

Moving the Vision Forward

Comprehensive Annual Financial Report

For the Fiscal Year
Ended December 31, 2003

City of Cleveland, Ohio ~ Jane L. Campbell, Mayor

CITY OF CLEVELAND, OHIO



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2003

To the Citizens of the City of Cleveland:

Although the City continues to experience the effects of difficult national economic times, and we continue to see a number of significant state and federal cuts that impact the resources we need to provide necessary services, we are making progress.

First and foremost, our deficit reduction plan is working. We were right on track in the first quarter of 2004 with expenses below estimates and revenues above projections. Our fiscal judiciousness forms the foundation on which we build economic and community development programs.



We are creating and building relationships to bring business to Cleveland and stimulate our stagnant economy. A meeting with companies in Israel has already led to serious plans to bring a surgical Simulation Center to the Mt. Sinai Campus near Case. Retailers and developers I met with in Las Vegas are seriously considering Cleveland as a place in which to grow their businesses. You can expect to see even more in the near future.

The \$100 million project to consolidate the Brecksville and Wade Park facilities for the Veterans Administration creates a \$4 million learning center and allows for future expansion in the Wade Park area. The project will also generate 1,000 new jobs in Cleveland. The \$450 million Cleveland Clinic Heart Center creates 1,500 new jobs and a \$1 billion impact to the City. The \$246 million Euclid Corridor Project creates 13,000 new jobs for two years and yields infrastructure improvements such as new sidewalks, streets, waterlines, and smart traffic signals, as well as public art.

In addition, Cleveland continues to outpace the rest of the region with housing development at all price points so that people of any income level can call Cleveland home. New home construction soared to 437 single-family units in 2003.

We are committed to seizing every opportunity to create wealth, create opportunity, increase our tax base, and maximize our resources to make Cleveland a stronger, smarter, and safer place in which to live, work, play, and grow old.

Sincerely,

A handwritten signature in black ink, which appears to read "Jane L. Campbell". The signature is fluid and cursive, written over a white background.

Jane L. Campbell
Mayor
City of Cleveland

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CITY OF CLEVELAND



Comprehensive Annual Financial Report

For the year ended December 31, 2003

Issued by the
Department of Finance

Robert H. Baker
Director

James E. Gentile, CPA
City Controller

CITY OF CLEVELAND, OHIO

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INTRODUCTORY SECTION

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June 18, 2004

Honorable Mayor Jane L. Campbell
City of Cleveland Council and
Citizens of the City of Cleveland, Ohio

Introduction

We are pleased to submit the Comprehensive Annual Financial Report of the City of Cleveland (the "City") for the year ended December 31, 2003. This report, prepared by the Department of Finance, includes the basic financial statements that summarize the various operations and cash flows related to the City's 2003 activities. Our intention is to provide a clear, comprehensive, and materially accurate overview of the City's financial position at the close of last year. The enclosed information has been designed to allow the reader to gain an understanding of the City's finances, including financial trends, financial instruments, and fund performances. The City has complete responsibility for all information contained in this report.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP"). Because the cost of internal controls should not outweigh their benefits, this comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free 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's financial statements have been audited by the Auditor of the State of Ohio. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The Auditor of State concluded, based upon its audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2003 are fairly presented in conformity with GAAP. The Auditor of State'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 was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

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

Structure of this Comprehensive Annual Financial Report

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

- The Introductory Section, which includes this letter of transmittal and contains information pertinent to the City’s management and organization.
- The Financial Section contains the Independent Accountants’ Report, Management’s Discussion and Analysis (MD&A), Basic Financial Statements, and various other statements and schedules pertaining to the City’s funds and activities.
- The Statistical Section contains numerous tables of financial and demographic information. Much of this information is shown with comparative data for the ten-year period from 1994 through 2003.

References throughout this report to Note 1, Note 2, etc., are to the Notes to Financial Statements included in the Financial Section of this CAFR.

Profile of the Government

The City

The City is a municipal corporation and political subdivision of the State of Ohio. It is located on the southern shore of Lake Erie and is the county seat of Cuyahoga County.

The City is in the Cleveland-Akron, Ohio Consolidated Metropolitan Statistical Area (“CMSA”), comprised of Ashtabula, Cuyahoga, Lake, Lorain, Geauga, Medina, Portage and Summit counties. This CMSA is the 16th largest of 280 Metropolitan Areas in the United States, and the largest Metropolitan Area in the State of Ohio.

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

City Government

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

The City’s chief executive and administrative officer is the Mayor, elected by the voters for a four-year term. Jane L. Campbell was elected as Mayor of the City in November 2001 and began her first term on January 7, 2002. Prior to assuming office as Mayor, Ms. Campbell served as a member of the Ohio House of Representatives and as a Commissioner of Cuyahoga County. Under the Charter, the Mayor may veto any legislation passed by Council, but a veto may be overridden by a two-thirds vote of all members of the Council.

Legislative authority is currently vested in a 21-member Council. Council members serve four year terms and are elected from wards. The present terms of the Mayor and Council members expire on December 31, 2005. The Council fixes compensation of City officials and employees and enacts ordinances and resolutions relating to City services, tax levies, appropriating and borrowing money, licensing and regulating businesses and trades, and other municipal functions. The presiding officer is the President of Council, elected by the Council members. Frank G. Jackson was elected as President of Council in January 2002. The Clerk of Council is appointed by Council. The Charter establishes certain administrative departments; the Council may establish divisions within departments or additional departments. The Mayor appoints all of the directors of the City's 14 departments.

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

Financial Reporting Entity

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

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

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

Internal Control

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

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

Accounting and Financial Reporting

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

Except for budgetary purposes, the basis of accounting used by the City conforms to GAAP as applicable to governmental units. All governmental funds are accounted for using a current financial resources (current assets and current liabilities) measurement focus. The modified accrual basis of accounting is utilized for governmental funds. Revenues are recognized when they are susceptible to accrual (both measurable and available). Expenditures are recognized when the related liability is incurred, except for interest on long-term debt which is recorded when due.

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

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

As of the year ended December 31, 2002, the City changed its financial reporting to comply with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Accordingly, government-wide financial statements, which include all governmental and proprietary funds, are presented on the full accrual basis of accounting. As part of the implementation of GASB Statement No. 34, the City has opted to fully implement retroactive infrastructure reporting. In doing so, the historical cost of infrastructure assets (retroactive to 1980) is included as part of the governmental capital assets. Thus, the depreciated value of construction costs for the roadway network including streets, sidewalks, curbs and gutters, guard rails, traffic lights, signals, parking meters and the bridge network is reported in the government-wide statement of net assets. In conjunction with the implementation of GASB 34, the City has also adopted GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, which rescinds some and modifies other financial statement disclosure requirements.

Budgeting Procedures

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

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

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is shown on page 52 as part of the basic financial statements. For other governmental funds with appropriated annual budgets, this comparison is presented in the supplementary information subsection of this report along with more detailed information regarding the General Fund, which starts on page 98.

Factors Affecting Financial Condition

Local Economic Indicators

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

While Cleveland, like the rest of the nation, felt the impact of the current recession, the City continued to dedicate resources to the development of both affordable and market rate housing opportunities. The result of our efforts was a dramatic increase in housing stock value in nearly every neighborhood. In a recent report issued by the Office of the Cuyahoga County Auditor, Cleveland's assessed housing values increased over 13.8 percent between the 2000 and the 2003 reappraisal.

Cleveland's economic condition also draws strength and stability from its evolving role as the focal point of a growing, changing and substantial regional economy. The City is located at the center of one of the nation's heaviest population concentrations. The Primary Metropolitan Statistical Area (PMSA) is a significant local market, housing 2.2 million people. Cleveland also provides superior links to the global markets. The Cleveland Cuyahoga Port Authority handles the largest amount of overseas cargo on Lake Erie and includes a Foreign Trade Zone. The City is also well-served with extensive highways, and Cleveland Hopkins International Airport serves as a Continental Airlines Hub and is serviced by all major airlines. The re-emergence of downtown Cleveland as a vibrant center for national and regional entertainment and major cultural activities signals a turning point in the City's overall fortunes and is paving the way for further economic expansion that will be significantly more entrepreneurial in scope.

Another key indicator of the City's continued economic recovery is construction activity, as indicated by the value of building permits issued by the City. The construction value of building permits issued in 2003 was \$496,597,015, which represents an increase of over \$114 million from 2002.

Major Industries, Economic Conditions and Employment

Cleveland, like all municipalities across the nation, faced significant economic challenges in 2003. During the year, the City's revenues were impacted by the economic recession causing decreases in revenues and increased unemployment. Like all manufacturing cities across the country, Cleveland has tried to combat the declining industry base with more professional and service industry opportunities.

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

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

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

Current Projects and 2003 Accomplishments

The 2003 budget focused on continuing the City's commitment to improve the quality of life by strengthening our neighborhoods, fostering a favorable business climate, and providing superior services.

Despite fiscal constraints and economic challenges, the City achieved the following 2003 programmatic goals without an income or property tax increase:

- Supported the construction of 847 new housing units, of which 437 were single-family homes and 410 were multi-family units.
- Rehabilitated over 144 vacant houses that were sold to new homeowners through the Afford-A-Home Program.
- Issued 15,158 Notices of Building Code Violations, a 30 percent increase from 2002 and boarded up 1,956 condemned structures which represents a 22 percent increase from the previous year.
- Increased the number of building inspections from 54,548 in 2002 to 58,816 in 2003, representing an increase of 8 percent.
- Provided Economic Development financial assistance to 53 companies to create and retain 3,349 jobs.
- Provided loans to 6 companies through the Empowerment Zone program to create and retain 282 jobs.
- Issued \$27.4 million of development bonds which will be used in economic and housing development projects.
- Provided \$9.2 million of financial assistance to the Lower Euclid development project located in the Central Business District. This assistance will leverage \$28 million of investment. The project will create 155,000 square feet of retail space and over 100 new units of housing as well as a 550 space garage.
- Assisted Myers University to acquire the former University Club with the intention of converting it into an extension campus. The University will open a culinary school and create new Master degree programs to increase enrollment by approximately 15 percent. The City provided financial assistance in the form of a \$5 million HUD 108 Loan and a 75 percent tax abatement. The project plans to create 100 jobs.

- Provided a development loan to Aqui Systems, a California based company which produces software to route commercial trucks more efficiently, in order for the company to relocate to Cleveland.
- Assisted in the redevelopment of the former Cleveland Pneumatic Complex located at 3781 East 77th Street. A Clean Ohio Brownfield grant in the amount of \$2.8 million helped fund the demolition and remediation of the complex. The total project costs are estimated at \$7.3 million, and a total of 250 jobs will be created and retained.
- Developed West Nile Virus Response Plan, including larviciding 54,000 catch basins in 2003.
- Conducted a discarded tire roundup with assistance from the County Solid Waste District and collected over 50,000 tires from Cleveland neighborhood sites.
- Developed a new approach to high grass and weed compliance and implemented an education campaign that increased compliance in high grass and weed areas.
- Created a disease surveillance unit staffed by an epidemiologist and a disease investigator to create a disease surveillance and response unit.
- Resurfaced 123 residential streets, completed 18 roads and bridge projects, and collected 307,765 tons of waste.

Aggressive anti-crime enforcement practices in 2003 by the Division of Police resulted in a 3.6 percent decrease in violent crime rates from the previous year. In response to the events of September 11, 2001, the Division of Fire developed Urban Search and Rescue (USAR) Teams as outlined by the Federal Emergency Management Agency (FEMA) and continues the implementation of a Tactical Unit in the downtown area for the purpose of specialized rescue operations. The Division of Fire placed two 100 foot aerial platforms into service during 2003 and expects the delivery of 11 new fire apparatuses in 2004. Also, the Division of Fire implemented a health and wellness program that required all firefighters receive a complete and thorough physical and obtained grant funds to place over \$500,000 of health and exercise equipment in fire stations across the City.

The staffing of Cleveland EMS units was maintained at 21 ambulances, available 24 hours each day, which decreased the average response time of all types of calls below 7 minutes in the year 2003. EMS responded to over 89,000 calls and transported over 51,000 patients to area hospitals. The City continued its program to train City personnel, outside of EMS, in the use of automatic external defibrillators for early treatment of critical heart attack patients.

The Department of Parks, Recreation and Properties initiated and completed several construction projects during 2003. The Cleveland Lakefront Bikeway (CLB) was completed and the dedication of the western phase of the bikeway occurred in July 2003. The CLB is 17 miles long, from east to west and travels through all areas of the Cleveland Lakefront State Park. The total cost of this project was approximately \$2.8 million. Construction also began in early spring 2003 on the Kenneth L. Johnson Aquatic Playground. The total project cost was \$930,000 and is anticipated to be dedicated in the summer of 2004.

In addition, a \$500,000 Urban Park and Recreation Recovery Grant (UPARR) was obtained to enable the Department of Parks, Recreation and Properties to re-design and improve Bisbee Playground. This total rehabilitation project will revamp this vital neighborhood park and is expected to be completed in the spring of 2004 at a total cost of \$506,000. Furthermore, a premier six-baseball diamond facility was under construction in 2003 at a cost of \$1.24 million at Maplewood Park. This facility will be available for use in early summer 2004.

Improvements at Lincoln Park, in the Tremont neighborhood, also began in 2003 which was facilitated by a \$478,000 UPARR grant as well as fund raising efforts and an in-kind donation from Tremont West Development Corp. The Lincoln Park project will be completed in fall 2004 at a total cost of \$675,000.

The Department of Parks, Recreation and Properties also offered many summer programs to the citizens of Cleveland in 2003. These summer programs instructed over 61,000 youths at our playgrounds, served over 79,000 youths healthy meals through the summer lunch program and had approximately 850 attendees at Camp Forbes.

In addition, the Convention Center, which is managed by the Department of Parks, Recreation and Properties, increased the number of event days in 2003 to 302 days, which was up from 250 in 2002. This facility also accommodated over 319,000 attendees during 2003.

The Division of Water Pollution Control has undertaken a new information technology plan that will implement a work management system and update the current business processes. The Division's capital improvements for sewer line replacements and the purchase of needed equipment and vehicles amounted to \$6.7 million in 2003.

The Division of Cleveland Public Power invested over \$12.9 million in capital improvements to better serve its 80,000 City customers. In 2003, the Division of Water invested over \$61 million of capital improvements at the Morgan Water Plant, Baldwin Water Plant, and Nottingham Water Plant to insure the future operation of the eighth largest public water supply system in the United States.

The following projects currently underway will provide the momentum necessary to continue completion of additional retail, industrial and housing projects including:

- The completion of the \$62 million conversion of the Bingham Building into 339 downtown apartment units is proceeding on schedule and has commenced leasing units. The City is also working to close on a deal for over \$1.2 million of improvements to the commercial portion of the building for the development of a 10,000 square foot downtown grocery store.
- Environmental cleanup and redevelopment of the former Joseph & Feiss/Hugo Boss Clothing Factory is also underway. This project, known as Ashbury Towers, is a \$19 million project that will develop a mix of 150 residential townhouses and loft-style flats.
- The new construction of condominiums downtown is being led by Stonebridge Phase IV. This \$15 million development will culminate in the creation of 160 units on the west bank of the flats.
- Hurston Court, which is Phase I of the three phase Cliffview development project, is a \$7.1 million development project of the construction of 29 single-family homes. As proposed, Phase II will be a \$4.2 million development of an additional 25 single-family homes and Phase III will be a \$9.8 million development of 45 single-family homes.
- In April 2004, the City and FirstMerit Bank signed a four-year, \$255 million Neighborhood Reinvestment Agreement, which is a 27.5 percent increase over the last agreement. The new agreement further commits to assist the City of Cleveland in recovering bank-owned City property, supporting wealth-creating opportunities, procuring products and services from small, minority- and female-owned businesses, as well as the hiring, training, and promotion of minorities and females. This is the third renewal agreement signed between the City and FirstMerit since 1994.

The City Planning Commission continued progress on several large-scale development planning projects. These include the Lakefront Plan (designed to improve access to the Lake Erie shoreline), the Euclid Corridor Improvement Project (a transit project intended to revitalize the City's primary employment corridor), the Connecting Cleveland 2020 Citywide Plan (a comprehensive plan intended to increase the competitiveness of Cleveland's neighborhoods), and the Innerbelt Project (a plan to reconstruct Cleveland's downtown freeway network).

Future Economic Outlook

The City has undergone a dramatic restructuring in its manufacturing sector and has bolstered its services sector base significantly. Health care, financial services and higher education have been sizable contributors to the service sector employment expansion. Leading employers include: the Cleveland Clinic Health System, Key Corp, National City Corporation, Continental Airlines Inc., Cleveland State University, Case Western Reserve University, and Sherwin Williams.

The manufacturing base includes a number of prominent durable goods manufacturers. Many have added value through production of specialized products and are more competitive internationally.

The City's Neighborhood Reinvestment Program is a joint effort by the City's Department of Community Development and several area banks to offer creative home financing, consumer credit, small business loans, and various financing options to residents with low or moderate incomes.

The following amounts were committed from 1992 through 2003:

	(Amounts in Millions)
Key Bank	\$ 1,450
Bank One	766
National City Bank	665
Firststar Bank	873
FirstMerit Bank	523
Fifth Third Bank	574
Huntington National Bank	478
Charter One	239
Skybank	53
Fannie Mae	700
Total	<u>\$ 6,321</u>

We have consistently adhered to prudent fiscal policies during the long period of economic expansion and have been fortunate to reap the benefits. As the long economic expansion has changed into a recession, municipal governments across the country, including the City of Cleveland, have faced the need to adjust accordingly. Current economic conditions will challenge the City during 2004. Recovering from a recession and faced with decreases in its primary revenue sources, including City income tax and State Local Government fund support, the City prepared its 2004 operating budget on the basis of estimated revenue less than 2003, coupled with tight expenditure control.

Future Projects for 2004

In preparing its 2004 budget, the City assumed that core revenues would be steady or slightly reduced compared to 2003 revenues. During year 2002 and 2003, the City utilized various other financing sources of \$27,885,000 and \$37,726,000 respectfully, to balance its General Fund expenditures. Total General Fund revenues, including other financing sources, available in 2004 are \$29,114,000 less than total revenues realized in 2003. The City was also forced to deal with several expected 2004 expenditure increases including:

- Average increase in medical benefits of approximately 13% at a cost of approximately \$4.4 million
- An increase in workers compensation costs versus 2003 of approximately \$2.6 million
- A subsidy to the Cemetery Enterprise Fund of approximately \$2.4 million from the General Fund
- An increase in rates for natural gas, electricity, steam and gasoline

The net result of the items outlined above coupled with declining revenues during budget preparation was a projected \$61 million General Fund deficit. The City, in an effort to eliminate the deficit, was forced to reduce General Fund staffing levels by approximately 640 employees and eliminated 177 vacant positions. The City will continue to implement cost saving measures in 2004.

The principal planned actions to be taken by the City in 2004 include the continued expansion of housing and economic development throughout City neighborhoods, sustaining core public safety, public service and public health programs and maintaining of service at City parks and recreational facilities.

Key programs in the 2004 budget are:

- Maintain the effectiveness of the Division of Police car plan.
- Initiate the work plan for completing 1,000 units of new affordable housing each year.
- Implementation of the Mobile Data Computer Program in all police districts.
- Create and operate a joint Fire and EMS dispatch center to maximize the deployment capabilities of staff, eliminate redundancies and reduce costs.
- Reduce overtime in Police, Fire and EMS by approximately \$7.6 million through cost saving measures and increased management oversight.
- Complete the design and construction of the City's Emergency Operations Center and Information Technology center.

Cash Management

Currently, the City's policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, \$122,025,000 of bank deposits are either insured by federal depository insurance or collateralized by securities held by the City or by its agent in the City's name. The remaining balance of \$25,944,000 of deposits are uninsured and uncollateralized. Of the \$490,454,000 of classified investments, \$471,899,000 is classified in the category of lowest collateral risk established by the Governmental Accounting Standards Board. The remaining \$18,555,000 represents investments held in the City's name by the counterparty's trust department or agent.

The City's investment policies ensure efficient and profitable use of the City's cash resources and reduce the credit and market risks associated with the deposit and investment of City funds. Significant elements of the City's current cash management program include the following objectives:

- On-line connection to banks that advise the City of available funds each day for disbursement and investment.
- Improved control over the timing of disbursements.
- Sophisticated management of the City's investment portfolio.
- Reconciliation of investments to the market value of the collateral pledged.
- Investments transacted on a delivery versus payment basis.

In 2004, the Division of Treasury acquired a Treasury Management Solution software application to monitor, analyze and report the City's investments. The software will enable the City to improve investment forecasting and planning with the emphasis on increasing interest income.

Risk Management

The City has developed a risk management program in its Department of Finance assisted by the Law Department personnel. The risk management program serves to implement qualitative controls, programs and safeguards in the delivery of basic City services for the protection of both the public and City employees. In addition, the program identifies and controls exposures the City may have to financial loss. Periodic review of the City's funding arrangements with respect to general liability and employee benefit costs maintains the City's assumption of risk at a reasonable and affordable level.

Awards and Acknowledgements


The Independent Audit: The City Charter requires an annual audit of the financial statements of all accounts of the City by an independent Certified Public Accountant. Accordingly, this year's audit was completed by the Auditor of the State of Ohio. The fiscal year ended December 31, 2003 represents the 23rd consecutive year the City has prepared a Comprehensive Annual Financial Report (CAFR). In addition to the independent auditors, the City maintains its own Internal Audit Division. Along with the duty of assisting the independent auditors, the Internal Audit Division is responsible for strengthening and reviewing the City's internal controls. The Internal Audit Division performs its own independent operational and financial audits of the City's many funds, departments and divisions. We believe that the City's internal control structure adequately safeguards its assets and provides reasonable assurance of proper recording of all financial transactions.

GFOA Certificate of Achievement Award: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cleveland, Ohio for its CAFR for the fiscal year ended December 31, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

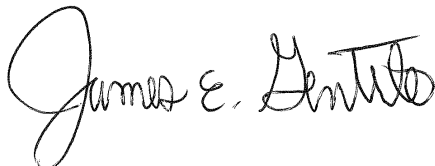
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. Such CAFRs must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 19 years (fiscal years ended 1984 – 2002). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgements: The preparation of this report could not have been accomplished without the efficient and dedicated service of the Finance Department, particularly the Financial Reporting and Control Division. We would also like to thank the Mayor, her cabinet and members of City Council. Without their continued support, the Department of Finance could not have maintained the financial management practices required to ensure the financial integrity of the City. We would like to thank the representatives of the Auditor of the State of Ohio for their efforts and professional conduct throughout the audit engagement.

Very truly yours,



Robert H. Baker, Director
Department of Finance



James E. Gentile, CPA
City Controller

CITY OF CLEVELAND, OHIO

City Officials

Jane L. Campbell, Mayor

EXECUTIVE STAFF

Debra M. Janik Chief of Staff
Darnell Brown Chief Operating Officer
Craig Tame Chief Health and Public Safety Officer
Lorna Wisham Chief Public Affairs Officer
Galen L. Schuerlein Executive Assistant for Communications and Labor Relations

ADMINISTRATION

Jane E. Fumich Director, Department of Aging
Collette Appolito Director, Office of Equal Opportunity
Robert H. Baker Director, Department of Finance, Chief Financial Officer
Subodh Chandra Director, Department of Law
Jeffrey D. Johnson Director, Community Relations Board
Sanford E. Watson Director, Department of Public Safety
Edward F. Lohn Police Chief
Paul Stubbs Fire Chief
Daryl Rush Director, Department of Community Development
Natalie A. Ronayne Director, Department of Parks, Recreation and Properties
Michael G. Konicek Director, Department of Public Utilities
Kenya Taylor Director, Department of Consumer Affairs
Chris Ronayne Director, City Planning Commission
Gina Routen Director, Personnel and Human Resources
Mark Ricchiuto Director, Department of Public Service
John C. Mok Director, Department of Port Control
Greg Huth Director (Acting), Economic Development
Jonalyn M. Krupka Secretary, Civil Service Commission
Matthew Carroll Director, Department of Public Health
James G. Williams Director, Department of Building and Housing

CITY OF CLEVELAND, OHIO

City Council

Frank G. Jackson.....	President of Council /Ward 5
Valarie J. McCall	Clerk of Council
Joseph T. Jones	Ward 1
Robert J. White	Ward 2
Zachary Reed	Ward 3
Kenneth L. Johnson	Ward 4
Patricia J. Britt	Ward 6
Fannie M. Lewis	Ward 7
Sabra Pierce Scott	Ward 8
Kevin Conwell	Ward 9
Roosevelt Coats	Ward 10
Michael D. Polensek	Ward 11
Edward W. Rybka.....	Ward 12
Joseph Cimperman.....	Ward 13
Nelson Cintron, Jr.	Ward 14
Merle R. Gordon	Ward 15
Michael C. O'Malley	Ward 16
Matthew Zone	Ward 17
Jay Westbrook.....	Ward 18
Dona Brady	Ward 19
Martin J. Sweeney.....	Ward 20
Michael A. Dolan.....	Ward 21

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cleveland,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

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.



A handwritten signature in black ink, appearing to read "Edward Haney".

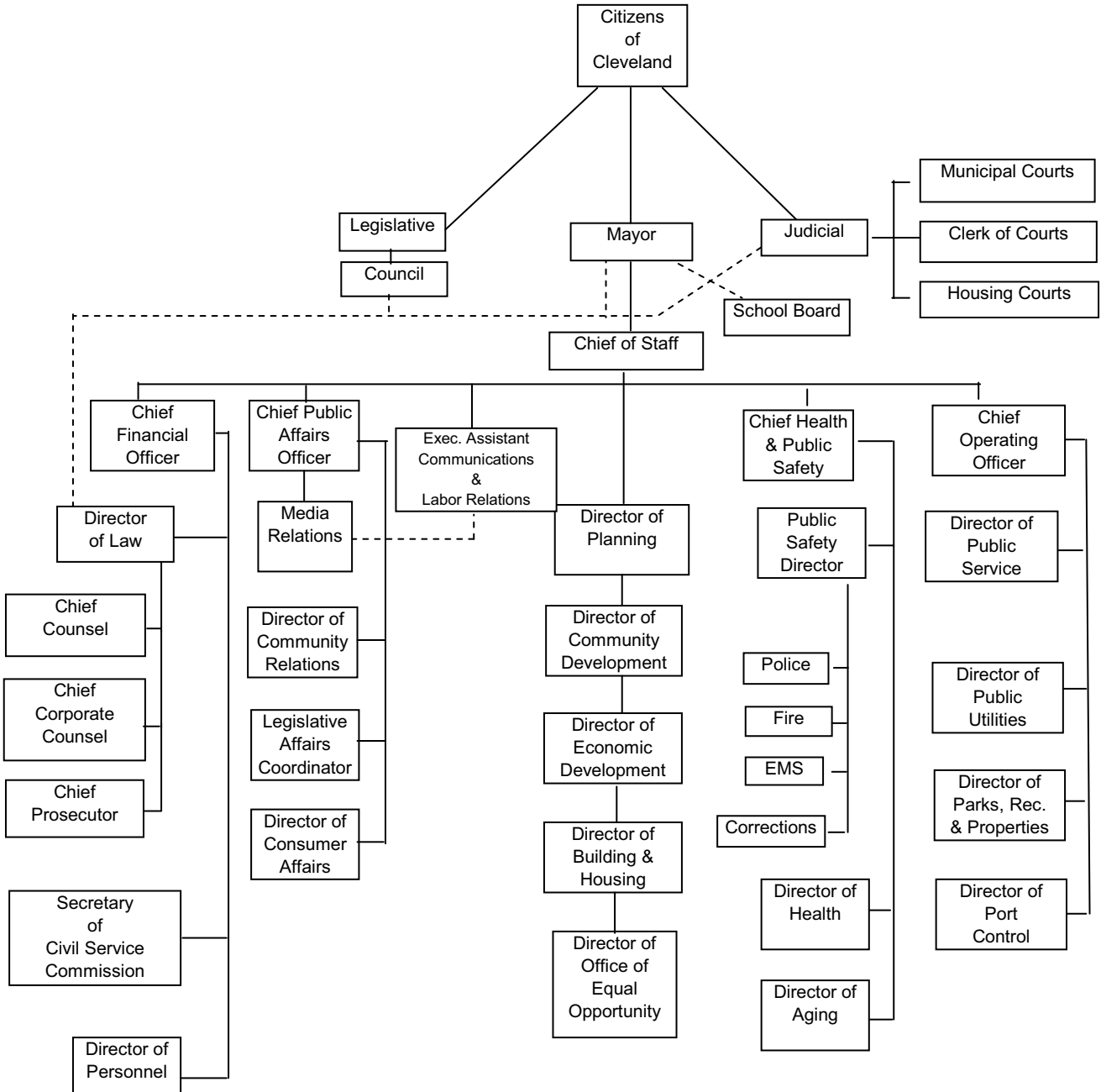
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

CITY OF CLEVELAND, OHIO

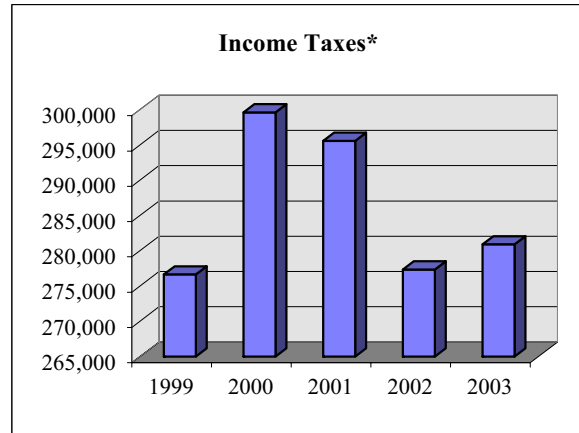
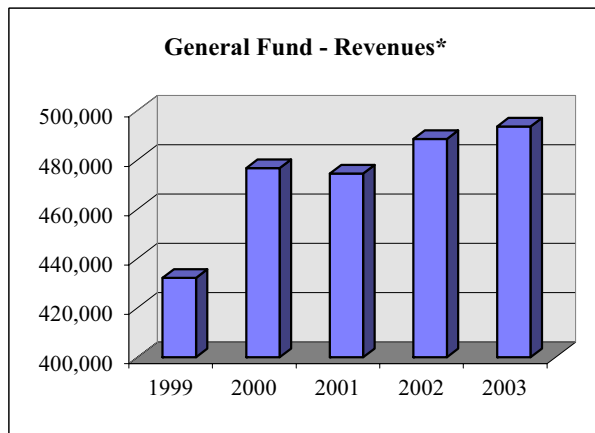
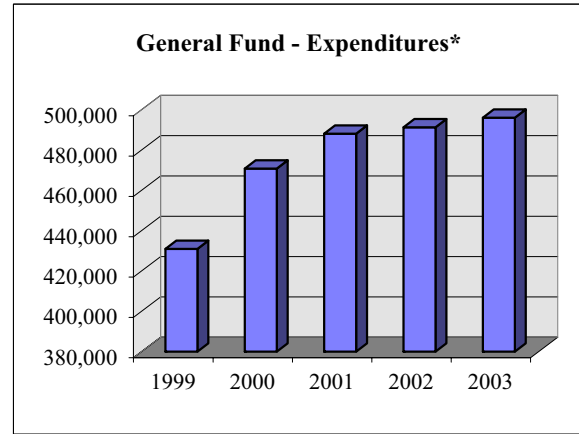
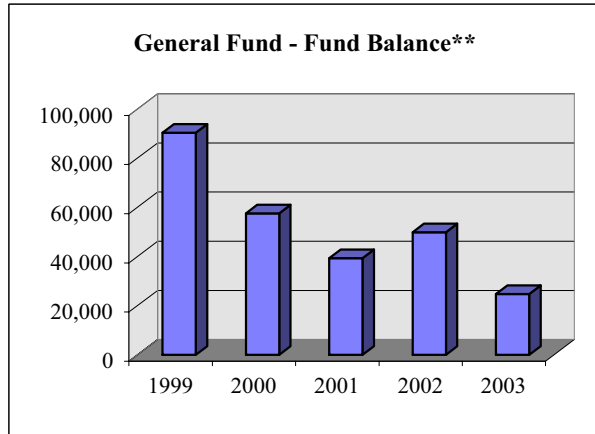
ADMINISTRATIVE ORGANIZATION CHART



CITY OF CLEVELAND, OHIO

FINANCIAL HIGHLIGHTS

(in thousands of dollars)



For Year Ended***	General Fund Fund Balance**	General Fund Revenues*	General Fund Expenditures*	Income Taxes*
1999	90,324	432,125	430,956	276,627
2000	57,459	476,608	470,825	299,592
2001	39,250	474,442	488,102	295,559
2002	49,837	488,415	491,258	277,321
2003	24,651	493,569	496,010	280,890

* *Budget Basis* - General Fund revenues and expenditures include transfers in and out.

** *GAAP Basis*

*** The 2002 and 2003 General Fund fund balance includes restatements.

FINANCIAL SECTION

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Honorable Jane L. Campbell, Mayor, Members of Council, and the Audit Committee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Cuyahoga County, Ohio (the City) as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, Cuyahoga County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 18, 2004

CITY OF CLEVELAND, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Cleveland (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2003. Please read this information in conjunction with the City's financial statements and footnotes that begin on page 46.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at December 31, 2003 by approximately \$2 billion (net assets). Of this amount, \$438.5 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Of the approximately \$2 billion of net assets, business-type activities accounted for approximately \$1.494 billion of net assets, while governmental activities net assets were approximately \$509 million.
- The City's net assets increased by \$3.6 million as compared to 2002. The governmental net assets decreased by \$39.1 million which was offset by a \$42.7 million increase in the business activities net assets.

The contributing factors for the net asset decrease of \$39.1 million in governmental type activities were that current year expenditures exceeded current year revenues in the following programs: Public service by the amount of \$6.0 million; Public health by the amount of \$1.2 million; Parks, recreation and properties by the amount of \$2.4 million and Other by the amount of \$1.2 million. Also, general revenues decreased by \$8.3 million primarily due to a reduction in workers compensation refund revenue of \$4.8 million and various decreases in expenditure recovery revenue. Operating Grants and Contributions also decreased by \$22.7 million from the prior year.

The contributing factors for the net asset increase of \$42.7 million in business-type activities were significant increases in the following departments: Cleveland Public Power's total net assets increased by \$7.6 million which was attributed to the purchasing of less power than the previous year and an increase in customer account receivable collections. The Water Division's overall net assets increased by \$36.7 million and was mainly due to an increase in customer rates of approximately 3.4% which was partially offset by a 6.28% decline in overall consumption. Airport Facilities total net assets decreased by \$1.6 million due to an increase in signatory landing fees and terminal rental rates offset by an increase in depreciation expense and a realized loss on the disposal of capital assets.

- At the end of the current fiscal year, unreserved fund balance for the general fund was \$14.9 million and is available for spending at the City's discretion. The unreserved fund balance equals 3.1% of the total current general fund expenditures.
- In 2003, the City's total long-term debt increased by \$74.8 million. The increase was primarily attributed to the issuance of \$110.2 million of general obligation bonds, non-tax revenue development bonds, capital leases and urban renewal notes offset by \$33.4 million of long-term debt retirement in the governmental type activities. The business-type activities issued long-term debt of \$157.8 million and refunded and retired a total of \$162.5 million of long-term debt which resulted in a total decrease of \$4.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The statement of activities presents information showing how the City's net assets changed during the most recent 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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City principally include: general government; public service; public safety; community development; building and housing; public health; parks, recreation and properties; and economic development. The business-type activities of the City principally include: water; electricity; and airport facilities.

The government-wide financial statements can be found on pages 47 - 48 of this report.

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

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

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

The City maintains 39 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other 38 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, and for some special revenue, debt service, enterprise, and internal service funds. The General Fund budgetary comparison has been provided as a separate financial statement to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 49 - 52 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, electric, airport, sewer, convention center, markets, parking lots, cemetery, and golf course operations. Internal service funds are an accounting device used to accumulate and allocate costs internally throughout the City's various functions. The City uses internal service funds to account for its motor vehicle maintenance, printing and reproduction, storage and warehousing, utilities administration, sinking fund administration, municipal income tax administration, telephone exchange and radio communications operations. Because most of the internal services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements, except for the utilities administration fund which has been classified as a business-type activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Division of Water, Cleveland Public Power, and Department of Port Control Funds, which are considered to be major funds of the City. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise and internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 53 - 57 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. All of the City's fiduciary funds are agency funds.

The basic fiduciary fund financial statements can be found on page 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 - 96 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Summary Statement of Net Assets as of December 31, 2003 and 2002

	Governmental		Business-Type		Total	
	Activities		Activities			
	2003	2002	2003	2002	2003	2002
Assets:						
Current and other assets	\$721,598	\$691,560	\$1,478,599	\$1,597,753	\$2,200,197	\$2,289,313
Capital assets	<u>773,612</u>	<u>765,570</u>	<u>2,336,537</u>	<u>2,182,607</u>	<u>3,110,149</u>	<u>2,948,177</u>
Total assets	1,495,210	1,457,130	3,815,136	3,780,360	5,310,346	5,237,490
Liabilities:						
Long-term obligations	766,228	677,580	2,148,954	2,150,656	2,915,182	2,828,236
Other liabilities	<u>219,837</u>	<u>231,333</u>	<u>172,101</u>	<u>178,351</u>	<u>391,938</u>	<u>409,684</u>
Total liabilities	986,065	908,913	2,321,055	2,329,007	3,307,120	3,237,920
Net assets:						
Invested in capital assets, net						
of related debt	355,409	364,042	706,207	677,907	1,061,616	1,041,949
Restricted	204,409	195,421	298,663	291,732	503,072	487,153
Unrestricted	<u>(50,673)</u>	<u>(11,246)</u>	<u>489,211</u>	<u>481,714</u>	<u>438,538</u>	<u>470,468</u>
Total net assets	<u>\$509,145</u>	<u>\$548,217</u>	<u>\$1,494,081</u>	<u>\$1,451,353</u>	<u>\$2,003,226</u>	<u>\$1,999,570</u>

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, assets exceeded liabilities by approximately \$2 billion at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (53%) reflects its investment in capital assets (e.g., land, land improvements, buildings, utility plant, infrastructure, furniture, fixtures, equipment and vehicles), net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net assets (25%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$438.5 million or (22%) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total assets increased by \$72.9 million. This increase is primarily attributed to an increase in loans receivable and capital asset additions of \$32.6 million and \$161.9 million, respectively. This increase was offset by a decrease in restricted cash and cash equivalents of \$125.3 million used to acquire capital assets and to make scheduled debt payments.

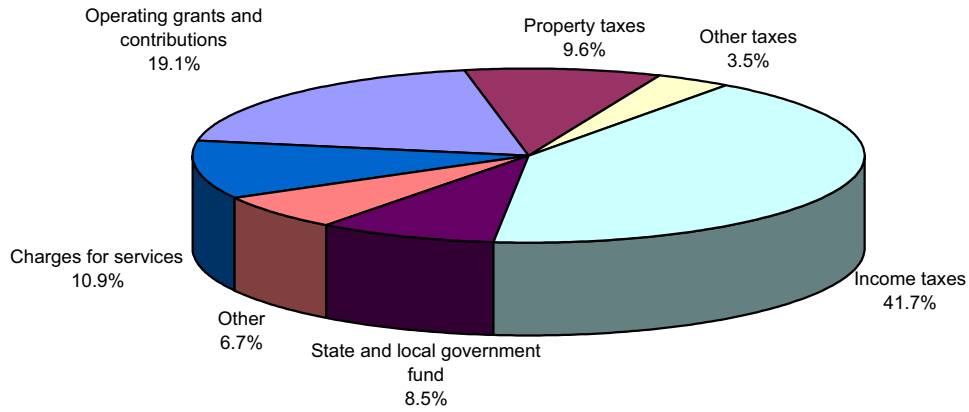
The City's total liabilities increased by \$69.2 million. This increase is primarily due to the issuance of \$110.2 million in general obligation bonds, development bonds, capital leases and urban renewal notes offset by \$33.4 million of refunded and retired debt in the governmental activities.

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

For Fiscal Year Ended December 31, 2003 and 2002

	<u>Governmental Activities</u>		<u>Business-Type Activities</u> (Amounts in 000's)		<u>Total</u>	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for services	\$ 72,533	\$ 52,904	\$ 466,994	\$ 476,877	\$ 539,527	\$ 529,781
Operating grants and contributions	126,684	149,412	790	15,775	127,474	165,187
Capital grants and contributions	13,269	9,914	66,800	65,755	80,069	75,669
General revenues:						
Income taxes	277,086	275,321			277,086	275,321
Property taxes	63,498	74,229			63,498	74,229
Other taxes	23,266	25,720			23,266	25,720
Shared revenues	20,799	7,707			20,799	7,707
Other grants and contributions	101	2,501		2,122	101	4,623
State and local government fund	56,792	54,809			56,792	54,809
Unrestricted investment earnings	1,443	1,207	717	14	2,160	1,221
Miscellaneous	8,855	22,874	4,212	1,194	13,067	24,068
Total revenues	<u>664,326</u>	<u>676,598</u>	<u>539,513</u>	<u>561,737</u>	<u>1,203,839</u>	<u>1,238,335</u>
Expenses:						
General government	82,560	81,356			82,560	81,356
Public service	80,698	76,100			80,698	76,100
Public safety	315,811	305,289			315,811	305,289
Human resources		21,545				21,545
Community development	62,543	87,478			62,543	87,478
Building and housing	12,932				12,932	
Public health	22,750	22,137			22,750	22,137
Parks, recreation and properties	47,725	45,365			47,725	45,365
Economic development	38,850	28,468			38,850	28,468
Other	14,197	12,973			14,197	12,973
Interest on debt	29,065	28,535			29,065	28,535
Water			173,179	170,009	173,179	170,009
Electricity			134,120	133,182	134,120	133,182
Airport facilities			143,147	131,683	143,147	131,683
Other			42,606	42,091	42,606	42,091
Total expenses	<u>707,131</u>	<u>709,246</u>	<u>493,052</u>	<u>476,965</u>	<u>1,200,183</u>	<u>1,186,211</u>
Changes in net assets before transfers	(42,805)	(32,648)	46,461	84,772	3,656	52,124
Transfers	<u>3,733</u>	<u>(502)</u>	<u>(3,733)</u>	<u>502</u>		
Changes in net assets	(39,072)	(33,150)	42,728	85,274	3,656	52,124
Net assets at beginning of year	<u>548,217</u>	<u>581,367</u>	<u>1,451,353</u>	<u>1,366,079</u>	<u>1,999,570</u>	<u>1,947,446</u>
Net assets at end of year	<u>\$ 509,145</u>	<u>\$ 548,217</u>	<u>\$ 1,494,081</u>	<u>\$ 1,451,353</u>	<u>\$ 2,003,226</u>	<u>\$ 1,999,570</u>

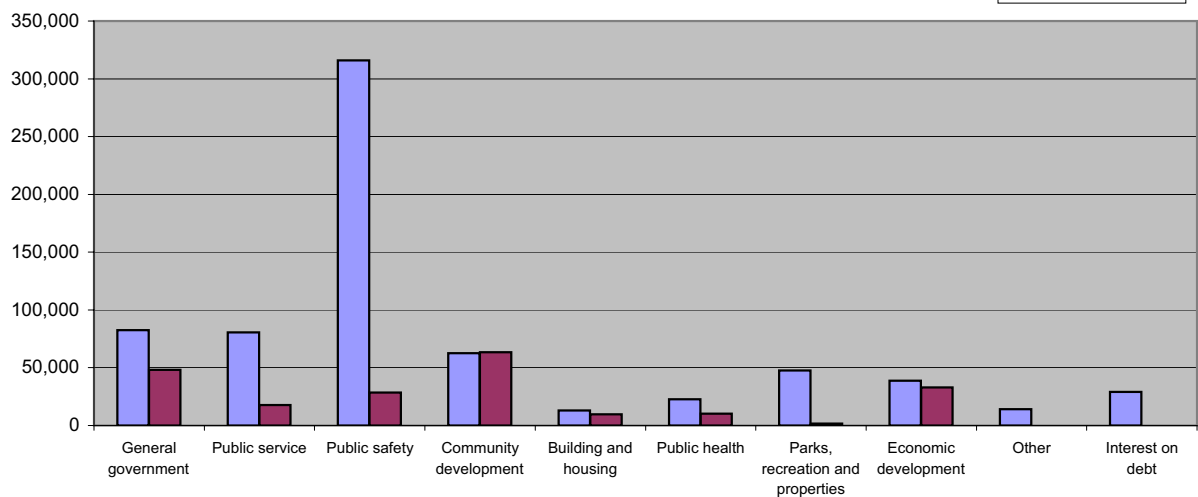
Revenues by Sources - Governmental Activities



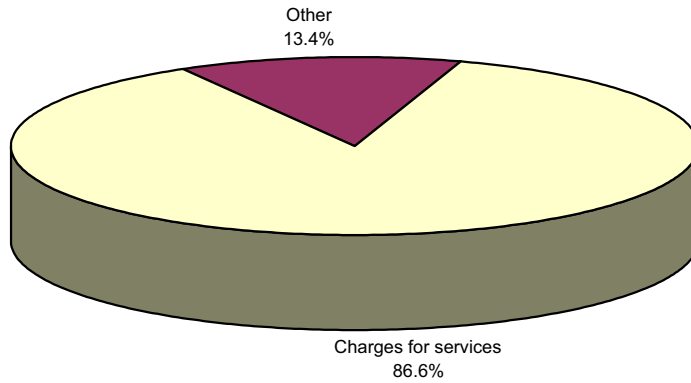
Other includes capital grants and contributions, shared revenues, other grants and contributions, unrestricted investment earnings and miscellaneous revenue.

Expenses and Program Revenues - Governmental Activities

(in thousands)

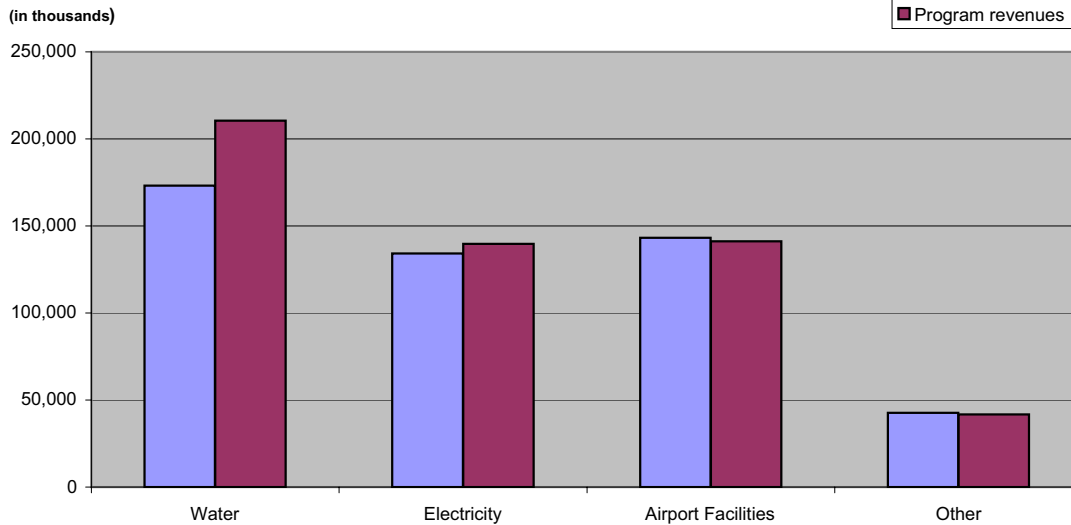


Revenues by Source - Business-type Activities



Other includes capital and operating grants and contributions, other grants and contributions, unrestricted investment earnings and miscellaneous revenue.

Expense and Program Revenues - Business-type Activities



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

Department of Port Control: The City's Department of Port Control consists of the Divisions of Cleveland Hopkins International Airport and Burke Lakefront Airport, which employ approximately 400 individuals in administration, airfield and building maintenance, vehicle maintenance, and aircraft rescue and fire fighting. Currently, 23 passenger airlines provide scheduled airline service at Cleveland Hopkins International Airport. Burke Lakefront Airport, a federally certified commercial and general aviation reliever airport, provides the majority of its services to air taxi operators serving the City's downtown business activities.

The airports' operating revenue in 2003 amounted to \$89.9 million. This represents a 4.3% increase from 2002 operating revenues of \$86.2 million. The increase was primarily due to an increased landing fee rate and a change in the parking rate structure and terms of the management contract. Cleveland Hopkins International Airport served 10,555,000 passengers in 2003. This reflects a 2.2% decrease from the number of passengers served in 2002. This decrease is attributed to an economic downturn and the ongoing effect of tragic events of September 11, 2001.

Division of Water: The Division operates a major public water supply system, the eighth largest in the United States that serves not only the City, but also 70 suburban municipalities in Cuyahoga, Medina, Summit and Geauga counties. The Division is an emergency standby provider for systems in 3 other counties. The present service area covers over 640 square miles and serves over 1.5 million people. In 2003, the aggregate metered consumption of water in the City constituted 35% of the total metered consumption in the service area, while consumption in the direct service communities and master meter communities constituted 54% and 11%, respectively.

Operating revenue in 2003 decreased approximately 5.5% to \$203.8 million from \$215.7 million in 2002. This was attributed to cost cutting efforts by major users such as ISG Steel, Ford Motor Company, Cleveland Metroparks and Alcoa Company. Operating expenses, exclusive of depreciation, increased 3.3% to \$123.6 million compared to \$119.7 million in 2002.

Division of Cleveland Public Power: The Division of Cleveland Public Power supplies electrical service to over 80,000 customers in the City. The Division is responsible for supplying, transmitting and distributing electricity and providing related electrical services to customers within its service area.

Cleveland Public Power's 2003 operating revenue decreased 1.5% to \$139.6 million from \$141.7 million in 2002. Purchased power expense decreased 2.9% to \$70.0 million in 2003 from \$72.1 million in 2002, primarily due to the decrease in kilowatt hour sales. Operating expenses, exclusive of depreciation and purchased power increased 12.9% to \$34.9 million compared to \$30.9 million a year ago.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$449.9 million, an increase of \$30.9 million in comparison with the prior year. The total governmental unreserved fund balance is \$163.6 million of which \$88.4 million is undesignated. The components of the total undesignated governmental fund balance is \$14.9 million in the General Fund which is available for spending at the City's discretion. An additional \$71 million of undesignated Special Revenue Funds are available for expenditures that are legally restricted for a particular purpose. The Capital Project Fund has \$2.5 million of undesignated fund balance to be used for the acquisition or construction of major capital projects. An additional \$75.2 million is designated for future Special Revenue capital improvements and Capital Fund Projects. The remaining \$286.2 million of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$104.5 million), 2) to reserve for loans receivable (\$165.6 million), 3) to pay debt service (\$15.1 million), 4) for a variety of other restricted purposes (\$1.1 million).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$14.9 million while the total fund balance was \$24.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures plus transfers out. Unreserved fund balance represents 3.1% of total General Fund expenditures, while total fund balance represents approximately 5.1% of that same amount.

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

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance Information – GAAP Basis
2003 and 2002
(Amounts in thousands)**

	<u>2003</u>	<u>2002</u>
Revenues:		
Income taxes	\$ 247,748	\$ 248,180
Property taxes	41,134	48,320
State local government funds	55,462	56,436
Other shared revenues	38,706	31,041
Licenses and permits	10,575	7,784
Charges for services	16,081	18,690
Fines, forfeits and settlements	18,321	17,185
Investment earnings	1,511	1,172
Grants	4,493	4,146
Miscellaneous	<u>9,714</u>	<u>9,866</u>
Total Revenues	<u>443,745</u>	<u>442,820</u>
Expenditures:		
General government	64,205	57,692
Public service	34,448	36,172
Public safety	295,180	278,586
Community development	2,204	10,786
Building and housing	11,935	
Public health	12,818	11,503
Parks, recreation and properties	36,762	35,260
Economic development	1,134	1,014
Other	<u>14,197</u>	<u>12,973</u>
Total Expenditures	<u>472,883</u>	<u>443,986</u>
Excess (deficiency) of revenues over expenditures	(29,138)	(1,166)
Other Financing Sources (Uses)		
Transfer in	11,724	21,578
Transfer out	(11,171)	(22,451)
Premium on interest rate swap agreement	<u>3,400</u>	<u> </u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(25,185)	(2,039)
Fund balances at beginning of year (As restated - see Footnote 2)	<u>49,836</u>	<u>51,876</u>
Fund balance at end of year	<u>\$ 24,651</u>	<u>\$ 49,837</u>

Analysis of General Fund Revenues

General Fund revenues and other sources totaled \$458.9 million in 2003, a decrease of approximately 1.2% from 2002. A discussion of each of the major types of General Fund revenues follows.

Municipal Income Taxes

Ohio law authorizes a municipal income tax on both corporate income (net profits from the operation of a business or profession) and employee wages, salaries, and other compensation at a rate of up to 1% without voter authorization and at a rate above 1% with voter authorization. In 1979 and in 1981, the voters in the City approved increases of one-half of one percent to the rate of the income tax, bringing it to the current 2% rate. By the terms of the 1981 voter approval, as amended in 1985, one-ninth of the receipts of the total 2% tax (the "Restricted Income Tax") must be used only for capital improvements, debt service or obligations issued for capital improvements or the payment of past deficits. The remaining eight-ninths of the municipal income tax is recorded in the General Fund and is pledged to, and may also be used for, debt service on general obligation bonds of the City, to the extent required, and certain other obligations of the City.

The income tax is also imposed on gross salaries and wages earned in the City by non-residents of the City and on salaries, wages and other compensation of City residents earned within or outside the City. The income tax liability of a City resident employed outside the City is reduced by a credit equal to 50% of the tax paid to the municipality in which the City resident is employed. The tax on business profits is imposed on that part of profits attributable to business conducted within the City. In 2003, approximately 81% of the total income taxes paid to the City were derived from non-residents employed in the City and business profits.

Income tax collections decreased approximately \$.4 million in 2003 over the comparable amount in 2002 primarily as a result of adverse economic conditions.

Property Taxes

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

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

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

<u>Tax Collection Year</u>	<u>Real Property</u>	<u>Tangible Personal (Other Than Public Utility)</u> (in thousands)	<u>Public Utility Tangible Personal</u>	<u>Total Assessed Valuation</u>
2002	4,673,268	980,928	377,364	6,031,560
2003	4,592,623	853,282	358,143	5,804,048

Property tax revenues decreased by \$7.2 million in 2003 principally due to \$5.1 million of homestead rollback revenue, historically recorded as property tax revenue being reclassified to Other Shared Revenues in 2003. A secondary factor in this decrease was that delinquencies relating to real property taxes increased by \$1.3 million in 2003.

State Local Government Funds and Other Shared Revenues

State Local Government Funds and Other Shared Revenues include taxes levied and collected by the State of Ohio or counties and partially redistributed to the City and other political subdivisions. Other shared revenues include state income, sales, corporate franchise, public utility, estate, and cigarette taxes as well as liquor fees. State Local Government Fund and other shared revenues have increased in total by approximately 7.6% in 2003 due to the inclusion of the homestead rollback revenue.

Since 1993, the State Local Government Fund (“LGF”) and Local Government Revenue Assistance Fund (“LGRAF”) have been the City’s largest source of non-tax General Fund revenue. Through these funds, Ohio subdivisions share in a portion of the State’s collection of the sales tax, use tax, personal income tax, corporate franchise tax and public utilities excise tax. The percentages of the five taxes supporting these funds have varied over the years. At times, the dollar amount in the funds has been capped at specified levels. The \$974,000 reduction of State and Local Government Funds is due to State House Bill 95, effective July 2003, which capped the City’s distributed amount of the funds.

Pursuant to statutory law in Ohio, State LGF revenues are divided into county and municipal portions. The county portion, the larger of the two, is distributed to each of the State’s 88 counties and is allocated based upon a statutory formula utilizing county population and county municipal property values. Once received by a county, the funds can either be distributed to all subdivisions using the statutory formula or the county and its subdivisions may agree upon an alternate method for allocating the funds. Cuyahoga County and its recipient communities have chosen the latter method which is comprised of a base allocation and an excess allocation. The excess allocation takes into account such factors as assessed value per capita, per capita income, population density and the number of individuals receiving public assistance. The municipal portion of the LGF is distributed directly by the State to those municipalities that collect an income tax. A municipality receives its share of the funds based upon its percentage of total municipal income taxes collected throughout the state in a given year.

The LGRAF, which was created in 1989, is distributed to all counties based upon population. Either the statutory allocation method or an agreed upon alternative allocation is used to apportion the funds. Cuyahoga County allocates LGRAF funds using the same method as is used to distribute LGF monies.

LGRAF funding has fluctuated over the course of the last few years. Distributions from the State of Ohio and Cuyahoga County (as a conduit between the State and City) have decreased since 2000.

Licenses and Permits

Revenues are derived from citizens and businesses paying the City to secure various licenses and permits necessary to ensure that the codified ordinances of the City are met to protect the health and safety of the public.

Licenses and permits revenue increased \$2.8 million. This was related to a revenue enhancement package adopted by the Cleveland City Council Ordinance #2393-02 in February 2003 enabling the City to increase fines, fees, forfeitures and charges for services. Major fee increases include emergency medical services, waste collection fees, birth and death certificates, parking place licenses, truck permits, streets permits, engineering and construction fees. Other increases included traffic fines, building and housing fees and right-of-way permits.

Analysis of General Fund Expenditures

General Fund expenditures and other financing uses totaled \$484 million in 2003, an increase of 3.8% from 2002. The amount of expenditures and other uses by function on a GAAP basis, including the increases (decreases) over the prior year, are shown in the following table:

<u>Expenditures and Other Uses</u>	<u>Actual 2003</u>	<u>% of Total</u>	<u>Actual 2002</u>	<u>% of Total</u>	<u>Increase (Decrease) Over 2002</u>	<u>% Change</u>
(Amounts in 000's)						
Current:						
General Government	\$ 64,205	13.26	\$ 57,692	12.37	\$ 6,513	11.29
Public Service	34,448	7.12	36,172	7.75	(1,724)	(4.77)
Public Safety	295,180	60.98	278,586	59.73	16,594	5.96
Community Development	2,204	0.46	10,786	2.31	(8,582)	(79.57)
Building and Housing	11,935	2.47			11,935	
Public Health	12,818	2.65	11,503	2.47	1,315	11.43
Parks, Recreation and Properties	36,762	7.59	35,260	7.56	1,502	4.26
Economic Development	1,134	0.23	1,014	0.22	120	11.83
Other	14,197	2.93	12,973	2.78	1,224	9.43
Operating Transfers Out	<u>11,171</u>	2.31	<u>22,451</u>	4.81	<u>(11,280)</u>	(50.24)
Total expenditures and other financing uses	<u>\$ 484,054</u>		<u>\$ 466,437</u>		<u>\$ 17,617</u>	

The total expenditures and other financing uses increased by \$17.6 million. The overall primary factors for the increase were 1) a 4.0% citywide wage increase effective April 1, 2003, 2) an average increase in medical benefits of approximately 13%, and 3) an increase in the State of Ohio Workers Compensation premium.

In General Government, the Municipal Court divisions increased their staff by 25 employees while the Law Department had significant increases in wages and benefits. Also the inclusion of the Division of Information Services and Technology in 2003 for the first time contributed to the overall expenditure increase variance. Public Safety's increase is directly attributed to increases in salary and overtime related to the heightened security efforts since September 11, 2001 and the August 2003 blackout. Community Development's decrease of \$8.6 million is attributed to personnel costs that were historically classified as Community Development that are now being charged to the Department of Building and Housing. The Public Health increase is attributed to an increase in wages and benefits relating to the Environmental and Air Quality Divisions. The decrease in transfers out was related to a \$2.1 million transfer in from the General Fund to Information Services and Technology in 2002, which did not occur in 2003 due to the inclusion of Information Services and Technology in the General Fund. Also, in 2002, the Cleveland Stadium Operations Fund received an \$8.0 million transfer in that did not occur in 2003. The increase in Other was primarily due to \$3 million of layoff separation expenditures offset by decreases in the Board of Election expenses of \$.6 million as well as maintenance expenses related to the Justice Center building decreasing by \$1.3 million.

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

The unrestricted net assets of the Division of Water, Cleveland Public Power, and Department of Port Control funds amounted to \$264.8 million, \$91.0 million and \$94.7 million, respectively, at December 31, 2003. The change in net assets for each of the respective funds amounted to an increase of \$36.7 million, \$7.6 million and a decrease of \$1.6 million, during 2003. Other factors concerning the finances of the City's proprietary funds have already been addressed in the discussion of the City's business-type activities.

Major Functional Expense Categories. A discussion of the City’s major functional expense categories follows:

Employees and Labor Relations

As of December 31, 2003 and 2002, the City had approximately 8,743 and 8,760 full-time employees, respectively. During January 2004, the City reduced the General Fund employment level by approximately 640 employees through a work force reduction of approximately 500 employees and by transferring an additional 140 employees to various non General Fund departments. Of the 8,743 full-time employees, approximately 6,933 full-time employees are represented by 28 collective bargaining units. The largest collective bargaining units, together with the approximate number of employees represented by such units, include the American Federation of State, County and Municipal Employees, Local 100-1,702; Cleveland Police Patrolmen’s Association-1,705; the Association of Cleveland Firefighters-976; Municipal Foreman and Laborers Union, Local 1099-640; Teamsters, and Local 244-422.

There have been no significant labor disputes or work stoppages in the City within the last 20 years. The City is in the last year of a three-year agreement with the vast majority of its labor unions, which included wage increases of 3%, 3.5% and 4% effective April 2001, 2002, and 2003, respectively.

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

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

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

<u>Year</u>	<u>Amount Paid</u> <u>(in thousands)</u>
2003	\$ 442,813
2002	\$ 437,187

The increase in salaries and wages in 2003 is primarily due to a general 4.0% wage increase effective April 1, 2003. It is also important to note 2002 had 27 pay periods, whereas 2003 had 26 pay periods.

Employee Retirement Benefits

City employees are members of one of two retirement systems. These retirement systems provide both pension and postretirement health care benefits to participants. They were created pursuant to Ohio statutes and are administered by state created boards of trustees. The boards are comprised of a combination of elected members from the respective retirement system’s membership and ex-officio members from certain state and local offices.

These two retirement systems are:

- Ohio Public Employees Retirement System (OPERS), created in 1935, represents state and local government employees not included in one of the other four systems. Management of the fund indicates membership of approximately 365,424 actively employed members as of December 31, 2003. At December 31, 2003, assets of this pension fund approximated \$59 billion. More data on this pension fund are shown in Notes 13 and 14 of this report.
- Ohio Police and Fire Pension Fund (OP&F), created in 1966, represents sworn personnel, not civilians, employed in police and fire divisions of Ohio's local governments. Management of the fund indicates membership of approximately 28,328 actively employed members. Per the latest information available, assets of this pension fund approximated \$7.4 billion. All of the City's police and fire officers are members of this pension fund. More data on this pension fund are shown in Notes 13 and 14 of this report.

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

	<u>2003</u>	<u>2002</u>
	(in thousands)	
Paid by City to:		
OPERS	\$ 36,361	\$ 33,586
OP&F	<u>34,270</u>	<u>33,498</u>
Total paid by City	<u>70,631</u>	<u>67,084</u>
Paid by employees to:		
OPERS	23,092	22,075
OP&F	<u>16,361</u>	<u>16,564</u>
Total paid by employees	<u>39,453</u>	<u>38,639</u>
Total	<u>\$ 110,084</u>	<u>\$ 105,723</u>

The increase in amounts paid to OPERS and OP&F during 2003 is primarily due to the 4.0% wage increase, effective April 1, 2003.

The City is current in all of its required contributions to the respective pension funds. The pension plans and other post-employment benefits for health care are explained in Notes 13 and 14.

GENERAL FUND BUDGETARY ANALYSIS

The difference between the original and the final amended budget including transfers out, (see page 52), was \$10.0 million, which represents a 2 percent increase in appropriations and can be briefly summarized as follows:

- The City decertified approximately \$2.6 million of prior year encumbrances and pre-encumbrances to fund current year operations.
- The City budgeted an additional \$6.1 million for separation and unemployment costs in preparing for City-wide layoff expenses incurred in late 2003 and early 2004.
- Public Safety increased due to salary overtime costs related to heightened security levels at City facilities including the City Airport and Water Facilities and costs associated with the August 2003 blackout.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets: The City's investment in capital assets for its governmental and business-type activities as of December 31, 2003, amounts to \$3.1 billion (net of accumulated depreciation). This investment in capital assets includes land; land improvements; utility plant; buildings, structures and improvements; furniture, fixtures, equipment and vehicles; infrastructure; and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 5.5 percent (a 1.0 percent increase for governmental activities and a 7.1 percent increase for business-type activities). A summary of the City's capital assets at December 31, 2003 is as follows:

	Capital Assets, Net of Accumulated Depreciation		
	Governmental Activities	Business-Type Activities	Total
	(in thousands)		
Land	\$ 60,914	\$ 159,207	\$ 220,121
Land improvements	30,770	239,242	270,012
Utility plant		927,752	927,752
Buildings, structure and improvements	374,589	457,323	831,912
Furniture, fixtures, equipment and vehicles	56,441	118,778	175,219
Infrastructure	171,491		171,491
Construction in progress	<u>79,407</u>	<u>434,235</u>	<u>513,642</u>
Total	<u>\$ 773,612</u>	<u>\$ 2,336,537</u>	<u>\$ 3,110,149</u>

Major events during the current fiscal year affecting the City's capital assets included the following:

- Cleveland Public Power incurred \$9.8 million of capital expenditures related to pole replacement, motor vehicles, computers and various professional services that were capitalized.
- During 2003, the Division of Water had expenditures for capital improvements totaling \$84.5 million. The principal capital expenditures during the year were for Morgan Plant Renovation, Baldwin Plant renovation, Nottingham Plant renovation, purchase of vehicles and equipment and rehabilitation of water mains.
- Port Control expenditures for capital improvements totaled approximately \$124.5 million. Major components were the completion of the Airport Field Maintenance facility and the completion of renovations on the north-end terminal baggage claim area.
- Water Pollution Control had capital expenditures of approximately \$6.1 million. Major projects included the Fairville Avenue/ W. 190th Street sewer project, Fairway Drive area sewer project, storm water basin improvement at the Kerruish Park Facility and purchases of vehicles and equipment.
- Governmental Activities major capital projects included \$4.9 million for the E. 79th Street – Chester Avenue – St. Clair Avenue street resurfacing project, \$2.7 million for the American Disability Act curb ramps compliance project, \$4.0 million for the noise reduction wall landscaping project, \$2.9 million for the building purchase and renovation at 205 St. Clair Avenue and \$3.2 million for resurfacing of streets.

The primary sources for financing the City's Capital Improvement Projects are general obligation bond proceeds, certificates of participation proceeds, urban renewal bond proceeds, proceeds from capital lease, interest earned on funds prior to and during the construction period, restricted income taxes and funds from the State Issue 2 and Local Transportation Improvement Programs. The City has three primary goals relating to its Capital Improvements: 1) preservation and revitalization of Cleveland's neighborhoods; 2) economic development and job creation, and 3) provision of cost-effective, basic City services to Cleveland residents and the business community. Additional information on the City's capital assets, including commitments made for future capital expenditures, can be found in Note 15 starting on page 90.

Long-term debt and other obligations At the end of the current fiscal year, the City had total debt and other obligations outstanding of \$2.9 billion. General obligation bonds and notes are typically issued for general governmental activities and are backed by the full faith and credit of the City. Revenue bonds and mortgage revenue bonds are typically recorded in the applicable Enterprise Fund and are supported by the revenues generated by the respective Enterprise Fund. The remainder of the City's debt represents bonds or notes secured solely by specified revenue sources.

The activity in the City's debt obligations including short-term debt outstanding during the year ended December 31, 2003 is summarized below (excluding unamortized discounts, premiums and losses on debt refundings).

	Balance January 1, 2003	Debt Issued	Debt Refunded (in thousands)	Debt Retired	Balance December 31, 2003
Governmental Activities:					
General Obligation Bonds & Notes	\$ 319,085	\$ 64,100	\$	\$ (26,285)	\$ 356,900
Urban Renewal Bonds/Notes	12,825	4,300		(4,570)	12,555
Subordinated Income Tax Bonds	66,900			(1,400)	65,500
Non-tax Revenue Bonds	10,000	35,600			45,600
Certificates of Participation	155,494			(4,944)	150,550
Gateway Note Payable	3,500			(250)	3,250
Capital Lease Obligations	<u>238</u>	<u>6,254</u>	<u></u>	<u>(238)</u>	<u>6,254</u>
Total Governmental Activities	<u>568,042</u>	<u>110,254</u>	<u></u>	<u>(37,687)</u>	<u>640,609</u>
Business-Type Activities:					
Revenue Bonds and Notes	2,181,898	140,600	(116,810)	(44,846)	2,160,842
Ohio Water Development Loans	16,746	17,178		(879)	33,045
Deferred Payment Obligation	<u>25,151</u>	<u></u>	<u></u>	<u>(1,492)</u>	<u>23,659</u>
Total Business-Type Activities	<u>2,223,795</u>	<u>157,778</u>	<u>(116,810)</u>	<u>(47,217)</u>	<u>2,217,546</u>
Total	<u>\$ 2,791,837</u>	<u>\$ 268,032</u>	<u>\$ (116,810)</u>	<u>\$ (84,904)</u>	<u>\$ 2,858,155</u>

Funds used to meet the debt service requirements of the City's general obligation bonds are from certain ad valorem taxes, restricted income taxes and interest earnings. Ad valorem taxes, the primary source of funds, amounted to \$24.7 million in 2003 which represents 58% of the debt service requirements on the general obligation bonds. These taxes were derived from a levy of \$4.35 per \$1,000 of assessed property. The remaining 42% of debt service requirements is retired from a portion of the City's restricted income tax proceeds, interest earnings and other miscellaneous revenue sources generated within the debt service funds.

The City issues its general obligation bonds within the context of its Capital Improvement Program. Programs which have benefited due to the issuance of general obligation debt include, but are not limited to, public service improvements, bridge and roadway improvements, recreation facilities, cemeteries, and urban redevelopment. The City's Enterprise Funds implement their own individual capital improvement programs and issue revenue bond and note debt necessary to fund their programs.

The City's bond ratings for general obligation and revenue bonds and notes are as follows as of December 31, 2003:

	Moody's Investors Service	Standard & Poors	Fitch Ratings
General Obligation Bonds	A2	A	A+
Waterworks Revenue Bonds	Aa3	AA-	N/A
Cleveland Public Power:			
Revenue Bonds	A2	A-	N/A
Airport System:			
Revenue Bonds	A3	A-	N/A
Municipal Parking Lots:			
Revenue Bonds (Insured Ratings)	Aaa	AAA	AAA

On February 21, 2003, Moody's Investors Service lowered the rating on the City's outstanding General Obligation bonds from A1 to A2. On October 9, 2003, Standard & Poor's Rating Services lowered the rating on the Airport's General Airport Revenue Bonds from A to A- with a stable outlook. On October 14, 2003, S & P lowered the City's General Obligation Bond rating from A+ (negative outlook) to A (stable outlook).

The ratio of net general bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens and investors. Net general bonded debt is total general bonded debt supported by taxes less amounts available in the Debt Service Funds. This data at December 31, 2003 was:

Net General Bonded Debt:	\$352,569,000
Ratio of Net Bonded Debt to Assessed Valuation:	6.07%
Net General Bonded Debt Per Capita:	\$736.97

The Ohio Revised Code provides that the net debt of the municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the assessed value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of total assessed value of property. The City's total debt limit (10.5%) is \$609,425,119 and unvoted debt limit (5.5%) is \$319,222,681. At December 31, 2003, the City had the capacity, under the indirect debt limitation calculation per the Ohio Revised Code, to issue approximately \$95 million of additional, unvoted debt. These debt limitations are not expected to affect the financing of any currently planned facilities or services.

Additional information on the City's long-term debt can be found in Note 5 on pages 72 - 83.

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

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

The City of Cleveland has seen significant reductions in funding from the Federal and State governments. We are combating these reductions by stimulating economic and community development throughout our core business districts and neighborhoods.

On March 29, 2004, City Council passed the 2004 budget for the City of Cleveland, which reflected a \$38.8 million decrease of General Fund appropriations as compared to the fiscal year 2003 final budget in order to eliminate a projected deficit. The City will continue to monitor expenses and revenues in 2004 and deliver the needed services to Cleveland residents.

The City will fully benefit in 2004 from the revenue enhancement package adopted by the Cleveland City Council Ordinance #2393-02 in February 2003 enabling the City to increase fines, fees, forfeitures and charges for services. Major fee increases included emergency medical services, waste collection fees, birth and death certificates, parking place licenses, truck permits, street permits, engineering and construction fees. Other increases included traffic fines, building and housing fees and right-of-way permits.

The Department of Community Development applied for and received \$29 million for CDBG year thirty (30) funding. Also, the Department received a \$7.1 million Federal Home grant and a \$1.1 million grant for the Emergency Shelter program.

The Euclid Corridor Transportation Project will improve transit service, as well as support increased development along Euclid Avenue. The project will provide shorter travel times along Euclid Avenue and linkages with other RTA services for better access to work, home, medical, educational, and cultural centers in Greater Cleveland. The total project costs is anticipated to be \$246 million and will commence in 2004 and will be finished in 2006.

Sysco Foods Corporation (Sysco) will commence operations in the City's Cleveland Business Park in August 2004. Sysco will have a \$30 million annual payroll and will generate \$600,000 in general fund revenues and create over 600 new jobs in the City of Cleveland.

The City issued \$8.2 million of tax-increment financing economic development bonds for the purpose of continuing the revitalization of lower Euclid Avenue in the business district. The revitalization of lower Euclid Avenue will include the redevelopment of more than 155,000 square feet of commercial space which is anchored by the House of Blues. Additionally, a 550 space parking garage capable of supporting 15 stories of residential housing units and over 100 units of new for sale and rental housing along the corridor will be completed in 2004. It is anticipated that the project will create nearly 700 construction jobs and more than 800 permanent jobs.

The City received a \$2.8 million State of Ohio, Clean Ohio Council grant for the demolition of buildings and environmental remediation of the brownfield located at 3781 East 77th Street formerly known as Cleveland Pneumatic Company. Upon completion of the grant funded activities, Presrite Corporation will expand its existing operations and the remainder of the property will be converted into recreation and sport fields. The new project will create 50 new full time jobs.

In November of 2004, the Airport will complete stage II of Runway 6L-24R, bringing the total runway length to 9,000 feet. The additional length will enable larger and heavier aircraft to utilize the Airport facilities. In addition, navigational aids will improve from Category I to Category III which will allow the runway to be used in almost all weather conditions. Overall capacity will improve from approximately 35 takeoffs/landings per hour to 60 takeoffs/landings per hour.

On April 13, 2004, the City entered into an Equipment Lease Agreement with Minority Alliance Capital, LLC in the total amount of \$6,628,000. The funds will be used to acquire a variety of major equipment items such as fire pumpers, rescue squads and waste packers for the Departments of Public Safety, Public Service and Parks, Recreation and Properties. The lease was subsequently assigned to SunTrust Leasing Corporation and the City will make monthly lease payments to Sun Trust for a period of seven years at the end of which the City will own the equipment. The rate on the lease is 3.04%.

The Division of Water introduced legislation for the funding of an enhanced system-wide security system and the purchase and installation of back-up electrical generating facilities for treatment and distribution stations. These two major initiatives will each require capital expenditures of approximately \$25 million, and they are a direct result of the events of September 11, 2001 and the major blackout experience of August 14, 2003, respectively.

Legislation was passed on June 14, 2004 which would authorize the issuance and sale of Water Revenue Bonds in an amount not to exceed \$175,000,000 for the purpose of refunding outstanding water revenue bonds. The proposed legislation also authorizes the Division of Water to transfer up to \$50,000,000 in funds on hand to an escrow fund for the payment of principal and interest on designated bonds.

NEED ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

STATEMENT OF NET ASSETS
December 31, 2003
 (Amounts in 000's)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 255,687	\$ 111,127	\$ 366,814
Investments	8,515	293,169	301,684
Receivables:			
Taxes	123,069		123,069
Accounts	7,721	93,002	100,723
Grants	958		958
Loans	224,511		224,511
Unbilled revenue		34,876	34,876
Accrued interest	243	1,907	2,150
Assessments	5,898		5,898
Less: Allowance for doubtful accounts	<u>(1,138)</u>	<u>(8,556)</u>	<u>(9,694)</u>
Receivables, net	<u>361,262</u>	<u>121,229</u>	<u>482,491</u>
Internal balances	(97)	97	
Due from other governments	71,471	352	71,823
Inventory of supplies	2,468	11,698	14,166
Prepaid expenses and other assets		881	881
Restricted assets:			
Cash and cash equivalents	17,593	779,539	797,132
Investments	2,615	128,835	131,450
Accrued interest receivable		4,412	4,412
Bond retirement reserve		53	53
Accrued passenger facility charge		<u>2,745</u>	<u>2,745</u>
Total restricted assets	<u>20,208</u>	<u>915,584</u>	<u>935,792</u>
Deferred bond issuance expense	2,084	24,462	26,546
Capital assets:			
Land and construction in progress	140,321	593,442	733,763
Other capital assets, net of accumulated depreciation	<u>633,291</u>	<u>1,743,095</u>	<u>2,376,386</u>
Total capital assets	<u>773,612</u>	<u>2,336,537</u>	<u>3,110,149</u>
Total assets	<u>1,495,210</u>	<u>3,815,136</u>	<u>5,310,346</u>
LIABILITIES			
Accounts payable	20,100	21,972	42,072
Accrued wages and benefits	36,147	10,755	46,902
Due to other governments	70,718	49,305	120,023
Accrued interest payable	14,050	57,845	71,895
Deferred revenue	71,981		71,981
Unearned revenue	4,898		4,898
Other accrued liabilities	1,943	531	2,474
Liabilities payable from restricted assets		31,693	31,693
Long-term obligations:			
Due within one year	52,891	56,679	109,570
Due in more than one year	<u>713,337</u>	<u>2,092,275</u>	<u>2,805,612</u>
Total liabilities	<u>986,065</u>	<u>2,321,055</u>	<u>3,307,120</u>
NET ASSETS			
Invested in capital assets, net of related debt	355,409	706,207	1,061,616
Restricted for:			
Debt service	3,079	241,480	244,559
Capital projects	10,537		10,537
Loans	165,522		165,522
Other purposes	25,271	57,183	82,454
Unrestricted	<u>(50,673)</u>	<u>489,211</u>	<u>438,538</u>
Total net assets	<u>\$ 509,145</u>	<u>\$ 1,494,081</u>	<u>\$ 2,003,226</u>

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

CITY OF CLEVELAND, OHIO

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003
AMOUNTS IN (000's)**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:						
Governmental activities:						
General government	\$ 82,560	\$ 2,588	\$ 13,203	\$ (34,437)	\$	\$ (34,437)
Public service	80,698	12,873		(63,023)		(63,023)
Public safety	315,811	9,677		(287,312)		(287,312)
Community development	62,543	63,295		752		752
Building and housing	12,932			(3,259)		(3,259)
Public health	22,750	7,357		(12,532)		(12,532)
Parks, recreation and properties	47,725	343	66	(46,088)		(46,088)
Economic development	38,850	30,551		(6,030)		(6,030)
Other	14,197	546		(13,651)		(13,651)
Interest on debt	29,065			(29,065)		(29,065)
Total governmental activities	707,131	126,684	13,269	(494,645)		(494,645)
Business-type activities:						
Water	173,179	203,748	6,687		37,256	37,256
Electricity	134,120	139,660	1,585		7,125	7,125
Airport facilities	143,147	89,958	51,211		(1,978)	(1,978)
Other	42,606	33,628	7,317		(871)	(871)
Total business-type activities	493,052	466,994	66,800		41,532	41,532
Total	\$ 1,200,183	\$ 539,527	\$ 80,069	(494,645)	41,532	(453,113)
General revenues:						
Income taxes				277,086		277,086
Property taxes				63,498		63,498
Other taxes				23,266		23,266
Shared revenues				20,799		20,799
Grants and contributions not restricted to specific programs				101		101
State and local government fund				56,792		56,792
Unrestricted investment earnings				1,443	717	2,160
Other				8,855	4,212	13,067
Transfers				3,733	(3,733)	
Total general revenues, special items and transfers				455,573	1,196	456,769
Change in net assets				(39,072)	42,728	3,656
Net assets at beginning of year				548,217	1,451,353	1,999,570
Net assets at end of year				\$ 509,145	\$ 1,494,081	\$ 2,003,226

CITY OF CLEVELAND, OHIO

BALANCE SHEET-GOVERNMENTAL FUNDS

DECEMBER 31, 2003

(Amounts in 000's)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 17,676	\$ 230,020	\$ 247,696
Investments		8,515	8,515
Receivables:			
Taxes	92,743	30,326	123,069
Accounts	7,411	308	7,719
Grants		958	958
Loans		224,511	224,511
Accrued interest		229	229
Assessments		5,898	5,898
Less: Allowance for doubtful accounts	(1,125)	(13)	(1,138)
Receivables, net	<u>99,029</u>	<u>262,217</u>	<u>361,246</u>
Due from other funds	3,612	20,993	24,605
Due from other governments	37,467	34,002	71,469
Inventory of supplies	102	667	769
Restricted cash and cash equivalents		17,593	17,593
Restricted investments		<u>2,615</u>	<u>2,615</u>
TOTAL ASSETS	\$ 157,886	\$ 576,622	\$ 734,508
LIABILITIES			
Accounts payable	2,773	\$ 16,400	\$ 19,173
Accrued wages and benefits	35,289	1,975	37,264
Due to other governments	134	69,906	70,040
Deferred revenue	90,283	39,224	129,507
Unearned revenue		4,898	4,898
Due to other funds	4,756	18,988	23,744
Total liabilities	<u>133,235</u>	<u>151,391</u>	<u>284,626</u>
FUND BALANCES			
Reserved for:			
Loans		165,522	165,522
Inventory	102	667	769
Debt service		15,112	15,112
Encumbrances	9,327	95,217	104,544
Rainy day reserve fund	122		122
Reserve fund	168		168
Unreserved, reported in:			
General fund	14,932		14,932
Special revenue funds:			
Designated for future capital improvements		17,197	17,197
Undesignated		71,054	71,054
Capital projects funds			
Designated for future capital improvements		58,002	58,002
Undesignated		2,460	2,460
Total fund balances	<u>24,651</u>	<u>425,231</u>	<u>449,882</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 157,886	\$ 576,622	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and, therefore, are not reported in the funds.	771,188
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	57,526
Long-term liabilities, including bonds and claims payable, are not due and payable in the current period and therefore are not reported in the funds	(777,078)
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets	<u>7,627</u>
Net assets of governmental activities:	\$ 509,145

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

CITY OF CLEVELAND, OHIO

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Income taxes	\$ 247,748	\$ 30,971	\$ 278,719
Property taxes	41,134	22,219	63,353
State local government funds	55,462		55,462
Other shared revenues	38,706	16,324	55,030
Licenses and permits	10,575	3,152	13,727
Charges for services	16,081	5,264	21,345
Fines, forfeits and settlements	18,321	7,368	25,689
Investment earnings	1,511	2,123	3,634
Grants	4,493	115,886	120,379
Contributions		101	101
Miscellaneous	9,714	7,299	17,013
Total revenues	<u>443,745</u>	<u>210,707</u>	<u>654,452</u>
EXPENDITURES:			
Current:			
General government	64,205	9,923	74,128
Public service	34,448	22,313	56,761
Public safety	295,180	7,527	302,707
Community development	2,204	59,023	61,227
Building and housing	11,935		11,935
Public health	12,818	9,052	21,870
Parks, recreation and properties	36,762	1,067	37,829
Economic development	1,134	32,594	33,728
Other	14,197		14,197
Capital outlay		64,738	64,738
Debt issuance costs		818	818
Interest expense		228	228
Debt service:			
Principal retirement		32,949	32,949
Interest		27,400	27,400
Other		719	719
Total expenditures	<u>472,883</u>	<u>268,351</u>	<u>741,234</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(29,138)</u>	<u>(57,644)</u>	<u>(86,782)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	11,724	47,644	59,368
Transfers out	(11,171)	(48,602)	(59,773)
Proceeds from the sale of debt		7,585	7,585
Premium on bonds and notes		3,156	3,156
Proceeds from sale of general obligations bonds and notes		64,100	64,100
Sale of development bonds		32,315	32,315
Proceeds from capital lease		6,254	6,254
Inception of capital lease		(419)	(419)
Premium on interest rate swap agreement	3,400	1,700	5,100
Total other financing sources (uses)	<u>3,953</u>	<u>113,733</u>	<u>117,686</u>
NET CHANGE IN FUND BALANCES	<u>(25,185)</u>	<u>56,089</u>	<u>30,904</u>
FUND BALANCES AT BEGINNING OF YEAR (As restated - See Note 2)	<u>49,836</u>	<u>369,142</u>	<u>418,978</u>
FUND BALANCES AT END OF YEAR	<u>\$ 24,651</u>	<u>\$ 425,231</u>	<u>\$ 449,882</u>

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

CITY OF CLEVELAND, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES OF GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2003

(Amounts in 000's)

Amounts reported for governmental activities in the statement of activities (page 48) are different because:

Net change in fund balances - total governmental funds (page 50)	\$ 30,904
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	7,520
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,451
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of debt issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences, including accrued interest, in the treatment of long-term debt and related items.	(80,129)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(8,961)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>4,143</u>
Change in net assets of governmental activities (page 48)	<u>\$ (39,072)</u>

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

CITY OF CLEVELAND, OHIO

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES (BUDGET AND ACTUAL) - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual*</u>	<u>Variance- Positive (Negative)</u>
REVENUES:				
Income taxes	\$ 253,148	\$ 250,617	\$ 249,680	\$ (937)
Property taxes	41,214	41,214	41,133	(81)
State local government funds	59,385	55,672	55,459	(213)
Other shared revenues	39,533	39,533	38,554	(979)
Licenses and permits	11,087	10,991	10,367	(624)
Charges for services	19,937	16,122	15,547	(575)
Fines, forfeits and settlements	20,849	18,797	18,297	(500)
Investment earnings	1,350	1,435	1,534	99
Grants	3,691	4,183	4,806	623
Miscellaneous	24,477	24,477	20,398	(4,079)
Total revenues	<u>474,671</u>	<u>463,041</u>	<u>455,775</u>	<u>(7,266)</u>
EXPENDITURES:				
Current:				
General government	71,093	66,233	64,663	1,570
Public service	38,139	37,314	36,785	529
Public safety	287,797	296,067	294,118	1,949
Community development	2,794	2,704	2,700	4
Building and housing	12,697	11,772	11,589	183
Public health	13,181	13,146	12,620	526
Parks, recreation and properties	41,148	39,728	38,706	1,022
Economic development	1,362	1,197	1,120	77
Other	14,756	26,631	22,555	4,076
Total expenditures	<u>482,967</u>	<u>494,792</u>	<u>484,856</u>	<u>9,936</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,296)	(31,751)	(29,081)	2,670
OTHER FINANCING SOURCES (USES):				
Transfers in	15,326	34,326	34,394	68
Transfers out	(12,980)	(11,155)	(11,154)	1
Premium on interest rate swap agreement	3,400	3,400	3,400	
Total other financing sources (uses)	<u>5,746</u>	<u>26,571</u>	<u>26,640</u>	<u>69</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(2,550)	(5,180)	(2,441)	2,739
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES	<u> </u>	<u>2,630</u>	<u>2,631</u>	<u>1</u>
NET CHANGE IN FUND BALANCES	<u>(2,550)</u>	<u>(2,550)</u>	<u>190</u>	<u>2,740</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>2,634</u>	<u>2,634</u>	<u>2,634</u>	
FUND BALANCES AT END OF YEAR	<u>\$ 84</u>	<u>\$ 84</u>	<u>\$ 2,824</u>	<u>\$ 2,740</u>

* On budgetary basis of accounting (see Note 2D).

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

CITY OF CLEVELAND, OHIO

BALANCE SHEET - PROPRIETARY FUNDS

DECEMBER 31, 2003

(Amounts in 000's)

	Business Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 74,456	\$ 3,655	\$ 11,965	\$ 19,982	\$ 110,058	9,060
Investments	170,883	63,185	42,319	16,782	293,169	
Receivables:						
Accounts	29,337	20,644	4,814	38,207	93,002	2
Unbilled revenue	25,028	1,987	5,913	1,948	34,876	
Accrued interest	1,171	300	331	103	1,905	16
Less: Allowance for doubtful accounts	(7,732)	(314)	(113)	(397)	(8,556)	
Receivables, net	47,804	22,617	10,945	39,861	121,227	18
Due from other funds	3,536	4,839	544	2,903	11,822	2,267
Due from other governments			352		352	2
Inventory of supplies	3,942	6,974	219	563	11,698	1,698
Prepaid expenses and other assets	193	54	634		881	
Total current assets	300,814	101,324	66,978	80,091	549,207	13,045
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	365,438	15,805	373,386	24,910	779,539	
Investments	5,000	3,307	120,528		128,835	
Accrued interest receivable	680	10	3,556	166	4,412	
Bond retirement reserve			53		53	
Accrued passenger facility charges			2,745		2,745	
Total restricted assets	371,118	19,122	500,268	25,076	915,584	
Unamortized bond issuance costs	6,908	2,181	14,420	953	24,462	
Capital assets:						
Land	5,455	4,863	130,332	18,557	159,207	663
Land improvements	15,011	2,313	360,702	5,383	383,409	3
Utility plant	901,030	349,610		111,481	1,362,121	
Buildings, structures and improvements	193,165	41,336	402,088	140,168	776,757	1,930
Furniture, fixtures, equipment and vehicles	107,827	37,077	37,224	11,067	193,195	4,065
Construction in progress	193,598	22,247	209,544	8,846	434,235	144
Less: Accumulated depreciation	(369,749)	(169,067)	(292,505)	(141,080)	(972,401)	(4,365)
Total capital assets, net	1,046,337	288,379	847,385	154,422	2,336,523	2,440
Total noncurrent assets	1,424,363	309,682	1,362,073	180,451	3,276,569	2,440
TOTAL ASSETS	\$ 1,725,177	\$ 411,006	\$ 1,429,051	\$ 260,542	\$ 3,825,776	\$ 15,485

(Continued)

CITY OF CLEVELAND, OHIO

BALANCE SHEET - PROPRIETARY FUNDS

DECEMBER 31, 2003

(Amounts in 000's)

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds		
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 6,990	\$ 8,914	\$ 4,449	1,593	\$ 21,946	\$ 953
Accrued wages and benefits	13,576	4,578	3,130	2,897	24,181	2,471
Due to other funds	4,909	349	1,637	4,417	11,312	3,638
Due to other governments			6,284	43,021	49,305	678
Accrued interest payable	19,936	1,306	35,438	1,165	57,845	
Current portion of long-term obligations	<u>25,750</u>	<u>9,410</u>	<u>12,716</u>	<u>2,546</u>	<u>50,422</u>	
Total current liabilities	71,161	24,557	63,654	55,639	215,011	7,740
Current liabilities payable from restricted assets	11,522	116	20,055		31,693	
Long-term liabilities:						
Construction loans	26,203			5,881	32,084	
Deferred payment obligation			22,047		22,047	
Revenue bonds payable	<u>805,701</u>	<u>211,665</u>	<u>950,826</u>	<u>62,785</u>	<u>2,030,977</u>	
Total liabilities	<u>914,587</u>	<u>236,338</u>	<u>1,056,582</u>	<u>124,305</u>	<u>2,331,812</u>	<u>7,740</u>
NET ASSETS						
Invested in capital assets, net of related debt	447,076	77,927	98,249	82,955	706,207	2,440
Restricted for debt service	98,682	5,771	122,349	14,678	241,480	
Restricted for passenger facility charges			57,183		57,183	
Unrestricted	<u>264,832</u>	<u>90,970</u>	<u>94,688</u>	<u>38,604</u>	<u>489,094</u>	<u>5,305</u>
Total net assets	<u>810,590</u>	<u>174,668</u>	<u>372,469</u>	<u>136,237</u>	1,493,964	<u>7,745</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,725,177</u>	<u>\$ 411,006</u>	<u>\$ 1,429,051</u>	<u>\$ 260,542</u>		<u>\$ 15,485</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					<u>117</u>	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES					<u>\$ 1,494,081</u>	

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

(Concluded)

CITY OF CLEVELAND, OHIO

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds		
OPERATING REVENUES:						
Charges for services	\$ 203,822	\$ 139,640	\$ 89,854	\$ 33,586	\$ 466,902	\$ 38,567
Total operating revenue	<u>203,822</u>	<u>139,640</u>	<u>89,854</u>	<u>33,586</u>	<u>466,902</u>	<u>38,567</u>
OPERATING EXPENSES:						
Operations	86,593	16,006	54,819	22,663	180,081	31,605
Maintenance	37,047	18,941	3,026	7,263	66,277	2,656
Purchased power		69,993			69,993	
Depreciation	31,316	15,775	33,761	8,056	88,908	264
Total operating expenses	<u>154,956</u>	<u>120,715</u>	<u>91,606</u>	<u>37,982</u>	<u>405,259</u>	<u>34,525</u>
OPERATING INCOME (LOSS)	<u>48,866</u>	<u>18,925</u>	<u>(1,752)</u>	<u>(4,396)</u>	<u>61,643</u>	<u>4,042</u>
NON-OPERATING REVENUES (EXPENSES):						
Investment income	6,530	1,550	7,823	1,471	17,374	239
Interest expense	(19,467)	(11,286)	(19,927)	(4,851)	(55,531)	
Passenger facility charges			21,886		21,886	
Sound insulation program			(9,427)		(9,427)	
(Loss) on disposal of capital assets	(21)	(233)	(13,592)	(15)	(13,861)	
Hotel tax				3,454	3,454	
Premium on interest rate swap agreement				3,275	3,275	
Other revenues (expenses)	650	(1,357)	(8,850)	5	(9,552)	
Total non-operating revenues (expenses)	<u>(12,308)</u>	<u>(11,326)</u>	<u>(22,087)</u>	<u>3,339</u>	<u>(42,382)</u>	<u>239</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	36,558	7,599	(23,839)	(1,057)	19,261	4,281
Capital contributions	166	35	22,206	3,182	25,589	792
Transfers in						682
Transfers out				(3,733)	(3,733)	
Change in net assets	<u>36,724</u>	<u>7,634</u>	<u>(1,633)</u>	<u>(1,608)</u>	<u>41,117</u>	<u>5,755</u>
NET ASSETS AT BEGINNING OF YEAR (As restated - see Note 2)	<u>773,866</u>	<u>167,034</u>	<u>374,102</u>	<u>137,845</u>		<u>1,990</u>
NET ASSETS AT END OF YEAR	<u>\$ 810,590</u>	<u>\$ 174,668</u>	<u>\$ 372,469</u>	<u>\$ 136,237</u>		<u>\$ 7,745</u>
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds					<u>1,611</u>	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES					<u>\$ 42,728</u>	

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

CITY OF CLEVELAND, OHIO

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$ 206,702	\$ 143,208	\$ 99,608	\$ 34,144	\$ 483,662	34,841
Cash payments to suppliers for goods or services	(49,452)	(7,839)	(33,525)	(13,183)	(103,999)	(19,666)
Cash payments to employees for services	(69,587)	(23,500)	(21,215)	(16,598)	(130,900)	(14,951)
Cash payments for purchased power		(70,127)			(70,127)	
Agency activity on behalf of NEORS D				(530)	(530)	
Other		(5,127)			(5,127)	
Net cash provided by (used for) operating activities	<u>87,663</u>	<u>36,615</u>	<u>44,868</u>	<u>3,833</u>	<u>172,979</u>	<u>224</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Advance (repayment) from/to General Fund				768	768	
Cash payments for sound insulation of homes			(10,239)		(10,239)	
Cash received (paid) through transfers from/to other funds				(3,733)	(3,733)	437
Cash received from hotel tax				3,454	3,454	
Other	<u>185</u>	<u>63</u>	<u>(1,624)</u>	<u>48</u>	<u>(1,328)</u>	
Net cash provided by (used for) noncapital financing activities	<u>185</u>	<u>63</u>	<u>(11,863)</u>	<u>537</u>	<u>(11,078)</u>	<u>437</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Cash receipts for passenger facility charges			20,794		20,794	
Proceeds from sale of revenue bonds, loans and notes	11,548		179,885		191,433	
Premium on interest rate swap agreement				3,275	3,275	
Acquisition and construction of capital assets	(84,365)	(13,006)	(128,303)	(3,667)	(229,341)	
Principal paid on long-term debt	(24,377)	(7,865)	(10,916)	(2,567)	(45,725)	
Interest paid on long-term debt	(38,926)	(10,887)	(44,498)	(4,360)	(98,671)	
Cash paid to escrow agent for refunding			(165,055)		(165,055)	
Capital grant proceeds			24,949		24,949	
Other				3	3	
Net cash provided by (used for) capital and related financing activities	<u>(136,120)</u>	<u>(31,758)</u>	<u>(123,144)</u>	<u>(7,316)</u>	<u>(298,338)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of investment securities	(227,731)	(102,587)	(210,773)	(32,266)	(573,357)	
Proceeds from sale and maturity of investment securities	221,906	86,808	162,028	36,591	507,333	
Interest received on investments	<u>13,523</u>	<u>1,677</u>	<u>19,572</u>	<u>1,282</u>	<u>36,054</u>	<u>233</u>
Net cash provided by (used for) investing activities	<u>7,698</u>	<u>(14,102)</u>	<u>(29,173)</u>	<u>5,607</u>	<u>(29,970)</u>	<u>233</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(40,574)</u>	<u>(9,182)</u>	<u>(119,312)</u>	<u>2,661</u>	<u>(166,407)</u>	<u>894</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>480,468</u>	<u>28,642</u>	<u>504,663</u>	<u>42,231</u>	<u>1,056,004</u>	<u>8,166</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 439,894</u>	<u>\$ 19,460</u>	<u>\$ 385,351</u>	<u>\$ 44,892</u>	<u>\$ 889,597</u>	<u>\$ 9,060</u>

(Continued)

CITY OF CLEVELAND, OHIO

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Division of Water	Cleveland Public Power	Department of Port Control	Other Enterprise Funds	Total Enterprise Funds	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Operating income (loss)	\$ 48,866	\$ 18,925	\$ (1,752)	\$ (4,396)	\$ 61,643	\$ 4,042
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	31,316	15,775	33,761	8,056	88,908	264
Non-cash rental income			(3,389)		(3,389)	
Changes in assets and liabilities:						
Receivables, net	2,183	972	12,375	(258)	15,272	9
Due from other funds	1,196	(239)	1,721	(87)	2,591	(453)
Due from other governments				216	216	(2)
Inventory of supplies	938	(220)	14	(63)	669	886
Prepaid expenses and other assets	298		(235)		63	
Accounts payable	194	378	2,608	721	3,901	(477)
Accrued wages and benefits	2,734	835	140	641	4,350	306
Due to other funds	(92)	14	(912)	(1,086)	(2,076)	(2,518)
Due to other governments			537	89	626	(1,833)
Accrued expenses and other liabilities	30	175			205	
Total adjustments	<u>38,797</u>	<u>17,690</u>	<u>46,620</u>	<u>8,229</u>	<u>111,336</u>	<u>(3,818)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 87,663</u>	<u>\$ 36,615</u>	<u>\$ 44,868</u>	<u>\$ 3,833</u>	<u>\$ 172,979</u>	<u>\$ 224</u>

(Concluded)

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

CITY OF CLEVELAND, OHIO

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

DECEMBER 31, 2003

(Amounts in 000's)

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 24,911
Taxes receivable	29,243
Due from other governments	<u>1,044</u>
Total assets	<u>55,198</u>
LIABILITIES	
Due to other governments	37,515
Due to others	<u>17,683</u>
Total liabilities	<u>55,198</u>
NET ASSETS	<u><u>\$ -</u></u>

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

CITY OF CLEVELAND, OHIO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY OPERATIONS AND REPORTING ENTITY

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

Reporting Entity: The accompanying financial statements as of December 31, 2003 and for the year then ended have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to local governments. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB’s Codification of Governmental Accounting and Financial Reporting Standards (“GASB Codification”).

In evaluating how to define the governmental reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, under which the financial statements include all the organizations, activities, functions, and component units for which the City (“primary government”) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and either (1) the City’s ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

On this basis, the City’s financial reporting entity has no component units but includes in its financial statements the financial activities of all departments, agencies, boards and commissions that are part of the primary government, including police and fire protection, waste collection, parks and recreation, health, certain social services and general administrative services. In addition, the City owns and operates several enterprise activities, the principal ones consisting of a water system, a sewer system, an electric distribution system and two airports.

The following entities are related organizations of the City of Cleveland; however, the City’s accountability does not extend beyond its appointing authority:

Cuyahoga Metropolitan Housing Authority - Created under the Ohio Revised Code, the Cuyahoga Metropolitan Housing Authority provides public housing services. The five member board consists of two appointed by the Mayor of the City, two appointed by City Council and one appointed by the City Manager of the City of Cleveland Heights with approval from its City Council.

Cleveland-Cuyahoga County Port Authority - Created under the Ohio Revised Code, the Cleveland-Cuyahoga County Port Authority conducts port operations and economic development activities. The nine member Board of Directors consists of three appointed by the County Commissioners and six appointed by the City of Cleveland.

Cleveland Municipal Schools - In November of 1998, the Mayor of the City of Cleveland was given appointing authority for the Cleveland Municipal Schools. As approved by the State Legislature, the Ohio Revised Code provides for the Mayor to appoint a Chief Executive Officer who must be approved by the Board of Education (the “Board”). The Board is comprised of nine members. The members of the Board are appointed by the Mayor from a pool of 18 candidates presented to the Mayor by an independent nominating panel. In November 2002, the voters of Cleveland elected to maintain the current governance structure.

The following entity is a jointly governed organization of the City of Cleveland; however, the City has no ongoing financial interest or responsibility:

Gateway Economic Development Corporation of Greater Cleveland (Gateway) - Gateway is responsible for the operations of a sports complex and related economic development. The five member board consists of two members appointed by the City, two members appointed by the Board of County Commissioners and one by the President of the Board of County Commissioners with concurrence of the Mayor of the City of Cleveland.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RESTATEMENT OF FUND BALANCE

Restatement of Fund Balance: Information Systems Services was reported as an internal service fund in 2002. The operation of this fund was merged into and budgeted for in the General Fund beginning January 1, 2003. The effect of this merger causes the General Fund fund balance to be restated from \$49,837,000 as previously reported December 31, 2002 to \$49,836,000.

Significant Accounting Policies:

The following is a summary of the more significant policies followed during the preparation of the accompanying financial statements.

A. **Government-wide and fund financial statements**

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. Financial information of the City is presented in the following format:

Basic Financial Statements:

1. *Government-wide financial statements* consist of a statement of net assets and a statement of activities. These statements report all of the assets, liabilities, revenues, expenses, gains and losses of the City. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges for services and are usually intended by management to be financially self-sustaining. Fiduciary funds of the City are not included in these government-wide financial statements.

Interfund receivables and payables and bonds and notes issued and held by the City as investments within governmental and business-type activities have been eliminated in the government-wide statement of net assets. Related interest amounts are eliminated in the government-wide statement of activities. These eliminations minimize the duplicating effect on assets and liabilities within the governmental and business-type activities total column.

Internal service fund balances, whether positive or negative, have been eliminated against the expenses and program revenues shown as governmental activities in the statement of activities, except for Utilities Administration which was shown in the business-type activities column.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. *Fund financial statements* consist of a series of statements focusing on information about the City's major governmental and enterprise funds. Separate statements are presented for the governmental, proprietary, and fiduciary funds.

The City's major governmental fund is the General Fund. Of the City's business-type activities, the Division of Water Fund, Cleveland Public Power Fund and Department of Port Control Fund are considered major enterprise funds.

The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in other funds. Its revenues consist primarily of income and property taxes, investment earnings, shared revenues, charges for services, licenses, fees, and fines.

General Fund expenditures represent costs of general government; public service (including waste collection); public safety (including police and fire); human resources; community development; public health; parks, recreation and properties; and economic development. General Fund resources are also transferred annually to support other services which are accounted for in other separate funds.

The Division of Water Fund is a segment of the Department of Public Utilities of the City. The Division of Water was created for the purpose of supplying water services to customers within the Cleveland metropolitan area.

The Cleveland Public Power Fund is a segment of the Department of Public Utilities of the City. The Cleveland Public Power Fund was established by the City to provide electrical services to customers within the City.

The Department of Port Control Fund was established to account for the operations of the City's airport facilities.

While not considered major funds, the City maintains internal service funds used to account for the financing of goods or services provided by one department or division to another department, division or other government on a cost-reimbursement basis. The three largest of these funds are the following: Motor Vehicle Maintenance, Municipal Income Tax Administration, and Telephone Exchange.

Also maintained by the City are fiduciary funds, such as agency funds, used to account for assets held by the City as an agent for individuals, private organizations or other governments.

3. The City's General Fund budget to actual statement is presented as part of the basic financial statements.
4. *Notes* to the financial statements provide information that is essential to a user's understanding of the basic financial statements.

B. ***Financial reporting presentation***

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance (equity), revenues, and expenditures (expenses). The fund types and classifications that the City reports are as follows:

GOVERNMENTAL FUNDS

1. **General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.
2. **Special Revenue Funds** - Special revenue funds are used to account for revenues derived from specific taxes, grants, or other restricted revenue sources. The uses and limitations of each special revenue fund are specified by legal, regulatory or administrative provisions. These funds include most major federal and state grants.
3. **Debt Service Funds** - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
4. **Capital Projects Funds** - The capital projects funds are used to account for financial resources used for the acquisition or construction of major capital projects (other than those financed by proprietary funds).

PROPRIETARY FUNDS

1. **Enterprise Funds** - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.
2. **Internal Service Funds** - The internal service funds are used to account for the financing of goods or services provided by one department or division to other departments or divisions or to other governments on a cost-reimbursement basis.

FIDUCIARY FUNDS

1. **Agency Funds** - Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. For accounting measurement purposes, the agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Fiduciary Funds are not included in the government-wide statements.

C. *Measurement focus and basis of accounting*

Except for budgetary purposes, the basis of accounting used by the City conforms to GAAP as applicable to governmental units. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include income taxes, property taxes, grants, shared revenue, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the taxpayer's liability occurs and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. On an accrual basis, revenue in the form of shared revenue is recognized when the provider government recognizes its liability to the City. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the City on a cost-reimbursement basis.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The City generally considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are generally recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

In applying the susceptible-to-accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within sixty days after year-end and available to pay obligations of the current period): income taxes, investment earnings, and shared revenues. Reimbursements due for federal or state funded projects are accrued as revenue at the time the expenditures are made or, when received in advance, deferred until expenditures are made. Property taxes and special assessments, though measurable, are not available to finance current period obligations. Therefore, property tax receivables are recorded and deferred until they become available. Other revenues, including licenses, fees, fines and forfeitures and charges for services are recorded as revenue when received in cash because they are generally not measurable until actually received.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Non-operating revenues, such as investment income and passenger facility charges, result from non-exchange transactions or ancillary activities.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the City complies with GASB guidance applicable to its governmental and business-type activities. The City also complies with Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 to its governmental and business-type activities and to its proprietary funds that do not conflict with or contradict GASB pronouncements. The City has chosen the option not to apply future FASB standards (including amendments to earlier pronouncements).

D. Budgetary Procedures

The City is required by state law to adopt annual budgets for the General Fund, certain Special Revenue Funds (including the Division of Streets, Restricted Income Tax, Reserve, Rainy Day Reserve, Schools Recreation and Cultural Activities and Cleveland Stadium Operations Funds) and Debt Service Funds (except for Urban Renewal and Urban Renewal Reserve Funds). Modifications to the original budget are approved by City Council throughout the year. The City maintains budgetary control by not permitting expenditures to exceed appropriations for personnel costs (including benefits), and other costs (including debt service and capital outlay), within a division of the City, without the approval of City Council. Adjustments to the budget can only be made within a division and then within each category. Further legislation is needed in order to move budget amounts from “personnel” to “other” or vice versa, or between divisions. City Council adopted 4 appropriation amendments for 2003 which increased total appropriations by approximately 2% from the original budget.

Unencumbered appropriations for annually budgeted funds lapse at year end.

The City’s budgetary process does not include annual budgeting for certain special revenue funds and capital project funds. Appropriations in these funds remain open and carry over to succeeding years (i.e., multi-year) until the related expenditures are made or until they are modified or canceled. Appropriations for these funds are controlled on a project basis.

The City’s budgetary process accounts for certain transactions on a basis other than GAAP.

The major differences between the budget basis and the GAAP basis are that:

- Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- Encumbrances and pre-encumbrances are recorded as the equivalent of expenditures (budget) as opposed to being included in fund balances (GAAP).

A reconciliation of the General Fund’s results of operations for 2003 reported on the budget basis versus the GAAP basis is as follows:

	(Amounts in 000's)
Excess of revenues and other financing sources over expenditures and other financing uses (budget basis)	\$ (2,441)
Adjustments:	
Revenue accruals	(34,700)
Expenditure accruals	70
Encumbrances and pre-encumbrances	<u>11,886</u>
Net change in fund balances	<u>\$ (25,185)</u>

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

Cash and Cash Equivalents: Cash resources of certain individual funds are combined to form a pool of cash and investments which is managed by the City Treasurer. Investments in the Pooled Cash Account, consisting of certificates of deposit, repurchase agreements, U.S. government securities, State Treasurer Asset Reserve Fund (STAROhio) and time deposits, are carried at fair value (see Note 4) based on quoted market values. Interest earned on pooled cash and investments is distributed to the appropriate funds utilizing a formula based on the month-end balance of cash and investments of each fund.

Cash equivalents are defined as highly liquid investments with a maturity of three months or less at the time they are purchased by the City.

Investments: The City reports its investments at fair value based on quoted market values and recognizes the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs.

Unbilled Revenue: Unbilled revenues are estimates for services rendered but not billed to customers at year end.

Inventory of Supplies: Utility funds' inventory is valued at average cost. All other funds' inventory is valued at cost using the first in/first out method. Inventory generally consists of construction materials, utility plant supplies and parts inventory not yet placed into service. Inventory costs are charged to operations when consumed.

Restricted Assets: Proceeds from debt and amounts set aside for payment of enterprise fund general obligation debt and revenue bonds are classified as restricted assets since their use is limited by applicable bond indentures. Passenger facility charges are restricted for capital expenditures or related debt. OWDA loan is restricted for approved capital projects.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements to the extent the City's capitalization threshold is met. The City defines capital assets as assets with an estimated useful life in excess of 1 year and an individual cost of more than \$5,000 for furniture, fixtures, equipment and vehicles; and \$10,000 for all other assets or projects. Assets are recorded at historical cost or estimated historical cost, if historical cost is not available. Contributed capital assets are recorded at their estimated fair market value on the date contributed.

As permitted under the implementation provisions of GASB Statement No. 34, the historical cost of infrastructure assets acquired, significantly reconstructed or that received significant improvements prior to January 1, 1980 have not been included as part of governmental capital assets in the government-wide financial statements.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capitalized interest is amortized on the straight-line basis over the estimated useful lives of such assets. The City applies Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, for its Waterworks Improvement First Mortgage Revenue Bonds, its Public Power Improvement First Mortgage Revenue Bonds and its Airport Revenue Bonds. This Statement requires capitalization of the interest cost of the borrowings less interest earned on investment of the bond proceeds from the date of the borrowing until the assets constructed from the bond proceeds are ready for their intended use.

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

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

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

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

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

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

Long-Term Obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets and balance sheet. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Losses on advance refundings are deferred and amortized over the life of the new debt, or the life of the advance refunded debt, whichever is shorter. Bonds payable are reported net of the applicable unamortized bond premium, discount or advance refunding losses. Bond issuance costs are reported as other assets and amortized over the term of the related debt.

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

Swap Agreements: The City may enter into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expense resulting from these agreements, no amounts are recorded in the financial statements. As further described in Note 5, the City has six swap agreements outstanding at December 31, 2003, two for its Subordinated Income Tax Refunding Bonds, one on the Certificates of Participation (Cleveland Browns Stadium), one on the Parking Facilities Improvement Revenue Bonds and two related to the Series 2003 A and B Airport System Revenue Bonds.

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

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

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

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

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

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

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds and net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$777.1 million difference are as follows:

	(Amounts in 000's)
Bonds payable	\$634,356
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(2,084)
Unamortized bond premium	5,494
Accrued interest payable	14,050
Capital leases payable	6,254
Claims and adjustments	5,500
Compensated absences	<u>113,508</u>
 Net adjustments to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 <u>\$777,078</u>

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$7.5 million difference are as follows:

	(Amounts in 000's)
Capital outlay	\$45,461
Depreciation expense	(37,705)
Capital asset disposal	<u>(236)</u>
 Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$7,520</u>

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements”. The details of this \$7.45 million difference are as follows:

	(Amounts in 000's)
Reversal of prior year deferred revenue	(\$50,075)
Current year deferred revenues	<u>57,526</u>
 Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$7,451</u>

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences, including accrued interest, in the treatment of long-term debt and reduced items is \$80.1 million which is detailed as follows:

	(Amounts in 000's)
Debt issued or incurred:	
Capital lease financing	\$ 6,254
Issuance of general obligation bonds and other obligations	100,903
Accrued interest	1,665
Principal repayments:	
General obligation debt	(26,945)
Payment on capital lease	(238)
Amortization of debt issuance cost	<u>(1,510)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>(\$80,129)</u>

Another element of that reconciliation states that some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this \$8.9 million difference are as follows:

	(Amounts in 000's)
Compensated absences	(\$4,494)
Claims judgements	<u>(4,467)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>(\$8,961)</u>

NOTE 4 - POOLED AND SEGREGATED CASH AND INVESTMENTS

Monies for the Debt Service Funds, certain Capital Projects Funds, Central Collection Agency, Municipal Courts, Department of Port Control, Division of Water, Division of Water Pollution Control, Division of Cleveland Public Power, Division of Municipal Parking Lots and certain Special Revenue Funds are deposited or invested in individual segregated bank accounts. Monies for the Job Training Partnership Act (JTPA) Grants, Neighborhood Development Investment Funds, Economic Development Funds, Supplemental Empowerment Zone and other Special Revenue Funds are also deposited in segregated bank accounts.

Monies of all other funds of the City, including the accounts of the General Fund, other Special Revenue Funds, other Capital Projects Funds, other Enterprise Funds, Internal Service Funds and other Fiduciary Funds, are maintained or invested in a common group of bank accounts. Collectively these common bank accounts and investments represent the Pooled Cash Account (PCA). Each fund whose monies are included in the PCA has equity therein.

Certain funds have made disbursements from the PCA in excess of their individual equities in the PCA. Such amounts have been classified as due to other funds and due from other funds between the Restricted Income Tax Special Revenue Fund, General Fund and the respective funds that have made disbursements in excess of their individual equities in the PCA.

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

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

GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements*, requires the City to categorize its deposits into one of three categories:

Category 1: Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2: Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name.

Category 3: Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name).

Monthly, the City determines that the collateral has a market value adequate to cover the deposits and that it has been segregated either physically or in book entry form. At year end, the carrying amount of the City's deposits including certificates of deposit was \$112,252,000 and the actual bank balance totaled \$147,969,000. The difference represents outstanding warrants payable and normal reconciling items. Based on the criteria described in GASB Statement No. 3, \$122,025,000 of the bank balance was insured or collateralized with securities held by the City or by its agent in the City's name. The remaining balance of \$25,944,000 is comprised of six separate Bank Investment Contracts (BIC's). Since these BIC's are secured by securities held by the pledging financial institution's trust department, but not in the City's name, they are considered uninsured and uncollateralized, as defined by the GASB, (which includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department but not in the City's name).

Investments: The City's investment policies are governed by state statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; bonds and other State of Ohio obligations; certificates of deposit; U.S. Government Money Market Mutual Funds; State Treasurer Asset Reserve Fund (STAROhio); guaranteed investment contracts and repurchase transactions. Such repurchase transactions must be purchased from financial institutions as discussed in "Deposits" above or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained. Under City policy, investments are limited to repurchase agreements, U.S. government securities, certificates of deposit, investments in certain money market mutual funds and STAROhio. Generally, investments are recorded in segregated accounts by way of book entry through the bank's commercial or trust department and are kept at the Federal Reserve Bank in the depository institution's separate custodial account for the City, apart from the assets of the depository institution. Ohio statute prohibits the use of reverse repurchase agreements as of September 1996.

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

GASB Statement No. 3 requires the City to categorize its deposits and investments into one of three categories:

Category 1: includes insured or registered, or securities held by the City or its agent in the City’s name;

Category 2: includes uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the City’s name; and

Category 3: includes uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the City’s name.

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

<u>Type of Investment</u>	<u>Category</u>	<u>Fair Value</u>	<u>Cost</u>
		<u>(Amounts in 000’s)</u>	
U.S. Agency Obligations	1	\$ 471,899	\$ 471,215
U.S. Treasury Bills	2	18,555	18,544
STAROhio	n/a	73,050	73,050
Investments in Mutual Funds	n/a	340,293	340,293
Guaranteed Investment Contracts	n/a	438,085	438,085
Manuscript Debt	n/a	8,200	8,200
Other	n/a	<u>159,657</u>	<u>159,657</u>
Total Investments		1,509,739	1,509,044
Total Deposits		<u>112,252</u>	<u>112,252</u>
Total Deposits and Investments		<u>\$ 1,621,991</u>	<u>\$ 1,621,296</u>

Amounts represented by “Other” consist of deposits into a collective pool managed by JPMorgan as trustee. STAROhio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. Amounts invested with STAROhio, mutual funds, in a collective pool and in guaranteed investment contracts are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 3. The fair value of the City’s position in STAROhio is equal to the value of the shares the City owns in the investment pool.

Reconciliation to Financial Statements: Total cash and investments are reported as follows:

Government-Wide Financial Statements

(Amounts in 000's)

Unrestricted:	
Cash and cash equivalents	\$ 366,814
Investments	301,684
Restricted:	
Cash and cash equivalents	797,132
Investments	<u>131,450</u>
Total	<u>\$ 1,597,080</u>

Fund Financial Statements

(Amounts in 000's)

Balance Sheet – Governmental Funds:	
Unrestricted:	
Cash and cash equivalents	\$ 247,696
Investments	8,515
Restricted:	
Cash and cash equivalents	17,593
Investments	2,615
Balance Sheet – Proprietary Funds:	
Enterprise Funds:	
Unrestricted:	
Cash and cash equivalents	110,058
Investments	293,169
Restricted:	
Cash and cash equivalents	779,539
Investments	128,835
Internal Service Funds:	
Unrestricted:	
Cash and cash equivalents	<u>9,060</u>
Subtotal	1,597,080
Statement of Fiduciary Net Assets:	
Unrestricted:	
Cash and cash equivalents	<u>24,911</u>
Total	<u>\$ 1,621,991</u>

NOTE 5 – DEBT AND OTHER LONG-TERM OBLIGATIONS

A summary of the changes in the debt and other long-term obligations of the City during the year ended December 31, 2003 is as follows:

	Balance January 1, 2003	Additions	(Reductions)	Balance December 31, 2003	Due Within One Year
	(Amounts in 000's)				
Governmental Activities					
General Obligation Bonds due through 2027, 2.0% to 9.875%	\$ 319,085	\$ 64,100	\$ (26,285)	\$ 356,900	\$ 26,960
<i>Other Obligations:</i>					
Urban Renewal Bonds due through 2018, 3.60% to 6.75%	8,575		(320)	8,255	340
Taxable Urban Renewal Notes due 2005, 2.48%		4,300		4,300	
Subordinated Income Tax Refunding Bonds due through 2024, 4.88%	66,900		(1,400)	65,500	1,500
Non-Tax Revenue (Bonds):					
Stadium due through 2020, 5.75%	10,000			10,000	
Taxable Economic and Community Dev. (Core City) due 2033		27,400		27,400	
Lower Euclid Avenue TIF 2003A&B due 2032		8,200		8,200	
Certificates of Participation - 1995	3,084		(3,084)		
Certificates of Participation - Stadium	152,410		(1,860)	150,550	2,065
Capital Lease Obligations	238	6,254	(238)	6,254	904
Gateway Note Payable	3,500		(250)	3,250	250
Accrued wages and benefits	46,059	7,012	(1,588)	51,483	19,920
Police and fire overtime	62,590	1,204	(2,260)	61,534	365
Fire deferred vacation	1,514	166	(72)	1,608	54
Estimated claims payable	1,033	6,141	(1,674)	5,500	533
	674,988	124,777	(39,031)	760,734	52,891
Plus: Unamortized premium	2,592	3,157	(255)	5,494	
Total Governmental Activities, Net	677,580	127,934	(39,286)	766,228	52,891
Business-Type Activities (Enterprise Funds)					
Airport System Revenue Bonds:					
Series 1990 due through 2006, 7.15% to 7.30%	12,198		(3,711)	8,487	3,044
Series 1994 due through 2004, 7.95%	75,810		(73,765)	2,045	2,045
Series 1997 due through 2027, 4.40% to 7.00%	258,870		(5,300)	253,570	6,015
Series 2000 due through 2031, 5.00% to 5.50%	573,190			573,190	
Series 2003 due through 2033, Auction Rate		140,600		140,600	
Airport Surplus Notes, Series 2001 due 2003, 5.55%	44,950		(44,950)		
Public Power System Revenue Bonds:					
Series 1994 due through 2013, 6.10% to 7.00%	59,895		(5,610)	54,285	5,950
Series 1996 due through 2024, 5.00% to 6.00%	122,380		(695)	121,685	730
Series 1998 due through 2017, 4.00% to 5.25%	44,760			44,760	
Series 2001 due through 2016, 3.55% to 5.50%	40,595		(1,560)	39,035	2,730
Waterworks Improvement Revenue Bonds:					
Series G 1993 due through 2021, 5.125% to 5.50%	181,110		(8,800)	172,310	9,255
Series H 1996 due through 2026, 5.20% to 6.00%	72,075		(3,105)	68,970	7,510
Series I 1998 due through 2028, 4.10% to 5.25%	301,865		(2,175)	299,690	2,260
Series J 2001 due through 2016, 4.00% to 5.375%	92,595		(9,910)	82,685	6,135
Series K 2002 due through 2033, 3.50% to 5.25%	138,050			138,050	
Series L 2002 due through 2033, Variable	90,000			90,000	
Ohio Water Development Authority and Public Works					
Commission Loans due through 2025, 0.00% to 4.18%	16,746	17,178	(879)	33,045	961
Parking Facilities Revenue Bonds					
due through 2022, 4.45% to 6.00%	73,555		(2,075)	71,480	2,175
Deferred Payment Obligation	25,151		(1,492)	23,659	1,612
Accrued wages and benefits	10,226	3,711	(511)	13,426	6,257
	2,234,021	161,489	(164,538)	2,230,972	56,679
Less: Unamortized (discount) premium-net	(26,911)		2,837	(24,074)	
Unamortized loss on debt refunding	(56,454)	(5,568)	4,078	(57,944)	
Total Business-Type Activities, Net	2,150,656	155,921	(157,623)	2,148,954	56,679
Total Debt and Other Long-Term Obligations	\$ 2,828,236	\$ 283,855	\$ (196,909)	\$ 2,915,182	\$ 109,570

Internal service funds predominantly serve the governmental funds, except the Utilities Administration Fund, which serves only business-type activity funds. Long-term liabilities for all internal service funds, except the Utilities Administration Fund, are included as part of the totals for governmental activities in the government-wide statement of net assets. At December 31, 2003, \$1,117,000 of the internal service funds, except for Utilities Administration Fund, compensated absences were included in the governmental activities accrued wages and benefits. Long-term liabilities for the Utilities Administration Fund are included as part of the totals for business-type activities in the government-wide statements. At December 31, 2003, \$344,000 of the Utilities Administration Fund compensated absences were included in business-type activities accrued wages and benefits.

The accrued wages and benefits liability will be paid from the fund from which the employees salaries are paid. The estimated claims payable liability will be paid from the fund that incurred the liability or from Judgement Bond proceeds.

A detailed summary of general obligation bonds and business-type activities debt by purpose is as follows for 2003:

	Original Issue Amount	Balance January 1, 2003	Additions	(Reductions)	Balance December 31, 2003
			(Amounts in 000's)		
Governmental Activities Obligations:					
General Obligation Bonds					
Public Facilities	\$ 93,865	\$ 44,160	\$ 17,850	\$ (2,845)	\$ 59,165
Convention Center	7,010	1,800		(325)	1,475
Residential Redevelopment	21,180	10,565	7,100	(545)	17,120
Bridges and Roadways	163,805	87,155	29,000	(6,955)	109,200
Public Safety	8,140	665		(120)	545
Parks & Recreation	61,945	33,320	10,150	(1,895)	41,575
Waterways	3,350	130		(130)	
Refunding Bonds	189,515	134,915		(13,415)	121,500
Judgments/Settlements	6,375	6,375		(55)	6,320
Total Governmental Activities	<u>\$ 555,185</u>	<u>\$ 319,085</u>	<u>\$ 64,100</u>	<u>\$ (26,285)</u>	<u>\$ 356,900</u>
Business-Type Activities Obligations:					
Revenue Bonds					
Airports	\$ 1,196,406	\$ 965,018	\$ 140,600	\$ (127,726)	\$ 977,892
Public Power	429,590	267,630		(7,865)	259,765
Waterworks	1,258,415	875,695		(23,990)	851,705
Parking Facilities	81,105	73,555		(2,075)	71,480
Loans					
Waterworks	50,697	10,226	16,954	(387)	26,793
Water Pollution Control	12,181	6,520	224	(492)	6,252
Total Business-Type Activities	<u>\$ 3,028,394</u>	<u>\$ 2,198,644</u>	<u>\$ 157,778</u>	<u>\$ (162,535)</u>	<u>\$ 2,193,887</u>

The following is a summary of the City's future debt service requirements as of December 31, 2003:

Year Ending December 31	Governmental Activities					
	General Obligation Bonds		Urban Renewal Bonds/Notes		Subordinated Income Tax Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	(Amounts in 000's)					
2004	\$ 26,960	\$ 17,084	\$ 340	\$ 648	\$ 1,500	\$ 3,351
2005	28,630	16,519	4,660	624	1,600	3,270
2006	28,220	15,228	385	494	1,700	3,184
2007	29,275	13,935	410	467	1,800	3,093
2008	29,430	12,545	435	440	2,000	2,995
2009-2013	113,575	42,704	2,655	1,707	11,900	13,246
2014-2018	68,590	18,910	3,670	652	16,500	9,584
2019-2023	28,635	4,609			23,000	4,505
2024-2028	3,585	481			5,500	130
	<u>\$ 356,900</u>	<u>\$ 142,015</u>	<u>\$ 12,555</u>	<u>\$ 5,032</u>	<u>\$ 65,500</u>	<u>\$ 43,358</u>

Year Ending December 31	Non-Tax Revenue Bonds		Certificates of Participation		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
		(Amounts in 000's)				
2004	\$	\$ 1,102	\$ 2,065	\$ 6,925	\$ 904	\$ 190
2005	45	1,212	2,260	6,824	934	160
2006	77	1,455	2,275	6,712	965	130
2007	1,593	2,182	5,826	8,372	996	98
2008	1,880	2,234	10,765	8,458	1,029	65
2009-2013	8,322	11,414	55,789	38,378	1,426	33
2014-2018	7,647	11,520	20,775	16,636		
2019-2023	7,156	7,521	25,320	10,811		
2024-2028	7,933	3,681	25,475	3,429		
2029-2033	10,947	1,540				
	<u>\$ 45,600</u>	<u>\$ 43,861</u>	<u>\$ 150,550</u>	<u>\$ 106,545</u>	<u>\$ 6,254</u>	<u>\$ 676</u>

Year Ending December 31	Gateway Note Payable		Governmental Activities Total	
	Principal	Interest	Principal	Interest
		(Amounts in 000's)		
2004	\$ 250	\$	\$ 32,019	\$ 29,300
2005	250		38,379	28,609
2006	250		33,872	27,203
2007	250		40,150	28,147
2008	250		45,789	26,737
2009-2013	1,250		194,917	107,482
2014-2018	750		117,932	57,302
2019-2023			84,111	27,446
2024-2028			42,493	7,721
2029-2033			10,947	1,540
	<u>\$ 3,250</u>	<u>\$</u>	<u>\$ 640,609</u>	<u>\$ 341,487</u>

Year Ending December 31	Business-Type Activities			
	Revenue Notes and Bonds		Construction Loans	
	Principal	Interest	Principal	Interest
	(Amounts in 000's)			
2004	\$ 47,849	\$ 111,653	\$ 961	\$ 729
2005	47,933	109,203	1,191	910
2006	53,090	107,128	2,352	1,973
2007	66,490	98,648	2,283	1,887
2008	70,795	95,617	2,370	1,800
2009-2013	399,455	423,386	13,264	7,582
2014-2018	421,780	320,272	14,770	4,911
2019-2023	420,995	210,725	14,106	2,227
2024-2028	377,435	107,421	4,661	197
2029-2033	255,020	22,422		
2034-2038				
	<u>\$ 2,160,842</u>	<u>\$ 1,606,475</u>	<u>\$ 55,958</u>	<u>\$ 22,216</u>

Year Ending December 31	Deferred Payment Obligations (Note 6)		Business-Type Activities Total	
	Principal	Interest	Principal	Interest
		(Amounts in 000's)		
2004	\$ 1,612	\$ 1,777	\$ 50,422	\$ 114,159
2005	1,741	1,648	50,865	111,761
2006	1,881	1,508	57,323	110,609
2007	2,032	1,357	70,805	101,892
2008	2,195	1,194	75,360	98,611
2009-2013	13,918	3,024	426,637	433,992
2014-2018	280	1	436,830	325,184
2019-2023			435,101	212,952
2024-2028			382,096	107,618
2029-2033			255,020	22,422
2034-2038				
	<u>\$ 23,659</u>	<u>\$ 10,509</u>	<u>\$ 2,240,459</u>	<u>\$ 1,639,200</u>

The schedule of minimum principal and interest payments for construction loans includes the amortization on four loans provided to the Division of Water by the Ohio Water Development Authority (OWDA). This amortization is based upon the full amount expected to be financed, regardless of whether the Division of Water has received all the loan proceeds. Therefore, at December 31, 2003 the amount financed on these four loan projects less the principal payments made to date, which is reflected in the amortization schedule, exceeds the actual loan balances shown on the schedule of long-term debt outstanding and changes in long-term debt obligations by \$22,913,000.

General Obligation Bonds

General Obligation Bonds: General obligation bonds issued in anticipation of such bonds are backed by the full faith and credit of the City. Such bonds are payable from ad valorem property taxes levied within the limitations provided by law, irrespective of whether such bonds or notes are secured by other receipts of the City in addition to such ad valorem property taxes.

Under the direct debt limitation imposed by the Ohio Revised Code, the City had the capacity to issue \$319,222,681 of additional unvoted debt at December 31, 2003.

Effective November 13, 2003, the City issued \$64,100,000 Series 2003 Various Purpose General Obligation Bonds. These bonds were issued to pay the costs of permanent improvements in such areas as residential neighborhood development, recreation facilities, public facilities, bridges and roadways. Proceeds were also used to pay the issuance costs associated with the bonds.

Other Governmental Obligations

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

Subordinated Income Tax Refunding Bonds: Effective June 1, 1994, the City issued \$74,700,000 of Subordinated Income Tax Variable Rate Refunding Bonds, Series 1994 (the “Bonds”). The proceeds were used to fund the City’s obligation for the employer’s accrued liability to the Police and Firemen’s Disability and Pension Fund of the State of Ohio (the “Fund”). The principal use of the proceeds was for the current refunding of the City’s obligation to the Fund for the employer’s accrued liability in the amount of \$104,686,400, which was payable in semi-annual installments of \$2,696,243 through May 15, 2035. Pursuant to Section 742.30 (C) of the Ohio Revised Code, the City and the Fund entered into an agreement that permitted the City to make a one time payment to the Fund to extinguish the City’s obligation. The payment amount of \$70,493,204 was calculated by applying a 35% discount factor to the \$104,686,400 accrued liability plus adding accrued interest of \$2,447,044. The Bonds are not general obligations of the City and are not secured by its full faith and credit. The Bonds are unvoted special obligations secured by a pledge of and a lien on the unrestricted municipal income taxes of the City, to the extent that such income taxes are not needed to pay debt service on the City’s currently outstanding unvoted general obligation bonds or unvoted general obligation bonds issued in the future. The Bonds bear interest at a variable rate, determined from time to time by the remarketing agent in accordance with the indenture. As a result of a Tax Court ruling on similar bonds issued by the City of Columbus, Ohio, the City’s Special Tax Counsel, Squire, Sanders & Dempsey L.L.P., issued an opinion on August 7, 1998, that the Subordinated Income Tax Refunding Bonds are tax-exempt. As of that date, the Bonds were remarketed as variable rate tax-exempt bonds.

The Bonds provide specified repayment terms and also enable the holders of the Bonds to demand payment under certain circumstances. The City’s obligations under the Bonds have been classified as long-term (except for the portion due in the succeeding year under the specified repayment terms) because of the existence of Bond remarketing agreements the Bond insurers and the City have with certain entities. The Bond remarketing agreements require the entities to use their best efforts to resell any portion of the Bonds presented for payment prior to their scheduled maturity. The City has a letter of credit from a financial institution for the Bonds to ensure funds are available to redeem non-marketable Bonds. No amounts have been drawn on the letter of credit or the City due to nonremarketed Bonds.

Interest Rate Swap Transactions:

In 1999, the City entered into an interest rate swap transaction with AMBAC Financial Services for the purpose of hedging the exposure of the City against interest rate fluctuations arising from the variable rates borne by these Bonds. Under the swap agreement, the City is the fixed rate payor, paying the fixed rate of 4.88% and the counterparty is the floating rate payor, paying the actual variable rate borne by the Series 1994 Bonds. The stated termination date under this swap agreement is May 15, 2024, the maturity date of the Series 1994 Bonds. The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed by the City to the counterparty, or by the counterparty to the City, depending upon the prevailing economic circumstances at the time of the termination and the City would again be exposed to the variable interest rates of the Series 1994 Bonds. The City would also be exposed to the variable interest rates if the counterparty to the swap defaults on its obligation to pay the variable interest required under the swap agreement. The obligation of the City under the swap agreement to make the periodic fixed rate payments (but not the termination payment) is secured by a subordinate pledge of income tax receipts (subordinate to the pledge of income tax receipts made under the General Bond Ordinance securing the repayment of the Bonds). The debt service requirements to maturity for these Bonds presented on the schedule within this footnote are based on the fixed rate of 5.18%, which includes remarketing and credit facility fees. The notional amount upon which the swap agreement was based equaled \$65,500,000 on December 31, 2003. The fair value of the swap at December 31, 2003, as reported by AMBAC Financial Services was \$6,354,242 which would be payable by the City.

Terms: On February 7, 2003, the City sold an option to JPMorgan Chase Bank (“JPM”) that gives JPM the right to execute an interest rate swap at its discretion at any time until the option expires on May 15, 2024 on a declining notional amount equal to the outstanding principal amount of the City’s 1994 Subordinated Income Tax Variable Rate Refunding Bonds. Under the swap agreement, the City will be the fixed rate receiver, receiving the fixed rate of 4.88%, and JPM will be the floating rate receiver, receiving interest on the outstanding notional amount of \$65,500,000 at December 31, 2003, at a rate equal to the weekly BMA index. If the option is exercised, the stated termination date under the swap agreement with JPM will be May 15, 2024. The obligation of the City under the swap agreement to make periodic floating rate payments (but not any termination payment) is secured by a subordinate pledge of the income tax receipts, subordinate to the pledge of the income tax receipts made under the General Bond Ordinance securing the City’s General Obligation Bonds. The payment of any termination payment is subordinate to the payment of debt service on the Series 1994 Subordinated Income Tax Bonds and the periodic floating rate payments under the swap agreement.

Objective: The City entered into the swaption in order to potentially to capture in the future the savings which could be derived from converting these bonds back to a variable rate if or when the option is exercised. In exchange for selling the option to JPM, the City received a premium payment of \$1,700,000.

Basis Risk: There is no basis risk for the City associated with this transaction with the exception of the risk inherent in all variable rate debt. If the option is exercised, the City will receive a fixed rate of 4.88% which equals the fixed rate being paid by the City on the earlier swap on these bonds entered into with AMBAC Financial Services. Since AMBAC is paying the actual variable rate on the original bonds, this transaction leaves the City paying the weekly BMA rate.

Counterparty Risk: The City selected JPM as a counterparty partly due to its credit strength. Over the long term, it is possible that the credit strength of JPM could change and this event could trigger a termination payment on the part of the City.

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

Fair Value: The fair value of the swap at December 31, 2003 as reported by JPM was \$2,828,939 which would be payable by the City.

Non-tax Revenue Bonds: In 1999, the City issued non-tax revenue bonds totaling approximately \$10,000,000 to assist in the construction of the new football stadium. These bonds bear interest at 5.75% until maturity. Principal on these bonds is due each December 1st beginning December 1, 2007 through December 1, 2020. These bonds do not represent a general obligation debt or pledge of the full faith and credit or taxing power of the City, and are payable solely from non-tax revenues of the City.

Non-tax Revenue Bonds – Economic Development Bonds Series 2003A and Series 2003B (Lower Euclid Ave. Project):

In November 2003, the City issued \$7,200,000 Economic Development Revenue Bonds, Series 2003A, and \$1,000,000 Economic Development Revenue Bonds, Series 2003B-1 for the Lower Euclid Avenue Project. The proceeds of these bonds will be made available to the owners of certain properties on Euclid Avenue for the construction and renovation of commercial restaurant and retail facilities and the construction of a parking garage. These Tax Increment Financing (TIF) Bonds are secured by a pledge of a) service payments in lieu of taxes received by the City from the owners of certain properties located within a tax increment financing district and b) loan payments payable to the City and c) also by a pledge of certain non-tax revenues of the City, subject to the prior pledge by the City of such non-tax revenues to secure other obligations of the City.

Non-tax Revenue Bonds – Taxable Economic and Community Development Revenue Bonds Series 2003 (Core City):

The City issued \$27,400,000 of Taxable Economic and Community Development Revenue Bonds, Series 2003, effective December 18, 2003. Proceeds of these bonds established the Core City Fund which will provide funds for industrial, commercial, distribution and research facilities and residential housing in the City. The bonds were issued with a variable rate using 28 day auction rate securities.

Certificates of Participation-1995: Certificates of Participation were issued to fund the acquisition of certain motor vehicles and communication equipment for lease to the City. For the 1995 Certificates of Participation, the City made basic lease payments during successive renewal periods of one year or less through July 1, 2003, subject to City Council appropriating funds each year for that purpose. The Certificates do not constitute a debt or a pledge of the full faith and credit of the City, and the City is not a party to the Certificates. The final lease payment on the 1995 Certificates of Participation was made July 1, 2003 and the City acquired title to the property.

Certificates of Participation-Stadium: In June 1997, Certificates of Participation in the amount of \$139,345,000 were issued to assist in the construction of an open-air stadium for the play of professional football and other events. In October 1999, Certificates of Participation in the amount of \$20,545,000 were issued to retire then outstanding Non-tax Revenue Bond Anticipation Notes. The City will make lease payments subject to annual appropriation by City Council and certification by the Director of Finance as to the availability of funds from those appropriations. These obligations do not constitute a debt or pledge of the full faith and credit of the City.

Interest Rate Swap Transactions:

Terms. On February 13, 2003, the City sold an option to UBS AG (“UBS”) giving UBS the right, at its discretion, to enter into an interest rate swap transaction on November 15, 2007 on a declining notional amount equal to the outstanding principal amount of the City’s to be issued Certificates of Participation, Series 2007 (Cleveland Stadium Project). The notional amount upon which the swap agreement was based equaled \$108,390,000 at December 31, 2003. Under the swap agreement, the City will be the fixed rate payor, paying fixed rates of interest (initially 4.77%) that equate the estimated periodic swap payments plus amortizing principal of the 2007 Bonds to the debt service currently being paid on the Series 1997 Certificates of Participation (Cleveland Stadium Project), and UBS will be the floating rate payor, paying at a rate equivalent to 67% of one month LIBOR. If the option is exercised, the stated termination date under the swap agreement with UBS will be November 15, 2027. The obligation of the City to make periodic fixed rate payments or any termination payment is subject to annual appropriation and certification by the City.

Both the future bond debt service payments and the periodic swap payments will be insured by AMBAC. The City has obtained a commitment for insurance upon exercise of the swap and the issuance of the bonds.

Objective: The City entered into the swap in order to capture the present value savings which could be derived from synthetically refunding its 1997 Certificates of Participation in a lower interest rate environment. In exchange for selling the option to UBS, the City received a premium payment of \$3,400,000.

Basis Risk: If the option is exercised in 2007, the City will receive 67% of LIBOR from UBS and the City will issue tax exempt variable rate debt that should price at approximately the BMA index. While historically the relationship between LIBOR and BMA has been 67%, in the short term this relationship does not always apply. If the 67% of LIBOR received from UBS is less than the actual amount paid on the variable rate bonds, the City must make up the difference in addition to paying the fixed rate resulting from the swap. In addition, a reduction in the marginal federal income tax rates would increase the percentage relationship between BMA and LIBOR and would potentially increase the cost of the financing.

Counterparty Risk: The City selected UBS as a counterparty partly due to its credit strength. Over the long term, it is possible that the credit strength of UBS could change and this event could trigger a termination payment on the part of the City.

Termination Risk: The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed by the City to UBS, or by UBS to the City, depending upon the prevailing economic circumstances at the time of the termination. The City obtained a commitment for insurance to mitigate much of the risk associated with termination due to an event of downgrade of the City.

Market-access Risk: If UBS decides to exercise the option, the City’s intention would be to issue variable rate debt to refund the outstanding 1997 COPS. These variable rate COPS’s would need to be issued in order to achieve the original objective of the synthetic refunding. The City has already obtained municipal bond insurance which will become effective the day the refunding bonds are issued. There is no guarantee that the City will be able to access the short term market. In that case, the City would be left paying the fixed rate on the existing 1997 COPS plus the difference between the fixed rate on the swap and 67% of LIBOR received from UBS.

Fair Value: The fair value of the swap at December 31, 2003 as reported by UBS was \$6,652,917 which would be payable by the City.

Capital Lease Arrangements: The City has entered into agreements to lease equipment. Such agreements are treated as lease purchases (capital leases) and are classified as long-term lease obligations in the financial statements. The lease contracts contain annual one-year renewal options that can be exercised by the City if sufficient funds are appropriated by City Council. Upon the exercise of each annual one-year renewal option and satisfaction of the lease obligations related thereto, title to the equipment will pass to the City. In April 2003, the City entered into an equipment lease agreement with Banc of America Leasing & Capital. As a result of this transaction, the City will purchase approximately \$6,105,000 of heavy-duty vehicles and apparatus for the Departments of Public Safety, Public Service and Parks, Recreation & Properties and will make lease payments from its Restricted Income Tax for the next seven years. The assets recorded by the City under capital leases were as follows as of December 31, 2003:

	<u>Activities</u> (Amounts in 000's)
Furniture, fixtures and equipment	\$ 4,169
Less – accumulated depreciation	<u>(2,139)</u>
Net book value	<u>\$ 2,030</u>

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

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

Police and Fire Overtime and Deferred Vacation Pay: Uniformed employees of the Police and Fire Divisions accumulate overtime compensation in accordance with the union contracts and the requirements of the Fair Labor Standards Act. In addition, uniformed employees may defer earned vacation time, with the appropriate approvals, until retirement. The liabilities for overtime and deferred vacation time, at current pay rates including their related fringe benefits and converted to straight time hours, at December 31, 2003, follow:

<u>Division</u>	<u>Overtime</u>		<u>Deferred Vacation</u>	
	<u>Hours</u>	<u>Dollars</u>	<u>Hours</u>	<u>Dollars</u>
	(Amounts in 000's)			
Police	2,130	\$ 58,314		
Fire	<u>202</u>	<u>5,732</u>	<u>56</u>	<u>\$ 1,614</u>
Total	<u>2,332</u>	<u>\$ 64,046</u>	<u>56</u>	<u>\$ 1,614</u>

Such employees are entitled to receive cash payments for their accumulated hours upon retirement or other termination from the City's payroll. For employees not terminating, accumulated overtime is paid once a year up to the budgeted amount for such purpose. Accumulated overtime is paid in June upon receiving requests in the first quarter. If requests exceed the budgeted amount, the requests are to be paid on a pro-rata basis. Deferred vacation is available to the employee only as a cash payment upon retirement or other termination from the City's payroll. The accumulated hours are paid at the employee's hourly rate at the date of retirement, other termination or at the date of the payment pursuant to a request, which may differ from the rate used to determine the liability above.

Taxable Urban Renewal Notes: Effective October 24, 2003, the City issued \$4,300,000 of Taxable Urban Renewal Notes (Notes), Series 2003. The Notes, which carry an interest rate of 2.48%, were issued to refund \$4,250,000 in Notes issued in 2002 which matured October 30, 2003. The Notes are special obligations of the City and unless paid from other sources, are payable from non-tax revenues of the City. The Notes will mature November 1, 2005.

Business-Type (Enterprise Fund) Obligations

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

On February 27, 2003, the City issued \$44,780,000 of Series 2003 Taxable Airport Surplus Revenue Notes. The notes were issued to redeem the Series 2001 taxable Airport Surplus Revenue Notes on March 1, 2003. By redeeming the 2001 Notes on March 1 rather than on their stated maturity of June 1, 2003, the Airport System realized savings of over \$225,000. The 2003 Notes were issued at a rate of 1.65% and matured November 17, 2003. Proceeds from the Series 2003C Airport Revenue bonds issued in October 2003 were used to retire the 2003 Notes.

On October 23, 2003, the City issued \$140,600,000 of Airport System Revenue Bonds, Series A-C. The Series A and B Bonds were issued to refund the outstanding Series 1994A Airport System Improvement Revenue Bonds. The City completed the refunding to reduce its total debt service payments over the next 22 years and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$4,338,000. The Series C Bonds were issued to retire the \$44,780,000 Series 2003 Taxable Airport Surplus Revenue Notes (see above). The Series 2003 Bonds were issued initially as variable rate debt (auction rate securities). The Series 2003A and 2003B Bonds were swapped to a fixed rate upon issuance of the bonds.

Interest Rate Swap Transactions:

Terms. Simultaneously with the issuance of the City's \$140,600,000 Series 2003A-C Airport System Revenue Bonds on October 23, 2003, the City entered into floating-to-fixed rate swap agreements on the declining notional amount of the \$20,650,000 Series A Bonds and the \$56,200,000 Series B Bonds. Bear Stearns Financial Products Inc. is the counterparty on a five-eighths pro rata share of the notional amount of each Series while JPMorgan Chase Bank is the counterparty on the remaining three-eighths of the notional amount. Under the swap agreement for the Series 2003A Bonds, the Airport System will be the fixed rate payor, paying a fixed rate of 4.169% semiannually, while the Counterparties will pay the Airport System at the BMA index every 35 days. The swap agreement for the Series 2003B Bonds requires the Airport System to pay a fixed rate of 4.273% semiannually and the Counterparties will pay the Airport System the BMA index plus 10 basis points every 35 days. The obligation of the Airport System to make periodic fixed rate payments (but not any termination payment) is secured by a pledge of Airport Revenues. Both the bond debt service payments and the periodic swap payments are insured by AMBAC.

Objective: The City entered into the swaps in order to minimize the costs associated with the refunding of the Series 1994A Bonds. Because all debt service charges of the Airport System are ultimately paid by the various airlines utilizing the City's airports, it was important to reduce the debt related costs as much as possible and the synthetic fixed rate debt provided the greatest debt service relief to the airlines.

Basis Risk: By entering into swaps based upon the BMA index, the City sought to minimize this risk. Since both the underlying bonds and the swap payments are based on the tax exempt market, any potential difference between the rate paid by the City on the bonds and the amount received by the City from the counterparties has been greatly reduced. The amount received on the 2003B Bonds incorporates an additional 10 basis points to take into account the fact that the underlying bonds are subject to the Alternative Minimum Tax.

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

Termination Risk: The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed by the City to Bear Stearns and JPMorgan, or by Bear Stearns and JPMorgan to the City, depending upon the prevailing economic circumstances at the time of the termination. The City obtained insurance to mitigate much of the risk associated with termination due to an event of downgrade of the City.

Fair Value: The fair value of the swaps at December 31, 2003 as reported by JPMorgan Chase Bank was \$739,213 for the Series 2003A and \$2,023,091 for the Series 2003B which would be payable by the City.

Of the Airport System Revenue Bonds issued in 1990, \$15,276,000 were issued in the form of Capital Appreciation Bonds. Interest on the Capital Appreciation Bonds is payable only as a component of their appreciated principal amount at maturity or redemption. Interest on the Capital Appreciation Bonds is compounded semiannually on each interest payment date beginning July 1990. As of December 31, 2003, the Department of Port Control has recorded a liability in the amount of \$13,771,165 for compounded interest payable on the Capital Appreciation Bonds.

Public Power System Revenue Bonds: These bonds are payable from the net revenues derived from the public power system, and are secured by a pledge of and lien on such net revenues plus a first mortgage lien upon all property of the public power system, including any improvements, additions, replacements and extensions thereto.

Waterworks Improvement Revenue Bonds: These bonds are payable from the revenues derived from operations of the waterworks system after the payment of all operating and maintenance expenses (net revenue) and from monies and investments, on deposit in the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Contingency Fund and the Additions and Improvements Fund. On November 21, 2002, the Division of Water issued \$138,050,000 of Water Revenue Bonds, Series K, 2002 and \$90,000,000 of Water Revenue Bonds, Series L, 2002. The proceeds of the Series K Bonds will be used to currently refund all of the \$15,350,000 outstanding Waterworks Improvement First Mortgage Refunding Revenue Bonds, Series D, 1986, to pay costs of improvements to the waterworks system and to pay costs of issuance of the Series K Bonds. The Series L Bonds were issued to pay costs of improvements to the waterworks system and to pay costs of issuance of the Series L Bonds. Series L Bonds were issued as variable note bonds in a weekly mode with a liquidity facility provided by WestLB, AG, acting through its New York branch.

Ohio Water Development Authority and Ohio Public Works Commission Loans: These loans are payable from net revenues derived from the waterworks and water pollution control systems. These obligations do not have a lien on revenues of the Divisions. In 2003, Water Pollution Control received a no interest loan of \$224,012 from the Ohio Public Works Commission for Kerruish Park. In addition, the outstanding balance on the Division of Water's OWDA loan for the Nottingham Chemical project increased by \$7,933,682. This is a 20 year, 3.95% loan with the Divisions' first payment due at the end of 2004. The Division of Water also received \$9,020,769 out of an expected \$31,705,944 OWDA loan for the Baldwin Chemical Plant. Payments on this 20 year, 3.53% loan, begin in 2006.

Parking Facilities Revenue Bonds: These bonds are payable from net revenues generated from certain parking facilities and other operating revenues of the Division of Municipal Parking Lots, including parking meter revenue. In addition, the City has pledged other non-tax revenue to meet debt service requirements. The City has pledged and assigned to the Trustee a first lien on pledged revenues consisting of fines and penalties collected as a result of the violation of municipal parking ordinances and fines, waivers and costs relating to citations for misdemeanor offenses and the special funds as defined within the bond indenture.

Interest Rate Swap Transactions:

Terms. On February 13, 2003, the City sold an option to UBS AG ("UBS") giving UBS the right, at its discretion, to enter into an interest rate swap transaction on September 15, 2006 on a declining notional amount equal to the outstanding principal amount of the City's to be issued Parking Facilities Improvement Revenue Bonds, Series 2006. The notional amount upon which the swap agreement was based equaled \$58,525,000 at December 31, 2003. Under the swap agreement, the City will be the fixed rate payor, paying fixed rates of interest (initially 4.91%) that equate the estimated periodic swap payments plus amortizing principal of the 2006 Bonds to the debt service currently being paid on the Parking Facilities Improvement Revenue Bonds, Series 1996, and UBS will be the floating rate payor, paying at a rate equivalent to 67% of one month LIBOR. If the option is exercised, the stated termination date under the swap agreement with UBS will be September 15, 2022. The obligation of the City to make periodic fixed rate payments (but not any termination payment) is secured by a pledge of the Parking Revenues and Additional Pledged Revenues.

Both the future bond debt service payments and the periodic swap payments will be insured by FSA. The City has obtained a commitment for insurance upon exercise of the swap and the issuance of the bonds.

Objective: The City entered into the swap in order to capture the present value savings which could be derived from refunding its 1996 Parking Facilities Improvement Revenue Bonds in a lower interest rate environment. The 1996 Parking Revenue Bonds could not be advance refunded because the 1996 Bonds refunded the original 1992 Parking Revenue Bonds. Therefore, the City decided to utilize a “synthetic refunding” to realize the savings currently rather than wait for the call date. In exchange for selling the option to UBS, the City received a premium payment of \$3,275,000.

Basis Risk: If the option is exercised in 2006, the City will receive 67% of LIBOR from UBS and the City will issue tax exempt variable rate debt that should price at approximately the BMA index. While historically the relationship between LIBOR and BMA has been 67%, in the short term this relationship does not always apply. If the 67% of LIBOR received from UBS is less than the actual amount paid on the variable rate bonds, the City must make up the difference in addition to paying the fixed rate resulting from the swap. In addition, a reduction in the marginal federal income tax rates would increase the percentage relationship between BMA and LIBOR and would potentially increase the cost of the financing.

Counterparty Risk: The City selected UBS as a counterparty partly due to its credit strength. Over the long term, it is possible that the credit strength of UBS could change and this event could trigger a termination payment on the part of the City.

Termination Risk: The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed by the City to UBS, or by UBS to the City, depending upon the prevailing economic circumstances at the time of the termination. The City obtained a commitment for insurance to mitigate much of the risk associated with termination due to an event of downgrade of the City. An amount due by the City to UBS upon early termination of the agreement is insured by FSA up to a maximum amount of \$8,000,000.

Market-access Risk: If UBS decides to exercise the option, the City’s intention would be to issue variable rate debt to refund the outstanding 1996 Bonds. These variable rate bonds would need to be issued in order to achieve the original objective of the synthetic refunding. The City has already obtained municipal bond insurance which will become effective the day the refunding bonds are issued. There is no guarantee that the City will be able to access the short term market. In that case, the City would be left paying the fixed rate on the existing 1996 Bonds plus the difference between the fixed rate on the swap and 67% of LIBOR received from UBS.

Fair Value: The fair value of the swap at December 31, 2003 as reported by UBS was \$4,240,338 which would be payable by the City.

Debt Covenants: The Enterprise Funds’ bond and note agreements have certain restrictive covenants and principally require that bond reserve funds be maintained and that fees charged to customers be in sufficient amounts, as defined, to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal and maintenance of properties in good condition.

Defeasance of Debt

The City has defeased certain debt by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and defeased bonds are not recorded in the City’s financial statements.

The aggregate amount of defeased debt outstanding at December 31, 2003 is as follows:

<u>Bond/Note Issue</u>	<u>Amount</u> <u>(Amounts in 000's)</u>
Unvoted Tax Supported General Obligations:	
1994	\$ 25,465
Waterworks Improvement Bonds:	
Series H, 1996	102,340
Public Power System Bonds:	
Series 1994	131,440
Airport System Revenue Bonds:	
Series 1994B	79,810

Airport Special Facilities Revenue Bonds

Airport Special Revenue Bonds, Series 1990, totaling \$76,320,000 were issued to finance the acquisition and construction of terminal, hangar and other support facilities leased to Continental Airlines at Cleveland Hopkins International Airport. These bonds were refunded in 1999 by the issuance of Airport Special Revenue Refunding Bonds, Series 1999, totaling \$71,440,000. Additional Airport Special Revenue Bonds, Series 1998, totaling \$75,120,000 were issued in 1998 to finance the design and construction of certain airport facilities leased to Continental Airlines, including a new regional jet concourse. Because principal and interest on these bonds is unconditionally guaranteed by Continental Airlines and paid directly by Continental Airlines, these bonds do not constitute a debt, liability or general obligations of the City or a pledge of the City's revenues. As such, no liabilities relating to these bonds are included in the accompanying financial statements.

NOTE 6 - DEFERRED PAYMENT OBLIGATION / I-X CENTER

In January 1999, the City purchased the International Exposition ("I-X") Center and the land on and around it for \$66.5 million as part of its master plan to expand Cleveland Hopkins International Airport. As part of the purchase agreement, the City leased the building back to the former owner for 15 years, after which the City may tear the building down to make way for airport development. Of the \$66.5 million purchase price, \$36.5 million was paid in cash in 1999. The remaining \$30.0 million, including interest at 7.75%, is being deferred by the seller and will be offset by future lease payments owed to the City over the 15 year lease period. The future lease payments are equal to the remaining purchase price plus interest at 7.75%, and as such, no cash will be exchanged between the City and the lessee over the term of the lease. The deferred payment is reported as "Deferred Payment Obligation" in the accompanying proprietary funds balance sheet.

In the event that either a similar facility is developed that exceeds a specified size, or there is an expansion of an existing facility that exceeds a specified size within the municipal boundary of the City of Cleveland, the lessee has the right to terminate the lease. Such termination would require the City to pay the lessee the remaining portion of the deferred purchase price.

Rental income recognized by the City under this agreement totaled \$3,389,000 in 2003, of which \$1,897,000 was offset against interest expense and \$1,492,000 against the principal balance of the deferred payment obligation.

NOTE 7 - RISK MANAGEMENT

Self Insurance: The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City does not carry commercial insurance for such risks, except for certain proprietary funds and the new football stadium. In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported ("IBNRs"). Claims that meet this criteria are reported as liabilities of either governmental or business-type activities in the government-wide statement of net assets. In the fund financial statements, claims liabilities that relate to enterprise or internal service funds are reported. The current portion of claims is reported as a fund liability in governmental funds; however, the long-term portion of claims liabilities is not reported.

The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

Changes in the estimated claims payable for all funds during the years ended December 31, 2003 and 2002 were as follows:

	<u>2003</u>	<u>2002</u>
	(Amounts in 000's)	
Estimated claims payable, January 1	\$ 1,303	\$ 3,420
Current year claims (including IBNRs) and changes in estimates	7,250	3,950
Claim payments	<u>(2,053)</u>	<u>(6,067)</u>
Estimated claims payable, December 31	<u>\$ 6,500</u>	<u>\$ 1,303</u>

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

Insurance: Certain proprietary funds carry insurance to cover particular liability risks and property protection. Otherwise, the City is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2003. There was no significant decrease in any insurance coverages in 2003. In addition, there were no insurance settlements in excess of insurance coverage during the past three fiscal years.

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

In January of 2003, the City exercised the option of retrospective rating as the premium rating mechanism for our workers' compensation program. The total estimated claims liability incurred in 2003 was \$9,415,000. Of this amount, \$2,173,000 was reduced by a 20% discount from the Bureau of Workers Compensation to \$1,738,000 which was recorded as a fund liability and is payable during 2004. The remaining \$7,242,000 is due in future years. Of this amount, \$2,065,000 has been recorded as a fund liability in the enterprise funds and the remaining \$5,177,000 is recorded as an amount due in more than one year for governmental activities on the government-wide financial statements.

NOTE 8 - CONTINGENCIES

General Contingencies: Various claims and lawsuits are pending against the City. In accordance with GASB Statement No. 10, those claims which are considered "probable" are accrued (see Note 7), while those claims that are considered "reasonably possible" are disclosed but not accrued.

As of December 31, 2003, the amount of claims against the City for which an unfavorable outcome is deemed to be reasonably possible, including condemnation proceedings, aggregated \$82,000.

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

Contingencies Under Grant Programs: The City participates in a number of federally assisted Investment Act grant programs, principal of which are Community Development Block Grants, Home Weatherization Assistance, Distressed Neighborhood, the Healthy Start Initiative, Federal HOME Program, Youth Opportunity Area Grant, Workforce Investment Act Grant, Empowerment Zone and FAA Airport Improvement Grant Programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Audits have been completed by granting agencies for the Empowerment Zone and Workforce Investment Act grants. The audits questioned costs made by these two programs. The City is gathering additional support for these questioned costs. The City believes that the ultimate resolution of these questioned costs will not have a material effect on the financial position of the City. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The City believes that disallowed costs on other grants, if any, would not be material.

NOTE 9 – INTERFUND TRANSACTIONS AND BALANCES

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

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

For the year ended December 31, 2003, transfers consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>							
	<u>Total</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Agency Funds</u>
(Amounts in 000's)								
Governmental Funds:								
General	\$ 11,171	\$	\$10,489	\$10,489	\$	\$	\$ 682	\$
Other governmental	<u>48,602</u>	<u>7,737</u>	<u>37,155</u>	<u>44,892</u>	_____	_____	_____	_____
Total Governmental Funds	<u>59,773</u>	<u>7,737</u>	<u>47,644</u>	<u>55,381</u>	_____	_____	<u>682</u>	_____
Enterprise Funds	3,733	3,733	_____	3,733	_____	_____	_____	_____
Agency Funds	<u>254</u>	<u>254</u>	_____	<u>254</u>	_____	_____	_____	<u>3,710</u>
Total	<u>\$ 63,760</u>	<u>\$11,724</u>	<u>\$47,644</u>	<u>\$59,368</u>	<u>\$</u>	<u>\$</u>	<u>\$ 682</u>	<u>\$ 3,710</u>

Interfund Balances: Interfund balances at December 31, 2003 represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting records, and (3) payments between funds are made. All are expected to be paid within one year.

Interfund receivable and payable balances as of December 31, 2003 are as follows:

Due To	Total	Due From								
		General Fund	Other Governmental Funds	Total Governmental Funds	Division of Water Fund	Cleveland Public Power Fund	Department of Port Control Fund	Other Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
Governmental Funds:										
General	\$ 4,756	\$ 274	\$ 414	\$ 688	\$ 278	\$ 2,029	\$ 60	\$ 328	\$ 2,695	\$ 1,373
Other governmental	<u>18,988</u>	755	17,454	18,209	390	16		81	487	292
Total governmental	<u>\$ 23,744</u>									
Enterprise Funds:										
Division of Water	4,909	12	24	36		2,242		2,320	4,562	311
Cleveland Public Power	349	3	1	4	218			6	224	121
Department of Port										
Control	1,637	534	928	1,462		43		65	108	67
Other Enterprise	<u>4,417</u>	186	1,907	2,093	2,023	205		23	2,251	73
Total enterprise	<u>11,312</u>									
Internal Service Funds	<u>3,638</u>	<u>1,848</u>	<u>265</u>	<u>2,113</u>	<u>627</u>	<u>304</u>	<u>484</u>	<u>80</u>	<u>1,495</u>	<u>30</u>
Total Due To/Due From	<u>\$ 38,694</u>	<u>\$ 3,612</u>	<u>\$ 20,993</u>	<u>\$ 24,605</u>	<u>\$ 3,536</u>	<u>\$ 4,839</u>	<u>\$ 544</u>	<u>\$ 2,903</u>	<u>\$ 11,822</u>	<u>\$ 2,267</u>

NOTE 10 - INCOME TAXES

During 2003, the City income tax rate remained at 2% and the credit provided to City residents for income taxes paid to other municipalities remained at 50%. A portion of the City income tax is restricted in its use to capital expenditures and debt service and is included in the Restricted Income Tax Special Revenue Fund. All other income tax proceeds are included in the General Fund.

Employers within the City are required to withhold income taxes on employee compensation and remit withholdings to the City at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

NOTE 11 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible property (used in business) located in the City. The 2003 levy was based upon an assessed valuation of approximately \$5.804 billion. Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Under current procedures, the City’s share is 4.4 mills, of which 4.35 mills is dedicated to debt service and .05 mills is dedicated to the payment of police and fire pension obligations. A revaluation of all property is required to be completed no less than every six years, with a statistical update every third year. The last statistical update was completed in 2003. Assessed values are established by the Cuyahoga County (County) Auditor. The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City.

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

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

Tangible personal property taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. For the collection year 2003, the percentage used to determine taxable value of personal property and inventory was 25% and 23%, respectively. Pertinent tangible personal property tax dates are:

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

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

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

NOTE 12 – DEFERRED AND UNEARNED REVENUE

Governmental funds report deferred and unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period (deferred). Governmental funds also defer revenue recognition in connection with resources that have been received, but not all eligibility requirements have been met (unearned). As of December 31, 2003, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	Eligibility Requirements <u>Not Met</u>	<u>Total</u>
	(Amounts in 000's)		
Governmental Funds:			
General Fund:			
Income taxes receivable	\$ 18,489	\$	\$ 18,489
Property taxes receivable	47,311		47,311
Local government receivable	17,893		17,893
Estate tax receivable	394		394
Homestead rollback	5,071		5,071
Emergency medical service receivable	1,021		1,021
Indigent defense	104		104
Total General Fund	<u>90,283</u>		<u>90,283</u>
Other Governmental Funds:			
Income taxes receivable	2,311		2,311
Special assessments receivable	4,683		4,683
Property taxes receivable	24,647		24,647
Advances received under grants		4,898	4,898
Motor vehicle taxes receivable	1,231		1,231
Municipal gas tax receivable	1,397		1,397
State gasoline tax receivable	1,121		1,121
Homestead rollback	2,641		2,641
Grant receivable	982		982
Due from other governments	211		211
Total other governmental funds	<u>39,224</u>	<u>4,898</u>	<u>44,122</u>
Total Deferred Revenue	<u>\$ 129,507</u>	<u>\$ 4,898</u>	<u>\$ 134,405</u>

NOTE 13 - DEFINED BENEFIT PENSION PLANS

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

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. Member and employer contribution rates were consistent across all three plans (TP, MD and CO). Member contribution rates were 8.5% and employer contribution rates were 13.55% of covered payroll. The City's required employer contributions to OPERS for all plans for the years ending December 31, 2003, 2002 and 2001 were approximately \$36,360,569, \$33,585,503 and \$30,376,997 each year, respectively. The required payments due in 2003, 2002 and 2001 have been made.

Ohio Police and Fire Pension Fund: The City contributes to the Ohio Police and Fire Pension Fund ("OP&F"), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10% of their annual covered salary, while the City is required to contribute 19.5% for police officers and 24% for firefighters. The City's contributions to the OP&F for police and firefighters were \$20,986,943 and \$13,282,773 for the year ended December 31, 2003, \$20,507,698 and \$12,990,154 for the year ended December 31, 2002, and \$19,554,276 and \$12,597,729 for the year ended December 31, 2001, respectively. The required payments due in 2003, 2002, and 2001 have been made.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System: Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The City's contribution rate was 13.55% of covered payroll, and 5.00% was used to fund health care for the year. The Ohio Revised Code provides the statutory authority to require public employers to fund post retirement health care through their contributions to OPERS. The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2002 was 8.00%. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health care costs were assumed to increase 4.00% annually. OPEBs are advance-funded on an actuarially determined basis. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The employer contribution rates are the actuarially determined contribution requirements for OPERS. The City's actual contributions for 2003 which were to fund postemployment benefits were approximately \$13,417,050. \$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired in an OPERS covered-position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan. The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply his or her allowance toward specific medical expenses, much like a Medical Spending Account. In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

Ohio Police and Fire Pension Fund: OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22, if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll. The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to offer health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2002 and in 2003. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2002, the date of the last actuarial valuation available, are 13,527 for Police and 10,396 for Firefighters. The City's actual contributions for 2003 that were used to fund post employment benefits were \$8,331,816 for police and \$4,290,336 for firefighters. OP&F total health care expense for the year ending December 31, 2002, the date of the last actuarial valuation available, was \$141,028,006 which was net of member contributions of \$12,623,875.

NOTE 15 - CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2003 was as follows:

	Balance January 1, <u>2003</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2003</u>
	(Amount in 000's)			
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 60,914	\$	\$	\$ 60,914
Construction in progress	<u>68,484</u>	<u>35,931</u>	<u>(25,008)</u>	<u>79,407</u>
Total capital assets, not being depreciated	<u>129,398</u>	<u>35,931</u>	<u>(25,008)</u>	<u>140,321</u>
Capital assets, being depreciated:				
Land improvements	82,210	6,762		88,972
Buildings, structures and improvements	537,372	3,673		541,045
Furniture, fixtures, equipment and vehicles	162,772	6,992	(9,690)	160,074
Infrastructure	<u>259,750</u>	<u>17,482</u>	<u>(247)</u>	<u>276,985</u>
Total capital assets, being depreciated	<u>1,042,104</u>	<u>34,909</u>	<u>(9,937)</u>	<u>1,067,076</u>
Less accumulated depreciation for:				
Land improvements	(54,283)	(3,919)		(58,202)
Buildings, structures and improvements	(153,261)	(13,195)		(166,456)
Furniture, fixtures, equipment and vehicles	(103,213)	(10,291)	9,871	(103,633)
Infrastructure	<u>(95,175)</u>	<u>(10,558)</u>	<u>239</u>	<u>(105,494)</u>
Total accumulated depreciation	<u>(405,932)</u>	<u>(37,963)</u>	<u>10,110</u>	<u>(433,785)</u>
Total capital assets being depreciated, net	<u>636,172</u>	<u>(3,054)</u>	<u>173</u>	<u>633,291</u>
Governmental activities capital assets, net	<u>\$ 765,570</u>	<u>\$ 32,877</u>	<u>\$ (24,835)</u>	<u>\$ 773,612</u>

	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003
		(Amount in 000's)		
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 172,221	\$ 1,123	\$ (14,137)	\$ 159,207
Construction in progress	318,693	247,968	(132,426)	434,235
Total capital assets, not being depreciated	<u>490,914</u>	<u>249,091</u>	<u>(146,563)</u>	<u>593,442</u>
Capital assets, being depreciated:				
Land improvements	374,111	10,536	(1,238)	383,409
Utility plant	1,297,963	66,974	(2,816)	1,362,121
Buildings, structures and improvements	735,171	46,221	(4,635)	776,757
Furniture, fixtures, equipment and vehicles	177,409	17,669	(1,829)	193,249
Total capital assets, being depreciated	<u>2,584,654</u>	<u>141,400</u>	<u>(10,518)</u>	<u>2,715,536</u>
Less accumulated depreciation for:				
Land improvements	(127,709)	(17,151)	693	(144,167)
Utility plant	(404,117)	(33,164)	2,912	(434,369)
Buildings, structures and improvements	(294,507)	(29,563)	4,636	(319,434)
Furniture, fixtures, equipment and vehicles	(66,628)	(9,036)	1,193	(74,471)
Total accumulated depreciation	<u>(892,961)</u>	<u>(88,914)</u>	<u>9,434</u>	<u>(972,441)</u>
Total capital assets being depreciated, net	<u>1,691,693</u>	<u>52,486</u>	<u>(1,084)</u>	<u>1,743,095</u>
Business-Type activities capital assets, net	<u>\$2,182,607</u>	<u>\$ 301,577</u>	<u>\$ (147,647)</u>	<u>\$2,336,537</u>

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

	(Amounts in 000's)
Governmental Activities:	
General government	\$ 7,739
Public service	15,266
Public safety	8,452
Building and housing	4
Community development	432
Public health	505
Parks, recreation and properties	5,225
Economic development	82
Depreciation expense on capital assets held by the City's internal service funds that is charged to the various functions based on their usage of the assets	<u>258</u>
Total depreciation expense charged to governmental activities	<u>\$ 37,963</u>
Business-Type Activities:	
Division of Water	\$ 31,316
Cleveland Public Power	15,775
Department of Port Control	33,761
Other business-type activities	<u>8,062</u>
Total depreciation expense charged to business-type activities	<u>\$ 88,914</u>

Construction Commitments: Significant commitments of the City as of December 31, 2003 are composed of the following:

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
	(Amounts in 000's)	
Governmental Activities:		
Ridge Road Transfer Station Design and Construction	\$ 8,887	\$ 140
Purchase 205 St. Clair	3,795	5,933
West 117th St: Construction	2,904	422
Recreation Center Improvements	1,091	723
Cleve Lakefront Bikeway Phase II	698	156
Mill Creek Phase III	931	344
State Road: Brookpark to Pearl	4,609	1,193
Memphis Ave (Ridge - Pearl)	1,610	4,048
Noise Walls-Landscaping-Fence	5,146	2,966

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
	(Amounts in 000's)	
Business-Type Activities:		
Plant Enhancement Program	\$ 27,761	\$ 23,923
North Royalton Pump Station Improvements	21,189	63
Nottingham Chemical Project	17,762	3,586
Water Main Rehab for 2003	5,219	269
Cleaning and Relining Distribution Mains	4,661	469
Construct New Runway 5L/23R	117,758	23,313
New Concourse D	31,915	4,197
Concourse C Improvement	5,529	871
Concourse C Overlay	2,060	30,582
Sound Insulation of Homes	67,213	31,801
Construct NASA-Glenn Fac Relocation	47,079	39,830
Rental Car Facility Construction	25,419	1,821
Wetlands & Stream Mitigation	15,597	19,785
North Terminal Expansion	13,819	358
Defective Pole Replacement	5,623	3,610
New Transformers	311	238
Ridge Road Substation	211	9,046
Cooley Ave & W. 129th Sewer Replacement	5,025	1,210
Snyder Avenue Stormwater Pipes	395	47
E. 143 St. Sewer Replacement-Velma Ave.	295	139
Pump Station Telemetry	656	194
Longwood Estates	2,098	278
Puritas Ave Sewer Project	1,323	1,247

Capital Grant Programs: The City participates in the State Issue 2 program and the Local Transportation Improvement Program. Through these programs, the State of Ohio (“State”) provides financial assistance to the City for its various road and bridge improvements and storm water detention facilities. The Ohio Public Works Commission (“OPWC”) is the State agency which oversees the allocation of State bond proceeds and tax revenue to selected projects which have met funding requirements. Upon approval of the OPWC, the City and the State create project agreements establishing each entity’s financial contribution toward each project. Through December 31, 2003, the State funded \$92,190,000 of road and bridge improvement projects and \$4,575,000 for storm water detention facilities.

Capitalized Interest: Interest expense incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest income earned on invested debt proceeds. For 2003, interest expense incurred for the Enterprise Funds was \$101,615,000 which was net of \$28,405,000 of interest expense capitalized. For 2003, total interest income earned by the Enterprise Funds was \$17,374,000 which was net of \$17,679,000 of interest income capitalized.

Idle Facilities: In April 1977, Cleveland Public Power (“CPP”) closed its generation plant and since that time, CPP’s revenues have been derived primarily from the distribution of purchased power. CPP continued its past practice of depreciating the plant at rates which completed the amortization of the plant in 1999. With the present availability of competitively priced purchased power, management believes the plant will remain idle.

NOTE 16 – SEGMENT INFORMATION

The City has issued revenue bonds and construction loans to finance the activities accounted for in the following enterprise funds:

- Division of Water
- Water Pollution Control
- Cleveland Public Power
- Department of Port Control
- Municipal Parking Lots

Investors in the revenue bonds rely solely on the revenues generated from the specific enterprise activity to which the debt obligations pertain for repayment. Water Pollution Control only has construction loans outstanding.

Shown below is summarized financial information for the City’s enterprise activities that have issued long-term obligations and are not reported as major funds in the proprietary funds financial statements:

Condensed Balance Sheet Information

	Water Pollution Control	Municipal Parking Lots
	(Amounts in 000's)	
Assets:		
Current assets	\$ 75,763	\$ 379
Restricted assets		19,193
Other noncurrent assets		953
Capital assets	<u>63,964</u>	<u>63,988</u>
Total assets	<u>\$ 139,727</u>	<u>\$ 84,513</u>
Liabilities:		
Current liabilities	\$ 47,956	\$ 3,784
Long-term liabilities	<u>5,881</u>	<u>62,785</u>
Total liabilities	<u>53,837</u>	<u>66,569</u>
Net Assets:		
Invested in capital assets, net of related debt	57,457	(972)
Restricted for debt service		14,678
Unrestricted	<u>28,433</u>	<u>4,238</u>
Total net assets	<u>85,890</u>	<u>17,944</u>
Total liabilities and net assets	<u>\$ 139,727</u>	<u>\$ 84,513</u>

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

	Water Pollution Control	Municipal Parking Lots
	(Amounts in 000's)	
Charges for services	\$ 18,878	\$ 7,406
Depreciation (expense)	(3,874)	(1,719)
Other operating (expenses)	<u>(14,646)</u>	<u>(1,910)</u>
Operating income (loss)	358	3,777
Nonoperating revenues (expenses):		
Investment income	690	658
Interest expense	(256)	(4,595)
Gain (loss) on disposal of capital assets	5	(20)
Other revenue (expenses)	7	(82)
Premium on interest rate swap agreement		3,275
Transfers out		(3,733)
Capital contributions	<u>1,977</u>	<u>57</u>
Change in net assets	2,781	(663)
Net assets at beginning of year	<u>83,109</u>	<u>18,607</u>
Net assets at end of year	<u>\$ 85,890</u>	<u>\$ 17,944</u>

Condensed Statement of Cash Flows Information

	<u>Water Pollution Control</u>	<u>Municipal Parking Lots</u>
	(Amounts in 000's)	
Net cash provided by (used for):		
Operating activities	\$ 3,870	\$ 5,533
Noncapital financing activities	(32)	(3,733)
Capital and related financing activities	(4,415)	(2,901)
Investing activities	<u>1,988</u>	<u>2,498</u>
Net increase (decrease) in cash and cash equivalents	1,411	1,397
Beginning cash and cash equivalents	<u>15,209</u>	<u>17,834</u>
Ending cash and cash equivalents	<u>\$ 16,620</u>	<u>\$ 19,231</u>

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

<u>Purpose</u>	<u>Division of Water</u>	<u>Cleveland Public Power</u>	<u>Department of Port Control</u>	<u>Municipal Parking Lots</u>	<u>Cemeteries</u>
	(Amounts in 000's)				
Construction activities	\$ 260,966	\$ 11,598	\$ 235,921	\$	\$
Debt retirement	98,681	5,771	107,333	14,678	
Accrued passenger facility charges			59,928		
Other	<u>11,471</u>	<u>1,753</u>	<u>97,086</u>	<u>4,515</u>	<u>5,883</u>
Total	<u>\$ 371,118</u>	<u>\$ 19,122</u>	<u>\$ 500,268</u>	<u>\$ 19,193</u>	<u>\$ 5,883</u>

NOTE 17 - GATEWAY ECONOMIC DEVELOPMENT CORPORATION

The City of Cleveland, Cuyahoga County and Gateway Economic Development Corporation of Greater Cleveland (Gateway) entered into a three party agreement whereby Gateway was authorized to construct, own and provide for the operation of a professional sports facility, which includes a baseball stadium, an arena, and a joint development site. Gateway was incorporated on May 31, 1990 and is a governmental not-for-profit corporation legally separate from any other entity. In 1990, voters in Cuyahoga County agreed to levy an excise tax for the purpose of constructing such professional sports facilities. The sports facility for the Cleveland Indians (Jacobs Field) opened in April 1994. The multi-functional arena (Gund Arena) opened in October 1994.

The bonds that were issued to construct the sports facilities described above are not a debt or liability of the City of Cleveland. To enhance the security of the bonds, the City has agreed to pledge annually a percentage of admissions taxes on Cleveland Cavaliers games held at the arena to pay debt service if other revenue sources are not sufficient. Any exempted admissions tax not required for debt service will be reimbursed to the City. The City's current admissions tax rate is 8%. For the year ended December 31, 2003, the City pledged \$1,446,000.

In 1992, the Division of Municipal Parking Lots (Division) issued \$71,000,000 of Parking Facilities Improvement Revenue Bonds to finance the construction of three parking facilities including two which will directly service the sports facilities. In 1996, the Division issued \$81,105,000 of Parking Facilities Refunding Revenue Bonds, Series 1996 to advance refund these bonds. Debt service is covered by net revenues from the new parking facilities and other operating revenues of the Division, including all parking meter revenue. In addition, the City has pledged all amounts received by the General Fund for parking violations, waivers and criminal fines to the extent needed for the payment of debt service on the bonds. The first garage on the Gateway site was completed in January 1994. The second garage was completed in August 1994. The third parking facility, Willard Park Garage, was completed in April 1996.

In accordance with an agreement with Gateway, Gateway is required to reimburse the City for the excess of the debt service requirements of the Parking Facility Improvement Revenue Bonds attributed to the two Gateway garages over the net revenues generated by the two Gateway garages. In 2003, net revenues generated by the two Gateway garages were less than the debt service payments attributed to those garages by \$2,988,000. Cumulative debt service payments funded by the City that are due from Gateway totaled \$25,205,000 at December 31, 2003. Due to the uncertainty of collecting such amounts, an allowance has been recorded to offset the amounts in full, therefore these amounts do not appear in the accompanying financial statements.

NOTE 18 – SUBSEQUENT EVENTS

Legislation was passed by City Council on June 14, 2004, which would authorize the issuance and sale of Water Revenue Bonds in an amount not to exceed \$175,000,000 for the purpose of refunding outstanding Water Revenue Bonds. The proposed legislation also authorizes the Division of Water to transfer up to \$50,000,000 in funds on-hand to an escrow fund for the payment of principal and interest on designated bonds.

SUPPLEMENTARY INFORMATION

CITY OF CLEVELAND, OHIO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
GENERAL FUND-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:				
Income taxes	\$ 253,148	\$ 250,617	\$ 249,680	\$ (937)
Property taxes	41,214	41,214	41,133	(81)
State local government fund	59,385	55,672	55,459	(213)
Other shared revenues	39,533	39,533	38,554	(979)
Licenses and permits	11,087	10,991	10,367	(624)
Charges for services	19,937	16,122	15,547	(575)
Fines, forfeits and settlements	20,849	18,797	18,297	(500)
Investment earnings	1,350	1,435	1,534	99
Grant revenue	3,691	4,183	4,806	623
Miscellaneous	24,477	24,477	20,398	(4,079)
Total revenues	<u>474,671</u>	<u>463,041</u>	<u>455,775</u>	<u>(7,266)</u>
EXPENDITURES:				
Current:				
General government:				
Council and clerk of council				
Personnel	4,349	4,149	4,103	46
Other	1,883	1,938	1,938	
Total council and clerk of council	<u>6,232</u>	<u>6,087</u>	<u>6,041</u>	<u>46</u>
Office of the mayor:				
Personnel	2,313	2,103	2,087	16
Other	294	259	234	25
Total office of the mayor	<u>2,607</u>	<u>2,362</u>	<u>2,321</u>	<u>41</u>
Office of consumer affairs:				
Personnel	290	290	242	48
Other	91	76	35	41
Total office of consumer affairs	<u>381</u>	<u>366</u>	<u>277</u>	<u>89</u>
Office of personnel:				
Personnel	1,359	1,259	1,242	17
Other	632	617	565	52
Total office of personnel	<u>1,991</u>	<u>1,876</u>	<u>1,807</u>	<u>69</u>
Landmarks commission:				
Personnel	162	147	131	16
Other	10	10	4	6
Total landmarks commission	<u>172</u>	<u>157</u>	<u>135</u>	<u>22</u>
Board of building standards and appeals:				
Personnel	95	95	88	7
Other	16	16	11	5
Total board of building standards and appeals	<u>111</u>	<u>111</u>	<u>99</u>	<u>12</u>

(Continued)

CITY OF CLEVELAND, OHIO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
GENERAL FUND-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Fair campaign finance commission:				
Other	\$ 10	\$ 10	\$	\$ 10
Total fair campaign finance commission	<u>10</u>	<u>10</u>	<u></u>	<u>10</u>
Board of zoning appeals:				
Personnel	281	256	247	9
Other	<u>21</u>	<u>21</u>	<u>19</u>	<u>2</u>
Total board of zoning appeals	<u>302</u>	<u>277</u>	<u>266</u>	<u>11</u>
Civil service commission:				
Personnel	728	718	695	23
Other	<u>512</u>	<u>212</u>	<u>160</u>	<u>52</u>
Total civil service commission	<u>1,240</u>	<u>930</u>	<u>855</u>	<u>75</u>
Community relations board:				
Personnel	992	782	775	7
Other	<u>86</u>	<u>86</u>	<u>72</u>	<u>14</u>
Total community relations board	<u>1,078</u>	<u>868</u>	<u>847</u>	<u>21</u>
City planning commission:				
Personnel	1,527	1,417	1,397	20
Other	<u>83</u>	<u>83</u>	<u>63</u>	<u>20</u>
Total city planning commission	<u>1,610</u>	<u>1,500</u>	<u>1,460</u>	<u>40</u>
Office of equal opportunity:				
Personnel	680	600	580	20
Other	<u>114</u>	<u>49</u>	<u>33</u>	<u>16</u>
Total office of equal opportunity	<u>794</u>	<u>649</u>	<u>613</u>	<u>36</u>
Municipal court-judicial division:				
Personnel	17,185	16,485	16,401	84
Other	<u>2,500</u>	<u>2,400</u>	<u>2,306</u>	<u>94</u>
Total municipal court-judicial division	<u>19,685</u>	<u>18,885</u>	<u>18,707</u>	<u>178</u>
Municipal court-housing division:				
Personnel	2,601	2,541	2,512	29
Other	<u>229</u>	<u>219</u>	<u>169</u>	<u>50</u>
Total municipal court-housing division	<u>2,830</u>	<u>2,760</u>	<u>2,681</u>	<u>79</u>
Municipal court-clerks division:				
Personnel	7,777	7,252	7,212	40
Other	<u>2,145</u>	<u>2,095</u>	<u>2,094</u>	<u>1</u>
Total municipal court-clerks division	<u>9,922</u>	<u>9,347</u>	<u>9,306</u>	<u>41</u>

(Continued)

CITY OF CLEVELAND, OHIO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
GENERAL FUND-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Office of budget and management:				
Personnel	\$ 559	\$ 549	\$ 520	\$ 29
Other	<u>39</u>	<u>39</u>	<u>38</u>	<u>1</u>
Total office of budget and management	<u>598</u>	<u>588</u>	<u>558</u>	<u>30</u>
Department of aging:				
Personnel	358	358	314	44
Other	<u>77</u>	<u>77</u>	<u>66</u>	<u>11</u>
Total department of aging	<u>435</u>	<u>435</u>	<u>380</u>	<u>55</u>
Department of law:				
Personnel	7,097	6,847	6,705	142
Other	<u>1,971</u>	<u>1,961</u>	<u>1,737</u>	<u>224</u>
Total department of law	<u>9,068</u>	<u>8,808</u>	<u>8,442</u>	<u>366</u>
Finance administration:				
Personnel	536	526	505	21
Other	<u>68</u>	<u>68</u>	<u>62</u>	<u>6</u>
Total finance administration	<u>604</u>	<u>594</u>	<u>567</u>	<u>27</u>
Division of accounts:				
Personnel	1,117	1,077	1,054	23
Other	<u>587</u>	<u>452</u>	<u>431</u>	<u>21</u>
Total division of accounts	<u>1,704</u>	<u>1,529</u>	<u>1,485</u>	<u>44</u>
Division of assessments and licenses:				
Personnel	1,310	1,240	1,226	14
Other	<u>167</u>	<u>167</u>	<u>158</u>	<u>9</u>
Total division of assessments and licenses	<u>1,477</u>	<u>1,407</u>	<u>1,384</u>	<u>23</u>
Division of treasury:				
Personnel	541	551	545	6
Other	<u>97</u>	<u>107</u>	<u>102</u>	<u>5</u>
Total division of treasury	<u>638</u>	<u>658</u>	<u>647</u>	<u>11</u>
Division of purchases and supplies:				
Personnel	697	512	458	54
Other	<u>143</u>	<u>103</u>	<u>76</u>	<u>27</u>
Total division of purchases and supplies	<u>840</u>	<u>615</u>	<u>534</u>	<u>81</u>
Bureau of internal audit:				
Personnel	718	633	625	8
Other	<u>492</u>	<u>282</u>	<u>277</u>	<u>5</u>
Total bureau of internal audit	<u>1,210</u>	<u>915</u>	<u>902</u>	<u>13</u>

(Continued)

CITY OF CLEVELAND, OHIO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
GENERAL FUND-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Division of financial reporting and control:				
Personnel	\$ 1,340	\$ 1,185	\$ 1,152	\$ 33
Other	949	389	384	5
Total division of financial reporting and control	<u>2,289</u>	<u>1,574</u>	<u>1,536</u>	<u>38</u>
Division of information system services:				
Personnel	2,506	2,276	2,191	85
Other	759	649	622	27
Total division of information system services	<u>3,265</u>	<u>2,925</u>	<u>2,813</u>	<u>112</u>
TOTAL GENERAL GOVERNMENT	<u>71,093</u>	<u>66,233</u>	<u>64,663</u>	<u>1,570</u>
Public Service:				
Public service administration:				
Personnel	526	516	501	15
Other	24	24	23	1
Total public service administration	<u>550</u>	<u>540</u>	<u>524</u>	<u>16</u>
Division of architecture:				
Personnel	730	720	711	9
Other	24	24	24	
Total division of architecture	<u>754</u>	<u>744</u>	<u>735</u>	<u>9</u>
Division of waste collection and disposal:				
Personnel	15,571	15,231	15,144	87
Other	11,955	11,355	11,155	200
Total division of waste collection and disposal	<u>27,526</u>	<u>26,586</u>	<u>26,299</u>	<u>287</u>
Division of engineering and construction:				
Personnel	4,935	4,890	4,844	46
Other	348	348	321	27
Total division of engineering and construction	<u>5,283</u>	<u>5,238</u>	<u>5,165</u>	<u>73</u>
Division of traffic engineering:				
Personnel	3,252	3,112	3,058	54
Other	774	1,094	1,004	90
Total division of traffic engineering	<u>4,026</u>	<u>4,206</u>	<u>4,062</u>	<u>144</u>
TOTAL PUBLIC SERVICE	<u>38,139</u>	<u>37,314</u>	<u>36,785</u>	<u>529</u>
Public Safety:				
Public safety administration:				
Personnel	3,088	3,078	3,051	27
Other	451	356	309	47
Total public safety administration	<u>3,539</u>	<u>3,434</u>	<u>3,360</u>	<u>74</u>

(Continued)

CITY OF CLEVELAND, OHIO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
GENERAL FUND-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Division of police:				
Personnel	\$ 170,525	\$ 175,475	\$ 174,499	\$ 976
Other	<u>9,993</u>	<u>11,243</u>	<u>11,035</u>	<u>208</u>
Total division of police	<u>180,518</u>	<u>186,718</u>	<u>185,534</u>	<u>1,184</u>
Division of fire:				
Personnel	78,207	79,407	79,370	37
Other	<u>2,917</u>	<u>3,187</u>	<u>2,934</u>	<u>253</u>
Total division of fire	<u>81,124</u>	<u>82,594</u>	<u>82,304</u>	<u>290</u>
Division of emergency medical services:				
Personnel	19,885	20,385	20,132	253
Other	<u>1,789</u>	<u>1,889</u>	<u>1,775</u>	<u>114</u>
Total division of emergency medical services	<u>21,674</u>	<u>22,274</u>	<u>21,907</u>	<u>367</u>
Division of dog pound:				
Personnel	794	879	864	15
Other	<u>148</u>	<u>168</u>	<u>149</u>	<u>19</u>
Total division of dog pound	<u>942</u>	<u>1,047</u>	<u>1,013</u>	<u>34</u>
TOTAL PUBLIC SAFETY	<u>287,797</u>	<u>296,067</u>	<u>294,118</u>	<u>1,949</u>
Community Development:				
Division of administration services:				
Personnel	757	757	757	
Other	<u>197</u>	<u>197</u>	<u>193</u>	4
Total division of administration services	<u>954</u>	<u>954</u>	<u>950</u>	<u>4</u>
Division of neighborhood services:				
Personnel	497	462	462	
Other	<u>497</u>	<u>462</u>	<u>462</u>	
Total division of neighborhood services	<u>497</u>	<u>462</u>	<u>462</u>	
Division of neighborhood development:				
Personnel	904	904	904	
Other	<u>200</u>	<u>200</u>	<u>200</u>	
Total division of neighborhood development	<u>1,104</u>	<u>1,104</u>	<u>1,104</u>	
Director's office:				
Personnel	239	184	184	
Other	<u>239</u>	<u>184</u>	<u>184</u>	
Total director's office	<u>239</u>	<u>184</u>	<u>184</u>	
TOTAL COMMUNITY DEVELOPMENT	<u>2,794</u>	<u>2,704</u>	<u>2,700</u>	<u>4</u>

(Continued)

CITY OF CLEVELAND, OHIO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
GENERAL FUND-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Building and Housing:				
Division of building and housing:				
Personnel	\$ 11,836	\$	\$	\$
Other	<u>861</u>	<u> </u>	<u> </u>	<u> </u>
Total division of building and housing	<u>12,697</u>	<u> </u>	<u> </u>	<u> </u>
Director's office:				
Personnel		1,572	1,513	59
Other		<u>561</u>	<u>558</u>	<u>3</u>
Total director's office		<u>2,133</u>	<u>2,071</u>	<u>62</u>
Division of code enforcement:				
Personnel		5,340	5,339	1
Other		<u>184</u>	<u>165</u>	<u>19</u>
Total division of code enforcement		<u>5,524</u>	<u>5,504</u>	<u>20</u>
Division of construction permitting:				
Personnel		3,974	3,891	83
Other		<u>141</u>	<u>123</u>	<u>18</u>
Total division of construction permitting		<u>4,115</u>	<u>4,014</u>	<u>101</u>
TOTAL BUILDING AND HOUSING	<u>12,697</u>	<u>11,772</u>	<u>11,589</u>	<u>183</u>
Public Health:				
Public health administration:				
Personnel	768	663	638	25
Other	<u>163</u>	<u>113</u>	<u>77</u>	<u>36</u>
Total public health administration	<u>931</u>	<u>776</u>	<u>715</u>	<u>61</u>
Division of correction:				
Personnel	5,051	5,091	5,058	33
Other	<u>1,311</u>	<u>1,311</u>	<u>1,303</u>	<u>8</u>
Total division of correction	<u>6,362</u>	<u>6,402</u>	<u>6,361</u>	<u>41</u>
Division of health:				
Personnel	2,583	2,513	2,454	59
Other	<u>1,108</u>	<u>1,108</u>	<u>978</u>	<u>130</u>
Total division of health	<u>3,691</u>	<u>3,621</u>	<u>3,432</u>	<u>189</u>
Division of environment:				
Personnel	1,177	1,427	1,225	202
Other	<u>345</u>	<u>245</u>	<u>224</u>	<u>21</u>
Total division of environment	<u>1,522</u>	<u>1,672</u>	<u>1,449</u>	<u>223</u>

(Continued)

CITY OF CLEVELAND, OHIO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
GENERAL FUND-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Division of air quality:				
Personnel	\$ 108	\$ 108	\$ 106	\$ 2
Other	<u>567</u>	<u>567</u>	<u>557</u>	<u>10</u>
Total division of air quality	<u>675</u>	<u>675</u>	<u>663</u>	<u>12</u>
TOTAL PUBLIC HEALTH	<u>13,181</u>	<u>13,146</u>	<u>12,620</u>	<u>526</u>
Parks, Recreation and Properties:				
Parks, recreation and properties administration:				
Personnel	639	529	525	4
Other	<u>194</u>	<u>179</u>	<u>155</u>	<u>24</u>
Total parks, recreation and properties administration	<u>833</u>	<u>708</u>	<u>680</u>	<u>28</u>
Division of research, planning and development:				
Personnel	689	674	650	24
Other	<u>93</u>	<u>78</u>	<u>62</u>	<u>16</u>
Total division of research, planning and development	<u>782</u>	<u>752</u>	<u>712</u>	<u>40</u>
Division of recreation:				
Personnel	10,851	10,001	9,681	320
Other	<u>3,139</u>	<u>3,339</u>	<u>3,286</u>	<u>53</u>
Total division of recreation	<u>13,990</u>	<u>13,340</u>	<u>12,967</u>	<u>373</u>
Division of parking:				
Personnel	981	931	904	27
Other	<u>54</u>	<u>54</u>	<u>42</u>	<u>12</u>
Total division of parking	<u>1,035</u>	<u>985</u>	<u>946</u>	<u>39</u>
Division of park maintenance and properties:				
Personnel	9,586	9,161	9,155	6
Other	<u>5,294</u>	<u>5,744</u>	<u>5,373</u>	<u>371</u>
Total division of park maintenance and properties	<u>14,880</u>	<u>14,905</u>	<u>14,528</u>	<u>377</u>
Division of property management:				
Personnel	7,562	6,992	6,943	49
Other	<u>2,066</u>	<u>2,046</u>	<u>1,930</u>	<u>116</u>
Total division of property management	<u>9,628</u>	<u>9,038</u>	<u>8,873</u>	<u>165</u>
TOTAL PARKS, RECREATION AND PROPERTIES	<u>41,148</u>	<u>39,728</u>	<u>38,706</u>	<u>1,022</u>

(Continued)

CITY OF CLEVELAND, OHIO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
GENERAL FUND-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Economic Development:				
Economic development administration:				
Personnel	\$ 1,279	\$ 1,114	\$ 1,060	\$ 54
Other	<u>83</u>	<u>83</u>	<u>60</u>	<u>23</u>
Total economic development administration	<u>1,362</u>	<u>1,197</u>	<u>1,120</u>	<u>77</u>
TOTAL ECONOMIC DEVELOPMENT	<u>1,362</u>	<u>1,197</u>	<u>1,120</u>	<u>77</u>
Non-Departmental Expenditures:				
Personnel		10,000	6,073	3,927
Other	<u>14,756</u>	<u>16,631</u>	<u>16,482</u>	<u>149</u>
TOTAL NON-DEPARTMENTAL EXPENDITURES	<u>14,756</u>	<u>26,631</u>	<u>22,555</u>	<u>4,076</u>
TOTAL EXPENDITURES	<u>482,967</u>	<u>494,792</u>	<u>484,856</u>	<u>9,936</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,296)	(31,751)	(29,081)	2,670
OTHER FINANCING SOURCES (USES):				
Transfers in	15,326	34,326	34,394	68
Transfers out	(12,980)	(11,155)	(11,154)	1
Premium on interest rate swap agreement	<u>3,400</u>	<u>3,400</u>	<u>3,400</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,746</u>	<u>26,571</u>	<u>26,640</u>	<u>69</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES		<u>2,630</u>	<u>2,631</u>	<u>1</u>
NET CHANGE IN FUND BALANCES	(2,550)	(2,550)	190	2,740
FUND BALANCES AT BEGINNING OF YEAR	<u>2,634</u>	<u>2,634</u>	<u>2,634</u>	
FUND BALANCES AT END OF YEAR	<u>\$ 84</u>	<u>\$ 84</u>	<u>\$ 2,824</u>	<u>\$ 2,740</u>

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CITY OF CLEVELAND, OHIO

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

SPECIAL REVENUE FUNDS (Continued)

Job Training Partnership Act (JTPA) Grants	To account for revenue from the State of Ohio and expenditures under the Job Training Partnership Act Program.
Work Force Investment Act (WIA)	To account for revenue and expenditures from the State of Ohio under the Work Force Investment Act.
General Government Funds	To account for revenue earmarked for general government activities.
Public Service Funds	To account for revenue earmarked for the Litter Control and Recycling Program.
Public Safety Funds	To account for revenue earmarked for public safety activities.
Public Health Funds	To account for revenue earmarked for the improvement of public health.
Parks, Recreation and Properties Funds	To account for revenue earmarked for parks, recreation and properties activities.
Judgment/Settlement Funds	To account for revenue earmarked for the payment of certain judgments.
Gateway Shared Income Tax Funds	To account for municipal income tax revenue derived from persons employed at the Gund Arena and Jacobs Field with 50% of the revenues shared with the other taxing districts in the City.
Neighborhood Development Investment Fund	To account for revenue earmarked for the Neighborhood Development Investment Fund.
Core City Program Funds	To account for revenue earmarked for certain economic and community development projects.
Supplemental Empowerment Zone	To account for revenue from the U.S. Department of Housing and Urban Development Program designed to help rebuild specified urban communities.
Rental Car Transportation Fees	To account for revenues from vehicle rentals at Cleveland Hopkins International Airport earmarked for providing airport shuttle services.

DEBT SERVICE FUNDS

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

Unvoted Tax-Supported Obligations Fund	To account for the accumulation of resources for the payment of general obligation bonds of the City not requiring a vote of the electors, other than self-supporting obligations, payable from ad valorem property taxes levied within the limitations provided by law.
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DEBT SERVICE FUNDS (Continued)

Stadium Bond Fund	To account for the accumulation of resources for the payment of the stadium certificates of participation from pledged City taxes.
Subordinated Income Tax Fund	To account for the accumulation of resources for the payment of subordinated income tax variable rate refunding bonds payable from pledged income taxes.
Subordinated Income Tax Reserve Fund	The account is to be maintained at an amount equal to the maximum bond service charges required to be paid in any subsequent six month period.
Urban Renewal Notes	To account for the funds accumulated for the payment of the debt service charges on Taxable Urban Renewal Notes issued for the purchase of certain properties.
Core City Bonds	To account for the accumulation of resources for the payment of taxable economic and community development bonds payable from non tax and net project revenues.
Urban Renewal Fund	To account for the accumulation of resources for the payment of tax increment urban renewal bonds payable from deposits made in lieu of taxes.
Urban Renewal Reserve Fund	The account is to be maintained at an amount equal to one year's maximum annual debt service on certain Urban Renewal Bonds and can be used to cover any debt insufficiency payable from certain urban renewal bonds.

CAPITAL PROJECT FUNDS

Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The City's capital project funds are described below:

Capital/Urban Renewal Bond Construction	To account for all bond proceeds and capital projects costs of bond-funded capital acquisitions, tax increment urban renewal bond issues and construction within the City.
Grant Improvement	To account for capital grant revenues which fund capital improvement projects within the City.
Capital Improvement	To account for miscellaneous revenues which fund capital projects.
Certificates of Participation/Capital Leases	To account for certificates of participation and capital lease proceeds which fund certain capital funds.
Cleveland Stadium Construction	To account for bond proceeds and capital projects costs of the Cleveland Browns Stadium.

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS

December 31, 2003

(Amounts in 000's)

	Special Revenue Funds - Budgeted						Total Budgeted Funds
	Division of Streets	Restricted Income Tax	Reserve Fund	Rainy Day Reserve Fund	Schools Recreation and Cultural Activities Fund	Cleveland Stadium Operations	
ASSETS							
Cash and cash equivalents	\$ 620	\$	\$ 168	\$ 122	\$ 4	\$ 568	\$ 1,482
Investments							
Receivables:							
Taxes		5,679					5,679
Accounts	52						52
Grants							
Loans							
Accrued interest	1	29					30
Assessments							
Less: Allowance for doubtful accounts	(13)						(13)
Receivables, net	<u>40</u>	<u>5,708</u>					<u>5,748</u>
Due from other funds	291	16,107					16,398
Due from other governments	5,443						5,443
Inventory of supplies	667						667
Restricted cash and cash equivalents							
Restricted investments							
TOTAL ASSETS	<u>\$ 7,061</u>	<u>\$ 21,815</u>	<u>\$ 168</u>	<u>\$ 122</u>	<u>\$ 4</u>	<u>\$ 568</u>	<u>\$ 29,738</u>
LIABILITIES							
Accounts payable	\$ 525	\$ 498	\$	\$	\$	\$ 5	\$ 1,028
Accrued wages and benefits	1,064						1,064
Due to other governments						424	424
Deferred revenue	3,749	2,311					6,060
Unearned revenue							
Due to other funds	779		168	122			1,069
Total liabilities	<u>6,117</u>	<u>2,809</u>	<u>168</u>	<u>122</u>		<u>429</u>	<u>9,645</u>
FUND BALANCES							
Reserves for:							
Loans							
Inventory	667						667
Debt service							
Encumbrances	202	8,301				1	8,504
Unreserved:							
Designated for future capital improvements		6,612					6,612
Undesignated	75	4,093			4	138	4,310
Total fund balances	<u>944</u>	<u>19,006</u>			<u>4</u>	<u>139</u>	<u>20,093</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,061</u>	<u>\$ 21,815</u>	<u>\$ 168</u>	<u>\$ 122</u>	<u>\$ 4</u>	<u>\$ 568</u>	<u>\$ 29,738</u>

Special Revenue Funds - Non-Budgeted

Community Development Block Grants	Community Development Funds	Building and Housing Funds	Urban Development Action Funds	Economic Development Funds	Home Weatherization Grants	Job Training Partnership Act (JTPA) Grants	WIA Grants	General Government Funds
\$	\$ 7,280	\$	\$ 8,228	\$ 24,600 6,010	\$	\$ 3,790	\$	\$ 17,030
				100				
17,478	13,232 3		112,566 22	7,739 40				31
5,898								
<u>23,376</u>	<u>13,235</u>	<u> </u>	<u>112,588</u>	<u>7,879</u>	<u> </u>	<u> </u>	<u> </u>	<u>31</u>
2		406					1,271	838
3,139	2,832			126	459		5,292	663
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>\$ 26,517</u>	<u>\$ 23,347</u>	<u>\$ 406</u>	<u>\$120,816</u>	<u>\$ 38,615</u>	<u>\$ 459</u>	<u>\$ 3,790</u>	<u>\$ 6,563</u>	<u>\$ 18,562</u>
\$ 1,043 304	\$ 4,027 5	\$ 132	\$ 7	\$ 585 4	\$ 261	\$	\$ 1,118 186	\$ 304 40
8,771	7,506		46	4,675		3,449	50	302
4,683				37				99
464	976			75			258	99
2,041	394	274	1		198	341	4,951	232
<u>17,306</u>	<u>12,908</u>	<u>406</u>	<u>54</u>	<u>5,376</u>	<u>459</u>	<u>3,790</u>	<u>6,563</u>	<u>1,076</u>
9,211	8,736		112,566	3,065				
	57		7,218	2,273				2,665
			489	4,919				4,606
	1,646		489	22,982				10,215
<u>9,211</u>	<u>10,439</u>	<u> </u>	<u>120,762</u>	<u>33,239</u>	<u> </u>	<u> </u>	<u> </u>	<u>17,486</u>
<u>\$ 26,517</u>	<u>\$ 23,347</u>	<u>\$ 406</u>	<u>\$120,816</u>	<u>\$ 38,615</u>	<u>\$ 459</u>	<u>\$ 3,790</u>	<u>\$ 6,563</u>	<u>\$ 18,562</u>

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2003

(Amounts in 000's)

	Special Revenue Funds - Non-Budgeted					
	Public Service Funds	Public Safety Funds	Public Health Funds	Parks, Recreation and Properties Funds	Judgment/ Settlement Funds	Gateway Shared Income Tax Funds
ASSETS						
Cash and cash equivalents	\$ 911	\$ 2,901	\$ 549	\$ 1,413	\$	\$ 855
Investments		2,495				
Receivables:						
Taxes						
Accounts				3		
Grants						
Loans						
Accrued interest	1	10	1	2		
Assessments						
Less: Allowance for doubtful accounts						
Receivables, net	<u>1</u>	<u>10</u>	<u>1</u>	<u>5</u>		
Due from other funds		149	777	212		
Due from other governments		1,232	2,159	308		203
Inventory of supplies						
Restricted cash and cash equivalents						
Restricted investments						
TOTAL ASSETS	<u>\$ 912</u>	<u>\$ 6,787</u>	<u>\$ 3,486</u>	<u>\$ 1,938</u>	<u>\$</u>	<u>\$ 1,058</u>
LIABILITIES						
Accounts payable	\$ 25	\$ 683	\$ 401	\$ 25	\$	\$
Accrued wages and benefits		39	279			
Due to other governments	37	1,471	1,655	155		804
Deferred revenue						75
Unearned revenue	10	2,304	593	119		
Due to other funds		3	9			179
Total liabilities	<u>72</u>	<u>4,500</u>	<u>2,937</u>	<u>299</u>		<u>1,058</u>
FUND BALANCE						
Reserves for:						
Loans						
Inventory						
Debt service						
Encumbrances	55	1,003	10	36		
Unreserved:						
Designated for future capital improvements				227		
Undesignated	785	1,284	539	1,376		
Total fund balances	<u>840</u>	<u>2,287</u>	<u>549</u>	<u>1,639</u>		
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 912</u>	<u>\$ 6,787</u>	<u>\$ 3,486</u>	<u>\$ 1,938</u>	<u>\$</u>	<u>\$ 1,058</u>

Special Revenue Funds - Non-Budgeted						Debt Service Funds - Budgeted			
Neighborhood Development Investment Fund	Core City Program	Supplemental Empowerment Zone	Rental Car Transportation Fees	Total Non-Budgeted Funds	Total Special Revenue Funds	Unvoted Tax Supported Obligations Fund	Stadium Bond Fund	Subordinated Income Tax Fund	Subordinated Income Tax Reserve Fund
\$ 7,400	\$ 23,325	\$	\$ 1,407	\$ 99,689	\$ 101,171	\$	\$	\$	\$
				8,505	8,505				
					5,679	24,647			
			153	256	308				
31,944		41,552		224,511	224,511	958			
	6			116	146	2			2
				5,898	5,898				
<u>31,944</u>	<u>6</u>	<u>41,552</u>	<u>153</u>	<u>230,781</u>	<u>236,529</u>	<u>25,607</u>			<u>2</u>
			928	4,583	20,981				
		4,696		21,109	26,552	2,641			
					667				
						4,329		713	3,437
<u>\$ 39,344</u>	<u>\$ 23,331</u>	<u>\$ 46,248</u>	<u>\$ 2,488</u>	<u>\$ 364,667</u>	<u>\$ 394,405</u>	<u>\$ 32,577</u>	<u>\$</u>	<u>\$ 713</u>	<u>\$ 3,439</u>
	\$	\$ 332	\$ 447	\$ 9,390	\$ 10,418	\$	\$	\$	\$
		54		911	1,975				
		40,474		69,395	69,819				
				4,894	10,954	28,246			
				4,898	4,898				
		4,499		13,122	14,191				
		<u>45,359</u>	<u>447</u>	<u>102,610</u>	<u>112,255</u>	<u>28,246</u>			
31,944				165,522	165,522				
					667				
		624		624	624	4,331		713	3,439
5,124			141	18,582	27,086				
344				10,585	17,197				
1,932	23,331	265	1,900	66,744	71,054				
<u>39,344</u>	<u>23,331</u>	<u>889</u>	<u>2,041</u>	<u>262,057</u>	<u>282,150</u>	<u>4,331</u>		<u>713</u>	<u>3,439</u>
<u>\$ 39,344</u>	<u>\$ 23,331</u>	<u>\$ 46,248</u>	<u>\$ 2,488</u>	<u>\$ 364,667</u>	<u>\$ 394,405</u>	<u>\$ 32,577</u>	<u>\$</u>	<u>\$ 713</u>	<u>\$ 3,439</u>

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2003

(Amounts in 000's)

	Debt Service Funds Budgeted			Debt Service Funds Non- Budgeted		Total Non- Budgeted Funds	Total Debt Service Funds
	Urban Renewal Notes	Core City Bonds	Total Budgeted Funds	Urban Renewal Fund	Urban Renewal Reserve Fund		
ASSETS							
Cash and cash equivalents	\$	\$	\$	\$	\$	\$	\$
Investments							
Receivables:							
Taxes			24,647				24,647
Accounts							
Grants			958				958
Loans							
Accrued interest		1	5	2	5	7	12
Assessments							
Less: Allowance for doubtful accounts							
Receivables, net		1	25,610	2	5	7	25,617
Due from other funds							
Due from other governments			2,641				2,641
Inventory of supplies							
Restricted cash and cash equivalents	44	3,285	11,808	52	1	53	11,861
Restricted investments				816	1,799	2,615	2,615
TOTAL ASSETS	\$ 44	\$ 3,286	\$ 40,059	\$ 870	\$ 1,805	\$ 2,675	\$ 42,734
LIABILITIES							
Accounts payable	\$	\$	\$	\$	\$	\$	\$
Accrued wages and benefits							
Due to other governments							
Deferred revenue			28,246				28,246
Unearned revenue							
Due to other funds							
Total liabilities			28,246				28,246
FUND BALANCE							
Reserve for:							
Loans							
Inventory							
Debt service	44	3,286	11,813	870	1,805	2,675	14,488
Encumbrances							
Unreserved:							
Designated for future capital improvements							
Undesignated							
Total fund balances	44	3,286	11,813	870	1,805	2,675	14,488
TOTAL LIABILITIES AND FUND BALANCES	\$ 44	\$ 3,286	\$ 40,059	\$ 870	\$ 1,805	\$ 2,675	\$ 42,734

Capital Projects Funds Non-Budgeted						
<u>Capital/ Urban Renewal Bond Construction</u>	<u>Grant Improvement</u>	<u>Capital Improvement</u>	<u>Certificates of Participation/ Capital Leases</u>	<u>Cleveland Stadium Construction</u>	<u>Total Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 118,058 10	\$	\$ 4,529	\$	\$ 6,262	\$ 128,849 10	\$ 230,020 8,515
						30,326
						308
						958
						224,511
60			4	7	71	229
						5,898
						(13)
<u>60</u>	<u></u>	<u></u>	<u>4</u>	<u>7</u>	<u>71</u>	<u>262,217</u>
		12			12	20,993
	4,809				4,809	34,002
			5,732		5,732	667
						17,593
						2,615
<u>\$ 118,128</u>	<u>\$ 4,809</u>	<u>\$ 4,541</u>	<u>\$ 5,736</u>	<u>\$ 6,269</u>	<u>\$ 139,483</u>	<u>\$ 576,622</u>
\$ 1,570 87	\$	\$ 4,412	\$	\$	\$ 5,982	\$ 16,400
						1,975
						69,906
	24				24	39,224
						4,898
<u>12</u>	<u>4,785</u>				<u>4,797</u>	<u>18,988</u>
<u>1,669</u>	<u>4,809</u>	<u>4,412</u>			<u>10,890</u>	<u>151,391</u>
						165,522
						667
						15,112
64,612			3,519		68,131	95,217
49,566			2,167	6,269	58,002	75,199
2,281		129	50		2,460	73,514
<u>116,459</u>	<u></u>	<u>129</u>	<u>5,736</u>	<u>6,269</u>	<u>128,593</u>	<u>425,231</u>
<u>\$ 118,128</u>	<u>\$ 4,809</u>	<u>\$ 4,541</u>	<u>\$ 5,736</u>	<u>\$ 6,269</u>	<u>\$ 139,483</u>	<u>\$ 576,622</u>

(Concluded)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	Special Revenue Funds - Budgeted						Total Budgeted Funds
	Division of Streets	Restricted Income Tax	Reserve Fund	Rainy Day Reserve Fund	Schools Recreation and Cultural Activities Fund	Cleveland Stadium Operations Fund	
REVENUES:							
Income taxes	\$	\$ 30,971	\$	\$	\$	\$	\$ 30,971
Property taxes							
Other shared revenues	12,115						12,115
Licenses and permits	2,049						2,049
Charges for services						269	269
Fines, forfeits and settlements							
Investment earnings	3	186			4	56	249
Grants							
Contributions							
Miscellaneous	30					1	31
Total revenues	<u>14,197</u>	<u>31,157</u>	<u></u>	<u></u>	<u>4</u>	<u>326</u>	<u>45,684</u>
EXPENDITURES:							
Current:							
General government					2,000		2,000
Public service	22,213						22,213
Public safety							
Building and housing							
Community development							
Public health							
Parks, recreation and properties						796	796
Economic development							
Capital outlay		13,304					13,304
Debt issuance costs							
Interest expense							
Debt service:							
Principal retirement						1,860	1,860
Interest						7,014	7,014
Other							
Total expenditures	<u>22,213</u>	<u>13,304</u>	<u></u>	<u></u>	<u>2,000</u>	<u>9,670</u>	<u>47,187</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(8,016)</u>	<u>17,853</u>	<u></u>	<u></u>	<u>(1,996)</u>	<u>(9,344)</u>	<u>(1,503)</u>
OTHER FINANCING SOURCES (USES):							
Transfers in	6,549				1,938	10,107	18,594
Transfers out		(17,088)					(17,088)
Proceeds from the sale of debt							
Premium on bonds and notes							
Proceeds from sale of general obligations bonds							
Sale of development bonds							
Proceeds from capital lease							
Inception of capital lease							
Premium on interest rate swap agreement							
Total other financing sources (uses)	<u>6,549</u>	<u>(17,088)</u>	<u></u>	<u></u>	<u>1,938</u>	<u>10,107</u>	<u>1,506</u>
NET CHANGE IN FUND BALANCES	(1,467)	765			(58)	763	3
FUND BALANCES AT BEGINNING OF YEAR	<u>2,411</u>	<u>18,241</u>	<u></u>	<u></u>	<u>62</u>	<u>(624)</u>	<u>20,090</u>
FUND BALANCES AT END OF YEAR	<u>\$ 944</u>	<u>\$ 19,006</u>	<u>\$</u>	<u>\$</u>	<u>\$ 4</u>	<u>\$ 139</u>	<u>\$ 20,093</u>

<u>Community Development Block Grants</u>	<u>Community Development Funds</u>	<u>Building and Housing Funds</u>	<u>Urban Development Action Funds</u>	<u>Economic Development Funds</u>	<u>Home Weatherization Grants</u>	<u>Job Training Partnership Act (JTPA) Grants</u>	<u>WIA Grants</u>	<u>General Government Funds</u>
\$	\$	\$	\$	\$	\$	\$	\$	\$
				1,236				50
			69					707
				2,140				3,056
	27			296				259
36,889	19,629			1,748	2,973	11	13,107	1,170
	545		567	1,717				129
<u>36,889</u>	<u>20,201</u>		<u>636</u>	<u>7,137</u>	<u>2,973</u>	<u>11</u>	<u>13,107</u>	<u>5,371</u>
								2,814
35,934	20,116				2,973			
			1,789	2,365		11	13,107	
1,160	549			4,720				825
<u>37,094</u>	<u>20,665</u>		<u>1,789</u>	<u>7,085</u>	<u>2,973</u>	<u>11</u>	<u>13,107</u>	<u>3,639</u>
<u>(205)</u>	<u>(464)</u>		<u>(1,153)</u>	<u>52</u>				<u>1,732</u>
	145 (527)		349	(1,153)				921 (3,759)
				8,200				
	(382)		349	7,047				(2,838)
(205)	(846)		(804)	7,099				(1,106)
<u>9,416</u>	<u>11,285</u>		<u>121,566</u>	<u>26,140</u>				<u>18,592</u>
<u>\$ 9,211</u>	<u>\$ 10,439</u>	<u>\$</u>	<u>\$ 120,762</u>	<u>\$ 33,239</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 17,486</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	Special Revenue Funds - Non-Budgeted					
	Public Service Funds	Public Safety Funds	Public Health Funds	Parks, Recreation and Properties Funds	Judgment/ Settlement Funds	Gateway Shared Income Tax Funds
REVENUES:						
Income taxes	\$	\$	\$	\$	\$	\$
Property taxes						
Other shared revenues						208
Licenses and permits			1,085	18		
Charges for services	8			32		
Fines, forfeits and settlements		2,128		44		
Investment earnings	7	36	3	25		
Grants	140	5,177	7,350	252		
Contributions				101		
Miscellaneous	96	46	281	21		
Total revenues	<u>251</u>	<u>7,387</u>	<u>8,719</u>	<u>493</u>		<u>208</u>
EXPENDITURES:						
Current:						
General government					15	208
Public service	100					
Public safety		7,527				
Building and housing						
Community development						
Public health			9,052			
Parks, recreation and properties				271		
Economic development						
Capital outlay	254			30		
Debt issuance costs						
Interest expense						
Debt service:						
Principal retirement						
Interest						
Other						
Total expenditures	<u>354</u>	<u>7,527</u>	<u>9,052</u>	<u>301</u>	<u>15</u>	<u>208</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(103)</u>	<u>(140)</u>	<u>(333)</u>	<u>192</u>	<u>(15)</u>	
OTHER FINANCING SOURCES (USES):						
Transfers in	96					
Transfers out				(500)		
Proceeds from the sale of debt						
Premium on bonds and notes						
Proceeds from sale of general obligations bonds						
Sale of development bonds						
Proceeds from capital lease						
Inception of capital lease						
Premium on interest rate swap agreement						
Total other financing sources (uses)	<u>96</u>			<u>(500)</u>		
NET CHANGE IN FUND BALANCES	(7)	(140)	(333)	(308)	(15)	
FUND BALANCES AT BEGINNING OF YEAR	<u>847</u>	<u>2,427</u>	<u>882</u>	<u>1,947</u>	<u>15</u>	
FUND BALANCES AT END OF YEAR	<u>\$ 840</u>	<u>\$ 2,287</u>	<u>\$ 549</u>	<u>\$ 1,639</u>	<u>\$</u>	<u>\$</u>

Neighborhood Development Investment Fund	Special Revenue Funds - Non-Budgeted			Total Non- Budgeted Funds	Total Special Revenue Funds	Debt Service Funds - Budgeted			
	Core City Funds	Supplemental Empowerment Zone	Rental Car Transportation Fees			Unvoted Tax Supported Obligations Fund	Stadium Bond Fund	Subordinated Income Tax Fund	Subordinated Income Tax Reserve Fund
\$		\$	\$	\$	\$ 30,971	\$	\$	\$	\$
184				1,678	13,793	22,219			
				1,103	3,152	2,531			
		53	4,126	4,995	5,264				
77	6	111		7,368	7,368				
		15,201		847	1,096	113		6	29
				103,647	103,647				
				101	101				
2,309		264		5,975	6,006				
<u>2,570</u>	<u>6</u>	<u>15,629</u>	<u>4,126</u>	<u>125,714</u>	<u>171,398</u>	<u>24,863</u>		<u>6</u>	<u>29</u>
	790		2,811	6,638	8,638				
				100	22,313				
				7,527	7,527				
				59,023	59,023				
				9,052	9,052				
				271	1,067				
121		15,201		32,594	32,594				
286				7,824	21,128				
					1,860	26,285		1,400	
					7,014	16,474		3,227	
<u>407</u>	<u>790</u>	<u>15,201</u>	<u>2,811</u>	<u>123,029</u>	<u>170,216</u>	<u>42,759</u>		<u>4,627</u>	
<u>2,163</u>	<u>(784)</u>	<u>428</u>	<u>1,315</u>	<u>2,685</u>	<u>1,182</u>	<u>(17,896)</u>		<u>(4,621)</u>	<u>29</u>
				1,511	20,105	19,362		2,629	
				(5,939)	(23,027)		(2)		(1,569)
	24,115			32,315	32,315				
								1,700	
	<u>24,115</u>			<u>27,887</u>	<u>29,393</u>	<u>19,362</u>	<u>(2)</u>	<u>4,329</u>	<u>(1,569)</u>
2,163	23,331	428	1,315	30,572	30,575	1,466	(2)	(292)	(1,540)
<u>37,181</u>		<u>461</u>	<u>726</u>	<u>231,485</u>	<u>251,575</u>	<u>2,865</u>	<u>2</u>	<u>1,005</u>	<u>4,979</u>
<u>\$ 39,344</u>	<u>\$ 23,331</u>	<u>\$ 889</u>	<u>\$ 2,041</u>	<u>\$ 262,057</u>	<u>\$ 282,150</u>	<u>\$ 4,331</u>	<u>\$</u>	<u>\$ 713</u>	<u>\$ 3,439</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	Debt Service Funds Budgeted			Debt Service Funds Non- Budgeted		Total Non- Budgeted Funds	Total Debt Service Funds
	Urban Renewal Notes	Core City Bonds	Total Budgeted Funds	Urban Renewal Fund	Urban Renewal Reserve Fund		
REVENUES:							
Income taxes	\$	\$	\$	\$	\$	\$	\$
Property taxes			22,219				22,219
Other shared revenues			2,531				2,531
Licenses and permits							
Charges for services							
Fines, forfeits and settlements							
Investment earnings		1	149	5	19	24	173
Grants							
Contributions							
Miscellaneous				1,279	3	1,282	1,282
Total revenues		1	24,899	1,284	22	1,306	26,205
EXPENDITURES:							
Current:							
General government							
Public service							
Public safety							
Building and housing							
Community development							
Public health							
Parks, recreation and properties							
Economic development							
Capital outlay							
Debt issuance costs							
Interest expense							
Debt service:							
Principal retirement			27,685	320		320	28,005
Interest			19,701	559		559	20,260
Other	25		25	694		694	719
Total expenditures	25		47,411	1,573		1,573	48,984
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(25)	1	(22,512)	(289)	22	(267)	(22,779)
OTHER FINANCING SOURCES (USES):							
Transfers in	114		22,105				22,105
Transfers out	(4,345)		(5,916)				(5,916)
Proceeds from the sale of debt	4,300	3,285	7,585				7,585
Premium on bonds and notes							
Proceeds from sale of general obligations bonds							
Sale of development bonds							
Proceeds from capital lease							
Inception of capital lease							
Premium on interest rate swap agreement			1,700				1,700
Total other financing sources (uses)	69	3,285	25,474				25,474
NET CHANGE IN FUND BALANCES	44	3,286	2,962	(289)	22	(267)	2,695
FUND BALANCES AT BEGINNING OF YEAR			8,851	1,159	1,783	2,942	11,793
FUND BALANCES AT END OF YEAR	\$ 44	\$ 3,286	\$ 11,813	\$ 870	\$ 1,805	\$ 2,675	\$ 14,488

Capital Projects Funds						
Non-Budgeted						
Capital/ Urban Renewal Bond Construction	Grant Improvement	Capital Improvement	Certificates of Participation/ Capital Leases	Cleveland Stadium Construction	Total Capital Projects Funds	Total Nonmajor Governmental Funds
\$	\$	\$	\$	\$	\$	30,971
						22,219
						16,324
						3,152
						5,264
						7,368
687		2	44	121	854	2,123
	12,239				12,239	115,886
						101
				11	11	7,299
<u>687</u>	<u>12,239</u>	<u>2</u>	<u>44</u>	<u>132</u>	<u>13,104</u>	<u>210,707</u>
837				448	1,285	9,923
						22,313
						7,527
						59,023
						9,052
						1,067
						32,594
31,151	12,459				43,610	64,738
802			16		818	818
96			132		228	228
			3,084		3,084	32,949
			126		126	27,400
						719
<u>32,886</u>	<u>12,459</u>	<u></u>	<u>3,358</u>	<u>448</u>	<u>49,151</u>	<u>268,351</u>
(32,199)	(220)	2	(3,314)	(316)	(36,047)	(57,644)
4,346			1,088		5,434	47,644
(3,493)		(58)		(16,108)	(19,659)	(48,602)
						7,585
3,156					3,156	3,156
64,100					64,100	64,100
						32,315
			6,254		6,254	6,254
			(419)		(419)	(419)
						1,700
<u>68,109</u>	<u></u>	<u>(58)</u>	<u>6,923</u>	<u>(16,108)</u>	<u>58,866</u>	<u>113,733</u>
35,910	(220)	(56)	3,609	(16,424)	22,819	56,089
<u>80,549</u>	<u>220</u>	<u>185</u>	<u>2,127</u>	<u>22,693</u>	<u>105,774</u>	<u>369,142</u>
\$ 116,459	\$	\$ 129	\$ 5,736	\$ 6,269	\$ 128,593	\$ 425,231

(Concluded)

CITY OF CLEVELAND, OHIO

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
BUDGETED SPECIAL REVENUE FUNDS-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	Division of Streets				Restricted Income Tax			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:								
Income taxes	\$	\$	\$	\$	\$ 31,644	\$ 31,327	\$ 31,210	\$ (117)
Other shared revenues	11,600	11,950	11,959	9				
Licenses and permits	2,124	2,200	2,719	519				
Charges for services	5,407	5,030	3,904	(1,126)				
Investment earnings			2	2			156	156
Miscellaneous			30	30				
Total revenues	<u>19,131</u>	<u>19,180</u>	<u>18,614</u>	<u>(566)</u>	<u>31,644</u>	<u>31,327</u>	<u>31,366</u>	<u>39</u>
EXPENDITURES:								
Public Service:								
Personnel	14,898	15,435	15,248	187				
Other	10,505	10,642	10,199	443				
Parks, Recreation and Properties								
Other								
Capital outlay					14,604	14,604	14,594	10
Principal retirement								
Interest								
Total expenditures	<u>25,403</u>	<u>26,077</u>	<u>25,447</u>	<u>630</u>	<u>14,604</u>	<u>14,604</u>	<u>14,594</u>	<u>10</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,272)</u>	<u>(6,897)</u>	<u>(6,833)</u>	<u>64</u>	<u>17,040</u>	<u>16,723</u>	<u>16,772</u>	<u>49</u>
OTHER FINANCING SOURCES (USES):								
Transfers in	6,272	6,549	6,549					
Transfers out					(17,088)	(17,088)	(17,088)	
Total other financing sources (uses)	<u>6,272</u>	<u>6,549</u>	<u>6,549</u>		<u>(17,088)</u>	<u>(17,088)</u>	<u>(17,088)</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES		(348)	(284)	64	(48)	(365)	(316)	49
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES		348	348			317	1,441	1,124
FUND BALANCES AT BEGINNING OF YEAR	<u>16</u>	<u>16</u>	<u>16</u>		<u>48</u>	<u>48</u>	<u>48</u>	
FUND BALANCES AT END OF YEAR	<u>\$ 16</u>	<u>\$ 16</u>	<u>\$ 80</u>	<u>\$ 64</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,173</u>	<u>\$ 1,173</u>

Reserve Fund				Rainy Day Reserve Fund				Schools Recreation and Cultural Activities			
Original Budget	Revised Budget	Actual	Variance-Positive (Negative)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
		74	74			48	48			4	4
		<u>74</u>	<u>74</u>			<u>48</u>	<u>48</u>			<u>4</u>	<u>4</u>
								2,000	2,000	2,000	
								<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	
		74	74			48	48	(2,000)	(2,000)	(1,996)	4
	(6,100)	(6,100)		250	(3,900)	(3,900)		2,000	2,000	1,938	(62)
	<u>(6,100)</u>	<u>(6,100)</u>		<u>(250)</u>	<u>(3,900)</u>	<u>(3,900)</u>		<u>2,000</u>	<u>2,000</u>	<u>1,938</u>	<u>(62)</u>
	(6,100)	(6,026)	74		(3,900)	(3,852)	48			(58)	(58)
6,194	6,194	6,194		3,974	3,974	3,974		62	62	62	
<u>\$ 6,194</u>	<u>\$ 94</u>	<u>\$ 168</u>	<u>\$ 74</u>	<u>\$ 3,974</u>	<u>\$ 74</u>	<u>\$ 122</u>	<u>\$ 48</u>	<u>\$ 62</u>	<u>\$ 62</u>	<u>\$ 4</u>	<u>\$ (58)</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-
BUDGETED SPECIAL REVENUE FUNDS-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	Cleveland Stadium Operations				Totals			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:								
Income taxes	\$	\$	\$	\$	\$ 31,644	\$ 31,327	\$ 31,210	\$ (117)
Other shared revenues					11,600	11,950	11,959	9
Licenses and permits					2,124	2,200	2,719	519
Charges for services			269	269	5,407	5,030	4,173	(857)
Investment earnings			56	56			340	340
Miscellaneous			2	2			32	32
Total revenues			327	327	50,775	50,507	50,433	(74)
EXPENDITURES:								
Public Service:								
Personnel					14,898	15,435	15,248	187
Other					10,505	10,642	10,199	443
Parks, Recreation and Properties								
Other	702	702	570	132	2,702	2,702	2,570	132
Capital outlay					14,604	14,604	14,594	10
Principal retirement	1,860	1,860	1,860		1,860	1,860	1,860	
Interest	7,015	7,015	7,014	1	7,015	7,015	7,014	1
Total expenditures	9,577	9,577	9,444	133	51,584	52,258	51,485	773
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,577)	(9,577)	(9,117)	460	(809)	(1,751)	(1,052)	699
OTHER FINANCING SOURCES (USES):								
Transfers in	9,577	9,577	10,039	462	18,099	18,126	18,526	400
Transfers out					(17,338)	(27,088)	(27,088)	
Total other financing sources (uses)	9,577	9,577	10,039	462	761	(8,962)	(8,562)	400
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES			922	922	(48)	(10,713)	(9,614)	1,099
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES						665	1,789	1,124
FUND BALANCES AT BEGINNING OF YEAR	(424)	(424)	(424)		9,870	9,870	9,870	
FUND BALANCES AT END OF YEAR	\$ (424)	\$ (424)	\$ 498	\$ 922	\$ 9,822	\$ (178)	\$ 2,045	\$ 2,223

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CITY OF CLEVELAND, OHIO

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
BUDGETED DEBT SERVICE FUNDS-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	Unvoted Tax Supported Obligations Fund				Stadium Bond Fund			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:								
Property taxes	\$24,021	\$24,021	\$22,220	\$ (1,801)	\$	\$	\$	\$
Other shared revenue			2,531	2,531				
Investment earnings	205	205	112	(93)				
Grants	462	462		(462)				
Miscellaneous								
Total revenues	<u>24,688</u>	<u>24,688</u>	<u>24,863</u>	<u>175</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES:								
General government								
Principal retirement	26,285	26,285	26,285					
Interest	16,921	16,921	16,474	447				
Total expenditures	<u>43,206</u>	<u>43,206</u>	<u>42,759</u>	<u>447</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(18,518)</u>	<u>(18,518)</u>	<u>(17,896)</u>	<u>622</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds	2,450	2,450	3,362	912				
Restricted Income Tax Fund	16,000	16,000	16,000					
Transfers out:								
To other subfunds					(3)	(3)	(3)	
Proceeds from the sale of debt								
Premium on interest rate swap agreement								
Total other financing sources	<u>18,450</u>	<u>18,450</u>	<u>19,362</u>	<u>912</u>	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>	<u> </u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(68)</u>	<u>(68)</u>	<u>1,466</u>	<u>1,534</u>	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>	<u> </u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES								
FUND BALANCES AT BEGINNING OF YEAR	<u>2,863</u>	<u>2,863</u>	<u>2,863</u>	<u> </u>	<u>3</u>	<u>3</u>	<u>3</u>	<u> </u>
FUND BALANCES AT END OF YEAR	<u>\$ 2,795</u>	<u>\$ 2,795</u>	<u>\$ 4,329</u>	<u>\$ 1,534</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Subordinated Income Tax Fund				Subordinated Income Tax Reserve Fund				Urban Renewal Notes			
Original Budget	Revised Budget	Actual	Variance-Positive (Negative)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
10	10	7	(3)	60	60	30	(30)	1	1	1	
<u>10</u>	<u>10</u>	<u>7</u>	<u>(3)</u>	<u>60</u>	<u>60</u>	<u>30</u>	<u>(30)</u>	<u>1</u>	<u>1</u>	<u>1</u>	
1,400	1,400	1,400						50	50	25	25
3,300	3,300	3,227	73					4,250	4,250	4,250	
<u>4,700</u>	<u>4,700</u>	<u>4,627</u>	<u>73</u>					<u>96</u>	<u>96</u>	<u>95</u>	<u>1</u>
								<u>4,396</u>	<u>4,396</u>	<u>4,370</u>	<u>26</u>
<u>(4,690)</u>	<u>(4,690)</u>	<u>(4,620)</u>	<u>70</u>	<u>60</u>	<u>60</u>	<u>30</u>	<u>(30)</u>	<u>(4,395)</u>	<u>(4,395)</u>	<u>(4,369)</u>	<u>26</u>
2,900	2,900	2,629	(271)					96	96	114	18
				<u>(1,840)</u>	<u>(1,840)</u>	<u>(1,569)</u>	<u>271</u>				
<u>1,800</u>	<u>1,800</u>	<u>1,700</u>	<u>(100)</u>					4,300	4,300	4,300	
<u>4,700</u>	<u>4,700</u>	<u>4,329</u>	<u>(371)</u>	<u>(1,840)</u>	<u>(1,840)</u>	<u>(1,569)</u>	<u>271</u>	<u>4,396</u>	<u>4,396</u>	<u>4,414</u>	<u>18</u>
10	10	(291)	(301)	(1,780)	(1,780)	(1,539)	241	1	1	45	44
<u>1,004</u>	<u>1,004</u>	<u>1,004</u>		<u>4,976</u>	<u>4,976</u>	<u>4,976</u>					
<u>\$1,014</u>	<u>\$1,014</u>	<u>\$ 713</u>	<u>\$ (301)</u>	<u>\$ 3,196</u>	<u>\$ 3,196</u>	<u>\$ 3,437</u>	<u>\$ 241</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 45</u>	<u>\$ 44</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
BUDGETED DEBT SERVICE FUNDS-LEGAL APPROPRIATION LEVEL
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	Core City Bonds				Totals			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:								
Property taxes	\$	\$	\$	\$	\$24,021	\$24,021	\$22,220	\$ (1,801)
Other Shared Revenue							2,531	2,531
Investment earnings					276	276	150	(126)
Grants					462	462		(462)
Miscellaneous								
Total revenues					<u>24,759</u>	<u>24,759</u>	<u>24,901</u>	<u>142</u>
EXPENDITURES:								
General government					50	50	25	25
Principal retirement					31,935	31,935	31,935	
Interest					20,317	20,317	19,796	521
Total expenditures					<u>52,302</u>	<u>52,302</u>	<u>51,756</u>	<u>546</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					<u>(27,543)</u>	<u>(27,543)</u>	<u>(26,855)</u>	<u>688</u>
OTHER FINANCING SOURCES (USES):								
Transfers in:								
From other subfunds					5,446	5,446	6,105	659
Restricted Income Tax Fund					16,000	16,000	16,000	
Transfers out:								
To other subfunds					<u>(1,843)</u>	<u>(1,843)</u>	<u>(1,572)</u>	<u>271</u>
Proceeds from the sale of debt			3,285	3,285	4,300	4,300	7,585	3,285
Premium on interest rate swap agreement					1,800	1,800	1,700	(100)
Total other financing sources			<u>3,285</u>	<u>3,285</u>	<u>25,703</u>	<u>25,703</u>	<u>29,818</u>	<u>4,115</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES			3,285	3,285	<u>(1,840)</u>	<u>(1,840)</u>	<u>2,963</u>	<u>4,803</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES								
FUND BALANCES AT BEGINNING OF YEAR					<u>8,846</u>	<u>8,846</u>	<u>8,846</u>	
FUND BALANCES AT END OF YEAR	\$	\$	\$ 3,285	\$3,285	<u>\$ 7,006</u>	<u>\$ 7,006</u>	<u>\$11,809</u>	<u>\$ 4,803</u>

(Concluded)

CITY OF CLEVELAND, OHIO

NONMAJOR ENTERPRISE FUNDS

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

Water Pollution Control

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

Convention Center

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

West Side Market

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

East Side Market

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

Municipal Parking Lots

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

Cemeteries

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

Golf Courses

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

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET - NONMAJOR ENTERPRISE FUNDS

DECEMBER 31, 2003

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 16,620	\$ 1,306	\$ 335	\$ 260
Investments	16,782			
Receivables:				
Accounts	37,710	460	6	
Unbilled revenue	1,948			
Accrued interest	99	3		1
Less: Allowance for doubtful accounts	<u>(340)</u>	<u>(53)</u>		
Receivables, net	<u>39,417</u>	<u>410</u>	<u>6</u>	<u>1</u>
Due from other funds	2,703	101		
Inventory of supplies	<u>241</u>			
Total current assets	<u>75,763</u>	<u>1,817</u>	<u>341</u>	<u>261</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents				
Accrued interest receivable	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total restricted assets	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Unamortized bond issuance costs				
Capital assets:				
Land	297	4,260	198	413
Land improvements				484
Utility plant	111,481			
Buildings, structures and improvements		59,103	5,703	2,400
Furniture, fixtures, equipment and vehicles	6,527	1,467	28	450
Construction in progress	2,439		6,199	
Less: Accumulated depreciation	<u>(56,780)</u>	<u>(57,397)</u>	<u>(3,627)</u>	<u>(1,767)</u>
Total capital assets, net	<u>63,964</u>	<u>7,433</u>	<u>8,501</u>	<u>1,980</u>
Total noncurrent assets	<u>63,964</u>	<u>7,433</u>	<u>8,501</u>	<u>1,980</u>
TOTAL ASSETS	<u>\$ 139,727</u>	<u>\$ 9,250</u>	<u>\$ 8,842</u>	<u>\$ 2,241</u>

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 201	\$	\$ 1,260	\$ 19,982
			16,782
10	21		38,207
			1,948
			103
	(4)		(397)
<u>10</u>	<u>17</u>	<u></u>	<u>39,861</u>
99			2,903
<u>69</u>	<u>210</u>	<u>43</u>	<u>563</u>
<u>379</u>	<u>227</u>	<u>1,303</u>	<u>80,091</u>
19,030	5,880		24,910
<u>163</u>	<u>3</u>	<u></u>	<u>166</u>
<u>19,193</u>	<u>5,883</u>	<u></u>	<u>25,076</u>
953			953
12,929	252	208	18,557
1,256	340	3,303	5,383
			111,481
65,200	6,096	1,666	140,168
305	1,148	1,142	11,067
	59	149	8,846
<u>(15,702)</u>	<u>(2,184)</u>	<u>(3,623)</u>	<u>(141,080)</u>
<u>63,988</u>	<u>5,711</u>	<u>2,845</u>	<u>154,422</u>
<u>84,134</u>	<u>11,594</u>	<u>2,845</u>	<u>180,451</u>
<u>\$ 84,513</u>	<u>\$ 11,821</u>	<u>\$ 4,148</u>	<u>\$ 260,542</u>

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET - NONMAJOR ENTERPRISE FUNDS

DECEMBER 31, 2003

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,147	\$ 278	\$ 106	\$
Accrued wages and benefits	1,533	756	83	8
Due to other funds	2,052	215	92	3
Due to other governments	42,853			
Accrued interest payable				
Current portion of long-term obligations	<u>371</u>			
Total current liabilities	47,956	1,249	281	11
Long-term liabilities:				
Construction loans	5,881			
Revenue bonds payable				
Total liabilities	<u>53,837</u>	<u>1,249</u>	<u>281</u>	<u>11</u>
NET ASSETS				
Invested in capital assets, net of related debt	57,457	7,433	8,501	1,980
Restricted for debt service				
Unrestricted	<u>28,433</u>	<u>568</u>	<u>60</u>	<u>250</u>
Total net assets	<u>85,890</u>	<u>8,001</u>	<u>8,561</u>	<u>2,230</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 139,727</u>	<u>\$ 9,250</u>	<u>\$ 8,842</u>	<u>\$ 2,241</u>

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 26	\$ 9	\$ 27	\$ 1,593
178	231	108	2,897
72	1,976	7	4,417
168			43,021
1,165			1,165
<u>2,175</u>			<u>2,546</u>
3,784	<u>2,216</u>	<u>142</u>	55,639
			5,881
<u>62,785</u>			<u>62,785</u>
<u>66,569</u>	<u>2,216</u>	<u>142</u>	<u>124,305</u>
(972)	5,711	2,845	82,955
14,678			14,678
<u>4,238</u>	<u>3,894</u>	<u>1,161</u>	<u>38,604</u>
<u>17,944</u>	<u>9,605</u>	<u>4,006</u>	<u>136,237</u>
<u>\$ 84,513</u>	<u>\$ 11,821</u>	<u>\$ 4,148</u>	<u>\$ 260,542</u>

(Concluded)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS-NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
OPERATING REVENUES:				
Charges for services	\$ 18,878	\$ 2,742	\$ 1,055	\$ 78
Total operating revenue	<u>18,878</u>	<u>2,742</u>	<u>1,055</u>	<u>78</u>
OPERATING EXPENSES:				
Operations	7,750	7,447	1,017	60
Maintenance	6,896	84	39	19
Depreciation	<u>3,874</u>	<u>1,713</u>	<u>168</u>	<u>107</u>
Total operating expenses	<u>18,520</u>	<u>9,244</u>	<u>1,224</u>	<u>186</u>
OPERATING INCOME (LOSS)	<u>358</u>	<u>(6,502)</u>	<u>(169)</u>	<u>(108)</u>
NON-OPERATING REVENUE (EXPENSES):				
Investment income	690	24	4	3
Interest expense	(256)			
Gain (loss) on disposal of capital assets	5			
Hotel tax		3,454		
Premium on interest rate swap agreement				
Other revenues (expenses)	<u>7</u>			
Total non-operating revenues (expenses)	<u>446</u>	<u>3,478</u>	<u>4</u>	<u>3</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	804	(3,024)	(165)	(105)
Capital contributions	1,977	6	643	
Transfers out				
CHANGE IN NET ASSETS	2,781	(3,018)	478	(105)
NET ASSETS AT BEGINNING OF YEAR	<u>83,109</u>	<u>11,019</u>	<u>8,083</u>	<u>2,335</u>
NET ASSETS AT END OF YEAR	<u>\$ 85,890</u>	<u>\$ 8,001</u>	<u>\$ 8,561</u>	<u>\$ 2,230</u>

Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
\$ 7,406	\$ 1,555	\$ 1,872	\$ 33,586
<u>7,406</u>	<u>1,555</u>	<u>1,872</u>	<u>33,586</u>
1,850	2,306	2,233	22,663
60	63	102	7,263
<u>1,719</u>	<u>271</u>	<u>204</u>	<u>8,056</u>
<u>3,629</u>	<u>2,640</u>	<u>2,539</u>	<u>37,982</u>
<u>3,777</u>	<u>(1,085)</u>	<u>(667)</u>	<u>(4,396)</u>
658	73	19	1,471
(4,595)			(4,851)
(20)			(15)
			3,454
<u>3,275</u>			<u>3,275</u>
<u>(82)</u>	<u>80</u>		<u>5</u>
<u>(764)</u>	<u>153</u>	<u>19</u>	<u>3,339</u>
3,013	(932)	(648)	(1,057)
57	259	240	3,182
<u>(3,733)</u>			<u>(3,733)</u>
(663)	(673)	(408)	(1,608)
<u>18,607</u>	<u>10,278</u>	<u>4,414</u>	<u>137,845</u>
<u>\$ 17,944</u>	<u>\$ 9,605</u>	<u>\$ 4,006</u>	<u>\$ 136,237</u>

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 18,772	\$ 2,677	\$ 1,053	\$ 78
Cash payments to suppliers for goods or services	(6,504)	(2,910)	(515)	(17)
Cash payments to employees for services	(7,868)	(4,257)	(436)	(53)
Agency activity on behalf of NEORS	(530)			
Net cash provided by (used for) operating activities	<u>3,870</u>	<u>(4,490)</u>	<u>102</u>	<u>8</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Advance from General Fund				
Cash received from hotel tax		3,454		
Cash paid through transfers to other funds				
Other	<u>(32)</u>			
Net cash provided by (used for) noncapital financing activities	<u>(32)</u>	<u>3,454</u>		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Premium on interest rate swap agreement				
Acquisition and construction of capital assets	(3,667)			
Principal paid on long-term debt	(492)			
Interest paid on long-term debt	(256)			
Other				
Net cash provided by (used for) capital and related financing activities	<u>(4,415)</u>			
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investment securities	(32,266)			
Proceeds from sale and maturity of investment securities	33,589			
Interest received on investments	665	22	3	3
Net cash provided by (used for) investing activities	<u>1,988</u>	<u>22</u>	<u>3</u>	<u>3</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,411	(1,014)	105	11
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>15,209</u>	<u>2,320</u>	<u>230</u>	<u>249</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 16,620</u>	<u>\$ 1,306</u>	<u>\$ 335</u>	<u>\$ 260</u>

Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
\$ 8,147	\$ 1,545	\$ 1,872	\$ 34,144
(1,522)	(613)	(1,102)	(13,183)
(1,092)	(1,763)	(1,129)	(16,598)
<u>5,533</u>	<u>(831)</u>	<u>(359)</u>	<u>(530)</u>
			<u>3,833</u>
	768		768
(3,733)			3,454
	80		(3,733)
<u>(3,733)</u>	<u>848</u>		<u>48</u>
			<u>537</u>
3,275			3,275
(2,075)			(3,667)
(4,104)			(2,567)
<u>3</u>			<u>(4,360)</u>
<u>(2,901)</u>			<u>3</u>
			<u>(7,316)</u>
			(32,266)
2,000		1,002	36,591
498	71	20	1,282
<u>2,498</u>	<u>71</u>	<u>1,022</u>	<u>5,607</u>
1,397	88	663	2,661
<u>17,834</u>	<u>5,792</u>	<u>597</u>	<u>42,231</u>
<u>\$ 19,231</u>	<u>\$ 5,880</u>	<u>\$ 1,260</u>	<u>\$ 44,892</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED BY (USED FOR)				
OPERATING ACTIVITIES:				
Operating income (loss)	\$ 358	\$ (6,502)	\$ (169)	\$ (108)
Adjustments to reconcile operating income (loss) to				
net cash provided by (used for) operating activities:				
Depreciation	3,874	1,713	168	107
Non-cash rental income				
Loss on disposal of capital assets				
Changes in assets and liabilities:				
Receivables, net	(86)	(287)	106	1
Due from other funds	(136)	(9)		
Due from other governments		216		
Inventory of supplies	(14)			5
Accounts payable	621	115	15	
Accrued wages and benefits	314	243	(3)	1
Due to other funds	(1,061)	21	(15)	2
Due to other governments				
Total adjustments	<u>3,512</u>	<u>2,012</u>	<u>271</u>	<u>116</u>
NET CASH PROVIDED BY (USED FOR)				
OPERATING ACTIVITIES	<u>\$ 3,870</u>	<u>\$ (4,490)</u>	<u>\$ 102</u>	<u>\$ 8</u>

Municipal Parking <u>Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	Total Nonmajor Enterprise <u>Funds</u>
\$ 3,777	\$ (1,085)	\$ (667)	\$ (4,396)
1,719	271	204	8,056
13	(7)	2	(258)
58			(87)
			216
(67)	3	10	(63)
(23)	(29)	22	721
13	6	67	641
(46)	10	3	(1,086)
<u>89</u>			<u>89</u>
<u>1,756</u>	<u>254</u>	<u>308</u>	<u>8,229</u>
<u>\$ 5,533</u>	<u>\$ (831)</u>	<u>\$ (359)</u>	<u>\$ 3,833</u>

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CITY OF CLEVELAND, OHIO

INTERNAL SERVICE FUNDS

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

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

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET - ALL INTERNAL SERVICE FUNDS

DECEMBER 31, 2003

(Amounts in 000's)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>	<u>Utilities Administration</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,916	\$ 646	\$ 22	\$ 1,069
Receivables:				
Accounts		2		
Accrued interest	9	1		2
Receivables, net	<u>9</u>	<u>3</u>		<u>2</u>
Due from other funds	1,396	85	50	
Due from other governments				
Inventory of supplies	<u>1,603</u>	<u>95</u>		
Total current assets	<u>7,924</u>	<u>829</u>	<u>72</u>	<u>1,071</u>
Capital assets:				
Land	663			
Land improvements	3			
Buildings, structures and improvements	1,930			
Furniture, fixtures, equipment and vehicles	3,138	724		54
Construction in progress	144			
Less: Accumulated depreciation	<u>(3,964)</u>	<u>(298)</u>		<u>(40)</u>
Total capital assets, net	<u>1,914</u>	<u>426</u>		<u>14</u>
Total noncurrent assets	<u>1,914</u>	<u>426</u>		<u>14</u>
TOTAL ASSETS	<u>\$ 9,838</u>	<u>\$ 1,255</u>	<u>\$ 72</u>	<u>\$ 1,085</u>

<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Total</u>
\$ 131	\$ 1,439	\$ 190	\$ 647	\$ 9,060
	3		1	2
	<u>3</u>		<u>1</u>	<u>16</u>
				18
		594	142	2,267
	2			2
				<u>1,698</u>
<u>131</u>	<u>1,444</u>	<u>784</u>	<u>790</u>	<u>13,045</u>
				663
				3
				1,930
		128	21	4,065
				144
		<u>(52)</u>	<u>(11)</u>	<u>(4,365)</u>
		<u>76</u>	<u>10</u>	<u>2,440</u>
				2,440
		<u>76</u>	<u>10</u>	<u>2,440</u>
<u>\$ 131</u>	<u>\$ 1,444</u>	<u>\$ 860</u>	<u>\$ 800</u>	<u>\$ 15,485</u>

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET - ALL INTERNAL SERVICE FUNDS

DECEMBER 31, 2003

(Amounts in 000's)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>	<u>Utilities Administration</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 564	\$ 51	\$ 1	\$ 26
Accrued wages and benefits	1,012	95	5	528
Due to other funds	1,867	434		413
Due to other governments				
Total current liabilities	<u>3,443</u>	<u>580</u>	<u>6</u>	<u>967</u>
Total liabilities	<u>3,443</u>	<u>580</u>	<u>6</u>	<u>967</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,914	426		14
Unrestricted	<u>4,481</u>	<u>249</u>	<u>66</u>	<u>104</u>
Total net assets	<u>6,395</u>	<u>675</u>	<u>66</u>	<u>118</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,838</u>	<u>\$ 1,255</u>	<u>\$ 72</u>	<u>\$ 1,085</u>

<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Total</u>
\$	\$ 93	\$ 198	\$ 20	\$ 953
56	654	109	12	2,471
	19	457	448	3,638
	678			678
<u>56</u>	<u>1,444</u>	<u>764</u>	<u>480</u>	<u>7,740</u>
56	1,444	764	480	7,740
		76	10	2,440
<u>75</u>		<u>20</u>	<u>310</u>	<u>5,305</u>
75		96	320	7,745
<u>\$ 131</u>	<u>\$ 1,444</u>	<u>\$ 860</u>	<u>\$ 800</u>	<u>\$ 15,485</u>

(Concluded)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>	<u>Utilities Administration</u>
OPERATING REVENUES:				
Charges for services	\$ 20,334	\$ 799	\$ 842	\$ 2,942
Total operating revenue	<u>20,334</u>	<u>799</u>	<u>842</u>	<u>2,942</u>
OPERATING EXPENSES:				
Operations	14,259	556	852	2,789
Maintenance	1,716	26	7	61
Depreciation	191	41		6
Total operating expenses	<u>16,166</u>	<u>623</u>	<u>859</u>	<u>2,856</u>
OPERATING INCOME (LOSS)	<u>4,168</u>	<u>176</u>	<u>(17)</u>	<u>86</u>
NON-OPERATING REVENUES:				
Investment income	58	8		12
Total non-operating revenues (expenses)	<u>58</u>	<u>8</u>	<u></u>	<u>12</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	4,226	184	(17)	98
Capital contributions	499	195		
Transfers in			80	
CHANGE IN NET ASSETS	4,725	379	63	98
NET ASSETS AT BEGINNING OF YEAR	<u>1,670</u>	<u>296</u>	<u>3</u>	<u>20</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,395</u>	<u>\$ 675</u>	<u>\$ 66</u>	<u>\$ 118</u>

<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Total</u>
\$ _____	\$ 7,037	\$ 4,790	\$ 1,823	\$ 38,567
_____	<u>7,037</u>	<u>4,790</u>	<u>1,823</u>	<u>38,567</u>
527	7,147	4,737	738	31,605
	44	17	785	2,656
_____	_____	<u>22</u>	<u>4</u>	<u>264</u>
<u>527</u>	<u>7,191</u>	<u>4,776</u>	<u>1,527</u>	<u>34,525</u>
(527)	(154)	14	296	4,042
_____	154	_____	7	239
_____	154	_____	7	239
(527)	_____	14	303	4,281
_____	_____	98	_____	792
<u>602</u>	_____	_____	_____	<u>682</u>
75	_____	112	303	5,755
_____	_____	(16)	17	1,990
<u>\$ 75</u>	<u>\$ _____</u>	<u>\$ 96</u>	<u>\$ 320</u>	<u>\$ 7,745</u>

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>	<u>Utilities Administration</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 17,334	\$ 1,209	\$ 859	\$ 3,311
Cash payments to suppliers for goods or services	(9,305)	(541)	(817)	(428)
Cash payments to employees for services	<u>(5,779)</u>	<u>(609)</u>	<u>(39)</u>	<u>(2,821)</u>
Net cash provided by (used for) operating activities	<u>2,250</u>	<u>59</u>	<u>3</u>	<u>62</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received through transfers from other funds	_____	_____	_____	_____
Net cash provided by (used for) noncapital financing activities	_____	_____	_____	_____
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	<u>49</u>	<u>7</u>	_____	<u>10</u>
Net cash provided by investing activities	<u>49</u>	<u>7</u>	_____	<u>10</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,299	66	3	72
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,617</u>	<u>580</u>	<u>19</u>	<u>997</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,916</u>	<u>\$ 646</u>	<u>\$ 22</u>	<u>\$ 1,069</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	\$ 4,168	\$ 176	\$ (17)	\$ 86
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	191	41		6
Change in assets and liabilities:				
Accounts receivable	5			
Due from other funds	(756)	(14)	56	
Due from other governments				
Inventory of supplies	865	21		
Accounts payable	(55)	(9)		(1)
Accrued wages and benefits	78	16	2	81
Due to other funds	(2,246)	(172)	(38)	(110)
Due to other governments				
Total adjustments	<u>(1,918)</u>	<u>(117)</u>	<u>20</u>	<u>(24)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 2,250</u>	<u>\$ 59</u>	<u>\$ 3</u>	<u>\$ 62</u>

<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Total</u>
\$	\$ 5,204	\$ 5,062	\$ 1,862	\$ 34,841
(380)	(2,252)	(4,255)	(1,688)	(19,666)
(138)	(4,872)	(641)	(52)	(14,951)
<u>(518)</u>	<u>(1,920)</u>	<u>166</u>	<u>122</u>	<u>224</u>
437				437
<u>437</u>				<u>437</u>
	161		6	233
	<u>161</u>		<u>6</u>	<u>233</u>
(81)	(1,759)	166	128	894
<u>212</u>	<u>3,198</u>	<u>24</u>	<u>519</u>	<u>8,166</u>
<u>\$ 131</u>	<u>\$ 1,439</u>	<u>\$ 190</u>	<u>\$ 647</u>	<u>\$ 9,060</u>
\$ (527)	\$ (154)	\$ 14	\$ 296	\$ 4,042
		22	4	264
	9	272	4	9
	(2)		(20)	(453)
				(2)
				886
(4)	(14)	(165)	(229)	(477)
13	82	28	6	306
	(8)	(5)	61	(2,518)
	<u>(1,833)</u>			<u>(1,833)</u>
<u>9</u>	<u>(1,766)</u>	<u>152</u>	<u>(174)</u>	<u>(3,818)</u>
<u>\$ (518)</u>	<u>\$ (1,920)</u>	<u>\$ 166</u>	<u>\$ 122</u>	<u>\$ 224</u>

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CITY OF CLEVELAND, OHIO

AGENCY FUNDS

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

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

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
MUNICIPAL COURTS				
ASSETS				
Cash and cash equivalents	\$ 3,127	\$ 53,464	\$ 48,862	\$ 7,729
Total assets	<u>3,127</u>	<u>53,464</u>	<u>48,862</u>	<u>7,729</u>
LIABILITIES				
Due to others	<u>3,127</u>	<u>53,464</u>	<u>48,862</u>	<u>7,729</u>
Total liabilities	<u>3,127</u>	<u>53,464</u>	<u>48,862</u>	<u>7,729</u>
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 CENTRAL COLLECTION AGENCY				
ASSETS				
Cash and cash equivalents	\$ 6,397	\$ 7,228	\$ 6,397	\$ 7,228
Taxes receivable	29,394	29,243	29,394	29,243
Due from other governments	<u>2,910</u>	<u>1,044</u>	<u>2,910</u>	<u>1,044</u>
Total assets	<u>38,701</u>	<u>37,515</u>	<u>38,701</u>	<u>37,515</u>
LIABILITIES				
Due to other governments	<u>38,701</u>	<u>37,515</u>	<u>38,701</u>	<u>37,515</u>
Total liabilities	<u>38,701</u>	<u>37,515</u>	<u>38,701</u>	<u>37,515</u>
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

CITY OF CLEVELAND, OHIO

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Amounts in 000's)

	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at End of Year</u>
OTHER AGENCIES				
ASSETS				
Cash and cash equivalents	\$ 6,337	\$ 48,027	\$ 44,410	\$ 9,954
Total assets	<u>6,337</u>	<u>48,027</u>	<u>44,410</u>	<u>9,954</u>
LIABILITIES				
Due to others	<u>6,337</u>	<u>48,027</u>	<u>44,410</u>	<u>9,954</u>
Total liabilities	<u>6,337</u>	<u>48,027</u>	<u>44,410</u>	<u>9,954</u>
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 TOTALS-ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 15,861	\$ 108,719	\$ 99,669	\$ 24,911
Taxes receivable	29,394	29,243	29,394	29,243
Due from other governments	<u>2,910</u>	<u>1,044</u>	<u>2,910</u>	<u>1,044</u>
Total assets	<u>48,165</u>	<u>139,006</u>	<u>131,973</u>	<u>55,198</u>
LIABILITIES				
Due to other governments	38,701	37,515	38,701	37,515
Due to others	<u>9,464</u>	<u>101,491</u>	<u>93,272</u>	<u>17,683</u>
Total liabilities	<u>48,165</u>	<u>139,006</u>	<u>131,973</u>	<u>55,198</u>
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF CLEVELAND, OHIO

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

December 31, 2003

(Amounts in 000's)

Governmental Funds Capital Assets:	
Land	\$ 60,251
Land improvements	88,969
Buildings, structures and improvements	539,115
Furniture, fixtures, equipment and vehicles	156,063
Infrastructure	276,985
Construction in progress	<u>79,263</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 <u>\$ 1,200,646</u>
 Investment in Governmental Funds Capital Assets by Source:	
General obligation bonds	\$ 507,339
General Fund and other revenues	345,183
Special Revenue Fund revenues:	
Restricted income taxes	137,706
Federal grants	167,327
Certificates of participation	26,023
Gifts	<u>17,068</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 <u>\$ 1,200,646</u>

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

CITY OF CLEVELAND, OHIO

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY FUNCTION AND ACTIVITY*

December 31, 2003

(Amounts in 000's)

	<u>Total</u>	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings, Structures and Improvements</u>	<u>Furniture, Fixtures, Equipment and Vehicles</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>
General Government:							
General government	\$ 321,178	\$ 208	\$	\$ 309,783	\$ 7,096	\$ 1,068	\$ 3,023
City Hall	4,417	877		2,598	942		
Justice Center	32,204			28,922	3,282		
Charles V. Carr Municipal Center	654		15	632	7		
Total general government	<u>358,453</u>	<u>1,085</u>	<u>15</u>	<u>341,935</u>	<u>11,327</u>	<u>1,068</u>	<u>3,023</u>
Public Service:							
Waste collection	31,770	499		8,102	20,727	1,460	982
Engineering and construction	234,073		11,477		3,526	195,353	23,717
Streets	124,318	1,800	11,460	14,205	17,611	61,999	17,243
Other	37,260	2,609	339	27,843	5,918		551
Total public service	<u>427,421</u>	<u>4,908</u>	<u>23,276</u>	<u>50,150</u>	<u>47,782</u>	<u>258,812</u>	<u>42,493</u>
Public Safety:							
Police	86,020	4,805	317	46,131	27,163		7,604
Fire	66,113	1,670		24,473	36,926		3,044
Emergency medical service	18,208				12,460	5,614	134
Traffic engineering	3,666			3,666			
Dog pound	872			662	210		
Total public safety	<u>174,879</u>	<u>6,475</u>	<u>317</u>	<u>74,932</u>	<u>76,759</u>	<u>5,614</u>	<u>10,782</u>
Public Health:							
Correction	7,365	287		6,554	524		
Health and environment	11,323	1,112	36	8,214	888		1,073
Total public health	<u>18,688</u>	<u>1,399</u>	<u>36</u>	<u>14,768</u>	<u>1,412</u>		<u>1,073</u>
Parks, Recreation and Properties:							
Park maintenance and properties	84,981	35,042	22,183	9,087	14,727	234	3,708
Research, planning and development	30,460	2,992	11,089	967	357	2,997	12,058
Recreation	81,595	976	30,247	44,071	2,140		4,161
Total parks, recreation and properties	<u>197,036</u>	<u>39,010</u>	<u>63,519</u>	<u>54,125</u>	<u>17,224</u>	<u>3,231</u>	<u>19,927</u>
Community Development:							
Community development	18,046	7,374	1,531	1,685	1,228	4,350	1,878
Total community development	<u>18,046</u>	<u>7,374</u>	<u>1,531</u>	<u>1,685</u>	<u>1,228</u>	<u>4,350</u>	<u>1,878</u>
Economic Development:							
Economic development	2,238		275	1,520	27	329	87
Total economic development	<u>2,238</u>		<u>275</u>	<u>1,520</u>	<u>27</u>	<u>329</u>	<u>87</u>
Building & Housing:							
Building & Housing	3,885				304	3,581	
Total building & housing	<u>3,885</u>				<u>304</u>	<u>3,581</u>	
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 1,200,646</u>	<u>\$ 60,251</u>	<u>\$ 88,969</u>	<u>\$ 539,115</u>	<u>\$ 156,063</u>	<u>\$ 276,985</u>	<u>\$ 79,263</u>

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

CITY OF CLEVELAND, OHIO

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY* FOR THE YEAR ENDED DECEMBER 31, 2003

(Amounts in 000's)

	Balance January 1, <u>2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	Balance December 31, <u>2003</u>
General Government:					
General government	\$ 317,170	\$ 2,839	\$ (154)	\$ 1,324	\$ 321,179
City Hall	4,417				4,417
Justice Center	32,204				32,204
Charles V. Carr Municipal Center	653				653
Total general government	<u>354,444</u>	<u>2,839</u>	<u>(154)</u>	<u>1,324</u>	<u>358,453</u>
Public Service:					
Waste collection	29,332	1,321	(369)	1,486	31,770
Engineering and construction	162,121	33,040	(174)	39,086	234,073
Streets	190,925	4,911	(334)	(71,184)	124,318
Other	36,083	1,552	(12)	(363)	37,260
Total public service	<u>418,461</u>	<u>40,824</u>	<u>(889)</u>	<u>(30,975)</u>	<u>427,421</u>
Public Safety:					
Police	85,095	2,485	(1,093)	(467)	86,020
Fire	64,189	2,069		(145)	66,113
Emergency medical service	16,064	1,074	(434)	5,170	21,874
Traffic engineering					
Dog pound	828	74	(18)	(12)	872
Total public safety	<u>166,176</u>	<u>5,702</u>	<u>(1,545)</u>	<u>4,546</u>	<u>174,879</u>
Public Health:					
Correction	7,328	52		(15)	7,365
Health and environment	11,171	244		(92)	11,323
Total public health	<u>18,499</u>	<u>296</u>		<u>(107)</u>	<u>18,688</u>
Parks, Recreation and Properties:					
Park maintenance and properties	82,671	3,832	(205)	(1,317)	84,981
Research, planning and development	21,939	9,149	(24)	(604)	30,460
Recreation	81,480	2,281		(2,166)	81,595
Total parks, recreation and properties	<u>186,090</u>	<u>15,262</u>	<u>(229)</u>	<u>(4,087)</u>	<u>197,036</u>
Community Development:					
Community development	12,921	3,733	(29)	1,421	18,046
Total community development	<u>12,921</u>	<u>3,733</u>	<u>(29)</u>	<u>1,421</u>	<u>18,046</u>
Economic Development:					
Economic development	1,104	1,325		(191)	2,238
Total economic development	<u>1,104</u>	<u>1,325</u>		<u>(191)</u>	<u>2,238</u>
Building & Housing:					
Building & Housing		39		3,846	3,885
Total building & housing		<u>39</u>		<u>3,846</u>	<u>3,885</u>
TOTAL GOVERNMENTAL FUNDS					
CAPITAL ASSETS	<u>\$ 1,157,695</u>	<u>\$ 70,020</u>	<u>\$ (2,846)</u>	<u>\$ (24,223)</u>	<u>\$ 1,200,646</u>

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

STATISTICAL SECTION

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CITY OF CLEVELAND, OHIO

GENERAL FUND REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION AND OTHER USES-(BUDGET BASIS) LAST TEN FISCAL YEARS

(Amounts in 000's)

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
REVENUES										
Income taxes	\$ 196,309	\$ 209,154	\$ 215,876	\$ 222,745	\$ 230,863	\$ 245,844	\$ 268,786	\$ 262,721	\$ 246,519	\$ 249,680
Property taxes (1)	38,722	40,145	40,844	40,844	43,026	45,964	45,131	47,842	47,925	41,133
State local government funds	43,431	46,407	48,689	50,762	54,255	56,923	59,488	59,265	56,211	55,459
Other shared revenues (1)	10,147	17,879	24,820	26,122	26,581	31,187	32,871	31,590	31,491	38,554
Licenses and permits	6,488	6,964	8,403	8,886	10,303	8,731	9,339	8,887	7,807	10,367
Charges for services	15,038	12,160	13,191	13,570	14,975	13,671	16,177	16,030	16,359	15,547
Fines, forfeits and settlements	13,890	13,360	14,422	15,375	15,914	16,611	17,843	16,768	17,778	18,297
Investment earnings	1,106	2,060	1,384	2,159	4,241	4,435	2,526	1,604	1,072	1,534
Workers comp refund	0	0	0	0	0	0	0	0	5,142	0
Grants	0	0	0	0	0	0	0	0	4,344	4,806
Miscellaneous	20,653	16,901	19,475	17,315	9,508	8,759	24,447	29,735	25,589	20,398
Premium on interest rate swap agreement	0	0	0	0	0	0	0	0	0	3,400
Transfers in	0	0	0	0	0	0	0	0	28,178	34,394
	<u>\$ 345,784</u>	<u>\$ 365,030</u>	<u>\$ 387,104</u>	<u>\$ 397,778</u>	<u>\$ 409,666</u>	<u>\$ 432,125</u>	<u>\$ 476,608</u>	<u>\$ 474,442</u>	<u>\$ 488,415</u>	<u>\$ 493,569</u>
EXPENDITURES AND OTHER USES										
General government	\$ 37,445	\$ 39,189	\$ 41,623	\$ 42,352	\$ 45,902	\$ 49,837	\$ 55,922	\$ 54,786	\$ 58,839	\$ 64,663
Public service	29,435	30,357	29,537	30,208	30,669	31,222	33,580	33,550	36,645	36,785
Public safety	207,541	217,825	225,669	234,064	240,717	252,723	261,480	272,436	292,140	294,118
Community development	6,040	6,461	5,920	5,943	6,461	6,581	12,583	16,655	11,142	2,700
Building and Housing	0	0	0	0	0	0	0	0	0	11,589
Public health	10,545	10,261	10,037	10,274	10,418	11,984	12,465	11,884	11,538	12,620
Parks, recreation, and properties	30,126	31,121	33,263	34,952	34,385	36,150	37,574	39,131	39,116	38,706
Economic development	1,026	1,017	1,103	1,039	1,067	1,128	1,014	1,098	1,057	1,120
Other	11,876	12,843	14,071	14,575	14,963	16,553	16,742	16,882	18,027	22,555
Transfers out	12,125	16,392	26,208	24,776	23,650	24,778	39,465	41,680	22,754	11,154
	<u>\$ 346,159</u>	<u>\$ 365,466</u>	<u>\$ 387,431</u>	<u>\$ 398,183</u>	<u>\$ 408,232</u>	<u>\$ 430,956</u>	<u>\$ 470,825</u>	<u>\$ 488,102</u>	<u>\$ 491,258</u>	<u>\$ 496,010</u>

(1) Prior to 2003, homestead and rollback revenue was classified as property tax. Beginning in 2003, it is now recorded as other shared revenue.

CITY OF CLEVELAND, OHIO

**GOVERNMENTAL FUNDS - REVENUES AND OTHER FINANCING SOURCES
AND EXPENDITURES BY FUNCTION AND OTHER USES
LAST TEN FISCAL YEARS**

(Amounts in 000's)

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
REVENUES AND OTHER FINANCING SOURCES				
Income taxes	\$ 222,651	\$ 237,081	\$ 243,213	\$ 255,925
Property taxes (1)	60,949	62,630	63,968	64,354
State local government funds	43,634	52,625	50,865	50,217
Other shared revenues (1)	22,339	29,098	34,590	37,561
Licenses and permits	6,924	7,466	8,714	9,252
Charges for services	15,682	13,056	13,744	16,326
Fines, forfeits and settlements	13,726	13,402	14,771	15,572
Investment earnings	6,731	10,276	9,963	10,492
Grants	81,507	97,841	90,412	92,276
Assessments and contributions	156	152	120	168
Cleveland Public Power repayment	35,609	0	0	0
Workers compensation settlement and refunds	303	916	2,095	0
Enterprise reimbursements	4,161	2,878	1,342	116
Miscellaneous	25,567	25,552	38,374	36,064
Transfers in	53,613	28,769	47,568	41,580
Proceeds from capitalized lease	0	3,891	0	0
Premium on interest rate swap agreement	0	0	0	0
Premium on bonds and notes	0	0	0	0
Proceeds from sale of bonds and notes	139,708	0	58,491	214,166
Proceeds from sale of certificates of participation	19,790	19,171	0	0
	<u>\$ 753,050</u>	<u>\$ 604,804</u>	<u>\$ 678,230</u>	<u>\$ 844,069</u>
EXPENDITURES AND OTHER USES				
Current:				
General government	\$ 38,061	\$ 39,901	\$ 44,268	\$ 44,568
Public service	49,959	50,619	50,246	47,975
Public safety	210,118	223,488	227,572	236,426
Human resources	6,724	8,919	9,494	9,549
Building and housing	0	0	0	0
Community development	50,065	58,502	57,509	56,754
Public health	20,201	20,981	22,560	22,343
Parks, recreation and properties	31,409	32,889	34,528	36,858
Economic development	7,668	13,242	22,285	18,439
Other	10,227	14,523	12,980	19,546
Capital outlay	81,622	63,457	42,314	81,222
Inception of capital lease	0	0	0	0
Interest expense	0	0	0	0
Debt service:				
Principal retirement	112,119	18,824	21,935	25,003
Interest	22,616	26,439	23,444	26,488
Enterprise debt service	4,577	2,810	2,602	352
Transfers out	53,226	30,455	48,497	40,981
Debt issuance costs	0	0	0	0
Payments to refund notes, bonds and certificates of participation	0	19,171	16,644	47,665
	<u>\$ 698,592</u>	<u>\$ 624,220</u>	<u>\$ 636,878</u>	<u>\$ 714,169</u>

Note: Includes all Governmental Fund Types

(1) Prior to 2003, homestead and rollback revenue was classified as property tax. Beginning in 2003, it is now recorded as other shared revenue.

<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
\$ 272,309	\$ 285,947	\$ 291,514	\$ 277,687	\$ 279,186	\$ 278,719
66,662	70,937	66,642	71,610	72,683	63,353
53,998	59,413	60,015	59,252	56,436	55,462
37,393	43,121	43,626	43,341	44,664	55,030
10,574	9,099	9,255	8,967	10,656	13,727
16,648	17,850	18,370	18,798	21,672	21,345
14,766	19,070	20,990	13,096	24,946	25,689
23,890	14,621	14,327	10,425	4,762	3,634
100,255	107,455	83,334	106,965	139,953	120,379
115	0	84	0	2,500	101
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
66,890	109,565	54,495	54,249	19,099	17,013
42,673	66,270	57,049	69,156	96,056	59,368
0	0	0	0	0	6,254
0	0	0	0	0	5,100
0	0	0	0	2,648	3,156
48,736	35,778	26,335	4,060	76,675	104,000
0	20,000	0	0	0	0
<u>\$ 754,909</u>	<u>\$ 859,126</u>	<u>\$ 746,036</u>	<u>\$ 737,606</u>	<u>\$ 851,936</u>	<u>\$ 832,330</u>

\$ 54,789	\$ 63,476	\$ 69,397	\$ 74,752	\$ 71,551	\$ 74,128
53,898	52,792	63,698	50,209	55,939	56,761
241,632	249,160	279,540	273,951	283,172	302,707
9,920	7,520	8,471	13,425	21,545	0
0	0	0	0	0	11,935
52,178	50,750	53,125	82,194	86,641	61,227
19,814	21,071	21,852	19,796	21,176	21,870
42,645	41,738	39,941	39,951	36,088	37,829
13,368	18,754	16,071	41,466	27,245	33,728
14,876	15,031	19,425	16,373	12,973	14,197
184,528	133,490	51,586	74,329	63,171	64,738
0	0	0	0	0	419
0	0	0	0	0	228
26,511	48,442	30,646	31,463	62,347	32,949
30,293	29,304	28,825	28,312	26,748	27,400
0	0	0	0	922	719
42,074	67,679	57,823	68,346	100,365	59,773
0	0	0	0	740	818
24,823	0	0	0	0	0
<u>\$ 811,349</u>	<u>\$ 799,207</u>	<u>\$ 740,400</u>	<u>\$ 814,567</u>	<u>\$ 870,623</u>	<u>\$ 801,426</u>

CITY OF CLEVELAND, OHIO

AD VALOREM

PROPERTY TAX LEVIES AND COLLECTIONS- REAL, UTILITY AND TANGIBLE TAXES LAST TEN FISCAL YEARS

<u>Tax Year/ Collection Year</u>	<u>Current Levy</u>	<u>Delinquent Levy (1)</u>	<u>Total Levy</u>	<u>Current Collection</u>	<u>Current Levy Collected</u>	<u>Delinquent Collection</u>	<u>Total Collections</u>	<u>Total Collections As Percent of Current Levy</u>	<u>Cumulative Delinquencies</u>
1993/1994	\$ 61,438,787	\$ 12,569,653	\$ 74,008,440	\$ 56,476,156	91.9%	\$ 2,421,817	\$ 58,897,973	95.9%	\$ 10,772,864
1994/1995	63,537,979	11,399,864	74,937,843	58,758,206	92.5%	2,403,005	61,161,211	96.3%	10,975,479
1995/1996	64,041,017	12,339,642	76,380,659	59,133,403	92.3%	2,850,250	61,983,653	96.8%	12,752,255
1996/1997	65,060,514	14,986,362	80,046,876	59,733,751	91.8%	3,023,595	62,757,346	96.5%	14,222,919
1997/1998	68,518,965	13,796,053	82,315,018	62,883,792	91.8%	2,785,155	65,668,947	95.8%	14,128,110
1998/1999	69,516,994	14,138,999	83,655,993	63,427,067	91.2%	4,219,704	67,646,771	97.3%	13,869,371
1999/2000	69,830,697	14,601,538	84,432,235	62,471,564	89.5%	4,214,775	66,686,339	95.5%	16,484,006
2000/2001	76,121,582	17,631,916	93,753,498	66,447,200	87.3%	4,253,228	70,700,428	92.9%	21,498,001
2001/2002	74,682,276	21,767,423	96,449,699	64,376,023	86.2%	6,680,368	71,056,391	95.1%	21,966,674
2002/2003	73,483,514	22,436,554	95,920,068	65,058,362	88.5%	5,052,595	70,110,957	95.4%	25,151,032

Source: Cuyahoga County Auditor's Office

(1) Levy includes adjustments, abatements, additions and penalties against current delinquent levy.

CITY OF CLEVELAND, OHIO

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS (Amounts in 000's)

Tax Year/ Collection Year	Real Property (1)		Personal Property (2)		Public Utilities (3)		Total	Ratio of Total Assessed Value To Total Estimated Actual Value		
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		Assessed Value	Estimated Actual Value	Actual Value
1993/1994	\$ 3,526,652	\$ 10,076,150	\$ 862,181	\$ 3,448,724	\$ 503,658	\$ 572,338	\$ 4,892,491	\$ 14,097,212	34.7%	
1994/1995	3,666,719	10,476,340	816,921	3,267,684	517,663	588,253	5,001,303	14,332,277	34.9%	
1995/1996	3,700,852	10,573,863	820,959	3,283,836	484,244	550,277	5,006,055	14,407,976	34.7%	
1996/1997	3,767,013	10,762,894	856,832	3,427,327	476,677	541,678	5,100,522	14,731,899	34.6%	
1997/1998	4,015,815	11,473,757	885,245	3,540,980	474,182	538,843	5,375,242	15,553,580	34.6%	
1998/1999	4,085,338	11,672,394	913,154	3,652,616	478,752	544,036	5,477,244	15,869,046	34.5%	
1999/2000	4,100,737	11,716,391	952,829	3,811,316	444,315	504,903	5,497,881	16,032,610	34.3%	
2000/2001	4,618,340	13,195,257	988,532	3,954,128	451,775	513,380	6,058,647	17,662,765	34.3%	
2001/2002	4,673,268	13,352,194	980,928	4,087,202	377,364	428,823	6,031,560	17,868,219	33.8%	
2002/2003	4,592,623	13,121,780	853,282	3,709,921	358,143	406,980	5,804,048	17,238,681	33.7%	

Source: Cuyahoga County Auditor's Office

(1) The assessed valuation level for real property in Cuyahoga County is 35% of appraised market value, except for certain agricultural land and public utility property.
(2) Beginning in 2002 the assessed valuation of personal property constituting "inventory" was reduced from 25% of true value by 1% of true value per year in 2002 and 2003. The percentage will continue to decrease by 1% or 2% a year based upon certain factors until it reaches zero.

The rate for non-inventory personal property remained at 25%.

(3) Electric deregulation took place January 1, 2001. Under prior law, an electric company's taxable production equipment was assessed at 100% of true value, while all of its other taxable property was assessed at 88% of true value. Effective in 2002, the valuation on electric utility production equipment was reduced from 100% to 25% of true value, with makeup payments in varying amounts to be made through 2016 to taxing subdivisions by the State from State resources. All taxable property remained at 88% true value.

CITY OF CLEVELAND, OHIO

**AD VALOREM PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(PER \$1,000 OF ASSESSED VALUATION)**

Tax Year/ Collection Year	City of Cleveland					Total City Rate	County	Library and School	Total
	General Fund	Bond Retirement	Police Pension	Fire Pension					
1993/1994	\$ 7.75	\$ 4.35	\$ 0.30	\$ 0.30	\$ 12.70	\$ 16.80	\$ 51.40	\$ 80.90	
1994/1995	7.75	4.35	0.30	0.30	12.70	16.80	51.10	80.60	
1995/1996	7.75	4.35	0.30	0.30	12.70	16.60	51.10	80.40	
1996/1997	7.75	4.35	0.30	0.30	12.70	16.60	64.00	93.30	
1997/1998	7.75	4.35	0.30	0.30	12.70	16.60	64.00	93.30	
1998/1999	7.75	4.35	0.30	0.30	12.70	15.30	65.00	93.00	
1999/2000	7.75	4.35	0.30	0.30	12.70	15.30	64.80	92.80	
2000/2001	7.75	4.35	0.30	0.30	12.70	16.20	64.60	93.50	
2001/2002	7.75	4.35	0.30	0.30	12.70	16.20	68.80	97.70	
2002/2003	7.75	4.35	0.30	0.30	12.70	16.20	68.80	97.70	

Source: Cuyahoga County Auditor's Office

CITY OF CLEVELAND, OHIO

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population(1)</u>	<u>Assessed Value (2) (Amounts in 000's)</u>	<u>Gross General Bonded Debt (3)</u>	<u>Less Balance in Debt Service Fund (4)</u>	<u>Net General Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1994	505,616	\$ 4,892,491	\$ 296,800,000	\$ 9,157,000	\$ 287,643,000	5.88%	\$ 568.90
1995	505,616	5,001,303	280,650,000	9,729,000	270,921,000	5.42%	535.82
1996	505,616	5,006,055	291,665,000	8,460,000	283,205,000	5.66%	560.12
1997	505,616	5,100,522	299,100,000	5,408,000	293,692,000	5.76%	580.86
1998	505,616	5,375,242	306,165,000	6,083,000	300,082,000	5.58%	593.50
1999	505,616	5,477,244	312,225,000	7,575,000	304,650,000	5.56%	602.53
2000	478,403	5,497,881	316,950,000	6,580,000	310,370,000	5.65%	648.76
2001	478,403	6,058,647	293,380,000	772,000	292,608,000	4.83%	611.63
2002	478,403	6,031,560	319,085,000	2,865,000	316,220,000	5.24%	660.99
2003	478,403	5,804,048	356,900,000	4,331,000	352,569,000	6.07%	736.97

(1) Bureau of Census.

(2) Cuyahoga County Auditor's Office. Values listed for year of collection.

(3) General Obligation Debt Outstanding December 31.

(4) Balance in Debt Service Fund excludes the balance in the Stadium Bond Fund, Urban Renewal Fund, Urban Renewal Reserve Fund, Subordinated Income Tax Fund, Subordinated Income Tax Reserve Fund and Core City Bonds Fund.

CITY OF CLEVELAND, OHIO

COMPUTATION OF LEGAL DEBT MARGIN (1) DIRECT DEBT CALCULATION DECEMBER 31, 2003

Total of all City Debt Outstanding		\$ 2,674,442,000
Debt Exempt From Direct Debt Limitation:		
Tax Supporting:	\$ 356,900,000	
Tax Supporting Issues after 1980		
Self-Supporting:		
Revenue Bonds and Notes	2,160,842,000	
Ohio Water Development Authority Loans	33,045,000	
Urban Renewal Bonds and Notes	12,555,000	
Subordinated Income Tax Refunding Bonds	65,500,000	
Non-tax Revenue Bonds	45,600,000	
Total Exempt Debt	2,674,442,000	2,674,442,000
Net Indebtedness (Voted and Unvoted) Subject to 10.50% Debt Limitation		\$ 0
Less: Applicable Debt Service Fund		4,331,000
Net Indebtedness Subject to 10.50% Limitation		\$ 0
Net Indebtedness (Unvoted) Subject to 5.50% Legal Debt Limitation		
Less: Applicable Debt Service Fund		4,331,000
Net Indebtedness Subject to 5.50% Limitation		\$ 0
Assessed Valuation of City (2002 for 2003 Collection)		\$ 5,804,048,750
10.50% of Valuation (Maximum Voted and Unvoted General Obligation Debt Allowed)		\$ 609,425,119
Net Indebtedness Subject to 10.50% Debt Limitation		0
Legal 10.50% Margin		\$ 609,425,119
5.50% of Valuation (Maximum Unvoted Non-exempt General Obligation Debt Allowed)		\$ 319,222,681
Net Indebtedness Subject to 5.50% Debt Limitation		0
Legal 5.50% Margin		\$ 319,222,681

(1) Computation of Legal Debt Margin (Direct Debt Calculation) based on Section 133, the Uniform Bond Act of the Ohio Revised Code. Under the indirect debt limitation calculation per the Ohio Revised Code the City has the ability to issue approximately \$95 million of additional unvoted debt.

CITY OF CLEVELAND, OHIO

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
December 31, 2003**

	<u>Gross Debt</u>	<u>Debt Service Fund</u>		<u>Net Debt</u>	<u>Percent Applicable (1)</u>	<u>City's Share</u>
City of Cleveland	\$ 356,900,000	\$ 4,331,000	(2)	\$ 352,569,000	100.00%	\$ 352,569,000
Cleveland Municipal School District (3)	100,400,000	25,381,930		75,018,070	97.47%	73,120,113
Shaker Heights School District (3)	13,744,223	1,912,412		11,831,811	6.31%	746,587
Berea School District (3)	9,505,000	545,883		8,959,117	5.80%	519,629
Cuyahoga County (3)	183,239,636	49,793,506		133,446,130	19.72%	<u>26,315,577</u>
TOTAL OVERLAPPING DEBT						<u>453,270,906</u>
TOTAL NET DIRECT AND OVERLAPPING DEBT						<u><u>\$ 453,270,906</u></u>

(1) Percent applicable column is calculated using current assessed valuation of the City area overlapping the applicable taxing district divided by total current assessed valuation of that taxing district.

(2) Balance in Debt Service Fund excludes the balance in the Stadium Bond Fund, Urban Renewal Fund, Urban Renewal Reserve Fund, Subordinated Income Tax Fund, Subordinated Income Tax Reserve Fund and Core City Bonds Fund.

(3) Cuyahoga County Budget Commission.

CITY OF CLEVELAND, OHIO

SCHEDULE OF DIRECT DEBT (1)
December 31, 2003

DIRECT DEBT

Long-Term Debt:

General Obligation Bonds and Notes:

Various Purpose	\$ 356,900,000
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Revenue Bonds:

Airport	977,892,000
---------	-------------

Waterworks	851,705,000
------------	-------------

Public Power System Improvement	259,765,000
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Parking Facilities	71,480,000
--------------------	------------

Urban Renewal Bonds	12,555,000
---------------------	------------

Subordinated Income Tax Refunding Bonds	65,500,000
---	------------

Non-tax Revenue Bonds	45,600,000
-----------------------	------------

Ohio Water Development Authority Loans	33,045,000
--	------------

Total Long-Term Debt	2,674,442,000	\$ 2,674,442,000
----------------------	---------------	------------------

Gross Direct Debt		2,674,442,000
-------------------	--	---------------

Deduct:

General Obligation Debt Service Fund	4,331,000	(2)
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Exempt Tax-Supporting General Obligations:

General Obligation Bonds Issued after 1980	356,900,000
--	-------------

Revenue Bonds:

Airport	\$ 977,892,000
---------	----------------

Waterworks Improvement	851,705,000
------------------------	-------------

Public Power System Improvement	259,765,000
---------------------------------	-------------

Parking Facilities	71,480,000
--------------------	------------

Total Revenue Bonds	2,160,842,000
---------------------	---------------

Urban Renewal Bonds and Notes	12,555,000
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Subordinated Income Tax Refunding Bonds	65,500,000
---	------------

Non-tax Revenue Bonds	45,600,000
-----------------------	------------

Ohio Water Development Authority Loans	33,045,000
--	------------

Total Deductions		2,678,773,000
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Net Direct Debt		\$ 0
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(1) Statement of Direct Debt is based on Section 133 of the Uniform Bond Act of the Ohio Revised Code.

(2) Balance in Debt Service Fund excludes the balance in the Stadium Bond Fund, Urban Renewal Fund, Urban Renewal Reserve Fund, Core City Bonds Fund, Subordinated Income Tax Fund and Subordinated Income Tax Reserve Fund.

CITY OF CLEVELAND, OHIO

RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES-(BUDGET BASIS) LAST TEN FISCAL YEARS

<u>Year</u>	<u>Debt Service on General Tax Supported Debt</u>	<u>Debt Service on Self-Supporting Debt</u>	<u>General Fund Expenditures (1)</u>	<u>Ratio of Tax Supported Debt Service to General Fund Expenditures</u>	<u>Ratio of Self-Supporting Debt Service to General Fund Expenditures</u>
1994	\$ 33,182,285	\$ 4,576,925	\$ 346,159,000	9.59%	1.32%
1995	33,960,155	2,810,246	366,659,000	9.26%	0.77%
1996	34,890,298	2,601,657	387,431,000	9.01%	0.67%
1997	35,157,587	352,168	398,183,000	8.83%	0.09%
1998	35,603,010	0	408,232,000	8.72%	0.00%
1999	36,590,983	0	430,956,000	8.49%	0.00%
2000	38,584,776	0	470,825,000	8.20%	0.00%
2001	39,958,441	0	488,102,000	8.19%	0.00%
2002	39,478,519	0	491,258,000	8.04%	0.00%
2003	42,759,353	0	496,010,000	8.62%	0.00%

(1) Expenditures and other financing uses based on budget basis accounting.

CITY OF CLEVELAND, OHIO

REVENUE BOND COVERAGE-AIRPORT BONDS LAST TEN FISCAL YEARS

<u>Year</u>	<u>Gross Revenue (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Annual Debt Service Requirement (3)</u>	<u>Coverage</u>
1994	\$ 54,875,000	\$ 28,610,000	\$ 26,265,000	\$ 10,028,565	2.62
1995	56,876,000	29,992,000	26,884,000	15,626,785	1.72
1996	61,778,000	34,050,000	27,728,000	16,771,815	1.65
1997	56,335,000	31,864,000	24,471,000	16,411,660	1.49
1998	68,259,000	34,263,000	33,996,000	19,133,000	1.78
1999	77,943,000	40,252,000	37,691,000	27,127,792	1.39
2000	90,205,000	47,381,000	42,824,000	32,431,700	1.32
2001	103,498,000	56,795,000	46,703,000	32,534,400	1.44
2002	101,081,000	59,025,000	42,056,000	31,594,000	1.33
2003	107,758,000	57,845,000	49,913,000	36,232,000	1.38

- (1) Gross revenues include operating revenues plus interest income. Beginning in 2001, a minimum of 40% of passenger facility charge (PFC), as well as, grant funds from the FAA for the new runway revenue is also dedicated to the payment of debt service charges and is included in gross revenues.
- (2) Direct operating expenses are calculated in accordance with bond indenture.
- (3) Annual debt service requirements include principal and interest of both self-supported revenue and self-supported general obligation bonds, but exclude such amounts of principal and interest for which sufficient monies have been irrevocably deposited with the trustee.

CITY OF CLEVELAND, OHIO

**REVENUE BOND COVERAGE-WATER BONDS
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Annual Debt Service Requirement (3)</u>	<u>Coverage</u>
1994	\$ 158,282,000	\$ 93,326,000	\$ 64,956,000	\$ 38,917,184	1.67
1995	165,654,000	96,719,000	68,935,000	42,606,553	1.62
1996	176,968,000	100,882,000	76,086,000	43,107,346	1.77
1997	187,151,000	100,286,000	86,865,000	50,927,000	1.71
1998	204,021,000	102,462,000	101,559,000	49,796,000	2.04
1999	213,777,000	99,700,000	114,077,000	57,666,000	1.98
2000	225,060,000	109,159,000	115,901,000	59,131,675	1.96
2001	229,827,000	116,841,000	112,986,000	52,998,449	2.13
2002	226,394,000	119,736,000	106,658,000	57,490,816	1.86
2003	210,352,000	123,640,000	86,712,000	58,348,434	1.49

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

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

(3) Annual debt service requirements include principal and interest of both self-supported revenue and self-supported general obligation bonds.

CITY OF CLEVELAND, OHIO

**REVENUE BOND COVERAGE-PUBLIC POWER SYSTEM BONDS
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Annual Debt Service Requirement (3)</u>	<u>Coverage</u>
1994	\$ 79,696,000	\$ 62,330,000	\$ 17,366,000	\$ 5,901,327	2.94
1995	92,073,000	71,315,000	20,758,000	17,471,701	1.19
1996	99,881,000	68,566,000	31,315,000	17,033,000	1.84
1997	111,663,000	77,015,000	34,648,000	20,561,000	1.69
1998	121,896,000	87,658,000	34,238,000	20,797,000	1.65
1999	132,651,000	99,436,000	33,215,000	19,240,000	1.73
2000	137,407,000	104,889,000	32,518,000	19,445,000	1.67
2001	134,632,000	97,834,000	36,798,000	18,045,161	2.04
2002	143,383,000	103,050,000	40,333,000	18,313,085	2.20
2003	141,190,000	104,940,000	36,250,000	18,751,836	1.93

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

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

(3) Annual debt service requirements include principal and interest of both self-supported revenue and self-supported general obligation bonds.

CITY OF CLEVELAND, OHIO

**DEBT COVERAGE-SEWER AND SEWAGE DISPOSAL DEBT
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Annual Debt Service Requirement</u>	<u>Coverage</u>
1994	\$ 17,112,000	\$ 11,282,000	\$ 5,830,000	\$ 3,068,983	1.90
1995	16,844,000	11,071,000	5,773,000	2,251,648	2.56
1996	17,556,000	11,998,000	5,558,000	2,087,048	2.66
1997	18,423,000	13,303,000	5,120,000	906,000	5.65
1998	19,835,000	12,735,000	7,100,000	1,109,000	6.40
1999	20,087,000	12,931,000	7,156,000	850,000	8.42
2000	20,452,000	13,529,000	6,923,000	749,000	9.24
2001	20,576,000	13,727,000	6,849,000	846,000	8.10
2002	20,103,000	14,282,000	5,821,000	879,000	6.62
2003	19,568,000	14,646,000	4,922,000	747,804	6.58

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

CITY OF CLEVELAND, OHIO

PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS

LAST TEN FISCAL YEARS

<u>Year</u>	<u>Total Estimated Actual Value (1)</u>	<u>Bank Deposits at December 31 (2)</u>	<u>Building Permits Issued (3)</u>
1994	\$ 14,097,212	\$ 20,885,453	6,666
1995	14,332,277	22,458,573	6,850
1996	14,407,976	27,068,211	8,077
1997	14,731,899	53,941,971	9,728
1998	15,553,580	58,904,596	9,216
1999	15,869,046	57,816,942	8,882
2000	16,032,910	61,943,764	9,194
2001	17,662,765	63,893,769	9,853
2002	17,868,219	95,761,917	10,427
2003	17,238,681	97,238,973	9,471

(1) Estimate actual value for real, personal and public utilities-Cuyahoga County Auditor's Office.
Value listed for year of collection.

(2) United States Commercial Bank Deposits - Cuyahoga County,
<http://www.clevelandfed.org/DS/NIC/CB-Deb-OH.cfm?DOrderBy=County&selDate=20031231>.

(3) Building permits issued - Division of Building and Housing, City of Cleveland.

CITY OF CLEVELAND, OHIO

PRINCIPAL PROPERTY TAXPAYERS

For the Year Ended December 31, 2003

The largest property taxpayers with respect to property located in the City, based on assessed valuation of property for the 2003 tax collection year are as follows:

Name of Taxpayer	Nature of Business	Assessed Valuation	Percentage of Assessed Valuation by Category
Real Property			
City of Cleveland, Ohio	Government	\$ 138,004,710	3.00%
ZML - Cleveland Public Square LLC	Commercial Real Estate Holdings	47,232,500	1.03%
NPW LTD Partnership	Commercial Real Estate Holdings	35,560,000	0.77%
ISG Cleveland Inc.	Steel Manufacturing	34,267,430	0.75%
Cleveland Clinic Foundation	Hospital System	29,700,590	0.65%
Ohio Bell Telephone	Communications	28,464,420	0.62%
National City Center LLC	Commercial Real Estate Holdings	28,000,000	0.61%
Bishop James Hickey	Commercial Real Estate Holdings	22,366,800	0.49%
600 Superior Part LLC	Commercial Real Estate Holdings	16,275,000	0.35%
CG Erievue	Commercial Real Estate Holdings	10,500,010	0.23%
TOTAL		390,371,460	8.50%
Total Assessed Valuation-Real⁽¹⁾		\$ 4,592,622,990	79.13%
Tangible Personal Property (other than Public Utilities)			
PPG Ohio, Inc.	Automotive Finishes, Coating	9,758,320	1.14%
B.F. Goodrich Company	Automotive Products	9,356,290	1.10%
Sherwin Williams	Paint Products	8,191,070	0.96%
Cargill, Inc.	Salt Mining	7,653,590	0.90%
Adelphia	Mass Media	6,962,980	0.82%
Mid West Forge Corp.	Metal Forging	5,882,230	0.69%
Louis Berkman Co.	Steel Manufacturing	5,334,000	0.63%
Ferry Cap & Set Screw Co.	Precision Fasteners Manufacturing	5,264,750	0.61%
Key Corporation Capital Inc.	Finance	5,173,150	0.60%
Continental Airlines Inc.	Airline	5,010,680	0.59%
TOTAL		68,587,060	8.04%
Total Assessed Valuation-Tangible		\$ 853,282,410	14.70%
Public Utilities (Real and Tangible Personal Property)			
Cleveland Electric Illuminating Co.	Utilities-Electric	\$ 143,327,100	40.02%
Ameritech	Communication	81,740,330	22.82%
American Transmission System	Power Transmission	23,349,450	6.52%
Dominion East Ohio	Utilities-Natural Gas	17,544,430	4.90%
TOTAL		265,961,310	74.26%
Total Assessed Valuation- Public Utilities		358,143,350	6.17%
Total Assessed Valuation-All Categories		\$ 5,804,048,750	100.00%

Source: Cuyahoga County Auditor's Office

(1) Includes Public Utilities Real Property.

CITY OF CLEVELAND, OHIO

**SCHEDULE OF INSURANCE COVERAGE
DECEMBER 31, 2003**

<u>Type of Coverage/ Name of Carrier</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Annual Premium</u>
AIRPORTS:			
1) COMPREHENSIVE GENERAL LIABILITY INSURANCE -			
A) Old Republic Insurance Co. Primary Airport General Liability Insurance	PR174705	11/09/03-11/09/04	\$276,600
B) Underwriters at Lloyd's of London Excess Airport Liability Insurance	JDDNX09803505	11/09/03-11/09/04	\$165,450
2) PROPERTY DAMAGE AND EARNINGS INSURANCE			
A) Arkwright Mutual Insurance Co.	NB707	02/06/02-04/03/04	\$288,523
3) VEHICLE LIABILITY INSURANCE			
A) National Indemnity Company	70 APN 26 34 10	09/13/03-09/13/04	\$297,426
B) St. Paul Insurance Co.	IM03401114	09/13/03-09/13/04	\$22,975
CLEVELAND PUBLIC POWER:			
1) PROPERTY COVERAGE:			
A) Lloyd's of London Property Insurance Coverage	PL092902	12/3/03 - 12/03/04	\$360,000
B) Lloyd's of London Property Insurance Coverage	PL047001	12/22/03-12/22/04	(included above)

<u>Details of Coverage</u>	<u>Liability Limit</u>
Bodily injury and property damage including airport operations hazard, contractual hazard, non-owned aircraft products-completed operations hazard, products-completed operations hazard, hazard, liquor liability hazard and hazard, liquor liability hazard and hangarkeepers liability	\$25 million annual aggregate. Self-insured retention of \$100,000.
Excess liability coverage	\$170 million annual aggregate, excess to \$30 million primary coverage.
Property damage, gross earnings, demolition, and increased cost of construction	\$413,433,000 aggregate total.
"Certified" Terrorism Risk Coverage	\$1 million per occurrence/ \$5 million annual aggregate.
Earthquake and flood	\$100 million annual aggregate.
Debris removal (greater of)	25% of value or \$5 million.
Extra expense, service interruption bodily injury, EDP-media, property damage/bodily injury (automatic coverage or errors and omissions), transit and expediting expense	\$1 million with deductibles of \$100,000 per occurrence and \$500,000 annual aggregate.
Bodily injury and property damage Liability and Comprehensive/Collision Liability and Comprehensive/Collision	\$4 million with \$25,000 per accident deductible.
Physical damage coverage for vehicles not licensed for road usage increased cost of construction	\$7,599,423 aggregate total.
Blanket real and personal property special form coverage for insured perils' newly acquired location; fire brigade charges and extinguishing services	\$107,550,000 aggregate total.
Comprehensive coverage including production machinery (including breakdown)	\$250,000 deductible for turbines/generators, \$75,000 for all other.

CITY OF CLEVELAND, OHIO

SCHEDULE OF INSURANCE COVERAGE - Continued
DECEMBER 31, 2003

<u>Type of Coverage/ Name of Carrier</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Annual Premium</u>
NEW CLEVELAND BROWNS' STADIUM CONSTRUCTION			
1) COMPREHENSIVE GENERAL LIABILITY INSURANCE -			
A) Pinkney Perry Insurance Agency (Zurich Global)			
General liability coverage	ERP3589292	05/12/03-05/12/04	\$148,196

<u>Details of Coverage</u>	<u>Liability Limit</u>
All Coverages Combined, subject to applicable sub-limits of liability in the policy	\$290,000,000 per occurrence.
Earthmovement	
Earthquake	\$100,000,000 per occurrence.
Flood	
Outside 500 year Flood Plain or foreign equivalent	\$100,000,000 per occurrence.
Aggregate policy year limit	\$100,000,000 per occurrence.
Debris Removal, excluding pollutants, or removal required by the enforcement of law, etc. * or 25% of the loss, whichever is greater	\$5,000,000* per occurrence.
Machinery Breakdown	\$35,000,000 per occurrence.
Water Damage	\$100,000 per occurrence.
Ammonia Contamination	\$100,000 per occurrence.
Service Interruption	\$100,000 per occurrence.
Hazardous Substances	\$100,000 per occurrence.
Consequential Damage	\$100,000 per occurrence.

CITY OF CLEVELAND, OHIO

DEMOGRAPHIC STATISTICS - Continued December 31, 2003

Employment

The following table indicates the distribution of employees among major industrial classifications in the Cleveland-Lorain - Elyria PMSA for the years of 1999 through 2003:

Distribution of Employees by Sector					
(Amounts in 000's)					
	<u>2003⁽¹⁾</u>	<u>2002⁽¹⁾</u>	<u>2001⁽¹⁾</u>	<u>2000⁽¹⁾</u>	<u>1999⁽²⁾</u>
Good Producing Industries:					
Construction	44.9	44.7	45.2	44.9	45.4
Primary Metal	12.0	12.0	17.0	18.9	20.5
Fabricated Metal	31.9	32.4	35.9	38.6	38.6
Industrial Machinery	0.0	0.0	30.5	34.9	35.5
Electrical Equipment	7.6	8.7	14.6	15.1	15.4
Transportation Equipment	23.0	24.5	21.5	21.5	21.3
Printing & Publishing	0.0	0.0	15.2	17.0	17.2
Non-Durable Goods	47.5	50.2	0.0	0.0	0.0
Chemical Products	0.0	0.0	16.1	17.8	17.8
Rubber & Plastic Products	0.0	0.0	13.6	14.4	15.0
Other	41.5	44.6	38.9	41.1	42.0
Total Goods Producing Industries	208.4	217.1	248.5	264.2	268.7
Service Producing Industries:					
Transportation & Public Utilities	33.6	31.5	47.5	47.6	47.4
Wholesale Trade	54.6	56.5	70.4	76.0	75.3
Retail Trade	119.5	118.9	199.8	209.1	209.8
Finance, Insurance, & Real Estate	81.2	80.9	82.5	80.5	80.0
Health Services	143.0	141.0	116.5	113.4	112.3
Other Services	321.2	324.5	241.5	245.4	243.6
Federal Government	18.8	19.0	19.7	20.5	20.9
State Government	8.5	8.9	9.2	9.2	9.2
Local Government	121.4	121.9	122.8	120.3	119.0
Total Goods Producing Industries	901.8	903.1	909.9	922.0	917.5
Grand Total	1,110.2	1,120.2	1,158.4	1,186.2	1,186.2
Goods Producing Percentage	18.8%	19.4%	21.5%	22.3%	22.7%
Service Producing Percentage	81.2%	80.6%	78.5%	77.7%	77.3%

Source: Ohio Bureau of Employment Services, Labor Market Information Division

(1) Office of Research, Assessment, & Accountability, Bureau of Labor Market Information,
www.lmi.state.oh.us/CES/LMR.htm

(2) Effective January 1, 1994 the Cleveland PMSA was modified to include Lorain and Ashtabula counties.

CITY OF CLEVELAND, OHIO

DEMOGRAPHIC STATISTICS - Continued December 31, 2003

Employment

The following table compares estimated employment statistics for Cuyahoga County and the Cleveland - Lorain - Elyria PMSA including comparisons with unemployment rates for the State of Ohio and the United States:

Years ⁽¹⁾	Employed		Unemployed		Unemployment Rate			
	County	PMSA	County	PMSA	County	PMSA	Ohio	U.S.
1994	636,300	1,023,900	39,400	64,200	5.8%	5.9%	5.5%	6.1%
1995	644,100	1,037,000	31,800	55,400	4.7%	5.1%	4.8%	5.6%
1996	655,700	1,046,100	34,300	57,100	5.0%	5.2%	4.9%	5.4%
1997	651,900	1,061,600	33,000	53,500	4.8%	4.8%	4.6%	4.9%
1998	644,400	1,088,700	30,000	49,400	4.4%	4.3%	4.3%	4.5%
1999	649,900	1,093,400	31,300	49,100	4.6%	4.3%	4.3%	4.2%
2000	646,300	1,070,500	31,100	49,800	4.6%	4.4%	4.1%	4.0%
2001	643,400	1,071,100	30,800	51,700	4.6%	4.6%	4.2%	4.7%
2002	624,900	1,040,300	44,800	72,700	6.7%	6.5%	5.7%	5.8%
2003 ⁽²⁾	631,800	1,055,300	43,500	72,400	6.4%	6.4%	6.2%	5.7%

Source: Bureau of Labor Market Information

(1) Effective January 1, 1994, the Cleveland PMSA was modified to include Lorain and Ashtabula Counties.

(2) Office of Research Assessments & Accountability, Bureau of Labor Market Information, 2003
<http://lmi.state.oh.us/ASP/LAUS/vbLAUS.ASP>.

CITY OF CLEVELAND, OHIO

DEMOGRAPHIC STATISTICS - Continued December 31, 2003

Corporate Headquarters

The following table shows the corporations among Fortune magazine's listing of the five hundred largest corporations in the United States which are located in the Cleveland - Lorain - Elyria PMSA:

The 500 Largest Industrial and Service Corporations Ranked by Revenues^(A)

<u>Rank</u>	<u>Company</u>	<u>Worldwide Revenues (\$ millions)</u>	<u>Worldwide Assets (\$ millions)</u>	<u>Major Product or Services</u>
165	Progressive	\$ 11,892.0	\$ 16,281.5	Insurance
215	National City Corporation	9,593.8	113,933.5	Commercial Banking
258	Eaton	8,061.0	8,223.0	Automotive and Electronics
283	Parker Hannifin Corporation	6,410.6	5,985.6	Hydraulic Components
285	Key Corp	5,730.0	84,487.0	Commercial Banking
321	Sherwin Williams	5,407.8	3,682.6	Paints
331	OM Group	4,296.7	1,297.5	Chemical Manufacturing

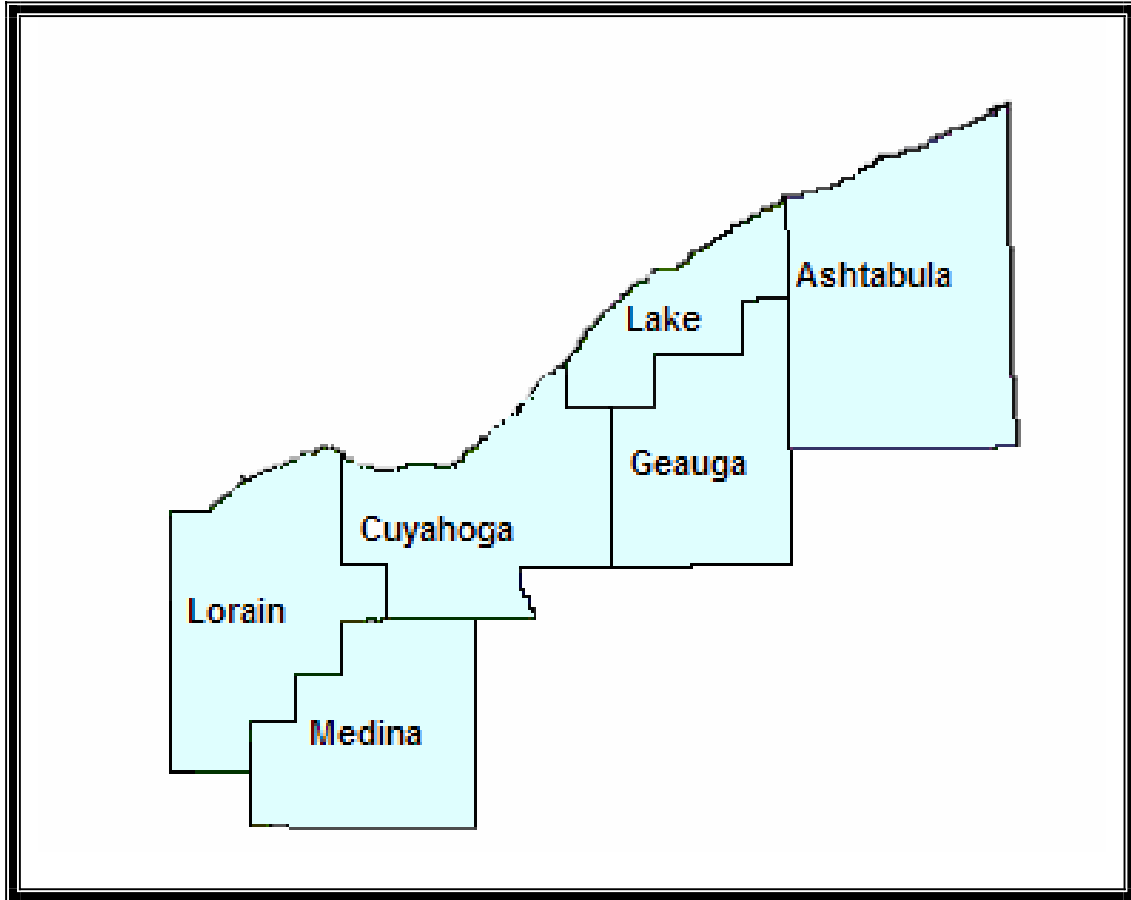
Source: (A) www.fortune.com/fortune500/snapshot/0,,405,00.html

CITY OF CLEVELAND, OHIO

DEMOGRAPHIC STATISTICS – Continued

December 31, 2003

METROPOLITAN CLEVELAND⁽¹⁾



- 2,223,300 people
- 6 counties
- Largest Metropolitan area in Ohio
- 1,055,300 employed labor force⁽²⁾

Source: Bureau of Labor Market Information

(1) Effective January 1, 1994, the Cleveland PMSA was modified to include Lorain and Ashtabula Counties.

(2) Office of Research, Assessment & Accountability, Bureau of Labor Market Information, 2003; <http://www.lmi.state.oh.us/ASP/LAUS/vbLAUS.ASP>.

CITY OF CLEVELAND, OHIO
DEMOGRAPHIC STATISTICS – Continued

December 31, 2003

DATE OF INCORPORATION	MARCH 5, 1836
DATE OF ADOPTION OF ORIGINAL CITY CHARTER	JULY 1, 1913
FORM OF GOVERNMENT	MAYOR AND TWENTY-ONE COUNCILMEMBERS
AREA-SQUARE MILES	76
MILES OF SHORELINE ON CUYAHOGA RIVER	17
MILES OF SHORELINE ON LAKE ERIE	14

ELECTION OF NOVEMBER 2001 (Mayoral)

Number of Registered Voters-Last General Election	220,782
Number of Ballots Cast-Last General Election	109,770
Percentage of Registered Votes Cast	49.72

AIRPORTS

Cleveland Hopkins International Airport	
Enplaned Passengers	5,257,224
Total Airport Landing Weight (1,000 lbs)	7,827,776
Number of Scheduled Aircraft Departures per day (Average at Hopkins)	300
Miles from City Hall to Cleveland Hopkins International Airport	13
Miles from City Hall to Burke Lakefront Airport	1/4

WATER SYSTEM

Number of Customer Billings	1,661,287
Daily Average Pumpage-Gallon	247,000,000
Greatest Pumpage for a Single Day... (08/20/2003)	321,500,000
Maximum-Filtration Plant Capacity	529,000,000
Maximum-Intake Capacity per day	740,000,000
Number of Miles of Watermains Owned by City	1,800
Number of Miles of Watermains Owned by Suburb	3,500
Population Served	1,500,000

FIRE DEPARTMENT

Number of Stations	26
Number of Employees (uniformed)	976

POLICE DEPARTMENT

Number of Districts	6
Number of Employees (uniformed)	1,809

BUILDINGS

Permits Issued	9,471
Estimated Cost of Construction	\$496,597,015
Inspections under Ohio Basic Building Code	58,616

PARKS AND RECREATION

Number of Parks (district, neighborhood, and urban)	146
Number of Ball Diamonds (at 71 sites)	141
Total Playgrounds	109
Recreation Centers	18
Basketball Courts:	
Full	121
Half	18
Pools:	
Indoor	17
Outdoor	22
Aquatic Play Areas	4
Golf Courses (2-18 hole courses at each)	2
Ice Rink	1
Roller Rink (indoor)	1
Tennis Courts (at 31 sites)	134
Soccer Fields	11
Cudell Fine Arts Center	1
Rockefeller Park Public Greenhouse	1
Camp George L. Forbes	1
Total Park Acreage (not including golf courses)	1,444

CITY OF CLEVELAND, OHIO

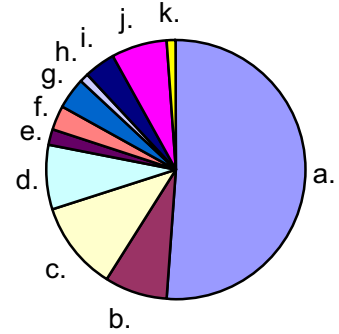
SCHEDULE OF STATISTICS-GENERAL FUND For The Year Ended December 31, 2003

OPERATING RATIOS: GENERAL FUND-BUDGET BASIS

REVENUE DOLLAR BY SOURCE

Where the money came from

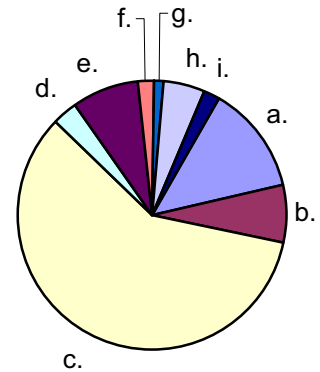
a. Income taxes	a. \$0.51
b. Property taxes	b. 0.08
c. State local government fund	c. 0.11
d. Other shared revenues	d. 0.08
e. Licenses and permits	e. 0.02
f. Charges for services	f. 0.03
g. Fines, forfeits and settlements	g. 0.04
h. Grants	h. 0.01
i. Miscellaneous	i. 0.04
j. Transfers In	j. 0.07
k. Premium on interest rate swap option	k. 0.01
	\$1.00



EXPENDITURE DOLLAR BY FUNCTION

Where the money was spent

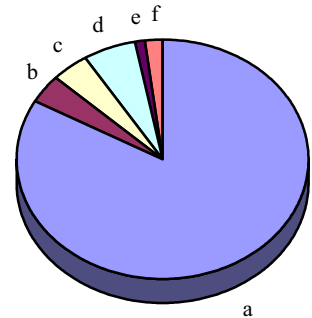
a. General government	a. \$0.13
b. Public service	b. 0.07
c. Public safety	c. 0.59
d. Public health	d. 0.03
e. Parks, recreation and properties	e. 0.08
f. Building & Housing	f. 0.02
g. Community development	g. 0.01
h. Economic Development and other	h. 0.05
i. Transfers out	i. 0.02
	\$ 1.00



EXPENDITURE DOLLAR BY OBJECT

What the money was spent on

a. Salaries, wages, and related benefits	a. \$0.83
b. Interdepartmental charges	b. 0.04
c. Utilities	c. 0.04
d. Contractual services	d. 0.06
e. Materials and supplies	e. 0.01
f. Transfers out	f. 0.02
	\$1.00



SPECIAL THANKS TO:

The Division of Financial Reporting and Control

Accounting and Administrative

Shelfie Carter
Celina Chaves
Greg Cordek
Dave Crowley
Michael Gehlmann
Michael Klein
Peter Klepak

Antoine Pink
Ray Pring
Dan Rehor
Karen Schuster
Va'Kedia Stiggers
Sharon Teter
Gary Walker

Data Processing

Sharon Muchewicz
Sigrid Truxel
Penny Gearo

Photography

Donn Nottage, Chief Photographer

City of Cleveland
Bureau of Photographic Services

Cover color separations and printing

City of Cleveland
Division of Printing and Reproduction

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800-282-0370

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CITY OF CLEVELAND

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 17, 2004**