Fund Balances	<u>\$ 195,950</u>	<u>\$ 184,010</u>	<u>\$ 88,771</u>	<u>\$ 223,808</u>	<u>\$ 583,506</u>	<u>\$ 795,930</u>
Total Liabilities and Fund Balance	<u>\$ 196,785</u>	<u>\$ 187,496</u>	<u>\$ 338,009</u>	<u>\$ 263,109</u>	<u>\$ 583,506</u>	<u>\$ 796,160</u>

Special Revenue

Fletcher Park Trust Fund	Greenway Fund	Storm Water Management Fund	Metropolitan Transportation Planning Organization Fund	Cleveland Municipal Airport Authority Fund	Project Safe Neighborhood Grant Fund	Community Development Block Grant Fund	Bryne Memorial Justice Assistance Grants
51,567	\$ 202,012	\$ 51,035	\$ 9,689	\$ 134,425	\$ 0	\$ 220	\$ 6,182
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	25,507	3,849	663	106	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
<u>51,567</u>	<u>\$ 202,012</u>	<u>\$ 51,035</u>	<u>\$ 35,196</u>	<u>\$ 138,274</u>	<u>\$ 663</u>	<u>\$ 326</u>	<u>\$ 6,182</u>
0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	1,282	300	602	0	322	0
0	0	0	16,211	44,553	537	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	\$ 0	\$ 1,282	\$ 16,511	\$ 45,155	\$ 537	\$ 322	\$ 0
0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
51,567	202,012	49,753	18,685	93,119	126	4	6,182
<u>51,567</u>	<u>\$ 202,012</u>	<u>\$ 49,753</u>	<u>\$ 18,685</u>	<u>\$ 93,119</u>	<u>\$ 126</u>	<u>\$ 4</u>	<u>\$ 6,182</u>
<u>51,567</u>	<u>\$ 202,012</u>	<u>\$ 51,035</u>	<u>\$ 35,196</u>	<u>\$ 138,274</u>	<u>\$ 663</u>	<u>\$ 326</u>	<u>\$ 6,182</u>

CITY OF CLEVELAND, TENNESSEE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (Continued)
 June 30, 2006

	Special Revenue	Debt Service	Capital Projects		
	Department of Justice Asset Forfeiture Fund	Debt Service Fund	Housing and Community Development Rehab Fund	Housing and Community Development UDAG Fund	Capital Improvement Program Fund
ASSETS					
Cash and cash equivalents	\$ 31,314	\$ 2,460,051	\$ 149	\$ 188	\$ 3,550,428
Cash and cash equivalents - restricted	0	0	0	0	0
Investments	0	0	0	0	216,451
Accounts receivable	0	0	0	0	16,000
Due from other government agencies	0	0	0	0	0
Due from other funds	0	145,000	0	0	0
Notes receivable	0	0	6,210	0	0
Total Assets	\$ \$ 31,314	\$ 2,605,051	\$ 6,359	\$ 188	\$ 3,782,879
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accounts payable	0	332	0	0	14,806
Due to other funds	0	0	0	0	0
Matured interest payable	0	1,097	0	0	0
Matured bonds payable	0	1,000	0	0	0
Deferred revenue	0	0	0	0	0
Total Liabilities	\$ 0	\$ 2,429	\$ 0	\$ 0	\$ 14,806
Fund Balances:					
Reserved for capital outlay	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Reserved for book and equipment	0	0	0	0	0
Reserved for federal projects	0	0	0	0	0
Reserved for noncurrent loans	0	0	500	0	0
Reserved for endowment	0	0	0	0	0
Unreserved-undesignated	31,314	2,602,622	5,859	188	3,768,073
Total Fund Balances	\$ 31,314	\$ 2,602,622	\$ 6,359	\$ 188	\$ 3,768,073
Total Liabilities and Fund Balances	\$ 31,314	\$ 2,605,051	\$ 6,359	\$ 188	\$ 3,782,879

THDA Home Grant Fund	Capital Projects			Permanent Fund	Total Nonmajor Governmental Funds
	2004 Bradley County Capital Outlay Note Fund	2005 VI-E-4 General Improvement Bond Fund	2005 D-4-A General Improvement Bond Fund	Meiler Estate Animal Shelter Trust Fund	
\$ 1,529	\$ 863,153	\$ 73,238	\$ 2,566,063	\$ 21,825	\$ 11,174,095
0	0	0	0	459,646	459,646
0	0	0	0	0	622,489
0	0	0	0	0	176,161
16,645	0	0	0	0	694,609
0	0	0	0	0	145,000
0	0	0	0	0	6,210
<u>\$ 18,174</u>	<u>\$ 863,153</u>	<u>\$ 73,238</u>	<u>\$ 2,566,063</u>	<u>\$ 481,471</u>	<u>\$ 13,278,210</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 138,781
8,132	0	2,096	1,238,729	0	1,411,405
0	0	0	0	0	61,301
0	0	0	0	0	1,097
0	0	0	0	0	1,000
0	0	0	0	0	9,505
<u>\$ 8,132</u>	<u>\$ 0</u>	<u>\$ 2,096</u>	<u>\$ 1,238,729</u>	<u>\$ 0</u>	<u>\$ 1,623,089</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 221,578
0	0	0	0	0	224,100
0	0	0	0	0	88,771
0	0	0	0	0	500
0	0	0	0	459,646	459,646
10,042	863,153	71,142	1,327,334	21,825	10,660,526
<u>\$ 10,042</u>	<u>\$ 863,153</u>	<u>\$ 71,142</u>	<u>\$ 1,327,334</u>	<u>\$ 481,471</u>	<u>\$ 11,655,121</u>
<u>\$ 18,174</u>	<u>\$ 863,153</u>	<u>\$ 73,238</u>	<u>\$ 2,566,063</u>	<u>\$ 481,471</u>	<u>\$ 13,278,210</u>

CITY OF CLEVELAND, TENNESSEE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2006

	<u>Special Revenue</u>					
	State Street Aid Fund	Solid Waste Management Fund	School Federal Projects Fund	School Food Services Fund	Library Fund	Drug Enforcement Fund
Revenues:						
Intergovernmental	\$ 1,050,309	\$ 0	\$ 3,472,029	\$ 1,064,959	\$ 481,134	\$ 2,531
Fines and forfeitures	0	0	0	0	0	740,224
Charges for services	0	1,877,597	0	775,830	69,920	0
Interest	4,005	5,114	1,650	2,466	16,107	33,580
Miscellaneous	0	1,221	0	0	65,593	3,500
Total revenues	\$ 1,054,314	\$ 1,883,932	\$ 3,473,679	\$ 1,843,255	\$ 632,754	\$ 779,835
Expenditures:						
Current:						
General government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Planning and inspection	0	0	0	0	0	0
Public safety	0	0	0	0	0	165,880
Public works	494,650	3,023,078	0	0	0	0
Culture and recreation	0	0	0	0	1,071,908	0
Education	0	0	3,378,792	1,811,664	0	0
Capital Outlay	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0
Total expenditures	\$ 494,650	\$ 3,023,078	\$ 3,378,792	\$ 1,811,664	\$ 1,071,908	\$ 165,880
Excess (deficiency) of revenues over expenditures	\$ 559,664	\$ (1,139,146)	\$ 94,887	\$ 31,591	\$ (439,154)	\$ 613,955
Other financing sources (uses):						
Transfers in	\$ 0	\$ 1,174,146 ✓	\$ 0	\$ 0	\$ 460,559 ✓	\$ 0
Transfers out	(562,095)	0	(164,944)	0	0	0
Notes issued	0	0	0	0	0	0
Total other financing sources sources (uses)	\$ (562,095)	\$ 1,174,146	\$ (164,944)	\$ 0	\$ 460,559	\$ 0
Net change in fund balances	\$ (2,431)	\$ 35,000	\$ (70,057)	\$ 31,591	\$ 21,405	\$ 613,955
Fund balances at beginning of year	198,381	149,010	158,828	192,217	562,101	181,975
Fund balances at end of year	\$ 195,950	\$ 184,010	\$ 88,771	\$ 223,808	\$ 583,506	\$ 795,930

Special Revenue

Fletcher Park Trust Fund	Greenway Fund	Weed and Seed Fund	Storm Water Management Fund	Metropolitan Transportation Planning Organization Fund	Cleveland Municipal Airport Authority Fund	Project Safe Neighborhood Grant Fund	Community Development Block Grant Fund	Bryne Memorial Justice Assistance Grants
23,569	\$ 168,980	\$ 0	\$ 1,000	\$ 110,380	\$ 422,872	\$ 758	\$ 386,242	\$ 25,926
0	0	0	0	0	0	0	0	0
0	0	0	0	0	11,162	0	0	0
1,711	11,427	0	3,088	0	2,408	0	0	0
0	111,617	0	0	0	0	0	0	0
25,280	\$ 292,024	\$ 0	\$ 4,088	\$ 110,380	\$ 436,442	\$ 758	\$ 386,242	\$ 25,926
0	\$ 0	\$ 0	\$ 0	\$ 137,146	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0	0	386,239	0
0	0	131,948	164,260	0	0	1,175	0	22,625
0	0	0	0	0	607,980	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
30,361	282,748	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
30,361	\$ 282,748	\$ 131,948	\$ 164,260	\$ 137,146	\$ 607,980	\$ 1,175	\$ 386,239	\$ 22,625
(5,081)	\$ 9,276	\$ (131,948)	\$ (160,172)	\$ (26,766)	\$ (171,538)	\$ (417)	\$ 3	\$ 3,301
0	\$ 114,000 ✓	\$ 0	\$ 188,000 ✓	\$ 45,291 ✓	\$ 147,578 ✓	\$ 0	\$ 0	\$ 2,881
0	0	(3,106)	(20,000)	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	\$ 114,000	\$ (3,106)	\$ 168,000	\$ 45,291	\$ 147,578	\$ 0	\$ 0	\$ 2,881
(5,081)	\$ 123,276	\$ (135,054)	\$ 7,828	\$ 18,525	\$ (23,960)	\$ (417)	\$ 3	\$ 6,182
56,648	78,736	135,054	41,925	160	117,079	543	1	0
51,567	\$ 202,012	\$ 0	\$ 49,753	\$ 18,685	\$ 93,119	\$ 126	\$ 4	\$ 6,182

CITY OF CLEVELAND, TENNESSEE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS (Continued)
 For the Fiscal Year Ended June 30, 2006

	Special Revenue	Debt Service	Capital Projects		
Department of Justice	Asset Forfeiture Fund	Debt Service Fund	Housing and Community Development Rehab Fund	Housing and Community Development UDAG Fund	Capital Improvement Program Fund
Revenues:					
Intergovernmental	\$ 31,314	\$ 0	\$ 0	\$ 0	\$ 4,930
Fines and forfeitures	0	0	0	0	0
Charges for services	0	0	0	0	0
Interest	0	85,681	149	1	112,486
Miscellaneous	0	80,630	0	0	72,470
Total revenues	\$ 31,314	\$ 166,311	\$ 149	\$ 1	\$ 189,886
Expenditures:					
Current:					
General government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Planning and inspection	0	0	0	0	0
Public safety	0	0	0	0	0
Public works	0	0	0	0	0
Culture and recreation	0	0	0	0	0
Education	0	0	0	0	0
Capital Outlay	0	0	0	0	2,610,039
Debt Service	0	3,414,572	0	0	0
Total expenditures	\$ 0	\$ 3,414,572	\$ 0	\$ 0	\$ 2,610,039
Excess (deficiency) of revenues over expenditures	\$ 31,314	\$ (3,248,261)	\$ 149	\$ 1	\$ (2,420,153)
Other financing sources (uses):					
Transfers in	\$ 0	\$ 4,203,139	\$ 0	\$ 0	\$ 4,720,526
Transfers out	0	0	(4,394)	(442)	(102,000)
Notes issued	0	0	0	0	0
Total other financing sources (uses)	\$ 0	\$ 4,203,139	\$ (4,394)	\$ (442)	\$ 4,618,526
Net change in fund balances	\$ 31,314	\$ 954,878	\$ (4,245)	\$ (441)	\$ 2,198,373
Fund balances at beginning of year	0	1,647,744	10,604	629	1,569,700
Fund balances at end of year	\$ 31,314	\$ 2,602,622	\$ 6,359	\$ 188	\$ 3,768,073

THDA Home Grant Fund	Capital Projects				Permanent Fund	Total Nonmajor Governmental Funds
	2002 General Improvement Bond Fund	2004 Bradley County Capital Outlay Note Fund	2005 VI-E-4 General Improvement Bond Fund	2005 D-4-A General Improvement Bond Fund	Meiler Estate Animal Shelter Trust Fund	
\$ 64,697	\$ 0	\$ 1,746,511	\$ 0	\$ 0	\$ 0	\$ 9,058,141
0	0	0	0	0	0	740,224
0	0	0	0	0	0	2,734,509
0	653	40,118	7,810	13,678	23,210	365,342
0	0	0	0	0	0	335,031
<u>\$ 64,697</u>	<u>\$ 653</u>	<u>\$ 1,786,629</u>	<u>\$ 7,810</u>	<u>\$ 13,678</u>	<u>\$ 23,210</u>	<u>\$ 13,233,247</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 137,146
0	0	0	0	0	0	386,239
0	0	0	0	0	0	485,888
0	0	0	0	0	0	4,125,708
0	0	0	0	0	0	1,071,908
0	0	0	0	0	0	5,190,456
56,184	28,695	977,735	270,373	7,867,230	0	12,123,365
0	0	0	0	128,575	0	3,543,147
<u>\$ 56,184</u>	<u>\$ 28,695</u>	<u>\$ 977,735</u>	<u>\$ 270,373</u>	<u>\$ 7,995,805</u>	<u>\$ 0</u>	<u>\$ 27,063,857</u>
<u>\$ 8,513</u>	<u>\$ (28,042)</u>	<u>\$ 808,894</u>	<u>\$ (262,563)</u>	<u>\$ (7,982,127)</u>	<u>\$ 23,210</u>	<u>\$ (13,830,610)</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,056,120
0	(847)	0	0	(527,334)	(9,700)	(1,394,862)
0	0	0	0	9,836,795	0	9,836,795
<u>\$ 0</u>	<u>\$ (847)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,309,461</u>	<u>\$ (9,700)</u>	<u>\$ 19,498,053</u>
\$ 8,513	\$ (28,889)	\$ 808,894	\$ (262,563)	\$ 1,327,334	\$ 13,510	\$ 5,667,443
1,529	28,889	54,259	333,705	0	467,961	5,987,678
<u>\$ 10,042</u>	<u>\$ 0</u>	<u>\$ 863,153</u>	<u>\$ 71,142</u>	<u>\$ 1,327,334</u>	<u>\$ 481,471</u>	<u>\$ 11,655,121</u>

CITY OF CLEVELAND, TENNESSEE
STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
State gas tax	\$ 1,080,000	\$ 1,060,000	\$ 1,050,309	\$ (9,691)
Interest	4,800	4,000	4,005	5
Total revenues	\$ 1,084,800	\$ 1,064,000	\$ 1,054,314	\$ (9,686)
Expenditures:				
Current:				
Public works:				
Salaries	\$ 334,250	\$ 338,250	\$ 336,545	\$ 1,705
Overtime wages	7,200	8,200	7,767	433
Supplemental pay	650	650	628	22
Service awards	225	375	375	0
Longevity	5,300	6,000	6,000	0
Sold vacations	3,026	2,026	1,473	553
Christmas bonus	1,188	1,300	1,299	1
College pay	125	125	125	0
Dental insurance	4,400	4,061	3,466	595
Social security tax	27,045	27,305	26,430	875
Health insurance	45,705	45,705	43,279	2,426
Retirement	51,035	51,035	49,503	1,532
Life and disability insurance	4,046	4,125	4,103	22
Workers compensation	24,617	24,617	11,828	12,789
Unemployment compensation	5,000	1,000	0	1,000
Workers compensation claims	2,880	1,918	649	1,269
Pre-employment testing	200	200	110	90
Safety shoes	1,300	1,300	1,070	230
Total expenditures	\$ 518,192	\$ 518,192	\$ 494,650	\$ 23,542
Excess of revenues over expenditures	\$ 566,608	\$ 545,808	\$ 559,664	\$ 13,856
Other financing sources (uses):				
Transfers out	\$ (562,095)	\$ (562,095)	\$ (562,095)	\$ 0
Total other financing sources (uses)	\$ (562,095)	\$ (562,095)	\$ (562,095)	\$ 0
Net change in fund balances	\$ 4,513	\$ (16,287)	\$ (2,431)	\$ 13,856
Fund balance at beginning of year	198,381	198,381	198,381	0
Fund balance at end of year	\$ 202,894	\$ 182,094	\$ 195,950	\$ 13,856

CITY OF CLEVELAND, TENNESSEE
SOLID WASTE MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Revenues:				
Charges for services:				
Commercial garbage	\$ 960,560	\$ 947,836	\$ 947,162	\$ (674)
Residential garbage	981,090	926,970	930,435	3,465
Interest	3,000	4,000	5,114	1,114
Miscellaneous	0	0	1,221	1,221
Total revenues	\$ 1,944,650	\$ 1,878,806	\$ 1,883,932	\$ 5,126
Expenditures:				
Current:				
Public works:				
Salaries	\$ 422,087	\$ 423,087	\$ 420,696	\$ 2,391
Overtime wages	10,600	13,683	12,812	871
Part time wages	10,000	4,917	4,916	1
Service awards	250	250	250	0
Longevity	8,600	8,800	8,800	0
Sold vacation	4,318	2,812	2,811	1
Christmas bonus	1,512	1,516	1,516	0
Dental insurance	5,104	4,680	4,660	20
Social security taxes	35,065	34,904	33,119	1,785
Health insurance	54,731	50,700	49,922	778
Retirement	64,868	65,444	64,802	642
Life insurance	5,557	5,688	5,688	0
Unemployment compensation	424	424	1,100	(676)
Workers compensation claims	2,000	4,000	4,570	(570)
Safety shoes	1,500	1,467	1,467	0
Postage	225	225	178	47
Printing	200	0	0	0
Subscriptions and memberships	100	100	75	25
Advertising	100	100	45	55
Training and travel	980	430	427	3
Landfill	250,000	232,000	231,901	99
Residential account	1,018,680	1,009,500	1,009,026	474
Commercial account	897,121	885,470	882,859	2,611
Commercial recycling	63,439	62,366	59,991	2,375
Office expenditures	2,300	1,800	1,837	(37)
Operating supplies	1,500	1,500	1,312	188
Safety supplies	800	700	693	7
Janitorial supplies	1,000	600	594	6
Uniforms	6,300	6,000	5,821	179
Gasoline and oil	30,800	45,796	45,651	145
Repairs and parts	110,500	118,500	108,885	9,615

CITY OF CLEVELAND, TENNESSEE
SOLID WASTE MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Expenditures - (Continued):				
Current - (Continued):				
Public works - (Continued):				
Insurance - vehicle	\$ 3,024	\$ 2,300	\$ 2,299	\$ 1
Insurance - general liability	8,320	8,075	8,070	5
Insurance - workers compensation	30,281	24,700	24,676	24
Insurance - employee bonds	70	0	0	0
Computer maintenance and support	1,000	0	0	0
Miscellaneous	500	500	489	11
Bradley County recycling	20,000	20,000	20,000	0
Office furniture and equipment	1,000	1,120	1,120	0
Total expenditures	<u>\$ 3,074,856</u>	<u>\$ 3,044,154</u>	<u>\$ 3,023,078</u>	<u>\$ 21,076</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,130,206)</u>	<u>\$ (1,165,348)</u>	<u>\$ (1,139,146)</u>	<u>\$ 26,202</u>
Other financing sources:				
Transfers in	<u>\$ 1,130,206</u>	<u>\$ 1,174,146</u>	<u>\$ 1,174,146</u>	<u>\$ 0</u>
Total other financing sources	<u>\$ 1,130,206</u>	<u>\$ 1,174,146</u>	<u>\$ 1,174,146</u>	<u>\$ 0</u>
Net change in fund balances	\$ 0	\$ 8,798	\$ 35,000	\$ 26,202
Fund balance at beginning of year	<u>149,010</u>	<u>149,010</u>	<u>149,010</u>	<u>0</u>
Fund balance at end of year	<u><u>\$ 149,010</u></u>	<u><u>\$ 157,808</u></u>	<u><u>\$ 184,010</u></u>	<u><u>\$ 26,202</u></u>

CITY OF CLEVELAND, TENNESSEE
SCHOOL FEDERAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
Federal government	\$ 3,487,317	\$ 3,774,915	\$ 3,472,029	\$ (302,886)
Interest	0	0	1,650	1,650
Total revenues	\$ 3,487,317	\$ 3,774,915	\$ 3,473,679	\$ (301,236)
Expenditures:				
Current:				
Education:				
Regular instruction	\$ 1,489,997	\$ 1,639,715	\$ 1,579,754	\$ 59,961
Special education	792,309	938,712	689,537	249,175
Vocational education	153,417	153,417	155,798	(2,381)
Support services	1,012,598	1,147,862	953,703	194,159
Total expenditures	\$ 3,448,321	\$ 3,879,706	\$ 3,378,792	\$ 500,914
Excess (deficiency) of revenues over expenditures	\$ 38,996	\$ (104,791)	\$ 94,887	\$ 199,678
Other financing sources (uses):				
Transfers in	\$ 0	\$ 0	\$ 0	\$ 0
Transfers out	(150,000)	(150,000)	(164,944)	(14,944)
Total other financing sources (uses)	\$ (150,000)	\$ (150,000)	\$ (164,944)	\$ (14,944)
Net change in fund balances	\$ (111,004)	\$ (254,791)	\$ (70,057)	\$ 184,734
Fund balance at beginning of year	158,828	158,828	158,828	0
Fund balance at end of year	\$ 47,824	\$ (95,963)	\$ 88,771	\$ 184,734

CITY OF CLEVELAND, TENNESSEE
SCHOOL FOOD SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental:				
USDA reimbursements	\$ 995,000	\$ 1,097,000	\$ 1,064,959	\$ (32,041)
Charges for services	794,000	812,000	775,830	(36,170)
Interest	1,000	1,000	2,466	1,466
Total revenues	\$ 1,790,000	\$ 1,910,000	\$ 1,843,255	\$ (66,745)
Expenditures:				
Current:				
Education:				
Clerical personnel	\$ 38,000	\$ 38,000	\$ 35,299	\$ 2,701
Cafeteria personnel	646,000	646,000	586,797	59,203
In-service training	1,000	1,000	1,419	(419)
Social security	39,000	39,000	35,160	3,840
State retirement	72,200	97,200	73,265	23,935
Life insurance	2,000	2,000	2,694	(694)
Medical insurance	170,000	180,000	188,872	(8,872)
Dental insurance	0	0	206	(206)
Unemployment compensation	700	700	1,181	(481)
Employer medicare liability	8,000	8,000	8,223	(223)
Other fringe benefits	16,000	16,000	20,848	(4,848)
Communication	300	300	1,715	(1,415)
Dues and membership	400	400	337	63
Maintenance and repair services	15,000	15,000	16,335	(1,335)
Payments to schools - lunch	0	0	1,125	(1,125)
Travel	2,000	2,000	5,483	(3,483)
Other contracted services	5,000	5,000	3,007	1,993
Food supplies	665,000	750,000	712,276	37,724
Office supplies	5,000	5,000	4,558	442
Utilities	5,000	5,000	4,218	782
Uniforms	400	400	0	400
In-service staff development	1,000	1,000	580	420
Other supplies and materials	82,000	82,000	102,183	(20,183)
Applicant investigation	1,000	1,000	616	384
Food service equipment	15,000	15,000	5,267	9,733
Total expenditures	\$ 1,790,000	\$ 1,910,000	\$ 1,811,664	\$ 98,336
Excess of revenues over expenditures	\$ 0	\$ 0	\$ 31,591	\$ 31,591
Fund balance at beginning of year	192,217	192,217	192,217	0
Fund balance at end of year	\$ 192,217	\$ 192,217	\$ 223,808	\$ 31,591

CITY OF CLEVELAND, TENNESSEE
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental:				
Library archive grant	\$ 0	\$ 525	\$ 525	\$ 0
Techology grant	0	6,500	6,500	0
Gates Technology grant	0	0	13,550	13,550
Bradley County	448,059	460,559	460,559	0
Charges for services	52,000	60,000	69,920	9,920
Interest	10,400	10,400	16,107	5,707
Miscellaneous:				
Gifts	70,000	70,000	50,616	(19,384)
Rent	0	0	11,000	11,000
E-Rate Money	4,500	4,500	3,977	(523)
Total revenues	\$ 584,959	\$ 612,484	\$ 632,754	\$ 20,270
Expenditures:				
Current:				
Culture and recreation:				
Salaries	\$ 570,017	\$ 568,730	\$ 551,404	\$ 17,326
Employee benefits	147,519	144,676	142,413	2,263
Supplies	53,953	50,043	54,200	(4,157)
Books	125,000	140,000	146,555	(6,555)
Utilities	37,536	34,736	36,865	(2,129)
Equipment repair/replacement	2,000	5,840	1,903	3,937
Building maintenance	6,000	12,200	6,430	5,770
Insurance	10,993	10,993	9,654	1,339
Gift and memorial expenditures	80,000	110,000	78,261	31,739
Grant expenditures	0	19,025	19,025	0
CIP equipment	0	0	10,249	(10,249)
Technology equipment	0	6,521	4,519	2,002
Lot paving	0	50,000	10,430	39,570
Total expenditures	\$ 1,033,018	\$ 1,152,764	\$ 1,071,908	\$ 80,856
Excess (deficiency) of revenues over expenditures	\$ (448,059)	\$ (540,280)	\$ (439,154)	\$ 101,126
Other financing sources(uses):				
Transfers in	\$ 448,059	\$ 460,559	\$ 460,559	\$ 0
Total other financing sources	\$ 448,059	\$ 460,559	\$ 460,559	\$ 0
Net change in fund balances	\$ 0	\$ (79,721)	\$ 21,405	\$ 101,126
Fund balance at beginning of year	562,101	562,101	562,101	0
Fund balance at end of year	\$ 562,101	\$ 482,380	\$ 583,506	\$ 101,126

CITY OF CLEVELAND, TENNESSEE
 DRUG ENFORCEMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 0	\$ 0	\$ 2,531	\$ 2,531
Fines and forfeitures	50,200	690,000	740,224	50,224
Interest	1,500	28,000	33,580	5,580
Miscellaneous	0	3,500	3,500	0
Total revenues	\$ 51,700	\$ 721,500	\$ 779,835	\$ 58,335
Expenditures:				
Current:				
Public safety:				
Seized vehicles	\$ 5,000	\$ 10,100	\$ 6,301	\$ 3,799
Pager	400	400	319	81
Investigative funds	35,000	16,404	15,232	1,172
Telephone	7,000	4,800	4,431	369
Auto track	900	900	900	0
Vehicle maintenance	9,000	18,200	18,190	10
Building maintenance	1,000	0	0	0
Travel and training	2,500	3,000	2,136	864
Equipment maintenance	4,000	22,445	20,385	2,060
Batteries	600	600	487	113
Audio/video tapes	600	600	553	47
Detective supplies	500	500	288	212
Film	400	400	0	400
Office supplies	1,000	950	912	38
OSHA safety supplies	500	100	0	100
Uniforms	1,400	1,400	1,397	3
Drug education	2,500	2,500	2,500	0
Gasoline	7,100	15,725	15,725	0
Canine	750	725	466	259
Vehicles	0	35,000	32,689	2,311
Computers	0	15,000	10,782	4,218
Equipment	5,000	5,000	2,991	2,009
Canine purchase	0	8,746	8,746	0
Visionair Software License	0	20,500	20,450	50
Miscellaneous	500	500	0	500
Total expenditures	\$ 85,650	\$ 184,495	\$ 165,880	\$ 18,615
Excess (deficiency) of revenues over expenditures	\$ (33,950)	\$ 537,005	\$ 613,955	\$ 76,950
Fund balance at beginning of year	103,517	181,975	181,975	0
Fund balance at end of year	\$ 69,567	\$ 718,980	\$ 795,930	\$ 76,950

CITY OF CLEVELAND, TENNESSEE
 FLETCHER PARK TRUST FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
State grant	\$ 0	\$ 23,569	\$ 23,569	\$ 0
Interest	200	1,100	1,711	611
Total revenues	<u>\$ 200</u>	<u>\$ 24,669</u>	<u>\$ 25,280</u>	<u>\$ 611</u>
Expenditures:				
Capital outlay:				
Fletcher Park	\$ 37,151	\$ 31,000	\$ 30,361	\$ 639
Total expenditures	<u>\$ 37,151</u>	<u>\$ 31,000</u>	<u>\$ 30,361</u>	<u>\$ 639</u>
Excess (deficiency) of revenues over expenditures	\$ (36,951)	\$ (6,331)	\$ (5,081)	\$ 1,250
Fund balance at beginning of year	<u>56,648</u>	<u>56,648</u>	<u>56,648</u>	<u>0</u>
Fund balance at end of year	<u><u>\$ 19,697</u></u>	<u><u>\$ 50,317</u></u>	<u><u>\$ 51,567</u></u>	<u><u>\$ 1,250</u></u>

CITY OF CLEVELAND, TENNESSEE
GREENWAY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
Federal grant	\$ 496,000	\$ 139,744	\$ 168,980	\$ 29,236
Bradley County	22,000	0	0	0
Interest	0	9,700	11,427	1,727
Miscellaneous	0	111,617	111,617	0
Total revenues	\$ 518,000	\$ 261,061	\$ 292,024	\$ 30,963
Expenditures:				
Capital outlay:				
Greenway - Phase II	\$ 620,000	\$ 186,981	\$ 196,488	\$ (9,507)
Phase II - local	12,000	31,199	60	31,139
Phase II - Home Depot	0	85,580	86,200	(620)
Phase II - Cleveland Utilities	0	26,037	0	26,037
Total expenditures	\$ 632,000	\$ 329,797	\$ 282,748	\$ 47,049
Excess (deficiency) of revenues over expenditures	\$ (114,000)	\$ (68,736)	\$ 9,276	\$ 78,012
Other financing sources:				
Transfers in	\$ 114,000	\$ 114,000	\$ 114,000	\$ 0
Total other financing sources	\$ 114,000	\$ 114,000	\$ 114,000	\$ 0
Net change in fund balance	\$ 0	\$ 45,264	\$ 123,276	\$ 78,012
Fund balance at beginning of year	78,736	78,736	78,736	0
Fund balance at end of year	\$ 78,736	\$ 124,000	\$ 202,012	\$ 78,012

CITY OF CLEVELAND, TENNESSEE
WEED AND SEED FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Expenditures:				
Current:				
Public safety:				
Personnel	\$ 23,658	\$ 43,359	\$ 43,359	\$ 0
Fringe benefits	8,118	15,195	15,195	0
Contractual	0	9,755	9,755	0
Supplies	0	1,896	1,896	0
Other	0	8,886	8,886	0
Equipment	0	16,256	16,256	0
Refund to grantor	0	36,601	36,601	0
Total Expenditures	\$ 31,776	\$ 131,948	\$ 131,948	\$ 0
Excess (deficiency) of revenues over expenditures	\$ (31,776)	\$ (131,948)	\$ (131,948)	\$ 0
Other financing sources (uses):				
Transfers out	\$ 0	\$ (3,106)	\$ (3,106)	\$ 0
Total other financing sources (uses):	\$ 0	\$ (3,106)	\$ (3,106)	\$ 0
Net change in fund balances	\$ (31,776)	\$ (135,054)	\$ (135,054)	\$ 0
Fund balance at beginning of year	135,054	135,054	135,054	0
Fund balance at end of year	\$ 103,278	\$ 0	\$ 0	\$ 0

CITY OF CLEVELAND, TENNESSEE
 STORM WATER MANAGEMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental				
State grant	\$ 0	\$ 1,000	\$ 1,000	\$ 0
Interest	1,000	1,000	3,088	2,088
Total revenues	\$ 1,000	\$ 2,000	\$ 4,088	\$ 2,088
Expenditures:				
Current:				
Public safety:				
Salaries	\$ 84,128	\$ 84,128	\$ 84,276	\$ (148)
Overtime	500	344	0	344
Christmas bonus	216	217	217	0
Dental insurance	694	694	649	45
Social security tax	6,491	6,491	6,404	87
Health insurance	9,026	8,580	8,578	2
Retirement	12,302	12,302	12,451	(149)
Life and disability insurance	945	945	1,068	(123)
Workers compensation	675	0	0	0
Education Reimbursement	0	605	601	4
Postage	300	300	15	285
Printing	1,500	1,400	911	489
Public education programs	4,500	3,609	3,309	300
Subscriptions and memberships	700	950	856	94
Advertising	500	450	73	377
Telephone	1,200	1,000	734	266
Legal	1,000	1,000	0	1,000
Travel and training	1,650	1,490	990	500
Work session	0	591	773	(182)
NPDES permit fee	2,500	2,500	2,500	0
Office supplies	1,350	1,350	986	364
Operating supplies	1,400	1,800	1,790	10
Clothing	900	900	702	198
Gasoline	1,100	1,546	1,394	152
Repairs and parts	2,500	2,500	228	2,272
Insurance - vehicles	758	758	497	261
Insurance - general liability	405	512	512	0
Insurance - workers compensation	0	675	276	399
Miscellaneous	400	260	20	240
Maintenance-minor drainage	30,000	22,000	19,271	2,729
Trash receptacles	3,800	8,099	8,119	(20)
Computer software	1,500	944	943	1
Office furniture and equipment	2,000	6,000	3,492	2,508

CITY OF CLEVELAND, TENNESSEE
 STORM WATER MANAGEMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Expenditures- (Continued):				
Current - (Continued):				
Public safety- (Continued):				
Vehicle	0	0	725	(725)
Stream cleanup equipment	0	1,000	900	100
Total expenditures	<u>\$ 174,940</u>	<u>\$ 175,940</u>	<u>\$ 164,260</u>	<u>\$ 11,680</u>
Excess (deficiency) of revenues over expenditures	\$ (173,940)	\$ (173,940)	\$ (160,172)	\$ 13,768
Other financing sources:				
Transfers in	\$ 181,500	\$ 188,000	\$ 188,000	\$ 0
Transfers out	(20,000)	(20,000)	(20,000)	0
Total other financing sources	<u>\$ 161,500</u>	<u>\$ 168,000</u>	<u>\$ 168,000</u>	<u>\$ 0</u>
Net change in fund balance	\$ (12,440)	\$ (5,940)	\$ 7,828	\$ 13,768
Fund balance at beginning of year	<u>41,925</u>	<u>41,925</u>	<u>41,925</u>	<u>0</u>
Fund balance at end of year	<u><u>\$ 29,485</u></u>	<u><u>\$ 35,985</u></u>	<u><u>\$ 49,753</u></u>	<u><u>\$ 13,768</u></u>

CITY OF CLEVELAND, TENNESSEE
METROPOLITAN TRANSPORTATION PLANNING ORGANIZATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
Federal grant	\$ 29,695	\$ 193,572	\$ 110,380	\$ (83,192)
State grant	0	3,104	0	(3,104)
Total revenues	\$ 29,695	\$ 196,676	\$ 110,380	\$ (86,296)
Expenditures:				
Current:				
General government:				
MPO Plan #5				
Salaries	\$ 24,224	\$ 15,567	\$ 15,567	\$ 0
Consultant services	0	8,666	4,333	4,333
Benefits	9,895	6,357	6,357	0
Postage and shipping	250	17	17	0
Printing and publications	150	68	68	0
Telephone	300	256	256	0
Travel and meeting	1,000	612	1,080	(468)
Supplies	500	0	0	0
Other non-personnel costs	800	0	0	0
MPO Plan #6				
Salaries	0	78,884	49,036	29,848
Consultant services	0	34,488	33,443	1,045
Benefits	0	36,561	17,020	19,541
Postage and shipping	0	1,000	198	802
Printing and publications	0	1,000	2,109	(1,109)
Telephone	0	1,700	974	726
Travel and meeting	0	6,000	1,441	4,559
Supplies	0	3,750	1,362	2,388
Other non-personnel costs	0	3,500	0	3,500
Capital purchase	0	12,500	3,885	8,615
MPO Plan #8				
Transit grant expenditures	0	31,041	0	31,041
Total expenditures	\$ 37,119	\$ 241,967	\$ 137,146	\$ 104,821
Excess (deficiency) of revenues over expenditures	\$ (7,424)	\$ (45,291)	\$ (26,766)	\$ 18,525
Other financing sources:				
Transfers in	\$ 7,424	\$ 45,291	\$ 45,291	\$ 0
Total other financing sources	\$ 7,424	\$ 45,291	\$ 45,291	\$ 0
Net change in fund balances	\$ 0	\$ 0	\$ 18,525	\$ 18,525
Fund balance at beginning of year	160	160	160	0
Fund balance at end of year	\$ 160	\$ 160	\$ 18,685	\$ 18,525

CITY OF CLEVELAND, TENNESSEE
 CLEVELAND MUNICIPAL AIRPORT AUTHORITY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
State and federal grants	\$ 9,000	\$ 581,800	\$ 422,872	\$ (158,928)
Charges for services:				
Hangar rental	9,572	9,572	11,162	1,590
Interest	0	1,500	2,408	908
Total revenues	<u>\$ 18,572</u>	<u>\$ 592,872</u>	<u>\$ 436,442</u>	<u>\$ (156,430)</u>
Expenditures:				
Current:				
Public works:				
Postage and shipping	\$ 0	\$ 489	\$ 316	\$ 173
Lighting maintenance	4,000	6,000	6,320	(320)
Advertising	1,000	1,000	214	786
Utilities	850	1,800	882	918
Legal services	2,000	3,000	2,320	680
NDB contracts	2,400	2,400	2,400	0
Environmental assessment	0	98,000	0	98,000
Weather satellite fee	1,800	1,800	1,788	12
Building maintenance	3,000	3,000	1,855	1,145
Grounds maintenance	10,300	11,300	9,709	1,591
Travel and training	3,500	1,500	966	534
Office expenditures	2,500	0	0	0
Insurance	125	125	96	29
Miscellaneous	250	250	0	250
Land options purchase	0	150,900	134,425	16,475
Overlay project	0	499,750	443,653	56,097
Professional services- surveys	0	2,700	2,700	0
Security camera	0	20,000	0	20,000
Grant beacon windsock	0	13,000	0	13,000
Superunicom	0	336	336	0
Grant match	0	45,740	0	45,740
Total expenditures	<u>\$ 31,725</u>	<u>\$ 863,090</u>	<u>\$ 607,980</u>	<u>\$ 255,110</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (13,153)</u>	<u>\$ (270,218)</u>	<u>\$ (171,538)</u>	<u>\$ 98,680</u>
Other financing sources (uses):				
Transfers in	<u>\$ 13,153</u>	<u>\$ 163,153</u>	<u>\$ 147,578</u>	<u>\$ 15,575</u>
Total other financing sources (uses)	<u>\$ 13,153</u>	<u>\$ 163,153</u>	<u>\$ 147,578</u>	<u>\$ 15,575</u>
Net change in fund balances	\$ 0	\$ (107,065)	\$ (23,960)	\$ 114,255
Fund balance at beginning of year	<u>0</u>	<u>117,079</u>	<u>117,079</u>	<u>0</u>
Fund balance at end of year	<u>\$ 0</u>	<u>\$ 10,014</u>	<u>\$ 93,119</u>	<u>\$ 114,255</u>

CITY OF CLEVELAND, TENNESSEE
 PROJECT SAFE NEIGHBORHOOD FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
Federal grant	\$ 0	\$ 21,466	\$ 758	\$ (20,708)
Total revenues	\$ 0	\$ 21,466	\$ 758	\$ (20,708)
Expenditures:				
Current:				
Public Safety:				
Overtime wages	\$ 0	\$ 20,009	\$ 854	\$ 19,155
Awards and prizes	0	500	0	500
Graduate T-shirts	0	500	321	179
Public education supplies	0	1,000	0	1,000
Laptop computers	500	0	0	0
Total expenditures	\$ 500	\$ 22,009	\$ 1,175	\$ 20,834
Excess (deficiency) of revenues over expenditures	\$ (500)	\$ (543)	\$ (417)	\$ 126
Fund balance at beginning of year	543	543	543	0
Fund balance at end of year	\$ 43	\$ 0	\$ 126	\$ 126

CITY OF CLEVELAND, TENNESSEE
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
Community Development Block Grant	\$ 382,538	\$ 648,711	\$ 386,242	\$ (262,469)
Total revenues	<u>\$ 382,538</u>	<u>\$ 648,711</u>	<u>\$ 386,242</u>	<u>\$ (262,469)</u>
Expenditures:				
Current:				
Planning and inspection:				
Salaries	\$ 65,215	\$ 65,475	\$ 62,822	\$ 2,653
Christmas bonus	230	219	216	3
Dental insurance	645	645	533	112
Social security tax	4,990	4,990	4,692	298
Health insurance	8,225	7,310	7,057	253
Retirement	9,455	9,455	8,373	1,082
Life insurance	845	845	404	441
Printing	0	305	305	0
Advertising	500	500	378	122
Telephone	1,645	1,695	786	909
Planning	5,000	5,000	1,500	3,500
Legal services	1,000	1,000	0	1,000
Vehicle Maintenance	1,000	1,000	757	243
Travel and training	3,650	3,650	2,207	1,443
Supplies	2,000	1,982	1,208	774
Clothing allowance	350	350	145	205
Gasoline	2,750	3,140	1,542	1,598
Workers compensation	100	100	0	100
Miscellaneous	938	298	62	236
Office equipment	2,500	3,139	3,083	56
Computer equipment	1,500	1,440	1,440	0
Capital outlay:				
Northeast Recreation Athletic Field	0	80,980	80,980	0
Northeast Center Improvement	200,000	200,000	9,601	190,399
Sidewalks	0	178,219	145,362	32,857
Property acquisition	30,000	31,974	13,824	18,150
Lot clearance	0	5,000	2,962	2,038
Downpayment assistance	40,000	40,000	36,000	4,000
Total Expenditures	<u>\$ 382,538</u>	<u>\$ 648,711</u>	<u>\$ 386,239</u>	<u>\$ 262,472</u>
Excess of revenues over expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3</u>	<u>\$ 3</u>
Fund balance at beginning of year	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>
Fund balance at end of year	<u><u>\$ 1</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 4</u></u>	<u><u>\$ 3</u></u>

CITY OF CLEVELAND, TENNESSEE
 BRYNE MEMORIAL JUSTICE ASSISTANCE GRANTS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
Federal grant	\$ 0	\$ 25,926	\$ 25,926	\$ 0
Total revenues	<u>\$ 0</u>	<u>\$ 25,926</u>	<u>\$ 25,926</u>	<u>\$ 0</u>
Expenditures:				
Current:				
Public Safety:				
Digital Video Cameras	\$ 0	\$ 28,807	\$ 22,625	\$ 6,182
Total expenditures	<u>\$ 0</u>	<u>\$ 28,807</u>	<u>\$ 22,625</u>	<u>\$ 6,182</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 0</u>	<u>\$ (2,881)</u>	<u>\$ 3,301</u>	<u>\$ 6,182</u>
Other financing sources:				
Transfers in	\$ 0	\$ 2,881	\$ 2,881	\$ 0
Total other financing sources	<u>\$ 0</u>	<u>\$ 2,881</u>	<u>\$ 2,881</u>	<u>\$ 0</u>
Net change in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,182</u>	<u>\$ 6,182</u>
Fund balance at beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance at end of year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 6,182</u></u>	<u><u>\$ 6,182</u></u>

CITY OF CLEVELAND, TENNESSEE
DEPARTMENT OF JUSTICE ASSET FORFEITURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
Federal grant	\$ 0	\$ 25,000	\$ 31,314	\$ 6,314
Total revenues	\$ 0	\$ 25,000	\$ 31,314	\$ 6,314
Expenditures:				
Current:				
Public Safety:				
Equipment	\$ 0	\$ 25,000	\$ 0	\$ 25,000
Total expenditures	\$ 0	\$ 25,000	\$ 0	\$ 25,000
Excess of revenues over expenditures	\$ 0	\$ 0	\$ 31,314	\$ 31,314
Fund balance at beginning of year	0	0	0	0
Fund balance at end of year	\$ 0	\$ 0	\$ 31,314	\$ 31,314

CITY OF CLEVELAND, TENNESSEE
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Interest	\$ 7,000	\$ 70,000	\$ 85,681	\$ 15,681
Miscellaneous:				
Other	94,363	94,363	80,630	(13,733)
Total revenues	\$ 101,363	\$ 164,363	\$ 166,311	\$ 1,948
Expenditures:				
Debt service:				
Principal retirement	\$ 1,310,000	\$ 1,310,000	\$ 1,310,000	\$ 0
Interest and fiscal charges	3,026,552	3,026,552	2,104,572	921,980
Total expenditures	\$ 4,336,552	\$ 4,336,552	\$ 3,414,572	\$ 921,980
Excess (deficiency) of revenues over expenditures	\$ (4,235,189)	\$ (4,172,189)	\$ (3,248,261)	\$ 923,928
Other financing sources				
Transfers in	\$ 4,241,639	\$ 4,241,639	\$ 4,203,139	\$ (38,500)
Total other financing sources	\$ 4,241,639	\$ 4,241,639	\$ 4,203,139	\$ (38,500)
Net change in fund balances	\$ 6,450	\$ 69,450	\$ 954,878	\$ 885,428
Fund balance at beginning of year	1,647,744	1,647,744	1,647,744	0
Fund balance at end of year	\$ 1,654,194	\$ 1,717,194	\$ 2,602,622	\$ 885,428

CITY OF CLEVELAND, TENNESSEE
HOUSING AND COMMUNITY DEVELOPMENT REHAB FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Interest	\$ 150	\$ 150	\$ 149	\$ (1)
Total revenues	\$ 150	\$ 150	\$ 149	\$ (1)
Excess of revenues over expenditures	\$ 150	\$ 150	\$ 149	\$ (1)
Other financing sources (uses):				
Transfers out	\$ (4,394)	\$ (4,394)	\$ (4,394)	\$ 0
Total other financing sources (uses)	\$ (4,394)	\$ (4,394)	\$ (4,394)	\$ 0
Net change in fund balances	\$ (4,244)	\$ (4,244)	\$ (4,245)	\$ (1)
Fund balance at beginning of year	10,604	10,604	10,604	0
Fund balance at end of year	\$ 6,360	\$ 6,360	\$ 6,359	\$ (1)

CITY OF CLEVELAND, TENNESSEE
HOUSING AND COMMUNITY DEVELOPMENT UDAG FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Interest	\$ 0	\$ 0	\$ 1	\$ 1
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1</u>	<u>\$ 1</u>
Excess of revenues over expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1</u>	<u>\$ 1</u>
Other financing sources (uses):				
Transfers out	\$ (442)	\$ (442)	\$ (442)	\$ 0
Total other financing sources (uses)	<u>\$ (442)</u>	<u>\$ (442)</u>	<u>\$ (442)</u>	<u>\$ 0</u>
Net change in fund balances	\$ (442)	\$ (442)	\$ (441)	\$ 1
Fund balance at beginning of year	<u>629</u>	<u>629</u>	<u>629</u>	<u>0</u>
Fund balance at end of year	<u><u>\$ 187</u></u>	<u><u>\$ 187</u></u>	<u><u>\$ 188</u></u>	<u><u>\$ 1</u></u>

CITY OF CLEVELAND, TENNESSEE
 CAPITAL IMPROVEMENT PROGRAM FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 0	\$ 51,919	\$ 4,930	\$ (46,989)
Interest	26,000	82,000	112,486	30,486
Miscellaneous	0	56,533	72,470	15,937
Total revenues	\$ 26,000	\$ 190,452	\$ 189,886	\$ (566)
Expenditures:				
Capital outlay:				
General government	\$ 0	\$ 54,600	\$ 32,600	\$ 22,000
Administration and finance	0	2,091	1,176	915
Planning and inspection	10,000	39,500	24,358	15,142
City-wide computer informations	162,500	219,479	163,775	55,704
Police department	240,000	250,778	232,250	18,528
Fire department	1,661,500	1,733,181	740,274	992,907
Public works - operations	1,000,000	2,158,562	1,075,720	1,082,842
Public works - state street aid	153,651	335,309	83,340	251,969
Animal Shelter	26,000	26,000	23,164	2,836
Parks and recreation	87,500	304,409	217,382	87,027
Dalton Pike widening	0	0	16,000	(16,000)
Total expenditures	\$ 3,341,151	\$ 5,123,909	\$ 2,610,039	\$ 2,513,870
Excess (deficiency) of revenues over expenditures	\$ (3,315,151)	\$ (4,933,457)	\$ (2,420,153)	\$ 2,513,304
Other financing sources (uses):				
Transfers in	\$ 2,679,307	\$ 4,720,526	\$ 4,720,526	\$ 0
Transfers out	(102,000)	(102,000)	(102,000)	0
Total other financing sources (uses)	\$ 2,577,307	\$ 4,618,526	\$ 4,618,526	\$ 0
Net change in fund balances	\$ (737,844)	\$ (314,931)	\$ 2,198,373	\$ 2,513,304
Fund balance at beginning of year	1,569,700	1,569,700	1,569,700	0
Fund balance at end of year	\$ 831,856	\$ 1,254,769	\$ 3,768,073	\$ 2,513,304

CITY OF CLEVELAND, TENNESSEE
 THDA HOME GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Revenues:				
Intergovernmental:				
THDA Home grant	\$ 15,756	\$ 100,000	\$ 64,697	\$ (35,303)
Total revenues	\$ 15,756	\$ 100,000	\$ 64,697	\$ (35,303)
Expenditures:				
Capital outlay:				
Housing inspection	\$ 1,853	\$ 3,593	\$ 3,221	\$ 372
Housing rehabilitation	13,203	86,260	46,199	40,061
Housing administration	700	10,147	6,764	3,383
Total expenditures	\$ 15,756	\$ 100,000	\$ 56,184	\$ 43,816
Excess of revenues over expenditures	\$ 0	\$ 0	\$ 8,513	\$ 8,513
Fund balance at beginning of year	1,529	1,529	1,529	0
Fund balance at end of year	\$ 1,529	\$ 1,529	\$ 10,042	\$ 8,513

CITY OF CLEVELAND, TENNESSEE
2002 GENERAL IMPROVEMENT BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Interest	\$ 0	\$ 653	\$ 653	\$ 0
Total revenues	\$ 0	\$ 653	\$ 653	\$ 0
Expenditures:				
Capital outlay:				
Land and Garage Construction	\$ 0	\$ 1,695	\$ 1,695	\$ 0
Golf carts	0	27,000	27,000	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	\$ 0	\$ 28,695	\$ 28,695	\$ 0
Excess (deficiency) of revenues over expenditures	\$ 0	\$ (28,042)	\$ (28,042)	\$ 0
Other financing sources (uses):				
Transfers out	\$ 0	\$ (847)	\$ (847)	\$ 0
Total other financing sources (uses)	\$ 0	\$ (847)	\$ (847)	\$ 0
Net change in fund balances	\$ 0	\$ (28,889)	\$ (28,889)	\$ 0
Fund balance at beginning of year	<u>28,889</u>	<u>28,889</u>	<u>28,889</u>	<u>0</u>
Fund balance at end of year	<u><u>\$ 28,889</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

CITY OF CLEVELAND, TENNESSEE
 2004 BRADLEY COUNTY CAPITAL OUTLAY NOTE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Bradley County	\$ 46,511	\$ 1,746,511	\$ 1,746,511	\$ 0
Interest	500	36,800	40,118	3,318
Total revenues	\$ 47,011	\$ 1,783,311	\$ 1,786,629	\$ 3,318
Expenditures:				
Capital outlay:				
Mayfield land	\$ 0	\$ 875,000	\$ 875,000	\$ 0
Mayfield Elementary	50,111	962,570	102,735	859,835
Total expenditures	\$ 50,111	\$ 1,837,570	\$ 977,735	\$ 859,835
Excess (deficiency) of revenues over expenditures	\$ (3,100)	\$ (54,259)	\$ 808,894	\$ 863,153
Fund balance at beginning of year	54,259	54,259	54,259	0
Fund balance at end of year	\$ 51,159	\$ 0	\$ 863,153	\$ 863,153

CITY OF CLEVELAND, TENNESSEE
2005 VI-E-4 GENERAL IMPROVEMENT BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Interest	\$ 300	\$ 6,500	\$ 7,810	\$ 1,310
Total revenues	\$ 300	\$ 6,500	\$ 7,810	\$ 1,310
Expenditures:				
Capital outlay:				
Fire station design and site plan	\$ 0	\$ 54,615	\$ 45,563	\$ 9,052
Contingency	0	1,500	0	1,500
Freewill Road Station	0	40,000	104,087	(64,087)
Station #5 equipment	0	80,000	0	80,000
Trash trailer and knuckleboom	0	69,371	69,371	0
Trash trailer	0	19,918	19,918	0
Georgetown and 25th project	0	45,463	2,096	43,367
Fletcher main building roof	500	20,242	20,242	0
Tinsley siding and roof	0	9,096	9,096	0
Total expenditures	\$ 500	\$ 340,205	\$ 270,373	\$ 69,832
Excess (deficiency) of revenues over expenditures	\$ (200)	\$ (333,705)	\$ (262,563)	\$ 71,142
Fund balance at beginning of year	333,705	333,705	333,705	0
Fund balance at end of year	\$ 333,505	\$ 0	\$ 71,142	\$ 71,142

CITY OF CLEVELAND, TENNESSEE
 2005 D-4-A GENERAL IMPROVEMENT BOND FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Revenues:				
Interest	\$ 0	\$ 22,184	\$ 13,678	\$ (8,506)
Total revenues	\$ 0	\$ 22,184	\$ 13,678	\$ (8,506)
Expenditures:				
Capital outlay:				
Police Service Center construction	\$ 5,825,000	\$ 5,221,585	\$ 3,121,812	\$ 2,099,773
Police furniture and equipment	0	528,800	0	528,800
Dalton Pike intersection	41,500	41,500	0	41,500
North Lee intersection	45,000	45,000	0	45,000
Valley Hill Trail	50,000	50,000	0	50,000
Parkwood Trail	63,000	63,000	0	63,000
Blythe Ferry Road design	10,000	10,000	2,500	7,500
Paul Huff resurfacing	700,000	591,605	379,884	211,721
Inman/Keith & First	365,334	0	0	0
Georgetown improvements	0	24,193	0	24,193
Boom truck	0	12,000	0	12,000
Track hoe & trailer	161,320	161,320	161,320	0
1/2 ton truck	0	25,000	22,320	2,680
3/4 ton truck	0	19,500	19,500	0
1-ton truck	0	38,845	41,955	(3,110)
Flail mower	0	13,050	13,050	0
Fire Hall land acquisition	200,000	183,507	0	183,507
Freewill Road station	805,000	832,965	698,311	134,654
Mayfield elementary	4,000,000	4,000,000	618,873	3,381,127
Arnold elementary	2,000,000	2,000,000	844,312	1,155,688
Roofs	1,000,000	1,000,000	785,108	214,892
HVAC - Schools	2,000,000	2,000,000	645,243	1,354,757
Mayfield School road improvements	460,816	460,816	19,458	441,358
Buses	480,000	484,405	484,405	0
Cleveland High School phones	59,184	59,184	9,179	50,005
Debt service:				
Interest and fiscal charges	0	128,575	128,575	0
Total expenditures	\$ 18,266,154	\$ 17,994,850	\$ 7,995,805	\$ 9,999,045
Excess (deficiency) of revenues over expenditures	\$ (18,266,154)	\$ (17,972,666)	\$ (7,982,127)	\$ 9,990,539
Other financing sources (uses):				
Transfers out	\$ (527,334)	\$ (527,334)	\$ (527,334)	\$ 0
Notes issued	18,500,000	18,500,000	9,836,795	(8,663,205)
Total other financing sources (uses)	\$ 17,972,666	\$ 17,972,666	\$ 9,309,461	\$ (8,663,205)

CITY OF CLEVELAND, TENNESSEE
 2005 D-4-A GENERAL IMPROVEMENT BOND FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2006

(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Net change in fund balances	\$ (293,488)	\$ 0	\$ 1,327,334	\$ 1,327,334
Fund balance at beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance at end of year	<u>\$ (293,488)</u>	<u>\$ 0</u>	<u>\$ 1,327,334</u>	<u>\$ 1,327,334</u>

CITY OF CLEVELAND, TENNESSEE
 MEILER ESTATE ANIMAL SHELTER TRUST FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Interest	\$ 11,500	\$ 21,766	\$ 23,210	\$ 1,444
Total revenues	\$ 11,500	\$ 21,766	\$ 23,210	\$ 1,444
Excess of revenues over expenditures	\$ 11,500	\$ 21,766	\$ 23,210	\$ 1,444
Other financing sources (uses):				
Transfers out	\$ (9,700)	\$ (9,700)	\$ (9,700)	\$ 0
Total other financing sources (uses)	\$ (9,700)	\$ (9,700)	\$ (9,700)	\$ 0
Net change in fund balances	\$ 1,800	\$ 12,066	\$ 13,510	\$ 1,444
Fund balance at beginning of year	467,961	467,961	467,961	0
Fund balance at end of year	\$ 469,761	\$ 480,027	\$ 481,471	\$ 1,444

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for the acquisition, operation and maintenance of governmental facilities and services that are entirely or predominantly self-supporting by user charges. The operations of Enterprise Funds are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

Brush Chipping Fund: This fund accounts for the revenues and expenses for the brush chipping operation funded by the city of Cleveland and the cities of Athens, Collegedale, East Ridge, Signal Mountain, and Sweetwater.

CITY OF CLEVELAND, TENNESSEE
NONMAJOR ENTERPRISE FUND - BRUSH CHIPPING FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Operating Revenues:				
Charges for services	\$ 209,662	\$ 209,662	\$ 197,167	\$ (12,495)
Total operating revenues	\$ 209,662	\$ 209,662	\$ 197,167	\$ (12,495)
Operating Expenses:				
Operations:				
Salaries and related expenses	\$ 22,602	\$ 22,602	\$ 19,579	\$ 3,023
Equipment maintenance and repair	68,000	134,000	119,825	14,175
Major repairs	2,000	2,000	722	1,278
Service charges	200	200	0	200
Gasoline and oil	17,752	21,295	17,170	4,125
Safety supplies	300	300	0	300
Insurance - equipment	1,620	1,628	1,628	0
Insurance - general liability	453	402	402	0
Depreciation	30,000	30,000	29,788	212
Total operating expenses	\$ 142,927	\$ 212,427	\$ 189,114	\$ 23,313
Operating income	\$ 66,735	\$ (2,765)	\$ 8,053	\$ 10,818
Other Income (Expense)				
Interest income	\$ 800	\$ 6,000	\$ 6,843	\$ 843
Interest expense	(10,200)	(10,200)	(8,500)	1,700
Total other income (expense)	\$ (9,400)	\$ (4,200)	\$ (1,657)	\$ 2,543
Change in net assets	\$ 57,335	\$ (6,965)	\$ 6,396	\$ 13,361
Net assets, beginning of year	81,874	81,874	81,874	0
Net assets, end of year	\$ 139,209	\$ 74,909	\$ 88,270	\$ 13,361

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INTERNAL SERVICE FUND

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Fleet Management Fund: This fund is used to account for the maintenance of all vehicles owned by the City of Cleveland. The City also maintains vehicles for other governmental agencies.

CITY OF CLEVELAND, TENNESSEE
INTERNAL SERVICE FUND - FLEET MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Operating Revenues:				
Charges for services	\$ 781,820	\$ 781,820	\$ 678,989	\$ (102,831)
Other operating revenue	200	2,626	2,426	(200)
Total operating revenues	\$ 782,020	\$ 784,446	\$ 681,415	\$ (103,031)
Operating Expenses:				
General and administrative:				
Salaries	\$ 307,508	\$ 307,508	\$ 275,199	\$ 32,309
Overtime	8,500	8,500	6,543	1,957
Service awards	150	150	150	0
Longevity	1,650	1,650	1,650	0
Sold vacation	3,178	3,117	1,428	1,689
Christmas bonus	866	867	866	1
Dental insurance	3,252	2,965	2,583	382
Social security taxes	24,622	24,622	20,504	4,118
Health insurance	43,979	43,246	38,890	4,356
Retirement	46,669	46,669	41,136	5,533
Life and disability insurance	3,673	3,673	3,523	150
Worker's compensation claims	1,000	2,279	1,422	857
Postage	450	450	181	269
Pager	120	120	0	120
Printing	200	200	312	(112)
Advertising	200	200	466	(266)
Membership dues	700	700	551	149
Utilities	28,000	24,561	18,846	5,715
Telephone	9,800	8,800	7,479	1,321
Vehicle maintenance	3,000	3,000	2,901	99
Contracted services - vehicle maintenance	160,000	160,000	113,011	46,989
Building maintenance	2,000	4,000	3,398	602
Central fuel maintenance and supplies	3,000	4,000	4,452	(452)
Car allowance	4,200	2,450	2,450	0
Travel and training	3,900	4,900	4,628	272
Pest control	0	227	159	68
Office expense	2,800	2,800	3,303	(503)
Waste disposal services	3,500	2,500	481	2,019
Janitorial supplies	2,200	2,500	1,744	756
Uniforms	6,000	6,000	5,273	727
Gasoline and oil	2,300	3,320	2,262	1,058
Repair supplies	1,000	1,500	1,404	96
Insurance - building and contents	2,303	2,256	2,256	0
Insurance - vehicles	688	667	667	0
Insurance - general liability	1,943	1,998	1,998	0
Insurance - workers compensation	15,781	16,337	16,337	0
Depreciation	56,500	56,500	46,331	10,169

CITY OF CLEVELAND, TENNESSEE
INTERNAL SERVICE FUND - FLEET MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

(Continued)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Operating Expenses (Continued):				
Computer software maintenance	\$ 4,000	\$ 4,000	\$ 5,167	\$ (1,167)
Miscellaneous	500	900	922	(22)
Equipment and tools	1,000	1,000	2,511	(1,511)
Total operating expenses	\$ 761,132	\$ 761,132	\$ 643,384	\$ 117,748
Operating income	\$ 20,888	\$ 23,314	\$ 38,031	\$ 14,717
Non Operating Revenues (Expenses):				
Interest income	\$ 500	\$ 6,000	\$ 6,951	\$ 951
Total non operating revenues (expenses)	\$ 500	\$ 6,000	\$ 6,951	\$ 951
Income (loss) before contributions and transfers	\$ 21,388	\$ 29,314	\$ 44,982	\$ 15,668
Capital contributions	0	0	1,495	1,495
Change in net assets	\$ 21,388	\$ 29,314	\$ 46,477	\$ 17,163
Total net assets - beginning	1,520,852	1,520,852	1,520,852	0
Total net assets - ending	\$ 1,542,240	\$ 1,550,166	\$ 1,567,329	\$ 17,163

CITY OF CLEVELAND, TENNESSEE
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 COMPARATIVE SCHEDULE BY SOURCE(1)
 June 30, 2006 and 2005

	2006	2005
Governmental funds capital assets:		
Land	\$ 7,735,482	\$ 6,860,482
Buildings	63,147,490	62,560,968
Public improvements other than buildings	5,183,459	5,328,751
Infrastructure	42,230,664	40,979,706
Furniture, fixtures, equipment and vehicles	22,825,335	19,960,185
Total governmental funds capital assets	\$ 141,122,430	\$ 135,690,092
 Investment in governmental funds capital assets:		
 Total governmental funds capital assets	\$ 141,122,430	\$ 135,690,092

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund 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, TENNESSEE
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY(1)
 JUNE 30, 2006

Function and Activity	Capital Assets	Land	Buildings	Other Improve- ments	Infrastructure	Equipment
General Government:						
Administration and finance	\$ 809,826	\$ 1,800	\$ 392,580	\$ 74,487	\$ 0	\$ 340,959
General government	660,647	75,700	185,251	370,027	0	29,669
Planning and inspection	539,722	56,361	271,086	35,130	0	177,145
Library	2,826,963	302,000	779,945	0	0	1,745,018
Total General Government	\$ 4,837,158	\$ 435,861	\$ 1,628,862	\$ 479,644	\$ 0	\$ 2,292,791
Public Safety:						
Police	\$ 3,427,591	\$ 290,097	\$ 0	\$ 5,059	\$ 0	\$ 3,132,435
Fire	6,027,473	311,500	2,146,640	69,684	0	3,499,649
911 Center	867,618	0	867,618	0	0	0
Total Public Safety	\$ 10,322,682	\$ 601,597	\$ 3,014,258	\$ 74,743	\$ 0	\$ 6,632,084
Public Works:						
Street Department	\$ 4,237,112	\$ 244,387	\$ 318,738	\$ 80,401	\$ 0	\$ 3,593,586
Engineering	473,665	0	158,845	0	0	314,820
Old City Landfill	92,500	63,500	25,000	4,000	0	0
Airport	789,902	210,000	212,500	299,912	0	67,490
Primary Roads	6,699,063	67,965	0	0	6,631,098	0
Secondary Roads	33,964,717	378,887	0	0	33,585,830	0
Drainage	1,951,915	12,147	0	0	1,939,768	0
Bridges	73,968	0	0	0	73,968	0
Total Public Works	\$ 48,282,842	\$ 976,886	\$ 715,083	\$ 384,313	\$ 42,230,664	\$ 3,975,896
Parks and Recreation:						
Recreation Office	\$ 462,201	\$ 0	\$ 0	\$ 54,163	\$ 0	\$ 408,038
Tinsley Park	1,810,898	211,980	165,860	1,400,320	0	32,738
Cherokee Springs	957,017	264,000	102,500	237,109	0	353,408
East Cleveland Center	537,451	76,890	231,658	192,393	0	36,510
Cleveland Community Center	583,135	47,000	381,018	120,396	0	34,721
Johnston Park	425,000	175,000	0	250,000	0	0
Deer Park	265,740	90,000	0	175,740	0	0
Arnold Mini Park	14,565	0	0	14,565	0	0
Mayfield Mini Park	14,000	0	0	14,000	0	0
Blythe Mini Park	20,044	9,874	0	10,170	0	0
Bower Mini Park	60,975	0	13,800	47,175	0	0
Stuart Mini Park	9,531	0	0	9,531	0	0
E.L. Ross Cragmile Park	9,880	0	0	9,880	0	0
East Cleveland Neighborhood	83,698	10,000	3,577	70,121	0	0
Greenway Project	820,837	0	0	820,837	0	0
Fletcher Park	661,326	64,373	118,973	477,980	0	0
Soccer Complex	304,279	50,000	0	254,279	0	0
Total Parks and Recreation	\$ 7,040,577	\$ 999,117	\$ 1,017,386	\$ 4,158,659	\$ 0	\$ 865,415

CITY OF CLEVELAND, TENNESSEE
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY(1)
 JUNE 30, 2006

(Continued)

Function and Activity	Capital Assets	Land	Buildings	Other Improve- ments	Infrastructure	Equipment
Miscellaneous Properties:						
Central and Church parking lot	\$ 101,000	\$ 101,000	\$ 0	\$ 0	\$ 0	\$ 0
Fourth Street parking lot	45,500	45,500	0	0	0	0
Worth and Central parking lot	45,000	45,000	0	0	0	0
Inman Street parking lot	32,500	32,500	0	0	0	0
Second - Central parking lot	53,000	53,000	0	0	0	0
Blythe Day Care	35,136	15,000	11,336	8,800	0	0
Animal Control	231,386	0	95,301	28,983	0	107,102
Kaufman - Second Street parking lot	33,000	27,500	0	5,500	0	0
Hargis - First Street parking lot	33,000	27,500	0	5,500	0	0
Urban renewal lots	87,330	87,330	0	0	0	0
Hill Street building	1,074	0	1,074	0	0	0
Seventh and Church Street parking lot	21,202	13,780	0	7,422	0	0
Total Miscellaneous Properties	\$ 719,128	\$ 448,110	\$ 107,711	\$ 56,205	\$ 0	\$ 107,102
Cleveland City Schools:						
School Property	\$ 68,835,150	\$ 4,273,911	\$ 56,664,190	\$ 29,895	\$ 0	\$ 7,867,154
Food Service	1,084,893	0	0	0	0	1,084,893
Total City Schools	\$ 69,920,043	\$ 4,273,911	\$ 56,664,190	\$ 29,895	\$ 0	\$ 8,952,047
Total Capital Assets	\$ 141,122,430	\$ 7,735,482	\$ 63,147,490	\$ 5,183,459	\$ 42,230,664	\$ 22,825,335

(1) This schedule presents only the capital asset balances related to governmental funds. 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, TENNESSEE
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY(1)
 For the Fiscal Year Ended June 30, 2006

<u>Function and Activity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
General Government:				
Administration and finance	\$ 777,592	\$ 34,741	\$ 2,507	\$ 809,826
General government	755,758	7,189	102,300	660,647
Planning and inspection	512,212	39,246	11,736	539,722
Library	2,623,364	219,603	16,004	2,826,963
Total General Government	\$ 4,668,926	\$ 300,779	\$ 132,547	\$ 4,837,158
Public Safety:				
Police	\$ 3,143,375	\$ 524,263	\$ 412,547	\$ 3,255,091
Fire	5,144,790	1,055,183	0	6,199,973
911 Center	867,618	0	0	867,618
Total Public Safety	\$ 8,983,283	\$ 1,579,446	\$ 412,547	\$ 10,322,682
Public Works:				
Street Department	\$ 4,330,817	\$ 413,831	\$ 507,536	\$ 4,237,112
Engineering	411,923	61,742	0	473,665
Old City Landfill	92,500	0	0	92,500
Airport	810,021	0	20,119	789,902
Primary Roads	6,180,810	518,253	0	6,699,063
Secondary Roads	33,232,012	732,705	0	33,964,717
Drainage	1,951,915	0	0	1,951,915
Bridges	73,968	0	0	73,968
Total Public Works	\$ 47,083,966	\$ 1,726,531	\$ 527,655	\$ 48,282,842
Parks and Recreation:				
Recreation Office	\$ 373,641	\$ 88,560	\$ 0	\$ 462,201
Tinsley Park	1,810,309	589	0	1,810,898
Cherokee Springs	904,606	52,411	0	957,017
East Cleveland Center	497,991	39,460	0	537,451
Cleveland Community Center	579,695	3,440	0	583,135
Johnston Park	425,000	0	0	425,000
Deer Park	265,740	0	0	265,740
Arnold Mini Park	14,565	0	0	14,565
Mayfield Mini Park	14,000	0	0	14,000
Blythe Mini Park	20,044	0	0	20,044
Bower Mini Park	60,975	0	0	60,975
Stuart Mini Park	9,531	0	0	9,531
E.L. Ross Craigmile Park	9,880	0	0	9,880
East Cleveland Neighborhood	83,698	0	0	83,698
Greenway Project	820,837	0	0	820,837
Fletcher Park	631,865	29,461	0	661,326
Soccer Complex	304,279	0	0	304,279
Total Parks and Recreation	\$ 6,826,656	\$ 213,921	\$ 0	\$ 7,040,577

CITY OF CLEVELAND, TENNESSEE
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY(1)
 For the Fiscal Year Ended June 30, 2006

(Continued)

<u>Function and Activity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Miscellaneous Properties:				
Central and Church parking lot	\$ 101,000	\$ 0	\$ 0	\$ 101,000
Fourth Street parking lot	45,500	0	0	45,500
Worth and Central parking lot	45,000	0	0	45,000
Inman Street parking lot	32,500	0	0	32,500
Second - Central parking lot	53,000	0	0	53,000
Blythe Day Care	35,136	0	0	35,136
Animal Control	208,572	22,814	0	231,386
Kaufman - Second Street parking lot	33,000	0	0	33,000
Hargis - First Street parking lot	33,000	0	0	33,000
Urban renewal lots	87,330	0	0	87,330
Hill Street building	1,074	0	0	1,074
Seventh and Church Street parking lot	21,202	0	0	21,202
Total Miscellaneous Properties	\$ 868,814	\$ 22,814	\$ 0	\$ 719,128
Cleveland City Schools:				
School Property	\$ 66,174,782	\$ 2,765,886	\$ 105,518	\$ 68,835,150
Food Service	1,083,665	2,072	844	1,084,893
Total City Schools	\$ 67,258,447	\$ 2,767,958	\$ 106,362	\$ 69,920,043
Total Capital Assets	\$ 135,690,092	\$ 6,611,449	\$ 1,179,111	\$ 141,122,430

(1) This schedule presents only the capital asset balances related to governmental funds. 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 statements of net assets.

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CITY OF CLEVELAND, TENNESSEE
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS
(accrual basis of accounting)

Schedule 1

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 53,783,708	\$ 54,406,384	\$ 52,526,979	\$ 51,571,926	\$ 48,522,525
Restricted	458,233	459,646	459,646	459,646	459,646
Unrestricted	<u>10,602,633</u>	<u>11,142,970</u>	<u>14,385,306</u>	<u>17,119,787</u>	<u>22,366,833</u>
Total governmental activities net assets	<u>\$ 64,844,574</u>	<u>\$ 66,009,000</u>	<u>\$ 67,371,931</u>	<u>\$ 69,151,359</u>	<u>\$ 71,349,004</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 87,429,850	\$ 86,878,434	\$ 89,150,550	\$ 92,033,295	\$ 92,062,798
Unrestricted	<u>7,874,505</u>	<u>11,107,428</u>	<u>13,550,964</u>	<u>13,421,845</u>	<u>16,935,342</u>
Total business-type activities	<u>\$ 95,304,355</u>	<u>\$ 97,985,862</u>	<u>\$ 102,701,514</u>	<u>\$ 105,455,140</u>	<u>\$ 108,998,140</u>
Primary government					
Invested in capital assets, net of related debt	\$ 141,213,558	\$ 141,284,818	\$ 141,677,529	\$ 143,605,221	\$ 140,585,323
Restricted	458,233	459,646	459,646	459,646	459,646
Unrestricted	<u>18,477,138</u>	<u>22,250,398</u>	<u>27,936,270</u>	<u>30,541,632</u>	<u>39,302,175</u>
Total primary government net assets	<u>\$ 160,148,929</u>	<u>\$ 163,994,862</u>	<u>\$ 170,073,445</u>	<u>\$ 174,606,499</u>	<u>\$ 180,347,144</u>

Source: Official record of Office of City Clerk.

CITY OF CLEVELAND, TENNESSEE
CHANGE IN NET ASSETS
LAST FIVE FISCAL YEARS
(accrual basis of accounting)

Schedule 2

	2002	2003	2004	2005	2006
EXPENSES					
Governmental activities:					
General government	\$ 1,943,495	\$ 2,586,632	\$ 3,325,573	\$ 2,391,498	\$ 2,693,884
Planning and inspection	423,856	310,918	539,414	622,028	1,054,852
Public safety	11,298,693	12,132,200	12,683,638	14,180,863	15,151,467
Public works	5,624,531	7,203,565	8,138,030	8,429,567	9,265,703
Health and welfare	459,735	491,225	500,734	538,263	552,573
Culture and recreation	2,468,434	2,564,187	2,559,373	2,952,398	2,962,458
Education	29,003,808	30,729,336	31,429,169	35,475,697	37,495,574
Interest on long-term debt	1,855,911	2,119,811	2,094,798	1,992,504	2,297,623
Total governmental activities	<u>\$ 53,078,463</u>	<u>\$ 58,137,874</u>	<u>\$ 61,270,729</u>	<u>\$ 66,582,818</u>	<u>\$ 71,474,134</u>
Business-type activities:					
Water and sewer	13,875,409	14,356,114	15,037,429	16,105,695	17,588,719
Electric	56,725,306	59,697,868	62,524,728	62,737,439	71,747,592
Other enterprise	520,344	123,343	134,631	140,635	197,614
Total business-type activities expenses	<u>\$ 71,121,059</u>	<u>\$ 74,177,325</u>	<u>\$ 77,696,788</u>	<u>\$ 78,983,769</u>	<u>\$ 89,533,925</u>
Total primary government expenses	<u>\$ 124,199,522</u>	<u>\$ 132,315,199</u>	<u>\$ 138,967,517</u>	<u>\$ 145,566,587</u>	<u>\$ 161,008,059</u>
PROGRAM REVENUES					
Governmental activities:					
Charges for services	\$ 5,582,015	\$ 6,543,638	\$ 7,127,661	\$ 7,706,701	\$ 8,200,575
Operating grants and contributions	25,077,943	26,248,710	27,093,926	29,500,770	31,417,297
Capital grants and contributions	508,303	10,850	765,700	2,342,151	1,770,080
Total governmental activities program revenues	<u>\$ 31,168,261</u>	<u>\$ 32,803,198</u>	<u>\$ 34,987,287</u>	<u>\$ 39,549,622</u>	<u>\$ 41,387,952</u>
Business-type activities:					
Charges for services:					
Water and sewer	\$ 14,081,706	\$ 15,187,407	\$ 16,152,299	\$ 16,437,866	\$ 17,957,369
Electric	58,996,876	61,925,568	65,987,477	65,541,717	74,832,241
Other enterprise	431,403	119,333	87,075	202,790	197,167
Capital grants and contributions	497,491	1,012,220	1,448,663	708,439	1,121,813
Total business-type activities program revenues	<u>\$ 74,007,476</u>	<u>\$ 78,244,528</u>	<u>\$ 83,675,514</u>	<u>\$ 82,890,812</u>	<u>\$ 94,108,590</u>
Total primary government program revenues	<u>\$ 105,175,737</u>	<u>\$ 111,047,726</u>	<u>\$ 118,662,801</u>	<u>\$ 122,440,434</u>	<u>\$ 135,496,542</u>
Net (Expense) Revenue					
Governmental activities	\$ (21,910,202)	\$ (25,334,676)	\$ (26,283,442)	\$ (27,033,196)	\$ (30,086,182)
Business-type activities	2,886,417	4,067,203	5,978,726	3,907,043	4,574,665
Total primary government net expense	<u>\$ (19,023,785)</u>	<u>\$ (21,267,473)</u>	<u>\$ (20,304,716)</u>	<u>\$ (23,126,153)</u>	<u>\$ (25,511,517)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS					
Governmental activities:					
Property taxes	\$ 6,631,884	\$ 8,320,628	\$ 8,508,570	\$ 8,967,774	\$ 14,798,767
Property taxes - fire	3,222,076	3,723,281	3,805,969	4,019,302	0
Interest and penalty on taxes	79,345	100,204	110,668	119,841	133,275
In lieu of taxes	34,948	32,972	26,977	19,411	19,829
Local sales tax	6,138,123	6,319,495	6,912,834	7,186,302	7,601,091
Wholesale beer tax	975,310	995,889	1,054,330	1,088,535	1,131,612
Gross receipts tax	813,185	708,331	823,885	943,128	821,430
Franchise tax	351,722	463,846	494,096	716,475	1,142,767
State sales tax	2,239,968	2,247,016	2,221,608	2,273,609	2,517,380
Other state taxes	1,173,306	1,055,125	1,736,563	919,876	1,075,526
Grants and contributions not restricted	468,052	735,014	344,205	442,832	481,343
Unrestricted investment earnings	236,901	178,092	137,287	621,856	960,778
Transfers	1,114,132	1,257,907	1,469,381	1,493,683	1,600,029
Total governmental activities	<u>\$ 23,478,952</u>	<u>\$ 26,137,800</u>	<u>\$ 27,646,373</u>	<u>\$ 28,812,624</u>	<u>\$ 32,283,827</u>
Business-type activities:					
Unrestricted investment earnings	\$ 290,262	\$ 233,513	\$ 206,307	\$ 340,266	\$ 568,364
Transfers	(1,114,132)	(1,257,907)	(1,469,381)	(1,493,683)	(1,600,029)
Total business-type activities	<u>\$ (823,870)</u>	<u>\$ (1,024,394)</u>	<u>\$ (1,263,074)</u>	<u>\$ (1,153,417)</u>	<u>\$ (1,031,665)</u>
Total primary government	<u>\$ 22,655,082</u>	<u>\$ 25,113,406</u>	<u>\$ 26,383,299</u>	<u>\$ 27,659,207</u>	<u>\$ 31,252,162</u>
CHANGE IN NET ASSETS					
Governmental activities	\$ 1,568,750	\$ 803,124	\$ 1,362,931	\$ 1,779,428	\$ 2,197,645
Business-type activities	2,062,547	3,042,809	4,715,652	2,753,626	3,543,000
Total primary government	<u>\$ 3,631,297</u>	<u>\$ 3,845,933</u>	<u>\$ 6,078,583</u>	<u>\$ 4,533,054</u>	<u>\$ 5,740,645</u>

Source: Official record of Office of City Clerk.

CITY OF CLEVELAND, TENNESSEE
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST FIVE FISCAL YEARS
(accrual basis of accounting)

Schedule 3

Function/Program	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities:					
General government	\$ 13,133	\$ 20,945	\$ 117,132	\$ 141,362	\$ 144,712
Planning and inspection	294,259	414,037	569,681	599,802	845,564
Public safety	2,692,935	3,262,132	3,130,973	4,046,913	4,037,012
Public works	2,835,030	3,002,316	3,880,121	3,861,476	3,740,271
Health and welfare	563,507	249,206	253,654	265,624	223,382
Culture and recreation	560,879	746,510	848,808	1,407,893	1,011,707
Education	<u>24,208,518</u>	<u>25,108,052</u>	<u>26,186,918</u>	<u>29,226,552</u>	<u>31,385,304</u>
Subtotal governmental activities	<u>\$ 31,168,261</u>	<u>\$ 32,803,198</u>	<u>\$ 34,987,287</u>	<u>\$ 39,549,622</u>	<u>\$ 41,387,952</u>
Business-type activities					
Water and sewer	\$ 14,579,197	\$ 16,199,627	\$ 17,600,962	\$ 17,146,305	\$ 19,079,182
Electric	58,996,876	61,925,568	65,987,477	65,541,717	74,832,241
Other enterprise	<u>431,403</u>	<u>119,333</u>	<u>87,075</u>	<u>202,790</u>	<u>197,167</u>
Subtotal business-type activities	<u>\$ 74,007,476</u>	<u>\$ 78,244,528</u>	<u>\$ 83,675,514</u>	<u>\$ 82,890,812</u>	<u>\$ 94,108,590</u>
Total primary government	<u>\$ 105,175,737</u>	<u>\$ 111,047,726</u>	<u>\$ 118,662,801</u>	<u>\$ 122,440,434</u>	<u>\$ 135,496,542</u>

Source: Official record of Office of City Clerk.

**CITY OF CLEVELAND, TENNESSEE
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General Fund				
Reserved	\$ 0	\$ 0	\$ 0	\$ 0
Unreserved	<u>2,553,480</u>	<u>2,291,007</u>	<u>2,548,416</u>	<u>2,705,955</u>
Total general fund	<u><u>\$ 2,553,480</u></u>	<u><u>\$ 2,291,007</u></u>	<u><u>\$ 2,548,416</u></u>	<u><u>\$ 2,705,955</u></u>
 All Other Governmental Funds:				
Reserved	503,816	485,242	341,139	962,043
Unreserved, reported in:				
Special revenue funds	1,567,253	1,381,760	1,328,578	1,264,836
Capital projects funds	214,651	3,626,715	11,546,285	6,713,453
Debt service funds	<u>247,517</u>	<u>536,536</u>	<u>662,391</u>	<u>1,104,949</u>
Total all other governmental funds	<u><u>\$ 2,533,237</u></u>	<u><u>\$ 6,030,253</u></u>	<u><u>\$ 13,878,393</u></u>	<u><u>\$ 10,045,281</u></u>

Source: Official record of Office of City Clerk.

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>3,903,874</u>	<u>3,329,663</u>	<u>4,098,424</u>	<u>5,771,581</u>	<u>6,667,277</u>	<u>7,861,168</u>
<u>\$ 3,903,874</u>	<u>\$ 3,329,663</u>	<u>\$ 4,098,424</u>	<u>\$ 5,771,581</u>	<u>\$ 6,667,277</u>	<u>\$ 7,861,168</u>
1,045,702	1,085,267	1,204,694	1,670,351	1,117,277	994,595
1,956,427	2,067,496	2,823,119	3,528,869	4,805,949	3,964,115
2,114,238	2,375,529	2,263,708	2,013,662	1,998,815	6,045,791
705,666	1,307,380	1,406,706	1,467,483	1,647,744	2,602,622
<u>\$ 5,822,033</u>	<u>\$ 6,835,672</u>	<u>\$ 7,698,227</u>	<u>\$ 8,680,365</u>	<u>\$ 9,569,785</u>	<u>\$ 13,607,123</u>

CITY OF CLEVELAND, TENNESSEE
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	1997	1998	1999	2000
REVENUES				
Taxes	\$ 13,140,698	\$ 13,242,317	\$ 14,035,552	\$ 15,625,519
Licenses and permits	394,453	490,665	465,474	398,414
Intergovernmental	23,203,160	26,538,289	30,549,267	28,343,620
Fines and forfeitures	477,432	474,264	715,351	657,900
Charges for services	2,675,730	3,254,139	3,730,013	3,956,352
Interest	412,229	474,398	538,590	579,938
Miscellaneous	645,609	509,018	951,362	985,464
Total Revenues	\$ 40,949,311	\$ 44,983,090	\$ 50,985,609	\$ 50,547,207
EXPENDITURES				
General government	\$ 1,200,883	\$ 1,262,885	\$ 1,331,456	\$ 1,491,709
Planning and inspection	362,916	321,996	343,124	380,608
Public safety	7,165,867	7,705,568	7,869,042	8,538,529
Public works	4,319,488	4,633,658	4,927,045	5,097,625
Health and welfare	238,844	270,978	277,499	300,234
Culture and recreation	1,561,585	1,726,092	1,839,527	2,053,901
Education	23,076,845	23,824,297	24,519,655	25,084,758
Appropriations	341,587	776,182	765,720	918,643
Capital outlay	3,302,892	4,197,210	10,522,171	11,760,086
Debt service:				
Interest	916,745	830,715	1,031,071	1,551,188
Principal	1,020,000	1,315,000	1,425,000	1,590,000
Total Expenditures	\$ 43,507,652	\$ 46,864,581	\$ 54,851,310	\$ 58,767,281
Excess of revenues over (under) expenditures	(2,558,341)	(1,881,491)	(3,865,701)	(8,220,074)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 9,137,160	\$ 8,875,014	\$ 11,157,344	\$ 11,443,238
Transfers out	(8,501,967)	(7,907,106)	(10,421,094)	(10,390,884)
Notes issued	1,192,081	4,027,919	0	3,492,147
Bonds issued	0	0	11,235,000	0
Refunding bonds issued	0	7,330,000	0	0
Payment to refunding bond escrow agent	0	(7,223,712)	0	0
Total other financing sources (uses)	\$ 1,827,274	\$ 5,102,115	\$ 11,971,250	\$ 4,544,501
Net change in fund balances	\$ (731,067)	\$ 3,220,624	\$ 8,105,549	\$ (3,675,573)
Debt service as a percent of noncapital expenditures	4.82%	5.03%	5.54%	6.68%

Source: Official record of Office of City Clerk.

2001	2002	2003	2004	2005	2006
\$ 16,409,012	\$ 18,059,457	\$ 20,591,043	\$ 21,820,687	\$ 23,050,456	\$ 25,598,961
364,245	395,149	422,002	614,120	499,409	511,731
36,411,509	29,584,658	30,546,411	32,780,677	36,107,621	36,272,316
646,857	633,457	816,304	897,881	1,135,822	1,863,507
3,919,634	3,153,357	3,770,640	3,969,522	4,205,563	5,852,986
701,524	236,900	178,093	137,286	621,858	960,812
541,301	1,234,576	947,595	795,869	775,016	982,971
<u>\$ 58,994,082</u>	<u>\$ 53,297,554</u>	<u>\$ 57,272,088</u>	<u>\$ 61,016,042</u>	<u>\$ 66,395,745</u>	<u>\$ 72,043,284</u>
\$ 1,540,228	\$ 1,701,528	\$ 1,864,227	\$ 1,929,123	\$ 2,035,118	\$ 2,053,861
409,503	400,098	477,536	446,997	563,108	961,245
9,287,332	10,337,152	11,284,364	12,010,132	13,133,222	13,692,605
5,594,626	5,939,039	6,056,573	6,152,910	7,054,780	7,664,026
333,034	336,875	361,105	379,761	428,047	415,101
1,768,571	2,221,139	2,198,402	2,321,247	2,414,280	2,692,519
26,423,910	27,628,249	28,817,716	29,924,557	32,955,018	34,023,865
865,030	879,113	898,681	856,465	858,485	996,770
25,428,018	8,238,956	2,650,162	2,970,045	4,316,712	12,123,365
1,740,060	1,865,109	2,121,674	2,112,091	2,087,467	1,380,000
1,645,000	1,575,000	1,380,000	1,430,000	1,355,000	2,245,522
<u>\$ 75,035,312</u>	<u>\$ 61,122,258</u>	<u>\$ 58,110,440</u>	<u>\$ 60,533,328</u>	<u>\$ 67,201,237</u>	<u>\$ 78,248,879</u>
(16,041,230)	(7,824,704)	(838,352)	482,714	(805,492)	(6,205,595)
\$ 14,007,122	\$ 12,182,607	\$ 12,164,831	\$ 12,908,687	\$ 13,883,341	\$ 17,533,104
(12,989,367)	(11,068,475)	(10,906,924)	(11,439,306)	(12,414,658)	(15,933,075)
9,632,231	7,150,000	1,242,422	703,200	1,025,000	9,836,795
0	0	0	0	0	0
3,065,000	0	0	0	10,580,000	0
(3,063,602)	0	0	0	(10,483,075)	0
<u>\$ 10,651,384</u>	<u>\$ 8,264,132</u>	<u>\$ 2,500,329</u>	<u>\$ 2,172,581</u>	<u>\$ 2,590,608</u>	<u>\$ 11,436,824</u>
<u>\$ (5,389,846)</u>	<u>\$ 439,428</u>	<u>\$ 1,661,977</u>	<u>\$ 2,655,295</u>	<u>\$ 1,785,116</u>	<u>\$ 5,231,229</u>
6.82%	6.51%	6.31%	6.15%	5.47%	5.48%

CITY OF CLEVELAND, TENNESSEE
 TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

Fiscal Year	Property	Interest & Penalty	In lieu	Local Sales	Wholesale Beer	Gross Receipts	Franchise	Total
1997	\$ 6,000,934	\$ 59,586	\$ 34,497	\$ 5,286,134	\$ 812,629	\$ 624,609	\$ 322,309	\$ 13,140,698
1998	5,984,537	65,327	40,560	5,456,132	834,189	697,831	163,741	13,242,317
1999	6,175,154	57,631	18,521	5,742,759	870,746	711,664	459,077	14,035,552
2000	7,236,672	77,521	38,755	6,185,814	913,332	792,644	380,781	15,625,519
2001	7,852,762	81,180	50,370	6,139,911	934,827	782,321	567,641	16,409,012
2002	9,666,823	79,345	34,949	6,138,123	975,310	813,185	351,722	18,059,457
2003	11,970,306	100,204	32,972	6,319,495	995,889	708,331	463,846	20,591,043
2004	12,397,898	110,668	26,977	6,912,834	1,054,330	823,885	494,095	21,820,687
2005	12,976,764	119,841	19,411	7,186,302	1,088,535	943,128	716,475	23,050,456
2006	14,748,957	133,275	19,829	7,601,091	1,131,612	821,430	1,142,767	25,598,961
Change 997 - 2006	145.8%	123.7%	(42.5%)	43.8%	39.3%	31.5%	254.6%	94.8%

Source: Official record of Office of City Clerk.

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CITY OF CLEVELAND, TENNESSEE
 ASSESSED AND ESTIMATED ACTUAL VALUE OF REAL TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Fiscal Year	Residential Property	Commercial Industrial Property	Personal Property
1997	\$ 163,857,474	\$ 191,966,440	\$ 76,443,064
1998	169,502,165	191,887,970	73,556,752
1999	174,054,148	203,801,385	72,484,451
2000	235,579,198	260,347,131	88,968,155
2001	240,791,690	266,817,711	96,802,910
2002	245,493,272	273,841,039	90,570,608
2003	282,296,905	297,096,375	120,878,490
2004	286,348,893	311,879,339	134,709,868
2005	291,220,041	336,880,151	137,794,077
2006	327,728,811	390,439,469	152,699,708

Source: Bradley County Assessor of Property.

- (1) The State of Tennessee, Division of Property Assessment has conducted a comprehensive reappraisal for tax year 1999, which is reflected in the FY 2000 fiscal statements. In tax year 2002, the State performed a current value update which is reflected in the FY 2003 financial statements. In tax year 2005, the State has conducted a comprehensive reappraisal which is reflected in the FY 2006 financial statements. Public utility assessments increased in tax year 1999. A statewide court ruling awarded reduction in the assessment ration from 55% to 40% for specific public utilities. After several years of appeals BellSouth assessments were also reduced.
- (2) Property in Bradley County is reassessed once every four years on average. The county assesses property at approximately 40 percent of actual value for commercial and industrial property and 25 percent for residential property. Estimated actual taxable value is calculated by dividing taxable assessed value by those percentages. Tax rates are per \$100 of assessed value.

	<u>Public Utilities</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
\$	18,564,901	\$ 450,831,879	\$ 1.33	\$ 1,426,422,609	31.6 %
	17,090,087	452,036,974	1.33	1,444,418,995	31.3
	15,780,601	466,120,585	1.20	1,485,655,923	31.4
	21,672,583	606,567,067	1.26	1,942,376,041	31.2
	23,586,587	627,998,898	1.56	2,010,050,158	31.2
	22,119,614	632,024,533	1.65	2,022,296,724	31.3
	23,817,931	724,089,701	1.65	2,332,808,028	31.0
	22,495,636	755,433,736	1.65	2,428,860,720	31.1
	22,257,531	788,151,800	1.65	2,520,548,708	31.3
	24,725,621	895,593,609	1.65	2,856,172,605	31.4

**CITY OF CLEVELAND, TENNESSEE
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

Schedule 8

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Overlapping Rate* Bradley County Rate</u>	<u>Combined Tax Rate</u>
1997	\$ 1.33	\$ 2.53	\$ 3.86
1998	1.33	2.53	3.86
1999	1.20	2.18	3.38
2000	1.26	2.18	3.44
2001	1.56	2.43	3.99
2002	1.65	2.18	3.83
2003	1.65	2.18	3.83
2004	1.65	2.18	3.83
2005	1.65	2.18	3.83
2006	1.65	2.02	3.67

Source: Bradley County Assessor of Property and Office of the City Clerk.

Note: The City's basic property tax rate may be increased only by a majority vote of the Cleveland City Council.

*Overlapping rates are those of local and county governments that apply to property owners within the City of Cleveland. The combined tax rate is charged to all Cleveland property owners.

CITY OF CLEVELAND, TENNESSEE
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO

Schedule 9

<u>Taxpayer</u>	<u>2005</u>			<u>1996</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
Maytag Corporation	\$ 33,480,216	1	3.85%	\$ 22,908,343	1	5.08%
Duracell Company	22,715,657	2	2.61	9,198,040	4	2.04
Master Foods USA	19,213,969	3	2.21	20,817,603	2	4.62
Peyton's Southeastern	16,189,310	4	1.86			
Schering-Plough	11,182,754	5	1.29			
Life Care Centers of America	10,608,688	6	1.22	3,904,026	7	0.87
Bellsouth	10,865,818	7	1.25	10,711,848	3	2.38
Bradley Square Mall	8,547,899	8	0.98	6,968,147	5	1.55
Wal-Mart	8,529,290	9	0.98	3,222,291	9	0.71
Johnston Coca-Cola	7,334,420	10	0.84			
Allied Signal				3,981,196	6	0.88
Chattanooga Gas				3,613,600	8	0.8
Weyerhaeuser				3,195,242	10	0.71
Totals	<u>\$ 148,668,021</u>		<u>17.11%</u>	<u>\$ 88,520,336</u>		<u>19.63%</u>

Source: Cleveland/Bradley Chamber of Commerce and Tennessee Department of Labor & Workforce Development.

Note - This schedule should include the ten largest employers, unless fewer are required to reach 50% of total employment.

CITY OF CLEVELAND, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Schedule 10

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 5,996,064	\$ 5,611,558	93.6 %	\$ 334,996	\$ 5,946,554	99.2 %
1998	6,012,092	5,637,220	93.8	357,596	5,994,816	99.7
1999	6,199,404	5,822,694	93.9	305,277	6,127,971	98.8
2000	7,278,804	6,862,497	94.3	374,854	7,237,351	99.4
2001	7,912,786	7,378,221	93.2	402,496	7,780,717	98.3
2002	9,859,583	9,187,496	93.2	498,863	9,686,359	98.2
2003	11,947,480	11,303,576	94.6	611,144	11,914,720	99.7
2004	12,464,657	11,671,276	93.6	633,659	12,304,935	98.7
2005	13,004,505	12,257,261	94.3	769,636	13,026,897	100.2
2006	14,777,295	13,963,167	94.5	693,083	14,656,250	99.2

Source: Official record of Office of City Clerk.

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**CITY OF CLEVELAND, TENNESSEE
LOCAL TAXABLE SALES BY CATEGORY
LAST NINE CALENDAR YEARS**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Apparel Stores	\$ 15,745,998	\$ 15,592,222	\$ 21,431,647	\$ 20,746,661
General Merchandise Stores	120,210,731	129,924,270	136,346,718	144,242,082
Food Stores	86,564,558	85,350,465	87,235,356	87,181,772
Eating and Drinking Places	68,673,898	72,141,478	76,125,457	76,742,514
Furniture Stores	23,272,048	24,424,944	27,985,217	27,250,770
Building Materials	47,660,745	46,832,095	57,494,284	55,728,260
MV Dealers and Service Stations	39,149,819	40,337,648	42,665,370	43,679,856
Other Retail	36,243,315	45,591,147	49,226,027	53,268,036
All Other Outlets	<u>131,023,810</u>	<u>117,695,914</u>	<u>119,161,695</u>	<u>126,679,648</u>
Total	<u>\$ 568,544,922</u>	<u>\$ 577,890,183</u>	<u>\$ 617,671,771</u>	<u>\$ 635,519,599</u>
City direct sales tax rate	2.25%	2.25%	2.25%	2.25%

Source: Tennessee Department of Revenue, Research Division.

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$ 20,229,088	\$ 19,896,935	\$ 20,067,489	\$ 20,838,181	\$ 22,953,066
150,102,573	152,412,537	156,574,634	185,089,441	186,778,089
89,819,627	90,283,583	86,861,754	81,853,277	80,107,817
79,703,228	84,135,260	89,520,521	99,030,575	102,853,071
25,605,588	25,376,788	27,034,299	29,011,766	29,434,891
57,409,515	56,627,136	61,677,807	71,672,220	81,440,562
44,251,983	43,794,271	44,840,393	49,355,351	48,076,764
51,999,304	52,259,172	52,545,120	54,037,438	56,068,091
<u>113,444,461</u>	<u>107,011,098</u>	<u>109,168,200</u>	<u>116,159,273</u>	<u>120,576,831</u>
<u>\$ 632,565,367</u>	<u>\$ 631,796,780</u>	<u>\$ 648,290,217</u>	<u>\$ 707,047,522</u>	<u>\$ 728,289,182</u>
2.25%	2.25%	2.25%	2.25%	2.25%

CITY OF CLEVELAND, TENNESSEE
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>City of Cleveland and Bradley County Rate</u>
1997	2.25 %
1998	2.25
1999	2.25
2000	2.25
2001	2.25
2002	2.25
2003	2.25
2004	2.25
2005	2.25
2006	2.25

Source: Official records of Office of City Clerk.

Note: The maximum local sales tax rate allowed by Tennessee State law is 2.5%. A local referendum would be required to increase the local rate.

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CITY OF CLEVELAND, TENNESSEE
 LOCAL SALES TAX REVENUE BY INDUSTRY
 FISCAL YEARS 1999 AND 2006

	Fiscal Year 1999			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
1 Retail Trade	826	55.03 %	\$ 10,637,977	77.73 %
2 Services	396	26.38	1,137,519	8.31
3 Manufacturing	112	7.46	576,568	4.21
4 Wholesale Trade	82	5.46	529,808	3.87
5 Construction	26	1.73	34,355	0.25
6 Finance Insurance Real Estate	24	1.60	12,487	0.09
7 Transportation and Utilities	23	1.53	741,265	5.42
8 Agriculture	6	0.40	5,132	0.04
Other, Non Classified	6	0.40	10,247	0.07
Total	1,501	100.00 %	\$ 13,685,358	100.00 %

Source: Tennessee Department of Revenue, Research Division.

Notes:

1. Figures subject to revision due to amended taxpayer returns.
2. Figures represent local sales tax collected by merchants during the period, not disbursements from the Department of Revenue.
3. Changes in local telecommunications sourcing rules in 2003 reduced the number of taxpayers reporting in the Transportation and Utilities sector.
4. Does not include Cleveland's share of county clerk or out-of-state taxpayer amounts.

Fiscal Year 2006			
<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Percentage of Total</u>
809	56.69 %	\$ 13,900,947	82.71 %
324	22.70	1,145,137	6.81
80	5.61	554,920	3.30
75	5.26	771,515	4.59
13	0.91	32,252	0.19
17	1.19	10,036	0.06
5	0.35	100,221	0.60
5	0.35	5,306	0.03
<u>99</u>	<u>6.94</u>	<u>285,590</u>	<u>1.70</u>
<u>1,427</u>	<u>100.00 %</u>	<u>\$ 16,805,924</u>	<u>100.00 %</u>

**CITY OF CLEVELAND, TENNESSEE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Governmental Activities</u>		
	<u>General Obligation Bonds</u>	<u>General Obligation Refunding Bonds</u>	<u>Notes</u>
1997	\$ 9,070,000	\$ 4,495,000	\$ 2,507,081
1998	1,815,000	11,250,000	6,190,000
1999	13,050,000	10,850,000	5,570,000
2000	12,600,000	10,445,000	8,312,147
2001	14,655,000	7,550,000	17,169,378
2002	11,565,000	9,680,000	23,694,378
2003	11,440,000	8,895,000	24,466,800
2004	11,290,000	8,070,000	24,715,000
2005	1,225,000	17,700,000	25,535,000
2006	1,025,000	16,760,000	43,795,000

Source: Official record of Office of City Clerk.

Source: Percentage of Personal Income and Per Capita data from Schedule 19.

Business-type Activities

Revenue Bonds	Notes	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 17,042,000	\$ 9,419,463	\$ 42,533,544	3.93 %	\$ 1,260
25,449,000	9,075,470	53,779,470	3.36	1,523
32,726,000	8,792,796	70,988,796	2.67	1,985
31,182,000	11,237,498	73,776,645	2.68	2,042
29,713,000	14,847,200	83,934,578	2.39	2,245
28,924,000	14,526,903	88,390,281	2.47	2,358
28,110,000	16,781,605	89,693,405	2.48	2,394
28,090,000	18,531,307	90,696,307	2.58	2,427
26,495,000	19,650,000	90,605,000	2.77	2,404
24,875,000	25,755,000	112,210,000	N/A	N/A

CITY OF CLEVELAND, TENNESSEE
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Schedule 15

Fiscal Year	General Obligation Bonds Outstanding	Actual Taxable Value of Property	Population	Percentage of Actual taxable Value of Property	Debt Per Capita
1997	\$ 16,072,081	\$ 1,426,422,609	33,890	1.1 %	\$ 474
1998	19,255,000	1,444,418,995	35,528	1.3	542
1999	29,470,000	1,485,655,923	35,947	2.0	820
2000	31,357,147	1,942,376,041	36,624	1.6	856
2001	39,374,378	2,010,050,158	37,426	2.0	1,052
2002	44,939,378	2,022,296,724	37,492	2.2	1,199
2003	44,801,800	2,332,808,028	37,404	1.9	1,198
2004	44,075,000	2,428,860,720	37,521	1.8	1,175
2005	44,460,000	2,520,548,708	37,914	1.8	1,173
2006	52,916,795	2,856,172,605	38,263	1.9	1,383

Source: Official record of Office of City Clerk.

Note - Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF CLEVELAND, TENNESSEE
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 June 30, 2006

Schedule 16

	<u>Net Debt Outstanding</u>	<u>Percentage of Debt Applicable to the City</u>	<u>City's Share of Debt</u>
City of Cleveland direct debt - General Obligation Bonds	\$ 50,314,173	100.00%	\$ 50,314,173
*Bradley County, Tennessee	<u>71,735,000</u>	55.15%	<u>39,564,076</u>
Total direct and overlapping debt	<u>\$ 122,049,173</u>		<u>\$ 89,878,249</u>

Source: Official records of Office of City Clerk and Bradley County Assessor of Property.

Note - Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Cleveland. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

**CITY OF CLEVELAND, TENNESSEE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Debt limit	\$ 45,086,293	\$ 45,022,419	\$ 46,707,835	\$ 60,784,182
Total net debt applicable to limit	<u>13,317,483</u>	<u>12,528,464</u>	<u>23,237,609</u>	<u>21,550,051</u>
Legal debt margin	<u>\$ 31,768,810</u>	<u>\$ 32,493,955</u>	<u>\$ 23,470,226</u>	<u>\$ 39,234,131</u>
Total net debt applicable to limit as a percentage of debt limit	29.54%	27.83%	49.75%	35.45%

Note - Under Tennessee State law, the City's outstanding general obligation debt is not limited. However, the City has established a financial policy limit of no more than 10 percent of assessed property value.

Source: Official record of Office of City Clerk.

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 62,822,039	\$ 63,175,603	\$ 72,834,260	\$ 75,126,959	\$ 78,684,956	\$ 89,559,361
<u>44,784,334</u>	<u>43,492,620</u>	<u>43,395,094</u>	<u>42,607,517</u>	<u>42,812,256</u>	<u>58,977,378</u>
<u>\$ 18,037,705</u>	<u>\$ 19,682,983</u>	<u>\$ 29,439,166</u>	<u>\$ 32,519,442</u>	<u>\$ 35,872,700</u>	<u>\$ 30,581,983</u>
71.29%	68.84%	59.58%	56.71%	54.41%	65.85%

Legal Debt Margin Calculation for Fiscal Year 2006

Total assessed value		<u>\$ 895,593,609</u>
Legal debt margin:		
Debt limitation - 10% of total assessed value as adopted by resolution		\$ 89,559,361
Debt applicable to limit:		
Total bonded debt	\$ 112,210,000	
Less: Revenue bonds	50,630,000	
Amount available for repayment of general obligation bonds	<u>2,602,622</u>	
Total debt applicable to limit		<u>\$ 58,977,378</u>
Legal debt margin		<u>\$ 30,581,983</u>

CITY OF CLEVELAND, TENNESSEE
 REVENUE BOND COVERAGE
 WATER AND WASTEWATER BONDS
 LAST TEN FISCAL YEARS

Fiscal Year	Gross (1) Revenue	Direct Operating (2) Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	(3) Interest	Total	
1997	10,816,586	7,457,520	3,359,062	1,647,000	1,145,828	2,792,828	1.20
1998	11,669,363	7,385,607	4,283,756	1,893,000	1,584,568	3,477,568	1.23
1999	12,824,234	7,462,905	5,361,329	1,323,000	1,809,795	3,132,795	1.71
2000	13,265,399	8,230,707	5,034,692	1,544,000	1,930,960	3,474,960	1.45
2001	13,771,990	8,596,586	5,175,404	1,749,000	1,942,373	3,691,373	1.40
2002	14,081,706	8,873,416	5,208,290	949,000	1,698,569	2,647,569	1.97
2003	15,187,407	9,472,401	5,715,006	1,264,000	1,673,055	2,937,055	1.95
2004	16,152,299	10,030,334	6,121,965	1,875,000	1,547,125	3,422,125	1.79
2005	16,437,866	11,001,573	5,436,293	2,145,000	1,545,770	3,690,770	1.47
2006	17,992,739	12,061,012	5,931,727	2,315,000	1,703,232	4,018,232	1.48

Source: From official records of Office of City Clerk.

- (1) All revenues except interest income
- (2) All expenses except depreciation, amortization and interest
- (3) Interest expense for year as reflected in audit report

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**CITY OF CLEVELAND, TENNESSEE
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>
1996	33,761	\$ 1,669,756	\$ 20,373	35
1997	35,314	1,805,742	21,323	35
1998	35,757	1,893,369	21,985	35
1999	36,138	1,977,523	22,698	36
2000	37,382	2,004,293	22,727	36
2001	37,480	2,183,563	24,569	36
2002	37,462	2,222,595	24,837	36
2003	37,368	2,336,728	25,955	36
2004	37,691	2,510,307	27,572	37
2005	38,186	N/A	N/A	N/A

Sources: Population and educational attainment data from U.S. Census.
 Median age calculated by Cleveland Community Development Department from U.S. Census data.
 Personal income and Per Capita income from U.S. Bureau of Economic Analysis.
 Unemployment data from U.S. Bureau of Labor Statistics.
 School enrollment from Cleveland City Schools
 Personal income, per capita income, median age and Unemployment rate data are for Bradley County.

<u>Percent High School graduate or higher</u>	<u>Percent Bachelor's degree or higher</u>	<u>School Enrollment</u>	<u>Annual Average Adjusted Unemployment Rate (%)</u>
64 %	12 %	4,533	5.0 %
64	12	4,430	5.5
64	12	4,316	3.8
64	12	4,329	3.6
73	16	4,422	3.6
73	16	4,279	4.1
73	16	4,345	4.8
73	16	4,317	5.1
73	16	4,454	5.1
79	18	4,456	5.3

**CITY OF CLEVELAND, TENNESSEE
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Employer</u>	<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Labor Force Bradley County</u>
Whirlpool/Maytag	2,200	1	4.59 %
Peyton's Southeastern	1,200	2	2.50
City Government	1,106	3	2.31
Bradley County Schools	1,000	4	2.09
Jackson Furniture Industries	900	5	1.88
SkyRidge Medical Center	869	6	1.81
Masterfoods USA	800	7	1.67
Wal-Mart	780	8	1.63
Bradley County Government	627	9	1.31
Duracell	525	10	1.10
Bradley Memorial Hospital	N/A	N/A	N/A
Total	<u>10,007</u>		<u>20.89 %</u>

Source: Cleveland/Bradley Chamber of Commerce and Tennessee Department of Labor & Workforce Development

1997		
<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Labor Force Bradley County</u>
2,400	1	5.69 %
850	4	2.02
967	3	2.29
798	6	1.89
1,400	2	3.32
N/A	N/A	N/A
650	7	1.54
200	10	0.47
372	8	0.88
800	5	1.90
<u>1,200</u>	9	<u>3</u>
<u><u>9,637</u></u>		<u><u>20.03 %</u></u>

CITY OF CLEVELAND, TENNESSEE
 FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

Schedule 21

<u>Function/Program</u>	<u>Full-time-Equivalent Employees as of June 30</u>									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General government										
City Council and legislative	1	1	1	1	1	1	1	1	1	1
Administration and finance	14	14	13	13	16	16	16	16	16	16
Community development	6	6	7	7	7	7	7	8	9	10
Police										
Officers	77	72	100	99	94	92	91	90	90	90
Civilians	18	6	6	7	11	11	11	11	12	12
Fire										
Firefighters and officers	61	65	70	74	77	80	79	79	82	88
Civilians	1	1	1	1	1	1	1	1	1	1
Public works										
Operations	8	8	26	30	30	18	18	19	23	26
Engineering	7	8	9	9	9	9	9	9	9	7
Landscaping maintenance	0	0	0	0	7	7	7	7	8	8
Solid waste management	1	1	14	14	14	13	13	13	13	13
Stormwater management fund	0	0	0	0	0	0	0	1	1	2
State street aid	27	27	0	0	0	13	13	12	11	11
Fleet management	7	7	9	9	9	9	9	9	8	8
Brush chipping	0	0	0	0	0	1	1	1	1	1
Parks and recreation										
Administration and maintenance	11	13	14	15	8	8	8	8	8	8
Northeast recreation center	3	3	3	3	3	3	3	3	3	3
Cleveland community center	3	4	4	4	4	4	4	4	4	4
Cherokee springs golf course	6	7	7	7	7	7	7	7	6	6
Animal control										
Administration and operations	7	7	7	7	7	7	7	7	7	7
Weed and seed program	0	0	0	0	0	1	2	2	3	3
Community development block grant	0	0	0	0	0	0	0	0	1	2
Subtotal	258	250	291	300	305	308	307	308	317	327
Cleveland Utilities										
Electric division	95	93	97	96	101	102	107	105	109	108
Water/wastewater division	75	77	79	85	84	83	83	83	85	86
City schools										
Certificated Staff	341	343	344	349	349	350	350	357	359	364
Non-Certificated Personnel	232	247	248	251	252	253	253	254	253	253
Library	10	10	10	11	11	11	11	11	10	10
Total	1,011	1,020	1,069	1,091	1,102	1,107	1,111	1,118	1,133	1,148

Source: City Finance Department.

Note - A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave) except City School certified staff.

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CITY OF CLEVELAND, TENNESSEE
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General government				
Building permits issued	328	430	467	468
Value of constructed permitted	\$40,090,717	\$53,974,360	\$46,277,000	\$69,932,000
Police				
Parking violations	1,808	2,419	2,883	2,851
Traffic violations	4,061	5,011	7,205	5,787
Fire				
Emergency responses (city only)	n/a	n/a	n/a	n/a
Fires extinguished (city only)	n/a	n/a	n/a	n/a
Fire inspections	n/a	n/a	433	463
Public works				
Street resurfacing (tonnage)	885	511	16,872	24,072
Utility cut permits (# Excavations)	604	704	667	483
Drainage pipe installed (linear ft.)	8,846	6,962	9,711	8,843
Tons of brush chipped	n/a	n/a	n/a	962
Parks and recreation				
Softball league participants	3,390	3,460	3,390	3,460
Basketball league participants	580	610	641	680
Soccer league participants	644	679	679	700
Rounds of golf played	2,240	26,500	27,500	27,000
Library				
Volumes in collection	86,023	92,085	96,413	102,802
Circulation	279,119	293,256	272,620	263,979
Attendants	204,640	200,840	198,033	176,297
City Schools				
Average Daily Membership				
High School	1,150	1,152	1,086	1,161
Middle School	642	639	631	644
Elementary Schools	2,597	2,647	2,539	2,507
Ungraded - Special Education	86	n/a	94	63
ACT composite scores	n/a	n/a	21.2	20.8
% of High School graduates	n/a	n/a	n/a	n/a
Electric				
Class of Service # of Customers				
Residential	22,015	22,464	22,891	23,275
Small lighting and power	2,937	2,954	3,037	3,063
Large lighting and power	521	544	559	569
Street and outdoor lighting	64	61	63	61
Kilowatt-hours purchased	955,776,277	1,019,739,176	1,041,484,800	1,056,920,307
Kilowatt-hours sold	929,036,526	973,386,200	1,006,668,383	1,018,065,819
Line losses and kilowatt-hour unaccounted for	26,739,751	46,352,976	34,816,417	38,854,488
Percentage of losses and unaccounted for kilowatt-hours to purchases	2.80%	4.55%	3.34%	3.68%

2001	2002	2003	2004	2005	2006
361	351	392	438	495	460
\$53,391,050	\$49,057,456	\$58,922,242	\$110,607,005	\$56,689,803	\$75,980,803
2,677	1,838	1,353	1,245	1,425	1,625
5,623	6,519	7,422	6,180	9,609	12,143
n/a	420	693	803	884	1,256
n/a	59	138	138	252	182
450	516	850	450	450	846
29,278	15,865	13,437	434	22,940	32,863
482	493	392	310	346	319
11,985	11,182	5,781	8,085	7,280	7,644
2,044	1,302	1,007	1,200	1,188	1,269
3,632	3,672	3,855	1,450	1,400	1477
692	710	746	350	400	454
721	745	782	638	730	750
25,000	26,000	21,500	11,500	11,900	12120
110,844	117,506	117,829	124,572	128,491	131,099
263,255	273,558	287,494	290,461	293,402	326,927
176,196	169,400	186,388	215,543	223,546	239,067
1,106	1,082	1,089	1,109	1,152	1,385
692	1,047	1,090	1,050	1,069	1,187
2,579	2,166	2,080	2,123	2,162	1,906
79	54	62	48	72	n/a
20.8	21	20.9	21.2	20.9	21.3
n/a	n/a	n/a	n/a	75.4	84.9
23,540	23,701	23,530	23,813	24,031	24,315
3,148	3,182	3,216	3,319	3,382	3,407
579	550	576	587	593	649
59	57	53	135	128	129
1,091,932,800	1,073,355,517	1,116,501,227	1,130,449,913	1,115,957,513	1,150,136,397
1,054,539,327	1,033,141,279	1,080,749,736	1,092,827,383	1,076,529,177	1,118,005,640
37,393,473	40,214,238	35,751,491	37,622,530	39,428,336	32,130,757
3.42%	3.75%	3.20%	3.33%	3.53%	2.79%

CITY OF CLEVELAND, TENNESSEE
 OPERATING INDICATORS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Water				
Class of Service # of Customers				
Residential	21,289	21,695	22,200	22,814
Commercial & Industrial	2,764	2,799	2,932	2,889
Gallons purchased	1,045,175,451	996,344,720	918,675,685	957,051,035
Gallons pumped	2,038,487,000	2,198,571,750	2,509,523,250	2,366,262,250
Gallons sold	2,683,031,250	2,737,990,500	2,882,648,250	2,786,077,500
Line losses and gallons unaccounted for	400,631,201	456,925,970	545,550,685	537,235,785
Percentage of losses and unaccounted for gallons to total provided	12.99%	14.30%	15.91%	16.17%
Average daily water consumption (gallons)	7,350,771	7,501,344	7,897,666	7,632,694
Wastewater				
Class of Service # of Customers				
Residential	11,437	11,683	12,113	12,428
Commercial & Industrial	2,099	2,122	2,148	2,186
Capacity daily (thousands of gallons)	9,200	9,200	21,600	21,600
Treatment during fiscal year (gallons)	3,471,489,000	3,373,789,000	3,148,839,000	2,937,720,000

Sources: Various city departments.

2001	2002	2003	2004	2005	2006
23,160	23,581	23,872	24,343	24,870	25,414
2,952	3,002	3,029	3,091	3,139	3,220
930,966,824	1,021,097,618	1,054,236,887	1,050,685,973	1,103,601,315	1,207,869,115
2,550,719,250	2,456,792,000	2,586,512,489	2,599,175,514	2,569,476,656	2,736,379,124
2,918,214,750	2,811,535,500	2,860,158,000	2,799,868,500	2,779,692,000	2,895,225,000
563,471,324	666,354,118	780,591,376	849,992,987	893,385,971	1,049,023,239
16.18%	19.16%	21.44%	23.29%	24.32%	26.60%
7,995,109	7,702,837	7,836,049	7,670,873	7,615,595	7,932,123
12,861	13,363	13,438	13,688	13,903	14,255
2,241	2,293	2,345	2,398	2,420	2,487
21,600	21,600	21,600	21,600	21,600	21,600
2,873,650,000	3,025,509,000	3,837,476,000	3,514,220,000	3,778,740,000	2,927,060,000

CITY OF CLEVELAND, TENNESSEE
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

Schedule 23

<u>Function/Program</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	5	5	5	5	4	4	6	0	0	0
Patrol units	77	79	84	85	95	99	110	117	110	110
Fire										
Stations	3	3	4	4	4	4	4	4	4	5
Fire Trucks (pumpers, ladders & tankers)	9	10	10	10	10	10	10	10	10	15
Public works										
Street (miles)	256	261	263	263	263	270	270	291	302	321
Street lights	4,822	4,888	4,967	5,094	5,240	5,417	5,474	5,594	5,738	5,873
Traffic signals	418	434	458	458	487	487	487	503	517	540
Pedestrians Signals	64	68	84	84	96	96	96	96	88	88
Knucklebooms	3	3	3	4	4	4	5	5	6	6
Parks and recreation										
Acreage	249	249	292	292	292	292	292	292	292	289
Playgrounds	9	9	9	9	9	9	9	9	9	8
Softball fields	5	5	5	5	5	5	5	5	5	5
Soccer fields	15	15	15	15	15	15	15	15	15	15
Tennis courts	18	18	12	12	12	12	12	12	12	12
Community centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	3	3	3	3	3	3	3	3	3	3
Golf courses	1	1	1	1	1	1	1	1	1	1
Schools										
Elementary schools	7	7	7	7	7	7	7	7	7	6
Middle schools	1	1	1	1	1	1	1	1	1	1
High schools	1	1	1	1	1	1	1	1	1	1
Library										
Bookmobiles	0	0	0	0	0	0	0	0	1	1
Electric										
Electric lines (miles)	502	504	505	506	507	507	496	500	500	513
Substations	14	14	14	14	14	14	14	14	14	15
Water										
Water mains (miles)	499	519	533	557	570	576	623	623	688	697
Fire hydrants	1,294	1,363	1,416	1,512	1,639	1,724	1,894	2,127	2,228	2,302
Storage capacity (thousands of gal)	13,000	13,000	13,000	13,000	13,000	14,300	14,300	14,300	14,300	14,300
Wastewater										
Sanitary sewers (miles)	207	225	231	235	249	251	256	273	326	330
Treatment capacity (thousands of gal)	9,200	9,200	9,200	21,600	21,600	21,600	21,600	21,600	21,600	21,600

Sources: Various city departments.

Notes: No capital asset indicators are available for the general government function.

CITY OF CLEVELAND, TENNESSEE

Table 1

INSURANCE IN FORCE

ALL FUND TYPES EXCLUDING CLEVELAND UTILITIES

For the Fiscal Year Ended June 30, 2006

<u>Type of Coverage and Name of Company</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
Property Building and Contents, Boiler and Machinery, Commercial Crime, Inland Marine. TML Risk Management Pool	TMP-8187	9/1/2005 to 8/31/2006	Buildings, contents, boilers, fired vessels electric steam generators. Theft, disappearance and destruction. Radio, video equipment, mobile equip- ment, police dogs.	\$ 23,933,062	\$ 45,465
Comprehensive Liability TML Risk Management Pool	TML-026R	7/1/2005 to 6/30/2006	General and public officials liability, auto liability, auto physical damage, personal injury. Excess auto physical damage. Airport liability	As per schedule	\$ 269,046
Worker's Compensation TML Risk Management Pool	TWC-0187	7/1/2004 to 6/30/2005	Job related injuries, employees	\$ 1,000,000 \$ 1,000 ded.	\$ 469,155
Property (School Buildings and Contents, Boiler, Vehicles) School Boards Liability Trust	CP 65050	7/1/2005 to 7/1/2006	Property Equipment Liability	Various	\$ 196,750
Worker's Compensation School Boards Liability Trust	NXC 0130255-3	7/1/2005 to 7/1/2006	Job related injuries, employees	\$ 1,000,000	\$ 124,853

CITY OF CLEVELAND, TENNESSEE
INSURANCE IN FORCE
CLEVELAND UTILITIES
For the Fiscal Year Ended June 30, 2006

Table 2

Cleveland Utilities - Water and Electric Division

<u>Insurer</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Distributors Self Insurance Fund	Worker's compensation	Statutory
Distributors Self Insurance Fund	Employer's liability	\$ 1,000,000
Affiliated FM	Real property	\$ 85,515,450
Hartford	Machinery and equipment breakdown	\$ 10,000,000
Affiliated FM	Flood and earthquake	\$ 10,000,000
Lexington	General liability (excess)	\$ 2,250,000 (1)
Distributors Insurance Co.	General liability (primary)	\$ 750,000 (1)
Great Northern Insurance Co.	Auto liability and physical damage	\$ 1,000,000
Zurich-American	Public official and employees	\$ 2,000,000
Travelers Casualty & Surety Co.	Commercial crime	\$ 500,000
American International Specialty Lines	Umbrella liability	\$ 15,000,000
Houston Casualty Co.	Professional liability	\$ 2,000,000

(1) The general liability insurance policies with Lexington and Distributors Insurance Co. are limited to \$750,000 and \$250,000, respectively, per occurrence.

CITY OF CLEVELAND, TENNESSEE
 CHANGES IN PROPERTY TAXES RECEIVABLE
 For the Year Ended June 30, 2006

Table 3

<u>Property Taxes</u>	<u>Balance 7/1/2005</u>	<u>Levies</u>	<u>Collections & Adjustments</u>	<u>Balance 6/30/2006</u>
2005	\$ 0	\$ 14,777,293	\$ 13,960,305	\$ 816,988
2004	726,073	0	574,883	151,190
2003	129,146	0	51,121	78,025
2002	80,644	0	38,134	42,510
2001	22,819	0	3,571	19,248
2000	16,788	0	2,466	14,322
1999	25,772	0	587	25,185
1998	19,433	0	254	19,179
1997	42,135	0	215	41,920
1996	26,856	0	19	26,837
1995	17,541	0	17,541	0
	<u>\$ 1,107,207</u>	<u>\$ 14,777,293</u>	<u>\$ 14,649,096</u>	<u>\$ 1,235,404</u>

Note - Property taxes receivable also include the 2006 levy reported as deferred revenue in the amount of \$15,117,379.

CITY OF CLEVELAND, TENNESSEE
 CHANGES IN GENERAL
 OBLIGATION BONDS PAYABLE
 For the Year Ended June 30, 2006

Table 4

	Interest Rates	Balance 07/01/05	General Obligation		Balance 06/30/06
			New Bonds Issued	Bonds Retired	
General Improvement Refunding Bonds					
Series 1997					
Maturing 2012	3.50-5.00%	\$ 4,820,000	\$ 0	\$ 515,000	\$ 4,305,000
General Improvement Bonds					
Series 1999					
Maturing 2024	4.80-5.25%	1,225,000	0	200,000	1,025,000
General Improvement Refunding Bonds					
Series 2001					
Maturing 2011	4.25-4.50%	2,390,000	0	380,000	2,010,000
General Improvement Refunding Bonds					
Series 2005					
Maturing 2024	3.00-4.375%	<u>10,490,000</u>	<u>0</u>	<u>45,000</u>	<u>10,445,000</u>
Total General Obligation Bonds		<u>\$ 18,925,000</u>	<u>\$ 0</u>	<u>\$ 1,140,000</u>	<u>\$ 17,785,000</u>

CITY OF CLEVELAND, TENNESSEE
CHANGES IN REVENUE BONDS PAYABLE
For the Year Ended June 30, 2006

Table 5

	<u>Balance</u> <u>07/01/05</u>	<u>Revenue</u>		<u>Balance</u> <u>06/30/06</u>
		<u>New Bonds</u> <u>Issued</u>	<u>Bonds</u> <u>Retired</u>	
Water and sewer revenue and tax				
bonds, maturing through 2028				
Due September 2012 - 4.25% to 4.50%	\$ 3,805,000	\$ 0	\$ 510,000	\$ 3,295,000
Due September 2013 - 2.00% to 3.50%	4,565,000	0	435,000	4,130,000
Due September 2014 - 3.5% to 5.0%	4,325,000	0	355,000	3,970,000
Due September 2006 - 4.1% to 4.875%	460,000	0	230,000	230,000
Due September 2028 - 2.00% to 4.375%	13,340,000	0	90,000	13,250,000
Total Revenue Bonds	<u>\$ 26,495,000</u>	<u>\$ 0</u>	<u>\$ 1,620,000</u>	<u>\$ 24,875,000</u>

**CITY OF CLEVELAND, TENNESSEE
CHANGES IN NOTES PAYABLE
For the Year Ended June 30, 2006**

Table 6

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 06/30/06</u>
Electric Division:						
Note payable to the public						
Building Authority						
Sevier County, TN						
Series D3						
	2017	Variable	895,000	0	60,000	835,000
Electric Division:						
Note payable to the public						
Building Authority						
Blount County, TN						
Series A-2-F						
	2021	Variable	1,440,000	0	90,000	1,350,000
Electric Division:						
Note payable to the public						
Building Authority						
Blount County, TN						
Series VI-E-4						
	2025	Variable	1,850,000	0	50,000	1,800,000
Electric Division:						
Note payable to the public						
Building Authority						
Blount County, TN						
Series D-4-A						
	2027	Variable	0	2,500,000	0	2,500,000
Water Division:						
Note payable to the public						
Building Authority						
Sevier County, TN						
Series E4						
	2014	Variable	2,155,000	0	195,000	1,960,000
Water Division:						
Note payable to the public						
Building Authority						
Sevier County, TN						
Series D2						
	2017	Variable	3,380,000	0	225,000	3,155,000
Water Division:						
Note payable to the public						
Building Authority						
Sevier County, TN						
Series C4						
	2021	Variable	2,490,000	0	155,000	2,335,000
Water Division:						
Note payable to the public						
Building Authority						
Blount County, TN						
Series A-2-F						
	2021	Variable	1,940,000	0	120,000	1,820,000
Water Division:						
Note payable to the public						
Building Authority						
Sevier County, TN						
Series A-7-B						
	2024	Variable	3,000,000	0	0	3,000,000
Water Division:						
Note payable to the public						
Building Authority						
Sevier County, TN						
Series B-4-C						
	2030	Variable	2,500,000	0	0	2,500,000

CITY OF CLEVELAND, TENNESSEE
 CHANGES IN NOTES PAYABLE
 For the Year Ended June 30, 2006

Table 6
 (Continued)

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 06/30/06</u>
Water Division:						
Note payable to the public Building Authority Sevier County, TN Series D-4-A						
	2027	Variable	0	4,500,000	0	4,500,000
Public Improvement Loans:						
Note payable to the Public Building Authority Sevier County, TN Series I-E-5						
	2016	Variable	\$ 1,225,000	\$ 0	\$ 90,000	\$ 1,135,000
Public Improvement Loans:						
Note payable to the Public Building Authority Sevier County, TN Series IV-C-3						
	2025	4.425%	10,000,000	0	0	10,000,000
Public Improvement Loans:						
Note payable to the Public Building Authority Sevier County, TN Series A-2-A						
	2030	4.430%	11,175,000	0	0	11,175,000
Public Improvement Loans:						
Note payable to the Public Building Authority Blount County, TN Series A-7-B						
	2014	Variable	1,045,000	0	0	1,045,000
Public Improvement Loans:						
Note payable to the Public Building Authority Blount County, TN Series IV-E-4						
	2025	Variable	1,025,000	0	25,000	1,000,000
CBCC Capital Outlay						
Note payable to the Public Building Authority Sevier County, TN Series II-C						
	2016	Variable	755,000	0	55,000	700,000
Capital Outlay Notes						
1998 School Capital Outlay						
	2009	4.50%	310,000	0	70,000	240,000
Public Improvement Loans:						
Note payable to the Public Building Authority Blount County, TN Series D-4-A						
	2031	Variable	0	9,836,795	0	9,836,795
Totals			<u>\$ 45,185,000</u>	<u>\$ 16,836,795</u>	<u>\$ 1,135,000</u>	<u>\$ 60,886,795</u>

CITY OF CLEVELAND, TENNESSEE
 UNCOLLECTED DELINQUENT PROPERTY TAXES FILED
 June 30, 2006

Table 7

<u>Tax Year</u>	<u>Original Amount Filed</u>	<u>Unpaid Balance</u>	<u>Percentage Collected</u>
1996	\$ 103,311	\$ 26,837	74.0 %
1997	137,819	41,920	69.6
1998	110,795	19,179	82.7
1999	106,041	25,185	76.2
2000	135,051	14,322	89.4
2001	230,435	19,248	91.6
2002	212,633	42,510	80.0
2003	207,721	78,025	62.4
2004	232,661	151,190	35.0

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CITY OF CLEVELAND, TENNESSEE
 BOND PRINCIPAL AND INTEREST
 REQUIREMENTS BY FISCAL YEAR FOR GENERAL OBLIGATION BONDS
 June 30, 2006

Fiscal Year	1997 Series		1999 Series	
	Principal	Interest	Principal	Interest
2007	\$ 530,000	\$ 199,025	\$ 275,000	\$ 49,388
2008	555,000	171,900	375,000	36,187
2009	585,000	144,277	375,000	18,188
2010	610,000	115,890		
2011	645,000	85,125		
2012	675,000	52,125		
2013	705,000	17,625		
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
Total	\$ 4,305,000	\$ 785,967	\$ 1,025,000	\$ 103,763

Table 8

2001		2005		Total	
Series		Series		Principal	Interest
Principal	Interest	Principal	Interest		
\$ 395,000	\$ 89,462	\$ 45,000	\$ 435,463	\$ 1,245,000	\$ 773,338
405,000	72,675	45,000	434,112	1,380,000	714,874
430,000	54,450	45,000	432,763	1,435,000	649,678
445,000	35,100	150,000	431,412	1,205,000	582,402
335,000	15,075	150,000	426,538	1,130,000	526,738
		215,000	421,287	890,000	473,412
		215,000	412,688	920,000	430,313
		570,000	404,087	570,000	404,087
		590,000	381,288	590,000	381,288
		610,000	351,787	610,000	351,787
		800,000	328,913	800,000	328,913
		870,000	298,912	870,000	298,912
		925,000	261,938	925,000	261,938
		960,000	222,625	960,000	222,625
		1,000,000	184,225	1,000,000	184,225
		1,050,000	139,225	1,050,000	139,225
		1,075,000	95,125	1,075,000	95,125
		1,130,000	49,438	1,130,000	49,438
<u>\$ 2,010,000</u>	<u>\$ 266,762</u>	<u>\$ 10,445,000</u>	<u>\$ 5,711,826</u>	<u>\$ 17,785,000</u>	<u>\$ 6,868,318</u>

CITY OF CLEVELAND, TENNESSEE
 NOTE PRINCIPAL AND INTEREST
 REQUIREMENTS BY FISCAL YEAR EXCLUDING CLEVELAND UTILITIES
 June 30, 2006

Fiscal Year	Notes Payable - Public Building Authority of Sevier & Blount Counties, TN (1)						
	Series II-C Principal Variable	Series I-E-5 Principal Variable	Series IV-C-3 Principal Fixed	Series A-2-A Principal Fixed	Series A-7-B Principal Variable	Series IV-E-4 Principal Variable	Series D-4-A Principal (2) Variable
2007	55,000	95,000				25,000	
2008	60,000	95,000				25,000	
2009	60,000	100,000				25,000	
2010	65,000	105,000				50,000	100,000
2011	70,000	110,000			\$110,000	50,000	125,000
2012	70,000	115,000	\$110,000		305,000	50,000	125,000
2013	75,000	120,000	120,000		330,000	50,000	150,000
2014	80,000	125,000	505,000		300,000	50,000	200,000
2015	80,000	130,000	530,000			50,000	525,000
2016	85,000	140,000	575,000			50,000	550,000
2017			575,000			50,000	675,000
2018			575,000			50,000	700,000
2019			590,000			50,000	725,000
2020			620,000			50,000	775,000
2021			655,000			75,000	800,000
2022			680,000			75,000	825,000
2023			725,000			75,000	900,000
2024			865,000			75,000	825,000
2025			2,875,000			75,000	75,000
2026							3,175,000
2027				\$435,000			2,900,000
2028				3,375,000			125,000
2029				3,575,000			100,000
2030				3,790,000			75,000
2031							4,050,000
	<u>\$700,000</u>	<u>\$1,135,000</u>	<u>\$10,000,000</u>	<u>\$11,175,000</u>	<u>\$1,045,000</u>	<u>\$1,000,000</u>	<u>\$18,500,000</u>

(1) Variable rates of 4.50% to 5.00% have been assumed on loans through Sevier and Blount Counties. Series IV-C-3, and A-2-A have been fixed through swap agreements.

(2) As of June 30, 2006 only \$9,836,795 of the note balance has been drawndown.

Table 9

1998B Series		Total	
Principal	Interest	Principal	Interest (1)
75,000	9,113	250,000	1,941,020
80,000	5,625	260,000	1,929,532
85,000	1,912	270,000	1,917,595
		320,000	1,907,232
		465,000	1,892,082
		775,000	1,870,282
		845,000	1,835,184
		1,260,000	1,796,871
		1,315,000	1,741,916
		1,400,000	1,683,008
		1,300,000	1,620,418
		1,325,000	1,561,703
		1,365,000	1,501,738
		1,445,000	1,439,936
		1,530,000	1,374,463
		1,580,000	1,305,122
		1,700,000	1,233,555
		1,765,000	1,156,479
		3,025,000	1,077,683
		3,175,000	957,857
		3,335,000	799,107
		3,500,000	637,112
		3,675,000	499,000
		3,865,000	354,325
		4,050,000	202,500
\$240,000	\$16,650	\$43,795,000	\$34,235,720

CITY OF CLEVELAND, TENNESSEE
 BOND PRINCIPAL AND INTEREST
 REQUIREMENTS BY FISCAL YEAR FOR CLEVELAND UTILITIES
 June 30, 2006

Water and Sewer Revenue and Tax Bonds

Fiscal Year	1997 Refunding Series		1999 Series		2001 Series	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 370,000	\$ 187,210	\$ 230,000	\$ 4,715	\$ 525,000	\$ 134,431
2008	385,000	168,335			550,000	111,588
2009	400,000	149,310			585,000	86,738
2010	420,000	129,830			605,000	59,962
2011	440,000	108,750			445,000	36,337
2012	455,000	86,375			285,000	19,912
2013	480,000	63,000			300,000	6,750
2014	500,000	38,500				
2015	520,000	13,000				
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
2026						
2027						
2028						
2029						
Total	\$ 3,970,000	\$ 944,310	\$ 230,000	\$ 4,715	\$ 3,295,000	\$ 455,718

Table 10

2003		2004		Total	
Series		Series		Principal	Interest
Principal	Interest	Principal	Interest		
\$ 425,000	\$ 114,988	\$ 95,000	\$ 510,921	\$ 1,645,000	\$ 952,265
415,000	106,069	325,000	506,721	1,675,000	892,713
665,000	93,087	320,000	499,871	1,970,000	829,006
665,000	74,800	320,000	491,471	2,010,000	756,063
505,000	57,250	420,000	480,371	1,810,000	682,708
500,000	41,550	990,000	456,746	2,230,000	604,583
495,000	24,762	975,000	422,359	2,250,000	516,871
460,000	8,050	970,000	385,896	1,930,000	432,446
		965,000	347,196	1,485,000	360,196
		955,000	308,796	955,000	308,796
		945,000	270,796	945,000	270,796
		710,000	233,697	710,000	233,697
		905,000	199,496	905,000	199,496
		540,000	174,596	540,000	174,596
		440,000	156,676	440,000	156,676
		435,000	138,141	435,000	138,141
		435,000	119,110	435,000	119,110
		430,000	100,188	430,000	100,188
		425,000	81,484	425,000	81,484
		420,000	63,000	420,000	63,000
		415,000	44,735	415,000	44,735
		410,000	26,688	410,000	26,688
		405,000	8,860	405,000	8,860
\$ 4,130,000	\$ 520,556	\$ 13,250,000	\$ 6,027,815	\$ 24,875,000	\$ 7,953,114

CITY OF CLEVELAND, TENNESSEE
 NOTE PRINCIPAL AND INTEREST
 REQUIREMENTS BY FISCAL YEAR FOR CLEVELAND UTILITIES
 June 30, 2006

Table 11

Fiscal Year	Notes Payable - Public Building Authority of Sevier and Blount Counties, TN (1)									Total
	Series D3 Principal	Series E4 Principal	Series D2 Principal	Series C4 Principal	Series A2F Principal	Series A7B Principal	Series B4C Principal	VI-E-4 Principal	Series D4A Principal	Principal
2007	\$ 60,000	\$ 205,000	\$ 235,000	\$ 155,000	\$ 210,000			\$ 50,000	\$ 275,000	\$ 1,190,000
2008	65,000	215,000	245,000	160,000	210,000			50,000	275,000	1,220,000
2009	65,000	225,000	255,000	160,000	210,000			75,000	300,000	1,290,000
2010	70,000	235,000	265,000	160,000	210,000			75,000	300,000	1,315,000
2011	75,000	250,000	275,000	160,000	210,000			75,000	300,000	1,345,000
2012	75,000	265,000	285,000	160,000	210,000			75,000	300,000	1,370,000
2013	80,000	275,000	295,000	160,000	210,000			75,000	300,000	1,395,000
2014	80,000	290,000	305,000	160,000	210,000			75,000	325,000	1,445,000
2015	85,000		320,000	160,000	210,000			100,000	325,000	1,200,000
2016	90,000		330,000	160,000	210,000			100,000	325,000	1,215,000
2017	90,000		345,000	160,000	210,000			100,000	325,000	1,230,000
2018				160,000	210,000	\$ 385,000		100,000	350,000	1,205,000
2019				140,000	210,000	435,000		100,000	350,000	1,235,000
2020				140,000	210,000	560,000		100,000	350,000	1,360,000
2021				140,000	230,000	415,000	\$ 25,000	125,000	375,000	1,310,000
2022						530,000	25,000	125,000	400,000	1,080,000
2023						575,000	125,000	125,000	425,000	1,250,000
2024						100,000	125,000	125,000	450,000	800,000
2025							275,000	150,000	450,000	875,000
2026							350,000		250,000	600,000
2027							350,000		250,000	600,000
2028							400,000			400,000
2029							400,000			400,000
2030							425,000			425,000
Total	\$ 835,000	\$ 1,960,000	\$ 3,155,000	\$ 2,335,000	\$ 3,170,000	\$ 3,000,000	\$ 2,500,000	\$ 1,800,000	\$ 7,000,000	\$25,755,000

(1) Does not include interest related to notes from Sevier and Blount Counties, TN that bear interest at a weekly variable rate.

CITY OF CLEVELAND, TENNESSEE
INVESTMENTS

Table 12

June 30, 2006

Description		Cost	Fair Value
Investment in Certificates of Deposit:			
First Tennessee Bank	4.45%	\$ 57,593	\$ 57,593
First Tennessee Bank	5.25%	50,000	50,000
First Tennessee Bank	5.25%	50,000	50,000
First Tennessee Bank	4.00%	50,000	50,000
First Tennessee Bank	4.28%	40,548	40,548
First Tennessee Bank	4.05%	36,578	36,578
First Tennessee Bank	5.25%	30,328	30,328
First Tennessee Bank	5.25%	25,000	25,000
First Tennessee Bank	3.20%	25,000	25,000
First Tennessee Bank	4.05%	25,000	25,000
First Tennessee Bank	4.45%	5,991	5,991
First Tennessee Bank	5.00%	5,000	5,000
First Tennessee Bank	3.75%	5,000	5,000
Total Certificates of Deposit		\$ 406,038	\$ 406,038
Investment in Local Government Investment Pool:			
State of Tennessee		\$ 13,854	\$ 13,854
State of Tennessee		202,597	202,597
Total Local Government Investment Pool		\$ 216,451	\$ 216,451
Total Investments		\$ 622,489	\$ 622,489

CITY OF CLEVELAND, TENNESSEE

Table 13

TRANSFERS

For the Fiscal Year Ended June 30, 2006

<u>Transfers In:</u>	<u>Transfers Out:</u>	<u>Amount</u>
Bryne Memorial Justice Assistance Grants	General Fund	\$ 2,881
Capital Improvement Program	2002 General Improvement Bond Fund	847
Capital Improvement Program	2005 General Improvement Bond Fund D-4-A	527,334
Capital Improvement Program	General Fund	4,030,752
Capital Improvement Program	Housing and Community Development Rehab Fund	4,394
Capital Improvement Program	Housing and Community Development UDAG Fund	442
Capital Improvement Program	State Street Aid Fund	153,651
Capital Improvement Program	Weed and Seed Fund	3,106
Cleveland Municipal Airport Authority Fund	General Fund	147,578
Debt Service Fund	General Fund	3,382,690
Debt Service Fund	Meiler Estate Animal Shelter Trust Fund	9,700
Debt Service Fund	School Fund	382,305
Debt Service Fund	State Street Aid Fund	408,444
Debt Service Fund	Storm Water Management Fund	20,000
General Fund	Cleveland Utilities - Electric Division	1,415,151
General Fund	Cleveland Utilities - Water Division	184,878
Greenway Fund	Capital Improvement Program Fund	102,000
Greenway Fund	General Fund	12,000
Library Fund	General Fund	460,559
Metropolitan Transportation Planning	General Fund	45,291
School Fund	General Fund	4,712,011
School Fund	School Federal Projects Fund	164,944
Solid Waste Management Fund	General Fund	1,174,146
Storm Water Management Fund	General Fund	188,000
	Total	\$ 17,533,104

CITY OF CLEVELAND, TENNESSEE
SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS
For the Year Ended June 30, 2006

Table 14

<u>Name</u>	<u>Office</u>	<u>Salary</u>	<u>Amount of Bond</u>
Tom Rowland	Mayor	\$ 12,000	\$ 550,000
Avery Johnson, Sr.	Vice Mayor	7,200	550,000
Richard Banks	Councilman	7,200	100,000
Rod Davis	Councilman	7,200	100,000
Bambi Hines	Councilwoman	7,200	100,000
David May, Jr.	Councilman	7,200	100,000
George Poe, Jr.	Councilman	7,200	100,000
Bill Robertson	Councilman	7,200	100,000
Joe Cate	City Manager	124,270	550,000
Janice S. Casteel	City Clerk	85,632	747,282

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CITY OF CLEVELAND, TENNESSEE
 SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE ACTIVITY
 For the Fiscal Year Ended June 30, 2006

PROGRAM	Grantor	CFDA Number	State Grant Number
Federal Grants:			
Schools:			
Education Consolidated and Improvement Act Title I	Dept. of Education	84.010 *	N/A
Education Handicapped Act IDEA Part B	Dept. of Education	84.027 *	N/A
Education Handicapped Act IDEA Part B	Dept. of Education	84.027 *	N/A
Vocational Improvement	Dept. of Education	84.048	N/A
School to Work	Dept. of Human Services	84.126	GG-0410216
Education for Handicapped Preschool Grant	Dept. of Education	84.173 *	N/A
Drug Free Schools and Communities Act	Dept. of Education	84.186	N/A
D.A.R.E. Program	Dept. of Education	84.186	Z-04-019491
After School Learning Center	Dept. of Education	84.287	N/A
Innovative Programs Title V	Dept. of Education	84.298	N/A
Enhancing Education Through Technology Title II-D	Dept. of Education	84.318	N/A
Comprehensive School Reform Project	Dept. of Education	84.332	Z-04-018585-00
Reading First Grant	Dept. of Education	84.357 *	GG-04-11041-00
English Language Acquisition Enhancement Title III	Dept. of Education	84.365	N/A
Teacher and Principal Training & Recruiting Title II-A	Dept. of Education	84.367	N/A
Hurricane Relief Payments	Dept. of Education	84.938	N/A
School Lunch Program	Dept. of Agriculture	10.555 *	N/A
School Breakfast Program	Dept. of Agriculture	10.553 *	N/A
Police Department:			
Bulletproof Vest Program	Dept. of Justice	16.607	N/A
Weed & Seed Program	Dept. of Justice	16.595	N/A
Homeland Security Grant	Dept. of Military	97.004	Z-04-022420
Project Safe Neighborhoods	Dept. of Justice	16.609	GPCX0177
Asset Forfeiture Grant	Dept. of Treasury	21.053	N/A
Public Safety Partnership & Community Policing	Dept. of Justice	16.710	N/A
Edward Byrne Memorial Justice Assistance	Dept. of Justice	16.738	N/A
Fire Department:			
Homeland Security Grant	Dept. of Justice	97.004	Z-04-020072
Homeland Security Grant	Dept. of Justice	97.004	Z-04-022420
Library:			
2006 Library Technology Grants	Library and Archives	45.310	Z-06031301
Engineering:			
Airport Runway Overlay	Dept. of Transportation	20.106 *	Z-05024863
Transportation:			
Transportation Planning	Dept. of Transportation	20.205	Z-05024244
Greenway	Dept. of Transportation	20.205	CPD201160
Transportation Planning	Dept. of Transportation	20.205	Z-06030930
Urban Forestry:			
Urban Forestry Grant	Dept. of Agriculture	10.675	Z-05021087

(Continued)

<u>Balance</u> <u>July 1, 2005</u>	<u>Cash</u> <u>Receipts</u>	<u>Other</u> <u>Additions</u>	<u>Expend-</u> <u>itures</u>	<u>Paid To</u> <u>Grantor</u>	<u>Transfers</u> <u>Out</u>	<u>Balance</u> <u>June 30,</u> <u>2006</u>
\$ 18,495	\$ 1,150,040	\$ 1,650	\$ 1,185,224	\$ 0	\$ 7,235	\$ (22,274)
91,859	998,868	0	1,006,862	0	0	83,865
0	23,198	0	23,198	0	0	0
(10,936)	169,786	0	159,887	0	0	(1,037)
(10,682)	45,199	0	12,759	26,744	0	(4,986)
7,842	62,222	0	65,162	0	0	4,902
1,100	30,325	0	31,572	0	0	(147)
0	0	0	2,127	0	0	(2,127)
(55,223)	187,593	0	150,000	0	0	(17,630)
(12,743)	21,979	0	9,236	0	0	0
0	22,291	0	22,288	0	0	3
(91,387)	179,657	0	117,424	0	0	(29,154)
(137,744)	408,707	0	461,926	0	7,708	(198,671)
(167)	29,945	0	33,662	0	0	(3,884)
39,533	247,302	0	283,425	16,555	0	(13,145)
0	59,648	0	83,203	0	0	(23,555)
(68,961)	786,796	0	795,719	0	0	(77,884)
(25,621)	266,931	0	269,240	0	0	(27,930)
0	3,744	0	3,744	0	0	0
(125,000)	125,000	0	0	0	0	0
(122,289)	122,289	0	0	0	0	0
(333)	429	0	759	0	0	(663)
0	31,314	0	31,314	0	0	0
0	21,783	0	21,783	0	0	0
0	25,926	0	25,926	0	0	0
(37,851)	80,768	0	42,917	0	0	0
(275,000)	275,000	0	0	0	0	0
0	6,500	0	6,500	0	0	0
0	412,872	0	412,872	0	0	0
(76,796)	102,030	0	25,234	0	0	0
(566,456)	735,436	0	168,980	0	0	0
0	59,639	0	85,146	0	0	(25,507)
0	5,000	7,084	12,084	0	0	0

CITY OF CLEVELAND, TENNESSEE
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE ACTIVITY
For the Fiscal Year Ended June 30, 2006

PROGRAM - (Continued)	<u>Grantor</u>	<u>CFDA Number</u>	<u>State Grant Number</u>
Federal Grants:			
Environmental			
Historic Preservation Grant	TN Historical Commission	15.904	GG-0611982
Community Development:			
THDA Home Grant	TN Housing Development Agency	14.239	DG9901322
Community Development Block Grant	Dept. of Housing & Urban Development	14.128 *	N/A
Recreation:			
Fletcher Park Phase III Grant	Dept. of Park Services	15.916	Z-05-023557
Total Federal Grants			
State Grants:			
Schools:			
Safe and Secure Schools Arts Grant	Dept. of Education TN Arts Commission	N/A N/A	N/A Z-06028135
Library			
Library Archives Grant appropriation Gates Library Technology Grant	Library and Archieves Library and Archieves	N/A N/A	N/A Z-05-024627
Engineering:			
Airport Maintenance	Dept of Transportation	N/A	Z-06028701
Airport Maintenance	Dept of Transportation	N/A	Z-05-023848
Airport Safety	Dept of Transportation	N/A	Z-05-024784
Airport Superunicom Upgrade	Dept of Transportation	N/A	Z-03-014169
Environmental:			
Stream Clean-up Grant	Dept of Transportation	N/A	Z-03014730
Total State Grants			
Total Federal and State Financial Assistance Activity			

*Denotes major programs

(Continued)

<u>Balance July 1, 2005</u>	<u>Cash Receipts</u>	<u>Other Additions</u>	<u>Expend- itures</u>	<u>Paid To Grantor</u>	<u>Transfers Out</u>	<u>Balance June 30, 2006</u>
\$ 0	\$ 4,930	\$ 3570	\$ 8,500	\$ 0	\$ 0	\$ 0
0	64,697	0	64,697	0	0	0
(269)	386,405	0	386,242	0	0	(106)
<u>(20,597)</u>	<u>44,166</u>	<u>0</u>	<u>23,569</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ (1,479,226)</u>	<u>\$ 7,198,415</u>	<u>\$ 12,304</u>	<u>\$ 6,033,181</u>	<u>\$ 43,299</u>	<u>\$ 14,943</u>	<u>\$ (359,930)</u>
\$ (12,661)	\$ 34,455	\$ 0	\$ 21,794	\$ 0	\$ 0	\$ 0
0	1,350	0	1,350	0	0	0
0	525	0	525	0	0	0
0	0	0	13,550	0	0	(13,550)
0	6,151	0	10,000	0	0	(3,849)
(3,422)	3,422	0	0	0	0	0
(50,000)	50,000	0	0	0	0	0
(11,625)	11,625	0	0	0	0	0
<u>0</u>	<u>1,000</u>	<u>0</u>	<u>1,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ (77,708)</u>	<u>\$ 108,528</u>	<u>\$ 0</u>	<u>\$ 48,219</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (17,399)</u>
<u>\$ (1,556,934)</u>	<u>\$ 7,306,943</u>	<u>\$ 12,304</u>	<u>\$ 6,081,400</u>	<u>\$ 43,299</u>	<u>\$ 14,943</u>	<u>\$ (377,329)</u>

CITY OF CLEVELAND, TENNESSEE
 SCHEDULE OF NON-CASH ASSISTANCE
 For the Year Ended June 30, 2006

<u>CFDA</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Balance July 1, 2005</u>	<u>Receipts</u>	<u>Expend- itures/ Issues</u>	<u>Balance June 30, 2006</u>
10.550	Commodity Assistance	U.S. Department of Agriculture	<u>\$ 0</u>	<u>\$ 121,440</u>	<u>\$ 121,440</u>	<u>\$ 0</u>

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

To the Honorable Mayor and Council
of the City of Cleveland
Cleveland, Tennessee

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, Tennessee as of and for the year ended June 30, 2006, and have issued our report thereon dated December 6, 2006. 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 Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Cleveland Tennessee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended for the information of management, the Department of Municipal Audit of the State of Tennessee and all federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Arnett, Kirksey, Kimsey, Sullivan, Lay & Lusk

ARNETT, KIRKSEY, KIMSEY, SULLIVAN, LAY & LUSK, PLLC
Certified Public Accountants

December 6, 2006

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NATIONAL ASSOCIATION OF
CERTIFIED VALUATION ANALYSTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and Council
of the City of Cleveland
Cleveland, Tennessee

Compliance

We have audited the compliance of the City of Cleveland Tennessee with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The City of Cleveland Tennessee's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Cleveland Tennessee's management. Our responsibility is to express an opinion on the City of Cleveland Tennessee's compliance based on our audit.

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

In our opinion, the City of Cleveland Tennessee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

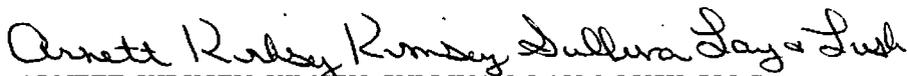
Internal Control Over Compliance

The management of the City of Cleveland Tennessee 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 of Cleveland Tennessee's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Department of Municipal Audit of the State of Tennessee and all federal awarding agencies and should not be used by anyone other than these specified parties.


ARNETT, KIRKSEY, KIMSEY, SULLIVAN, LAY & LUSK, PLLC
Certified Public Accountants

December 6, 2006

CITY OF CLEVELAND, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Cleveland, Tennessee.
2. No reportable conditions of internal control deficiencies were identified during the audit of the financial statements.
3. No instances of noncompliance were identified during the audit of the financial statements.
4. No reportable conditions relating to the audit of the major federal award programs were reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the City of Cleveland, Tennessee, expresses an unqualified opinion.
6. The programs tested as major programs included:

Title I Grants to Local Educational Agencies	CFDA#84010
Special Education - Preschool Grants and Grants to States (cluster)	CFDA#84.173 & 84.027
Reading First Grant	CFDA#84.357
School Lunch and Breakfast (cluster)	CFDA#10.555 & 10.553
Airport Runway	CFDA#20.106
Community Development Block Grant	CFDA#14.128

7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The City of Cleveland, Tennessee, was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. Department of Education:

Title I Grants to Local Educational Agencies	CFDA#84010
Special Education - Preschool Grants and Grants to States (cluster)	CFDA#84.173 & 84.027
Reading First Grant	CFDA#84.357

None

U.S. Department of Agriculture:

School Lunch and Breakfast Program

CDFA#10.555 and 10.553

None

U.S. Department of Transportation:

Airport Runway

CFDA#20.106

None

U.S. Department of Housing and Urban Development:

Community Development Block Grant

CFDA#14.128

None

CITY OF CLEVELAND, TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2006

A. FINANCIAL STATEMENT AUDIT

None from prior year

B. MAJOR FEDERAL AWARD PROGRAMS AUDIT

None from prior year

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