

# City of Cleveland, Ohio

Jane L. Campbell, Mayor

## Comprehensive Annual Financial Report



For the Fiscal Year Ended  
December 31, 2002

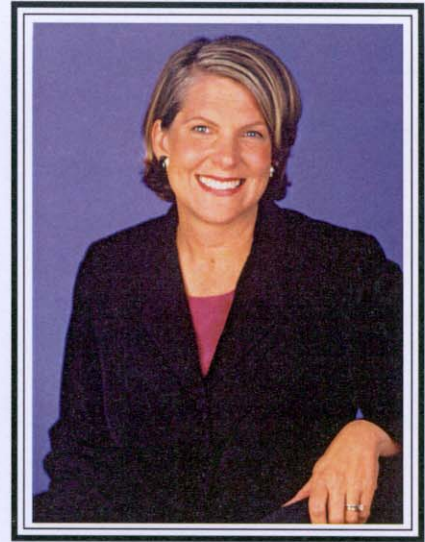
Building an Economically Sound Future



## To the Citizens of the City of Cleveland:

Over the past year, we have experienced the effects of difficult national economic times and a number of significant state and federal decisions that have had a profound impact on the way we govern our cities, raise our families and lead our lives.

Although the overall economy and some policies challenge us, Cleveland continues to improve the financial health of our City. We continue to adhere to prudent fiscal responsibility, which enabled us to submit a balanced 2003 budget with no employee layoffs that increased quality services and included new police and EMS cadet classes. In February 2003, we unveiled the *Cleveland 500,000+ Partnership* strategic plan to engage the City, its community and regional partners and resources for a better future.



Our goal is to build a **stronger** economy with wealth creation opportunities for Clevelanders; a **smarter** workforce that's prepared for good prosperous jobs and a **safer**, healthier more livable city with great neighborhoods. This operational plan is designed to reverse the population's downward spiral, so that we may bear witness to a 3 percent growth by 2010, making Cleveland a competitive choice in which to live, work and raise a family.

We can reach that goal in a number of ways, including attracting new businesses and retaining companies presently in the area. SYSCO Food Service and its 600 employees announced its planned move to the City. This year the City established its Core City Fund, a \$27 million bond-financing project to fund \$9 million in housing development and \$18 million in economic development. The City also approved a \$9.2 million tax increment financing plan to redevelop and expand the Euclid Avenue and East 4<sup>th</sup> Street entertainment district that will be the future home of Ohio's only House of Blues.

Furthermore, with the support of City Council, Cleveland adopted legislation addressing diversity concerns relating to the prime contracting process, instituted sweeping administration changes to encourage minority businesses to do business in Cleveland and established the Department of Building and Housing to expedite the permitting and inspection process. The creation of the Department of Building & Housing is a significant win for developers who work with us to keep Cleveland a leader in central city new home construction and rehabilitation.

Today, more than ever, it's critical that we build a 21<sup>st</sup> century workforce. A \$4 million grant from Oracle to enhance high school students' on-line skills is a significant step in that direction. In addition, we are collaborating with area universities to bring on-line and wireless access to neighborhood businesses and homes in effort to bridge the digital divide.

Yet, while we are gaining ground through retail and housing development, and improvement in our schools, we also continue to provide residents quality services and creating opportunities for families to live successful lives. We're becoming a stronger, smarter, safer City, through hard work and commitment. You play a significant role in our success and future endeavors, and for that I say thank you.

Sincerely,

A handwritten signature in black ink that reads "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, 2002***

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Issued by the  
Department of Finance

Robert H. Baker  
Director

James Gentile, CPA  
City Controller

# CITY OF CLEVELAND, OHIO

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# **INTRODUCTORY SECTION**

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## City of Cleveland

Jane L. Campbell, Mayor

### Department of Finance

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June 26, 2003

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, 2002. 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 2002 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 accounting principles generally accepted 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 was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2002, 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, 2002 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 require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City'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, 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 1993 through 2002.

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 16<sup>th</sup> 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 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 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. The terms of Council members are four years. All Council members 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 12 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 as an agent or in a trust 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.

For 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 the 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 51 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 94.

## **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, it was demonstrated that Cleveland's appraised housing values increased over 20% between 1997 and the 2000 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 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. The construction value of building permits issued in 2002 was \$382,584,866.

### *Major Industries, Economic Conditions and Employment*

Cleveland, like all municipalities across the nation, faced significant economic challenges in 2002. During the year, the City's revenues felt the impact of the economic recession with decreases in revenues and increased unemployment. Like all manufacturing cities across the country, Cleveland has had to combat the declining industry base with more professional and service industry opportunities. The City continued to feel the economic impact of losing 5,700 LTV steelworker employees and 1,500 TRW Inc. employees in 2001. Also, the severe airline industry downturn had a negative impact on the local economy.

While the City's economy has shifted toward health care and financial services, its manufacturing base has assumed a smaller, although 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. What follows is a summary of the percentage of employed Clevelanders by industry type based on 2000 census figures.

<u>Industry</u>	<u>Percent of Workplace</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	<u>5.40</u>
	<u><u>100.00 %</u></u>

#### *Current Projects and 2002 Accomplishments*

The 2002 budget focused on continuing the City's commitment to improving the quality of life by strengthening our neighborhoods, continuing to foster a favorable business climate, and providing superior services, while simultaneously committing significant resources to computer remediation and upgrade needs.

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

- Supported the construction of 1,418 new housing units, of which 318 were single-family homes and 1,100 were multi-family units
- Rehabilitated over 230 vacant houses that were sold to new homeowners through the Afford-A-Home and Your Home Programs
- Issued 11,738 Notices of Building Code Violations and boarded up 1,604 condemned structures
- Provided loans and grants to 50 companies to create 2,190 jobs and retain 1,785 jobs
- Provided loans and grants to 17 companies through the Empowerment Zone program to create 667 jobs and retain 121 jobs
- Provided financial assistance to International Steel Group, successor company to LTV Steel, that retained 800 jobs and \$34 million in local payroll



- Secured the relocation of SYSCO Food Services to the Cleveland Business Park that will create 600 new jobs and develop a new 340,000 square-foot \$54 million facility in the City
- Awarded \$6 million in grants from the Clean Ohio Fund for brownfield remediation projects at Hemisphere Industrial Park and MidTown Technology Center
- Negotiated the relocation of the Job Corps new \$28 million complex to East 140<sup>th</sup> St.-Coit Road creating over 115 jobs and providing a new job training facility
- Attracted the 2002 Gravity Games to the North Coast Harbor area, which 164,000 people attended
- Secured \$15 million in workforce development funds to assist Greater Clevelanders in job search and employment efforts
- Coordinated West Nile Virus response and surveillance with other local health districts
- Administered 3,266 childhood immunizations, 5,341 flu shots, and 744 pneumonia shots
- Resurfaced 134 residential streets, completed 17 road and bridge projects, and collected 300,000 tons of waste

Furthermore, the City graduated one police recruitment class on May 14, 2002, increasing police staffing to over 1,905 sworn police officers. The training agreements between the Division of Police and the Greater Cleveland Roundtable continue to address community multi-cultural concerns. Aggressive anti-crime enforcement practices in 2002 by the Division of Police continue to result in decreased 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). A Tactical Unit was also put into place in the downtown area for the purpose of specialized rescue operations. The Division of Fire placed 19 new fire apparatuses in service during 2002, with 7 anticipated in 2003. Year 2002 brought about an increase in arrests and convictions by our Fire Investigation Unit. There was also a corresponding decrease in the number of arson fires for the year. The Fire Prevention Bureau exceeded their projected goal of inspections in 2002.

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 2002. EMS responded to over 87,000 calls and transported 54,000 residents to area hospitals. A program was initiated to train City personnel, outside of EMS, in the use of automatic external defibrillators for early treatment of critical heart attack patients. An aggressive program of blood pressure evaluations in City Hall and throughout the community commenced. The continuation of cardiopulmonary resuscitation (CPR) training, combined with the new initiatives in public access to early heart attack treatment and blood pressure monitoring, demonstrates the City's concern for the health and welfare of all of its residents and visitors.

The Department of Parks, Recreation and Properties initiated a Parks Master Plan in conjunction with the "Connecting Cleveland" Citywide plan, to set a vision for the City's parks and recreation system. Summer programs instructed over 76,000 youths at our playgrounds, served over 74,000 youths healthy meals through our summer lunch program and taught over 3,000 students in the Learn-to-Swim Program. Also, the department obtained a \$682,000 construction grant for the Cleveland Lakefront Bikeway Trail.

The Department of Public Utilities added 1,668 new residential customers and 194 new commercial customers and responded to nearly 5,000 customers calls per week. The Division of Water Pollution Control completed 13 local sewer projects designed to alleviate local basement and street flooding.

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

- Conversion of the 700,000 sq. ft. Bingham Building warehouse into Downtown housing and retail space at a cost of \$62 million
- Creation of 54 condominiums in the historic Rockwell Building at a cost of \$25.6 million
- Construction of the next phase of Arbor Park Village, an \$111 million neighborhood redevelopment project providing 629 units of affordable rental housing
- Development of Woodhaven, a \$20 million subdivision along the Midtown Corridor that will offer 80 new for-sale houses
- Providing financial assistance to Barnes Distribution Inc. to retain their World Headquarters in the Central Business District with 219 employees and to create 52 additional new jobs
- Provided tax abatement to retain 96 employees and create 6 new jobs at Minolta Business Solution's new facility at Cleveland Business Park
- Provided assistance to Gateway Electric to create 95 new jobs and construct a \$1.4 million new facility at Cleveland Industrial Park
- Provided tax abatement for TOPS Market LLC for the new \$15.2 million facility in the Collinwood neighborhood, retaining 67 employees and creating 54 new jobs
- Received grant awards totaling \$660,000 from the Clean Ohio Assistance Fund to perform environmental studies for the Broadway/Slavic Village neighborhood
- Will provide \$9.2 million of financial assistance to the Lower Euclid Development Project, located in the Central Business District that will leverage \$28 million of investment. The project will create 155,000 square feet of retail, over 100 new units of housing, and a 550 space garage
- Will issue \$27.4 million of economic development bonds whose proceeds will be used to invest in economic and housing development projects

#### *Future Economic Outlook*

The City has undergone dramatic restructuring in manufacturing and bolstered its services sector base to the point where its service sector now is relatively more important than its manufacturing base. 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 (19,327 employees); KeyCorp (6,980 employees) and Continental Airlines Inc. (2,717 employees).

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, including more recent renewals, were committed from 1992 through 2002:

	<b>(Amounts in Millions)</b>
Key Bank	\$ 990
Bank One	766
National City Bank	665
Firststar Bank	528
FirstMerit Bank	271
Fifth Third Bank	268
Huntington National Bank	248
Charter One	239
Metropolitan Bank & Trust	<u>53</u>
 Total	 <u>\$ 4,028</u>

Additionally, the Federal National Mortgage Association (Fannie Mae), a secondary market lender, has committed a total of \$700 million since 1993. This brings the total commitments for all lending institutions to over \$4.7 billion since 1992.

We have consistently adhered to prudent fiscal policies during a 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 Cleveland, have had to adjust accordingly. Current economic conditions will challenge the City during 2003. Operating in the midst of a recession and faced with decreases in its primary revenue sources, including City income and property taxes, the City prepared its 2003 operating budget on the basis of revenue estimated to be less than 2002 coupled with tight expenditure control.

*Future Projects for 2003*

In preparing its 2003 budget, the City assumed that core revenues would be steady or slightly reduced compared to 2002 revenues. However, the City was forced to deal with several expected 2003 expenditure increases, including:

- Citywide 4% wage increase effective April 1, 2003 at a cost of approximately \$12 million
- Base salary equity adjustments for police patrol officers and emergency medical service technicians at \$1,000 per employee at a cost of approximately \$1.9 million
- Average increase in medical benefit costs of approximately 19% at a cost of approximately \$3.0 million
- A 100% increase in workers compensation costs versus 2002 at a cost of approximately \$5.5 million

The net result of the items outlined above coupled with near zero revenue growth during budget preparation was a projected \$48 million General Fund deficit. The City, in an effort to eliminate the deficit without reducing service levels, has increased fees, fines, and charges for services for all non-tax revenue items, reallocated existing revenue sources and identified more than \$25 million in one-time revenues, while maintaining 2002 year end staffing levels with limited exceptions. The projected deficit has been eliminated and continued delivery of superior service to Cleveland residents is assured.

The principal planned actions to be taken by the City in 2003 include the continued expansion of housing and economic development throughout City neighborhoods, additional senior citizens' services, expanded consumer protection services and increased safety services. Given the challenges facing the City during 2003 and recognizing virtually zero revenue growth, all core City services designed for the safety, health and welfare of City residents are projected to remain at or above 2002 service levels.

Key programs in the 2003 budget are:

- Establish the Department of Building and Housing to streamline and enhance the private and public partnership in areas of commercial, retail and housing development
- Initiate the work plan for completing 1,000 units of new affordable housing each year
- Hire additional dispatchers to reduce safety forces' response time
- Implement the Mobile Data Computer Program in neighborhood police districts
- Hire 43 EMS field personnel to staff 21 full-time units to service citizens
- Expand the City's telecommunication and technical support to improve services to City residents and to enhance cost effectiveness for the City's information systems
- Establish a new air quality division in the Department of Health to ensure a safer environment for citizens
- Provide an additional \$2 million dollars in General Fund support to the Community Development Department for critical activities needed to stabilize our neighborhoods and ensure the resurgence of residential housing

### **Cash Management**

Currently, the City's policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, \$126,002,000 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 deposits are uninsured and uncollateralized. Of the \$443,307,000 of classified investments, \$426,011,000 are classified in the category of lowest collateral risk established by the Governmental Accounting Standards Board. The remaining \$17,296,000 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:

- A more streamlined bank account structure
- On-line connection to banks that advise the City of funds available each day for disbursement and investment
- Improved control over the timing of disbursements
- More 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

### **Risk Management**

The City has developed a risk management program involving law and finance personnel to further promote its fundamental responsibility and financial capability to provide basic services to the citizens of Cleveland. 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, 2002 represents the 22<sup>nd</sup> 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 Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

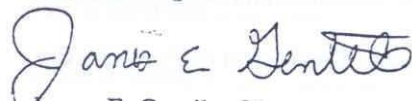
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 18 years (fiscal years ended 1984 – 2001). 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

David McGuirk..... Chief Operating Officer  
Tim Mueller..... Chief Development Officer  
Craig Tame ..... Chief Health and Public Safety Officer  
Lorna Wisham ..... Chief Public Affairs Officer

### ADMINISTRATION

Jane Fumich..... Director, Department of Aging  
Henry Guzman..... Director, Office of Equal Opportunity  
Robert H. Baker..... Director, Department of Finance, Chief Financial Officer  
Subodh Chandra ..... Director, Department of Law  
Jeff Johnson..... Director, Community Relations Board  
James Draper ..... Director, Department of Public Safety  
Edward Lohn ..... Police Chief  
Kevin G. Gerrity ..... Fire Chief  
Linda M. Hudecek ..... Director, Department of Community Development  
Natalie Ronayne ..... Director (Acting), Department of Parks, Recreation and Properties  
Michael Konicek..... Director, Department of Public Utilities  
Kenya Taylor ..... Director, Department of Consumer Affairs  
Chris Ronayne ..... Director, City Planning Commission  
Eduardo Romero..... Director, Personnel and Human Resources  
Mark Ricchiuto..... Director, Department of Public Service  
John Mok..... Director, Department of Port Control  
Steven Sims ..... Director, Economic Development  
Jonalyn Krupka..... Secretary, Civil Service Commission  
Matthew Carroll..... Director (Acting), Department of Public Health  
Jim 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 J. 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, 2001

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.



*William Patrick Harte*

President

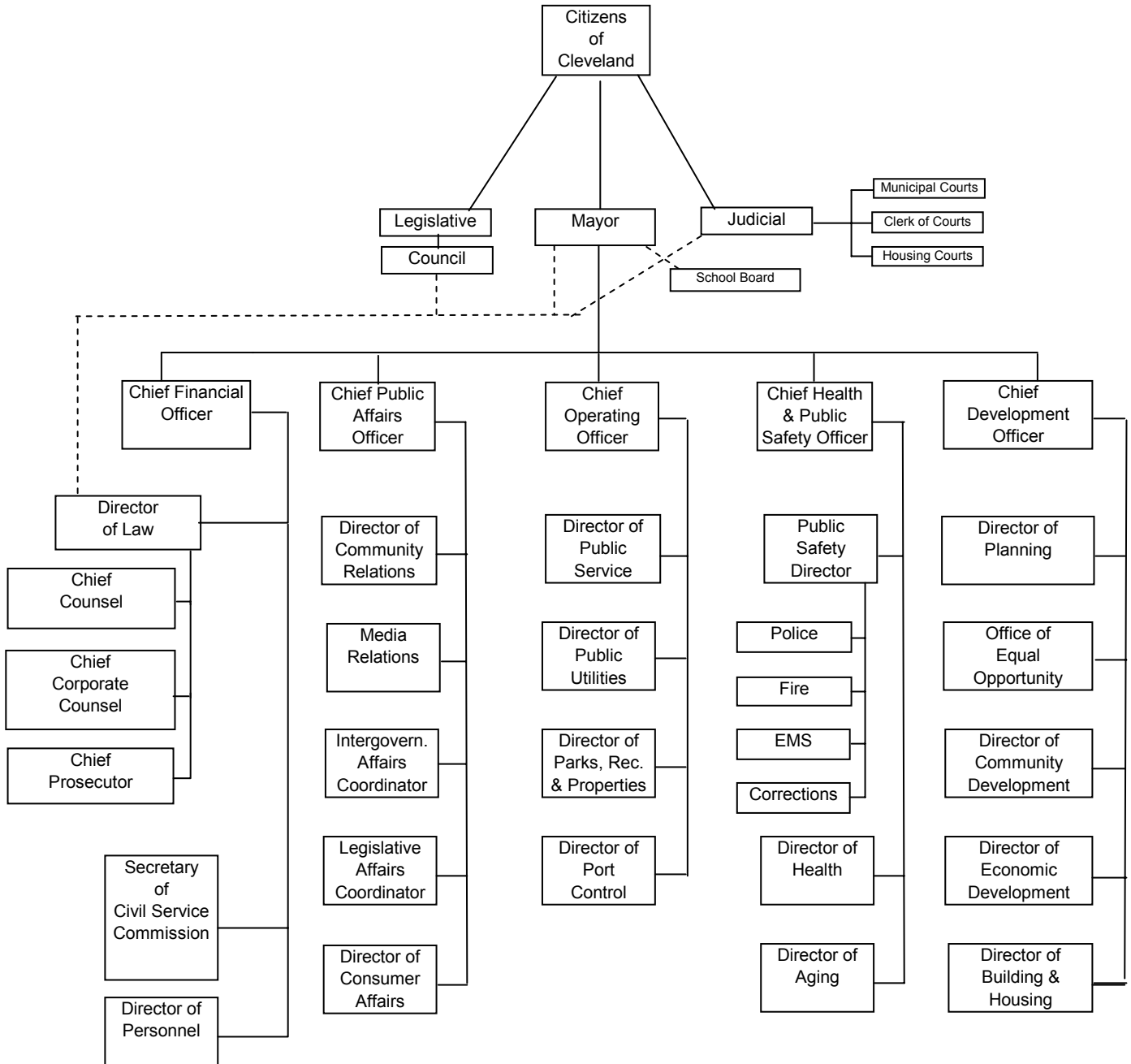
*Jeffrey R. Emer*

Executive Director



# CITY OF CLEVELAND, OHIO

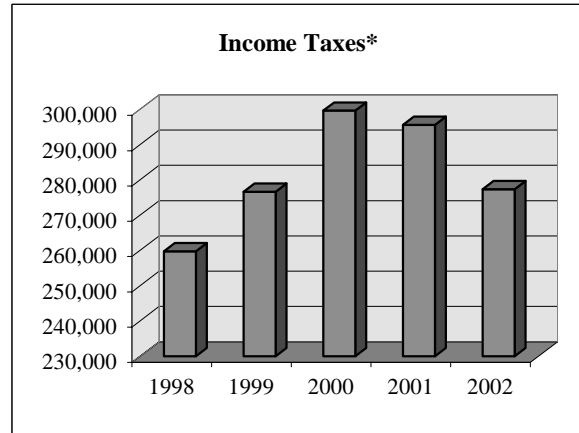
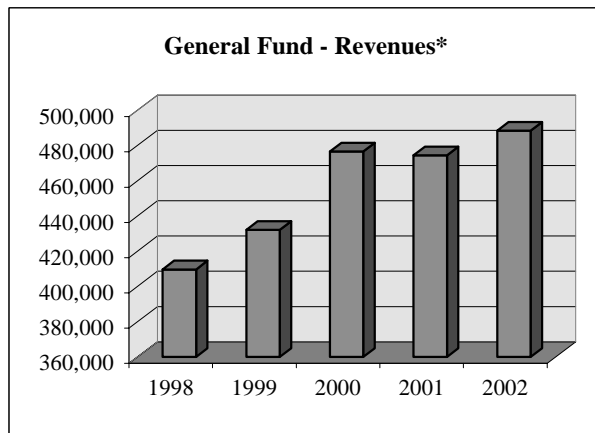
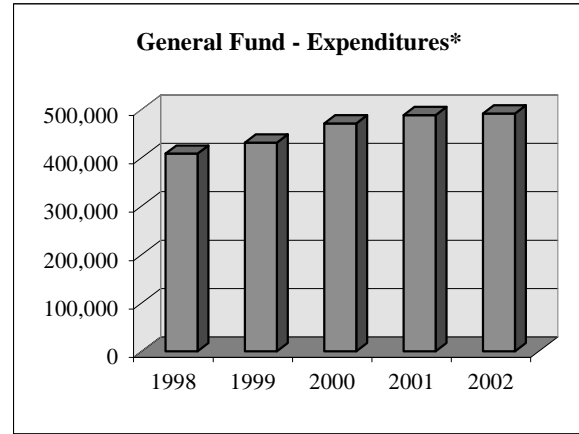
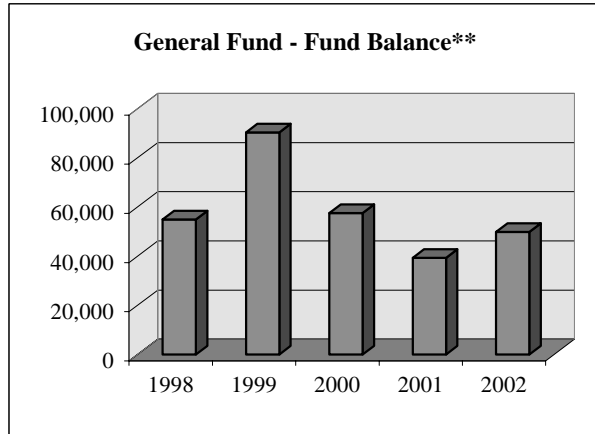
## ADMINISTRATIVE ORGANIZATION CHART



# 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*
1998	54,843	409,666	408,232	259,721
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

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

\*\* GAAP Basis

\*\*\* The 2002 General Fund fund balance includes a restatement - see Note 2.

# **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, 2002, 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, 2002, and the respective changes in financial position and cash flows thereof, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the year ended December 31, 2002, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

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.



**Betty Montgomery**  
Auditor of State

June 26, 2003

# 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, 2002. 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, 2002 by approximately \$2 billion (net assets). Of this amount, \$470.5 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 account for approximately \$1.451 billion of net assets, while governmental activities net assets were approximately \$549 million.
- The City's net assets increased by \$52.1 million during 2002. The primary reasons for the net increase is as follows:

Business-type net assets increased by \$85.3 million. The increase in business-type net assets was primarily attributed to increases of \$ 56.4 million in water sales, \$18.1 million in electricity sales and \$10.8 million in passenger facility charges.

Governmental activities net assets decreased by \$33.2 million. The primary components of the net decrease were payments to service debt and empowerment zone expenditures to help spur economic development.

- At the end of the current fiscal year, unreserved fund balance for the general fund was \$32 million and is available for spending at the City's discretion. The unreserved fund balance equals 6.9 percent of total current year general fund expenditures.
- The City's total debt increased by \$183.2 million (7 percent) during the current fiscal year. The increase was primarily attributed to the issuance of \$228.1 million in Water Works Improvement Revenue Bonds and the issuance of \$50 million in General Obligation Bonds, less current year payments.

### 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; human resources; community development; public health; parks, recreation and properties; and economic development. The business-type activities of the City principally include: water; electricity; and airport operations.

The government-wide financial statements can be found on pages 46 - 47 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 37 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 36 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 48 - 51 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 used 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 information systems, 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 52 - 56 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.

The basic fiduciary fund financial statements can be found on page 57 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 58 - 92 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the first year for the City in implementing 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. Since this is the first year of implementing the new standard, comparative data is not available. In future years, comparative data will be presented. Information regarding the government-wide net assets of the City is provided below:

### Summary Statement of Net Assets as of December 31, 2002

	<u>Governmental Activities</u>	<u>Business-Type Activities</u> (Amounts in 000's)	<u>Total</u>
Assets:			
Current and other assets	\$ 691,560	\$ 1,597,753	\$ 2,289,313
Capital assets	<u>765,570</u>	<u>2,182,607</u>	<u>2,948,177</u>
Total assets	1,457,130	3,780,360	5,237,490
Liabilities:			
Long-term obligations	677,580	2,150,656	2,828,236
Other liabilities	<u>231,333</u>	<u>178,351</u>	<u>409,684</u>
Total liabilities	908,913	2,329,007	3,237,920
Net assets:			
Invested in capital assets, net of related debt	364,042	677,907	1,041,949
Restricted	195,421	291,732	487,153
Unrestricted	<u>(11,246)</u>	<u>481,714</u>	<u>470,468</u>
Total net assets	<u>\$ 548,217</u>	<u>\$ 1,451,353</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.

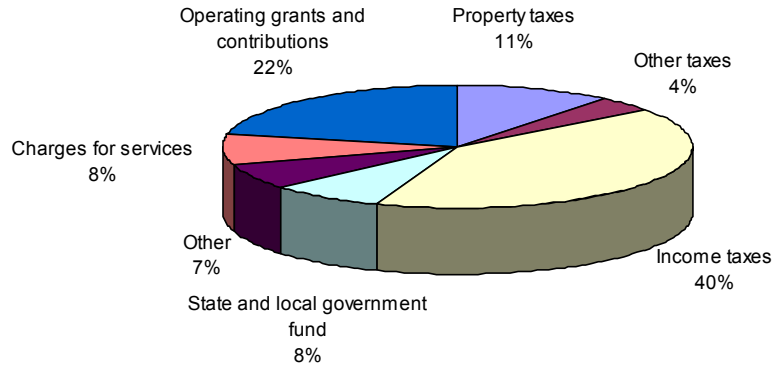
By far the largest portion of the City's net assets (52 percent) reflects its investment in capital assets (e.g., land, land improvements, buildings, utility plant, infrastructure, furniture, fixtures, and equipment), net of accumulated depreciation, less any related, still-outstanding debt used to acquire 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 (24 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$470.5 million or (24 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in 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:

<b>Changes in Net Assets</b>			
<b>For Fiscal Year Ended December 31, 2002</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
	(Amounts in 000's)		
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 52,904	\$ 476,877	\$ 529,781
Operating grants and contributions	149,412	15,775	165,187
Capital grants and contributions	9,914	65,755	75,669
<b>General revenues:</b>			
Income taxes	275,321		275,321
Property taxes	74,229		74,229
Other taxes	25,720		25,720
Shared revenues	7,707		7,707
Other grants and contributions	2,501	2,122	4,623
State and local government fund	54,809		54,809
Investment earnings	1,207	14	1,221
Miscellaneous	22,874	1,194	24,068
<b>Total revenues</b>	<u>676,598</u>	<u>561,737</u>	<u>1,238,335</u>
<b>Expenses:</b>			
General government	81,356		81,356
Public service	76,100		76,100
Public safety	305,289		305,289
Human resources	21,545		21,545
Community development	87,478		87,478
Public health	22,137		22,137
Parks, recreation and properties	45,365		45,365
Economic development	28,468		28,468
Other	12,973		12,973
Interest on debt	28,535		28,535
Water		170,009	170,009
Electricity		133,182	133,182
Airport facilities		131,683	131,683
Other		42,091	42,091
<b>Total expenses</b>	<u>709,246</u>	<u>476,965</u>	<u>1,186,211</u>
<b>Changes in net assets before transfers</b>	<u>(32,648)</u>	<u>84,772</u>	<u>52,124</u>
<b>Transfers</b>	<u>(502)</u>	<u>502</u>	
<b>Changes in net assets</b>	<u>(33,150)</u>	<u>85,274</u>	<u>52,124</u>
<b>Net assets at beginning of year</b>	<u>581,367</u>	<u>1,366,079</u>	<u>1,947,446</u>
<b>Net assets at end of year</b>	<u>\$ 548,217</u>	<u>\$ 1,451,353</u>	<u>\$ 1,999,570</u>

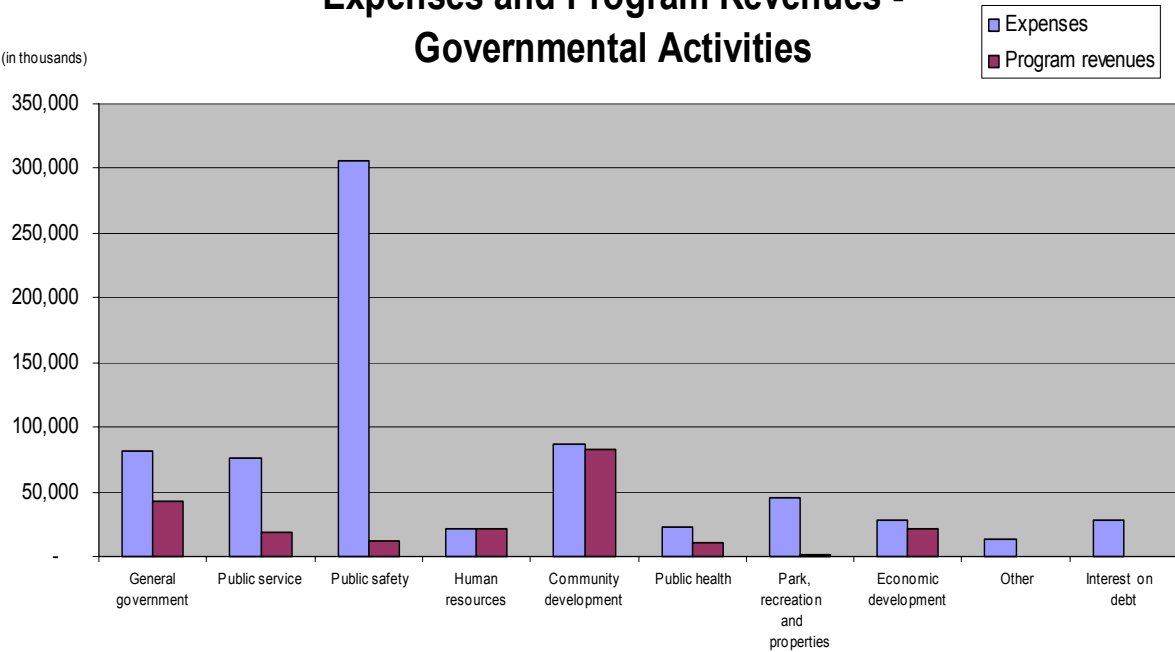
## Revenues by Source - Governmental Activities



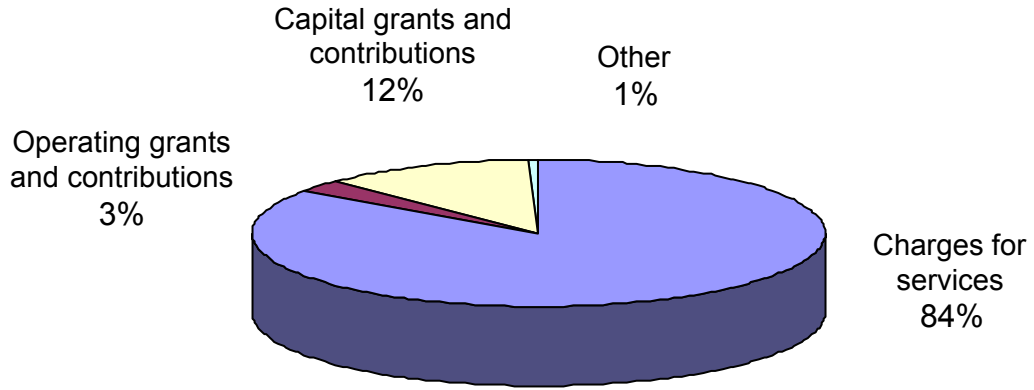
Other includes capital grants and contributions, shared revenues, grants and contributions not restricted to specific programs, unrestricted investment earnings and other.

## Expenses and Program Revenues - Governmental Activities

(in thousands)



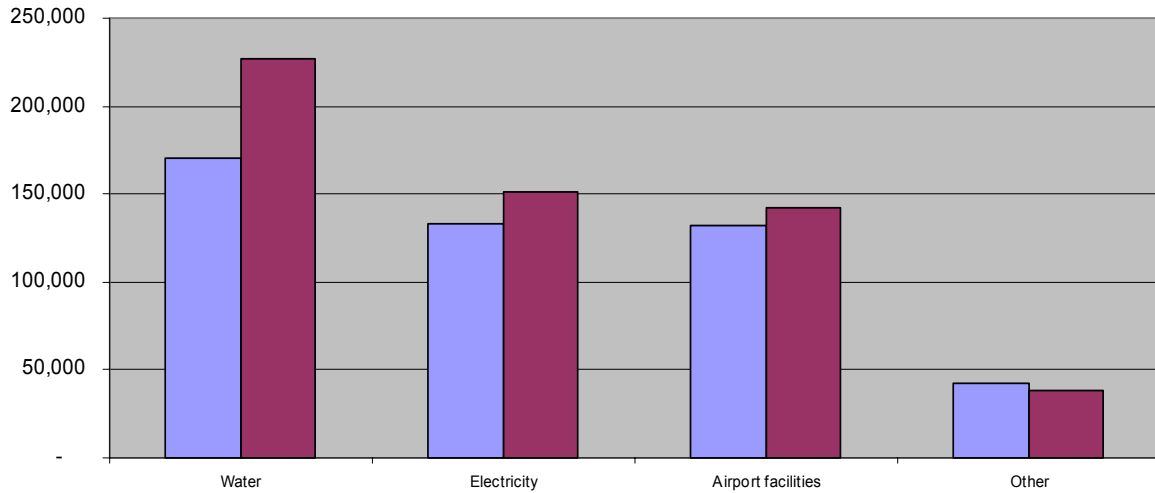
## Revenues by Source - Business-type Activities



Other includes grants and contributions not restricted to specific programs, unrestricted investment earnings and other.

## Expenses and Program Revenues - Business-type Activities

(in thousands)



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 2002 amounted to \$86.2 million. This represents a 7% decrease from 2001 operating revenues of \$92.8 million. Cleveland Hopkins International Airport served 10,795,270 passengers in 2002. This reflects a 9% decrease from the number of passengers served in 2001. This decrease is attributed to an economic downturn and the tragic events of September 11, 2001. Since October 2001, enplanements have improved although below the pre-September 11<sup>th</sup> levels.

*Division of Water:* The Division of Water was created in 1853 and charged with the responsibility of collecting, treating, pumping and distributing potable water and providing related water service to customers within its service areas. 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 2002, the aggregate metered consumption of water in the City constituted 34% of the total metered consumption in the service area, while consumption in the direct service communities and master meter communities constituted 55% and 11%, respectively.

Operating revenue in 2002 increased 1% to \$215.7 million from \$212.7 million in 2001. Metered sales revenue was up 2% in 2002 mainly due to a rate increase. Operating expenses, exclusive of depreciation, increased 2% to \$119.7 million compared to \$116.8 million in 2001.

*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 2002 operating revenue increased 7% to \$141.7 million from \$132.1 million in 2001. The number of customers increased 7% while kilowatt hour (kwh) sales increased 12% to 1,592 million kwh. Purchased power expense increased 10% to \$72.1 million in 2002 from \$65.3 million in 2001, primarily due to the increase in kwh sales. Operating expenses, exclusive of depreciation and purchased power, decreased 5% to \$30.9 million compared to \$32.5 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 \$419 million, a *decrease* of \$18.7 million in comparison with the prior year. The unreserved amount of \$142.6 million is available for spending at the City's discretion. The remainder 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 (\$94.4 million) to reserve for loans receivable (\$159.3 million), 3) to pay debt service (\$11.8 million), and 4) for a variety of other restricted purposes (\$10.9 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 \$32 million while the total fund balance was \$49.8 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 7 percent of total General Fund expenditures, while total fund balance represents approximately 11 percent 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**  
**2002 and 2001**  
**(Amounts in thousands)**

	<u>2002</u>	<u>2001</u>
Revenues:		
Income taxes	\$ 248,180	\$ 246,121
Property taxes	48,320	46,200
State local government funds	56,436	59,252
Other shared revenues	31,041	32,042
Licenses and permits	7,784	8,853
Charges for services	18,690	17,662
Fines and forfeits	17,185	13,096
Investment earnings	1,172	1,349
Grants	4,146	4,716
Miscellaneous	<u>9,866</u>	<u>10,196</u>
Total Revenues	<u>442,820</u>	<u>439,487</u>
Expenditures:		
General government	57,692	53,578
Public service	36,172	32,038
Public safety	278,586	271,817
Community development	10,786	15,770
Public health	11,503	11,281
Parks, recreation and properties	35,260	38,446
Economic development	1,014	1,116
Other	<u>12,973</u>	<u>15,449</u>
Total Expenditures	<u>443,986</u>	<u>439,495</u>
Excess/(deficiency) of revenues over expenditures	(1,166)	(8)
Other Financing Sources (Uses)		
Transfer in	21,578	18,759
Transfer out	<u>(22,451)</u>	<u>(36,960)</u>
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	(2,039)	(18,209)
Fund balances at beginning of year (As restated - see Footnote 2)	<u>51,876</u>	<u>57,459</u>
Fund balance at end of year	<u>\$ 49,837</u>	<u>\$ 39,250</u>

### *Analysis of General Fund Revenues*

General Fund revenues and other sources totaled \$464.4 million in 2002, an increase of approximately 1.3% from 2001. 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 2002, 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 increased approximately \$2.1 million in 2002 over the comparable amount in 2001 primarily as a result of taxes on hand at Central Collection Agency being remitted in 2002.

#### *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) (in thousands)</u>	<u>Public Utility Tangible Personal</u>	<u>Total Assessed Valuation</u>
2001(a)	\$4,618,340	\$ 988,532	\$451,775	\$6,058,647
2002	4,673,268	980,928	377,364	6,031,560

(a) Reflects increased collections after the triennial update in 2000.

Property tax revenues increased by approximately 4.6% in 2002 principally due to the increase in real property assessed values.

### *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 declined by approximately 4.2% in 2002 due to the State budget cuts to the State Local Government Funding.

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.

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.



*Analysis of General Fund Expenditures*

General Fund expenditures and other uses totaled \$466.4 million in 2002, a decrease of 2.2% from 2001. 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 2002</u>	<u>% of Total</u>	<u>Actual 2001</u>	<u>% of Total</u>	<u>Increase (Decrease) Over 2001</u>	<u>% Change</u>
(Amounts in 000's)						
Current:						
General Government	\$ 57,692	12.37	\$ 53,578	11.25	\$ 4,114	7.68
Public Service	36,172	7.75	32,038	6.72	4,134	12.90
Public Safety	278,586	59.73	271,817	57.05	6,769	2.49
Community Development	10,786	2.31	15,770	3.31	(4,984)	(31.60)
Public Health	11,503	2.47	11,281	2.37	222	1.97
Parks, Recreation and Properties	35,260	7.56	38,446	8.07	(3,186)	(8.29)
Economic Development	1,014	0.22	1,116	0.23	(102)	(9.14)
Other	12,973	2.78	15,449	3.24	(2,476)	(16.03)
Operating Transfers Out	<u>22,451</u>	4.81	<u>36,960</u>	7.76	<u>(14,509)</u>	<u>(39.26)</u>
Total expenditures and other financing uses	<u>\$ 466,437</u>		<u>\$ 476,455</u>		<u>\$ (10,018)</u>	

The staffing levels of the Municipal Court Judicial and Clerks divisions were increased causing an increase in General Government expenditures. The first-time inclusion of the Division of Traffic Engineering within the Department Public Service accounts for the 2002 increase in expenditures. Public Safety's increase is directly attributed to increases in salary and overtime related to the heightened security efforts since September 11, 2001. Community Development's decrease of \$4.9 million is attributed to personnel costs being funded by Community Development Block Grant funds instead of the General Fund in 2002. The decrease in Parks, Recreation and Properties expenditures was attributed to the reduced operating costs by the Division of Property Management. Economic Development's decrease was attributed to a reduction in personnel costs. The primary cause for the decrease in operating transfers out was the one time funding of the Special Revenue Neighborhood Equity Fund in the amount of \$16 Million in 2001.

**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 \$277.9 million, \$86 million and \$74.6 million, respectively, at December 31, 2002. The change in net assets for each of the funds totaled \$57.1 million, \$19.6 million and \$11 million, respectively, during 2002. 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, 2002 and 2001, the City had approximately 8,760 and 8,840 full-time employees, respectively. As of December 31, 2002, approximately 6,680 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 100-1,479; Cleveland Police Patrolmen’s Association-1,608; the Association of Cleveland Firefighters-962; Municipal Foreman and Laborers Union, Local 1099-550; Teamsters, and Local 244-332.

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>
2002	\$ 437,187
2001	\$ 401,838

The increase in salaries and wages in 2002 is primarily due to a general 3.5% wage increase and the effect of having a 27<sup>th</sup> pay in 2002.

*Employee Retirement Benefits*

City employees, with few exceptions, are members of one of two retirement systems. These retirement systems provide both pension and postretirement health care benefits to participants, 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 402,041 actively employed members. At December 31, 2001, assets of this pension fund approximated \$166 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 23,413 actively employed members. At December 31, 2001, 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 P&F.

	<u>2002</u>	<u>2001</u>
	(in thousands)	
Paid by City to:		
OPERS	\$ 33,586	\$ 30,377
OP&F	<u>33,498</u>	<u>32,152</u>
Total paid by City	<u>67,084</u>	<u>62,529</u>
Paid by employees to:		
OPERS	22,075	20,560
OP&F	<u>16,564</u>	<u>14,775</u>
Total paid by employees	<u>38,639</u>	<u>35,335</u>
Total	<u>\$ 105,723</u>	<u>\$ 97,864</u>

The increase in amounts paid to OPERS and P&F during 2002 is primarily due to a 3.5% wage increase and the effect of having a 27<sup>th</sup> pay in 2002.

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 operating transfers out, (see page 51), was \$3.3 million, which represents less than a 1 percent increase in appropriations and can be briefly summarized as follows:

- The City decertified approximately \$6 million of prior year encumbrances and pre-encumbrances to fund current year operations
- Public safety budget was increased due to salary overtime costs related to heightened security levels at City facilities including Airport, Water and Public buildings.
- General Government budget, including the Law, Municipal Courts and Finance Departments, decreased to partially offset the needed Safety Department budget increase.

## 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, 2002, amounts to \$2.9 billion (net of accumulated depreciation). This investment in capital assets includes land; land improvements; utility plant; buildings, structures and improvements; furniture, fixtures and equipment; infrastructure; and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 10.0 percent (a 2.9 percent increase for governmental activities and a 12.7 percent increase for business-type activities). A summary of the City's capital assets at December 31, 2002 is as follows:

	<b>Capital Assets, Net of Accumulated Depreciation</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
	(in thousands)		
Land	\$ 60,914	\$ 172,230	\$ 233,144
Land improvements	27,927	246,402	274,329
Utility plant		924,732	924,732
Buildings, structure and improvements	384,111	440,664	824,775
Furniture, fixtures and equipment	59,559	79,886	139,445
Infrastructure	164,575		164,575
Construction in progress	<u>68,484</u>	<u>318,693</u>	<u>387,177</u>
Total	<u>\$ 765,570</u>	<u>\$ 2,182,607</u>	<u>\$ 2,948,177</u>

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

- Cleveland Public Power incurred \$13.1 million of capital expenditures related to pole replacement, motor vehicles and computers.
- During 2002, the Division of Water made expenditures for capital improvements totaling \$110.2 million. The principal capital expenditures during the year were for Morgan Plant Renovation, Baldwin Plant renovation, Nottingham Plant Renovation, Water Main Rehab and Plant Enhancement Program Design.
- Port Control expenditures for capital improvements totaled approximately \$199 million, primarily related to the construction of the new runway.
- Water Pollution Control made approximately \$5.4 million of improvements to sewer line replacements and various other upgrades.
- Governmental activities major capital projects included \$3.5 million for local resurfacing, \$2.8 million Brookpark /Pearl Road project, \$2.7 million building improvements to public facilities, \$2.0 million W. 117<sup>th</sup> and Bellaire project, \$3.1 million of fire vehicle purchases, \$1.6 million E. 55<sup>th</sup> Street project, and \$1.6 million E. 110<sup>th</sup> Street and St. Clair Avenue.

The primary sources for financing the City's Capital Improvement Projects are general obligation bond proceeds, certificates of participation proceeds, urban renewal bond proceeds, 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 85.

**Long-term debt and other obligations** At the end of the current fiscal year, the City had total debt and other obligations outstanding of \$2.8 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.

**Short-term debt** At the end of the current fiscal year, the City had \$4.2 million in Urban Renewal Notes payable, which are recorded as fund liabilities.

The activity in the City's debt obligations including short-term debt outstanding during the year ended December 31, 2002 is summarized below (excluding unamortized discounts, premiums and losses on debt refundings).

	<b>Balance January 1, 2002</b>	<b>Debt Issued</b>	<b>Debt Refund (in thousands)</b>	<b>Debt Retired</b>	<b>Balance December 31, 2002</b>
Governmental Activities:					
General Obligation Bonds & Notes	\$ 293,380	\$ 76,675	\$	\$ (50,970)	\$ 319,085
Urban Renewal Bonds/Notes	13,075	4,250		(4,500)	12,825
Subordinated Income Tax Bonds	68,200			(1,300)	66,900
Non-tax Revenue Bonds	10,000				10,000
Certificates of Participation	161,071			(5,577)	155,494
Gateway Note Payable	3,750			(250)	3,500
Capital Lease Obligations	<u>812</u>	<u>          </u>	<u>          </u>	<u>(574)</u>	<u>238</u>
Total Governmental Activities	<u>550,288</u>	<u>80,925</u>	<u>          </u>	<u>(63,171)</u>	<u>568,042</u>
Business-Type Activities:					
Revenue Bonds and Notes	2,018,731	228,050	(15,350)	(49,533)	2,181,898
Ohio Water Development Loans	13,117	4,621		(992)	16,746
Deferred Payment Obligation	<u>26,532</u>	<u>          </u>	<u>          </u>	<u>(1,381)</u>	<u>25,151</u>
Total Business-Type Activities	<u>2,058,380</u>	<u>232,671</u>	<u>(15,350)</u>	<u>(51,906)</u>	<u>2,223,795</u>
Total	<u>\$ 2,608,668</u>	<u>\$ 313,596</u>	<u>\$ (15,350)</u>	<u>\$ (115,077)</u>	<u>\$ 2,791,837</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 \$24.4 million in 2002 which represents 62% 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 38% 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, 2002:

	<b>Moody's Investors Service</b>	<b>Standard &amp; Poors</b>	<b>Fitch Ratings</b>
General Obligation Bonds	A1	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
Airport Taxable Surplus Revenue Notes	MIG-1	SP-1+	N/A
Municipal Parking Lots:			
Revenue Bonds (Insured Ratings)	Aaa	AAA	AAA

On November 5, 2002, Fitch Ratings upgraded the City's General Obligation Bond rating from A to A+. On February 21, 2003, Moody's Investors Service changed the rating on the City's outstanding General Obligation bonds from A1 to A2.

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, 2002 was:

Net General Bonded Debt \$316,220,000

Ratio of Net Bonded Debt to Assessed Valuation 5.24%

Net General Bonded Debt Per Capita \$660.99

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 percent 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 percent of total assessed value of property. The City's total debt limit (10.5 percent) is \$633,313,800 and unvoted debt limit (5.5 percent) is \$331,735,800. At December 31, 2002, the City had the capacity, under the indirect debt limitation calculation per the Ohio Revised Code, to issue \$105 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 4 on pages 70 - 78.

## **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.

During 2002, the City of Cleveland and Sysco Foods Corporation (Sysco) signed an agreement that would result in Sysco relocating its operations and \$30 million payroll to the City's Cleveland Business Park. The construction of the project is underway and Sysco is scheduled to open its doors in early 2005. This economic development deal is projected to generate an estimated \$600,000 in general fund revenues and create 600 new jobs within Cleveland's borders.

The revenue enhancement package adopted by the Cleveland City Council Ordinance #2393-02 in February 2003 enabled the City to increase fines, fees, forfeitures and charges for services. Major fee increases included emergency medical services and transportation, waste collection fees, birth and death certificates, parking place license, truck permits, street permits, engineering and construction fees. Other increases included traffic fines, building and housing fees and right-of-way permits. The City anticipates these increases to generate an additional \$11 million annually.

In February 2003, the City entered into three swaptions in order to take advantage of the low interest rate environment existing in the markets in recent months and thereby realizing refunding savings today on several of its outstanding series of bonds. As a result of these agreements, the City received up-front premium payments in the amount of \$8.375 million from the counterparties (UBS PaineWebber on two of the swaptions and JPMorgan on the third) in exchange for selling to the counterparties the option to enter into a swap at a later date. See Note 18 for further details .

In June, 2003, the Administration obtained authority from the City Council to issue \$27.4 million in economic development revenue bonds. The proceeds of the bonds, referred to as the Core City Bond Fund, will be utilized by both the Departments of Economic and Community Development to expand the housing and economic development opportunities throughout Cleveland's neighborhood and the central business district. Core City is expected to enable the City to continue to build economically vibrant neighborhoods by creating residential housing opportunities for all Cleveland residents of all income levels. Further, Core City is expected to enhance and attract business opportunities to neighborhoods so as to retain existing jobs and generate new employment opportunities for Cleveland residents.

The City is scheduled to issue \$9.2 million of tax-increment financing economic development bonds for the purpose of continuing the revitalization of lower Euclid Avenue in the central business district. The bonds are intended to leverage an additional \$28 million in private investment. The revitalization of lower Euclid Avenue will include the redevelopment of more than 155,000 square feet of commercial space which will be 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 is a projected part of this project. It is anticipated that the project will create nearly 700 construction jobs and more than 800 permanent jobs upon completion.

In 2003, the City intends to issue multi-purpose General Obligation Bonds for continued improvements to the City's capital projects. Traditionally, the City has issued approximately \$25 million of general obligation bonds on an annual basis.

During June 2003, legislation was introduced to City Council for the issuance of an additional series of bonds. The ordinance authorizes the sale of not to exceed \$215 million Airport System Revenue Bonds to refund outstanding revenue bonds and to pay costs incurred to acquire property for the Airport System, and not to exceed \$80 million Airport System Revenue Bonds to refund outstanding Revenue Bonds under hedge agreements. This issuance will enable the City to reduce debt service costs and lower operational costs for the purpose of increasing its competitiveness with other regional national airports.

## **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, 2002  
(Amounts in 000's)**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 236,208	\$ 147,514	\$ 383,722
Investments	18,158	235,599	253,757
Receivables:			
Taxes	138,957		138,957
Accounts	7,807	111,528	119,335
Loans	191,908		191,908
Unbilled revenue		31,453	31,453
Accrued interest	104	1,762	1,866
Assessments	4,976		4,976
Less: Allowance for doubtful accounts	<u>(6,433)</u>	<u>(8,305)</u>	<u>(14,738)</u>
Receivables, net	<u>337,319</u>	<u>136,438</u>	<u>473,757</u>
Internal balances	242	(242)	
Due from other governments	82,674	3,312	85,986
Inventory of supplies	3,322	12,368	15,690
Prepaid expenses and other assets		944	944
Restricted assets:			
Cash and cash equivalents	12,999	909,487	922,486
Investments		121,816	121,816
Accrued interest receivable		3,002	3,002
Bond retirement reserve		53	53
Accrued passenger facility charge		2,654	2,654
Loans receivable		<u>3,906</u>	<u>3,906</u>
Total restricted assets	<u>12,999</u>	<u>1,040,918</u>	<u>1,053,917</u>
Deferred bond issuance expense	638	20,902	21,540
Capital assets:			
Land and construction in progress	129,398	490,923	620,321
Other capital assets, net of accumulated depreciation	<u>636,172</u>	<u>1,691,684</u>	<u>2,327,856</u>
Total capital assets	<u>765,570</u>	<u>2,182,607</u>	<u>2,948,177</u>
Total assets	<u>1,457,130</u>	<u>3,780,360</u>	<u>5,237,490</u>
<b>LIABILITIES</b>			
Accounts payable	23,060	17,613	40,673
Accrued wages and benefits	32,053	9,526	41,579
Due to other governments	66,475	48,082	114,557
Accrued interest payable	12,193	60,705	72,898
Deferred revenue	91,903		91,903
Other accrued liabilities	1,399	447	1,846
Liabilities payable from restricted assets		41,978	41,978
Notes payable	4,250		4,250
Long-term obligations:			
Due within one year	56,050	98,050	154,100
Due in more than one year	<u>621,530</u>	<u>2,052,606</u>	<u>2,674,136</u>
Total liabilities	<u>908,913</u>	<u>2,329,007</u>	<u>3,237,920</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	364,042	677,907	1,041,949
Restricted for:			
Debt service	2,023	243,453	245,476
Capital projects	9,660		9,660
Loans	159,289		159,289
Other purposes	24,449	48,279	72,728
Unrestricted	<u>(11,246)</u>	<u>481,714</u>	<u>470,468</u>
Total net assets	<u>\$ 548,217</u>	<u>\$ 1,451,353</u>	<u>\$ 1,999,570</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, 2002  
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
<b>Functions/Programs:</b>						
<b>Governmental activities:</b>						
General government	\$ 81,356	\$ 1,060	\$ 9,369	\$ (44,733)	\$	\$ (44,733)
Public service	76,100	14,832	2	(57,007)		(57,007)
Public safety	305,289	7,718		(286,298)		(286,298)
Human resources	21,545	21,545		-		-
Community development	87,478	75,083		(5,314)		(5,314)
Public health	22,137	8,323		(11,310)		(11,310)
Parks, recreation and properties	45,365	222	543	(43,704)		(43,704)
Economic development	28,468	20,629		(7,732)		(7,732)
Other	12,973	590		(12,383)		(12,383)
Interest on debt	28,535			(28,535)		(28,535)
Total governmental activities	709,246	149,412	9,914	(497,016)		(497,016)
<b>Business-type activities:</b>						
Water	170,009	10,465	241		56,406	56,406
Electricity	133,182	1,034	8,633		18,175	18,175
Airport facilities	131,683	4,200	51,990		10,784	10,784
Other	42,091	76	4,891		(3,923)	(3,923)
Total business-type activities	476,965	15,775	65,755		81,442	81,442
<b>Total</b>	<b>\$ 1,186,211</b>	<b>\$ 165,187</b>	<b>\$ 75,669</b>	<b>(497,016)</b>	<b>81,442</b>	<b>(415,574)</b>
<b>General revenues:</b>						
Income taxes				275,321		275,321
Property taxes				74,229		74,229
Other taxes				25,720		25,720
Shared revenues				7,707		7,707
Grants and contributions not restricted to specific programs				2,501	2,122	4,623
State and local government fund				54,809		54,809
Unrestricted investment earnings				1,207	14	1,221
Other				22,874	1,194	24,068
Transfers				(502)	502	
Total general revenues, special items and transfers				463,866	3,832	467,698
Change in net assets				(33,150)	85,274	52,124
Net assets at beginning of year				581,367	1,366,079	1,947,446
Net assets at end of year				\$ 548,217	\$ 1,451,353	\$ 1,999,570

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

**CITY OF CLEVELAND, OHIO**

**BALANCE SHEET-GOVERNMENTAL FUNDS**

**DECEMBER 31, 2002**

(Amounts in 000's)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 27,222	\$ 201,757	\$ 228,979
Investments		18,158	18,158
Receivables:			
Taxes	103,374	35,583	138,957
Accounts	6,679	1,117	7,796
Loans		191,908	191,908
Accrued interest		104	104
Assessments		4,976	4,976
Less: Allowance for doubtful accounts	<u>(3,499)</u>		<u>(3,499)</u>
Receivables, net	<u>106,554</u>	<u>233,688</u>	<u>340,242</u>
Due from other funds	17,557	21,256	38,813
Due from other governments	36,235	46,429	82,664
Inventory of supplies	53	684	737
Restricted cash and cash equivalents		<u>12,999</u>	<u>12,999</u>
<b>TOTAL ASSETS</b>	<b>\$ 187,621</b>	<b>\$ 534,971</b>	<b>\$ 722,592</b>
<b>LIABILITIES</b>			
Accounts payable	3,736	\$ 17,912	\$ 21,648
Accrued wages and benefits	30,941	1,688	32,629
Due to other governments	555	63,409	63,964
Deferred revenue	98,014	46,898	144,912
Due to other funds	4,538	31,672	36,210
Notes payable		<u>4,250</u>	<u>4,250</u>
Total liabilities	<u>137,784</u>	<u>165,829</u>	<u>303,613</u>
<b>FUND BALANCES</b>			
Reserved for:			
Loans		159,289	159,289
Inventory	53	684	737
Debt service		11,793	11,793
Encumbrances	7,579	86,780	94,359
Rainy day reserve fund	3,974		3,974
Reserve fund	6,194		6,194
Unreserved, reported in:			
General fund	32,037		32,037
Special revenue funds:			
Designated for future capital improvements		18,170	18,170
Undesignated		35,051	35,051
Capital projects funds			
Designated for future capital improvements		32,107	32,107
Undesignated		<u>25,268</u>	<u>25,268</u>
Total fund balances	<u>49,837</u>	<u>369,142</u>	<u>418,979</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 187,621</b>	<b>\$ 534,971</b>	

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.	763,667
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	50,075
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	(687,987)
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets	<u>3,483</u>

Net assets of governmental activities \$ 548,217

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, 2002**

(Amounts in 000's)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Income taxes	\$ 248,180	\$ 31,006	\$ 279,186
Property taxes	48,320	24,363	72,683
State local government funds	56,436		56,436
Other shared revenues	31,041	13,623	44,664
Licenses and permits	7,784	2,872	10,656
Charges for services	18,690	2,982	21,672
Fines and forfeits	17,185	7,761	24,946
Investment earnings	1,172	3,590	4,762
Grants	4,146	135,807	139,953
Contributions		2,500	2,500
Miscellaneous	9,866	9,233	19,099
Total revenues	<u>442,820</u>	<u>233,737</u>	<u>676,557</u>
<b>EXPENDITURES:</b>			
Current:			
General government	57,692	13,859	71,551
Public service	36,172	19,767	55,939
Public safety	278,586	4,586	283,172
Human resources		21,545	21,545
Community development	10,786	75,855	86,641
Public health	11,503	9,673	21,176
Parks, recreation and properties	35,260	828	36,088
Economic development	1,014	26,231	27,245
Other	12,973		12,973
Capital outlay		63,171	63,171
Debt service:			
Principal retirement		62,347	62,347
Interest		26,748	26,748
Other		922	922
Total expenditures	<u>443,986</u>	<u>325,532</u>	<u>769,518</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,166)</u>	<u>(91,795)</u>	<u>(92,961)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	21,578	74,478	96,056
Operating transfers out	(22,451)	(77,914)	(100,365)
Debt issuance costs		(740)	(740)
Premium on bonds and notes		2,648	2,648
Proceeds from sale of general obligations bonds and notes		76,675	76,675
Total other financing sources (uses)	<u>(873)</u>	<u>75,147</u>	<u>74,274</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,039)</b>	<b>(16,648)</b>	<b>(18,687)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>			
(As restated - see Note 2)	<u>51,876</u>	<u>385,790</u>	<u>437,666</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 49,837</u>	<u>\$ 369,142</u>	<u>\$ 418,979</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, 2002

(Amounts in 000's)

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Amounts reported for governmental activities in the statement of activities (page 47) are different because:

Net change in fund balances - total governmental funds (page 49)	\$ (18,687)
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.	14,775
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,927)
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.	(17,275)
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.	(9,817)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>781</u>
Change in net assets of governmental activities (page 47)	<u>\$ (33,150)</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, 2002**

(Amounts in 000's)

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual*</b>	<b>Variance- Positive (Negative)</b>
<b>REVENUES:</b>				
Income taxes	\$ 249,909	\$ 249,909	\$ 246,519	\$ (3,390)
Property taxes	47,295	47,295	47,925	630
State local government funds	59,124	56,825	56,211	(614)
Other shared revenues	28,787	31,086	31,491	405
Licenses and permits	7,355	7,355	7,807	452
Charges for services	15,495	15,495	16,359	864
Fines and forfeits	17,804	17,804	17,778	(26)
Investment earnings	1,342	1,342	1,072	(270)
Workers comp refund	4,750	4,750	5,142	392
Grants	4,061	4,061	4,344	283
Miscellaneous	27,623	27,898	25,589	(2,309)
<b>Total revenues</b>	<u>463,545</u>	<u>463,820</u>	<u>460,237</u>	<u>(3,583)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	64,142	60,451	58,839	1,612
Public service	37,393	37,318	36,645	673
Public safety	285,706	293,564	292,140	1,424
Community development	11,281	11,199	11,142	57
Public health	12,413	12,156	11,538	618
Parks, recreation and properties	39,671	39,776	39,116	660
Economic development	1,392	1,081	1,057	24
Other	16,106	18,056	18,027	29
<b>Total expenditures</b>	<u>468,104</u>	<u>473,601</u>	<u>468,504</u>	<u>5,097</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(4,559)</b>	<b>(9,781)</b>	<b>(8,267)</b>	<b>1,514</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	29,770	27,885	28,178	293
Operating transfers out	(24,987)	(22,755)	(22,754)	1
<b>Total other financing sources (uses)</b>	<u>4,783</u>	<u>5,130</u>	<u>5,424</u>	<u>294</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>224</b>	<b>(4,651)</b>	<b>(2,843)</b>	<b>1,808</b>
<b>ADJUSTMENT FOR PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES</b>	<u>          </u>	<u>6,048</u>	<u>6,373</u>	<u>325</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>224</u>	<u>1,397</u>	<u>3,530</u>	<u>2,133</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>(896)</u>	<u>(896)</u>	<u>(896)</u>	<u>          </u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ (672)</u>	<u>\$ 501</u>	<u>\$ 2,634</u>	<u>\$ 2,133</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, 2002**

(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	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 91,806	\$ 11,071	\$ 22,717	\$ 20,923	\$ 146,517	8,226
Investments	160,256	47,739	6,504	21,100	235,599	
Receivables:						
Accounts	30,860	22,138	20,441	38,089	111,528	11
Unbilled revenue	25,214	1,551	2,736	1,952	31,453	
Accrued interest	1,249	183	248	82	1,762	
Less: Allowance for doubtful accounts	(7,258)	(400)	(105)	(542)	(8,305)	
Receivables, net	50,065	23,472	23,320	39,581	136,438	11
Due from other funds	4,732	4,600	2,265	2,817	14,414	2,014
Due from other governments			3,096	216	3,312	10
Inventory of supplies	4,880	6,754	233	501	12,368	2,585
Prepaid expenses and other assets	491	54	399		944	
Total current assets	312,230	93,690	58,534	85,138	549,592	12,846
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	388,662	17,571	481,946	21,308	909,487	
Investments	10,999	3,121	107,696		121,816	
Accrued interest receivable	673	16	2,310	3	3,002	
Bond retirement reserve			53		53	
Accrued passenger facility charges			2,654		2,654	
Loans receivable	3,906				3,906	
Total restricted assets	404,240	20,708	594,659	21,311	1,040,918	
Deferred bond issuance costs	7,512	2,351	10,000	1,039	20,902	
Capital assets:						
Land	5,271	4,863	143,538	18,558	172,230	663
Land improvements	14,116	2,313	353,018	4,664	374,111	3
Utility plant	866,862	350,783		111,204	1,328,849	
Buildings, structures and improvements	178,192	41,336	371,938	143,705	735,171	1,805
Furniture, fixtures and equipment	79,119	28,160	34,843	4,323	146,445	11,146
Construction in progress	165,774	16,349	126,155	10,415	318,693	259
Less: Accumulated depreciation	(342,147)	(153,292)	(259,856)	(137,617)	(892,912)	(11,953)
Total capital assets, net	967,187	290,512	769,636	155,252	2,182,587	1,923
Total noncurrent assets	1,378,939	313,571	1,374,295	177,602	3,244,407	1,923
<b>TOTAL ASSETS</b>	<b>\$ 1,691,169</b>	<b>\$ 407,261</b>	<b>\$ 1,432,829</b>	<b>\$ 262,740</b>	<b>\$ 3,793,999</b>	<b>\$ 14,769</b>

(Continued)



**CITY OF CLEVELAND, OHIO**

**BALANCE SHEET - PROPRIETARY FUNDS**

**DECEMBER 31, 2002**

**(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		
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 6,766	\$ 8,361	\$ 1,841	\$ 618	\$ 17,586	\$ 1,439
Accrued wages and benefits	10,842	3,743	2,912	2,255	19,752	2,418
Due to other funds	5,001	335	2,549	4,734	12,619	6,412
Due to other governments			5,747	42,335	48,082	2,511
Accrued interest payable	17,848	1,361	40,299	1,197	60,705	
Current portion of long-term obligations	<u>24,377</u>	<u>7,865</u>	<u>57,358</u>	<u>2,555</u>	<u>92,155</u>	
Total current liabilities	64,834	21,665	110,706	53,694	250,899	12,780
Current liabilities payable from restricted assets	13,318	401	27,536	723	41,978	
Long-term liabilities:						
Notes payable						
Construction loans	9,839			6,040	15,879	
Deferred payment obligation			23,659		23,659	
Revenue bonds payable	<u>829,312</u>	<u>218,161</u>	<u>896,826</u>	<u>64,438</u>	<u>2,008,737</u>	
Total liabilities	<u>917,303</u>	<u>240,227</u>	<u>1,058,727</u>	<u>124,895</u>	<u>2,341,152</u>	<u>12,780</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	394,542	76,938	124,411	82,016	677,907	1,923
Restricted for debt service	101,428	4,059	126,773	11,193	243,453	
Restricted for passenger facility charges			48,279		48,279	
Unrestricted	<u>277,896</u>	<u>86,037</u>	<u>74,639</u>	<u>44,636</u>	<u>483,208</u>	<u>66</u>
Total net assets	<u>773,866</u>	<u>167,034</u>	<u>374,102</u>	<u>137,845</u>	<u>1,452,847</u>	<u>1,989</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,691,169</u>	<u>\$ 407,261</u>	<u>\$ 1,432,829</u>	<u>\$ 262,740</u>		<u>\$ 14,769</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					<u>(1,494)</u>	
<b>NET ASSETS OF BUSINESS-TYPE ACTIVITIES</b>					<u>\$ 1,451,353</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, 2002**

(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	\$ 215,688	\$ 141,690	\$ 86,277	\$ 33,161	\$ 476,816	\$ 28,711
Total operating revenue	<u>215,688</u>	<u>141,690</u>	<u>86,277</u>	<u>33,161</u>	<u>476,816</u>	<u>28,711</u>
OPERATING EXPENSES:						
Operations	91,259	14,525	59,025	19,670	184,479	31,351
Maintenance	28,477	16,351		8,521	53,349	3,101
Purchased power		72,174			72,174	
Depreciation	29,539	15,685	27,752	8,796	81,772	211
Total operating expenses	<u>149,275</u>	<u>118,735</u>	<u>86,777</u>	<u>36,987</u>	<u>391,774</u>	<u>34,663</u>
OPERATING INCOME (LOSS)	<u>66,413</u>	<u>22,955</u>	<u>(500)</u>	<u>(3,826)</u>	<u>85,042</u>	<u>(5,952)</u>
NON-OPERATING REVENUES (EXPENSES):						
Investment income	10,706	1,693	9,895	1,545	23,839	306
Interest expense	(20,233)	(11,879)	(22,630)	(4,676)	(59,418)	
Passenger facility charges			18,911		18,911	
Loss on disposal of capital assets				(53)	(53)	(17)
Other revenues (expenses)	202	6,800	(22,020)	3,452	(11,566)	7
Total non-operating revenues (expenses)	<u>(9,325)</u>	<u>(3,386)</u>	<u>(15,844)</u>	<u>268</u>	<u>(28,287)</u>	<u>296</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	57,088	19,569	(16,344)	(3,558)	56,755	(5,656)
Capital contributions			27,389	2,122	29,511	1,136
Operating transfers in				502	502	3,807
Change in net assets	57,088	19,569	11,045	(934)	86,768	(713)
NET ASSETS AT BEGINNING OF YEAR (As restated - see Note 2)	<u>716,778</u>	<u>147,465</u>	<u>363,057</u>	<u>138,779</u>		<u>2,702</u>
NET ASSETS AT END OF YEAR	<u>\$ 773,866</u>	<u>\$ 167,034</u>	<u>\$ 374,102</u>	<u>\$ 137,845</u>		<u>\$ 1,989</u>
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds					<u>(1,494)</u>	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES					<u>\$ 85,274</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, 2002**

(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	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received from customers	\$ 212,910	\$ 148,384	\$ 79,047	\$ 33,043	\$ 473,384	\$ 34,310
Cash payments to suppliers for goods or services	(60,023)	(12,653)	(33,458)	(14,094)	(120,228)	(20,955)
Cash payments to employees for services	(63,559)	(18,375)	(20,361)	(14,683)	(116,978)	(14,985)
Cash payments for purchased power		(71,461)			(71,461)	
Receipt of customer deposits	534	203			737	
Agency activity on behalf of NEORS				(1,605)	(1,605)	
Other		(6,049)			(6,049)	
Net cash provided by (used for) operating activities	<u>89,862</u>	<u>40,049</u>	<u>25,228</u>	<u>2,661</u>	<u>157,800</u>	<u>(1,630)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Advance (repayment) from/to General Fund				726	726	(1,069)
Cash payments for sound insulation of homes			(15,423)		(15,423)	
Cash received through operating transfers from other funds				502	502	4,110
Cash received from hotel tax				3,486	3,486	
Other	568	8,028	(275)	(877)	7,444	6
Net cash provided by (used for) noncapital financing activities	<u>568</u>	<u>8,028</u>	<u>(15,698)</u>	<u>3,837</u>	<u>(3,265)</u>	<u>3,047</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Cash receipts for passenger facility charges			19,327		19,327	
Proceeds from sale of revenue bonds, loans and notes	235,174				235,174	
Acquisition and construction of capital assets	(87,449)	(11,404)	(169,151)	(5,001)	(273,005)	
Principal paid on long-term debt	(30,491)	(6,620)	(10,783)	(2,584)	(50,478)	
Interest paid on long-term debt	(34,885)	(11,803)	(46,581)	(4,467)	(97,736)	
Cash paid to escrow agent for refunding	(17,307)				(17,307)	
Capital grant proceeds			26,175		26,175	
Net cash provided by (used for) capital and related financing activities	<u>65,042</u>	<u>(29,827)</u>	<u>(181,013)</u>	<u>(12,052)</u>	<u>(157,850)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Purchase of investment securities	(206,780)	(90,033)	(214,100)	(30,760)	(541,673)	
Proceeds from sale and maturity of investment securities	167,944	39,397	161,332	16,396	385,069	
Interest received on investments	12,739	1,348	28,088	1,671	43,846	306
Net cash provided by (used for) investing activities	<u>(26,097)</u>	<u>(49,288)</u>	<u>(24,680)</u>	<u>(12,693)</u>	<u>(112,758)</u>	<u>306</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>129,375</b>	<b>(31,038)</b>	<b>(196,163)</b>	<b>(18,247)</b>	<b>(116,073)</b>	<b>1,723</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>351,093</b>	<b>59,680</b>	<b>700,826</b>	<b>60,478</b>	<b>1,172,077</b>	<b>6,503</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 480,468</b>	<b>\$ 28,642</b>	<b>\$ 504,663</b>	<b>\$ 42,231</b>	<b>\$ 1,056,004</b>	<b>\$ 8,226</b>

(Continued)

**CITY OF CLEVELAND, OHIO**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

(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		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Operating income (loss)	\$ 66,413	\$ 22,955	\$ (500)	\$ (3,826)	\$ 85,042	\$ (5,952)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	29,539	15,685	27,752	8,796	81,772	211
Non-cash rental income			(3,479)		(3,479)	
Loss on disposal of capital assets			2,681		2,681	
Changes in assets and liabilities:						
Receivables, net	(5,636)	2,819	(2,304)	6,578	1,457	19
Due from other funds	381	2,235	(1,323)	(778)	515	3,215
Due from other governments			3	(212)	(209)	381
Inventory of supplies	463	(3,827)	(9)	(2)	(3,375)	(123)
Prepaid expenses and other assets	695		(187)		508	
Accounts payable	(2,179)	809	(1,483)	(1,588)	(4,441)	(870)
Accrued wages and benefits	222	(592)	(161)	54	(477)	(88)
Due to other funds	(533)	(248)	1,453	(5,266)	(4,594)	(934)
Due to other governments			2,785	(195)	2,590	2,511
Accrued expenses and other liabilities	497	213		(900)	(190)	
Total adjustments	<u>23,449</u>	<u>17,094</u>	<u>25,728</u>	<u>6,487</u>	<u>72,758</u>	<u>4,322</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 89,862</u>	<u>\$ 40,049</u>	<u>\$ 25,228</u>	<u>\$ 2,661</u>	<u>\$ 157,800</u>	<u>\$ (1,630)</u>

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

(Concluded)

**CITY OF CLEVELAND, OHIO**

**STATEMENT OF FIDUCIARY NET ASSETS**

**FIDUCIARY FUNDS**

**DECEMBER 31, 2002**

**(Amounts in 000's)**

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	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 15,861
Taxes receivable	29,394
Due from other governments	<u>2,910</u>
Total assets	<u>48,165</u>
<b>LIABILITIES</b>	
Due to other governments	38,701
Due to others	<u>9,464</u>
Total liabilities	<u>48,165</u>
<b>NET ASSETS</b>	<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**

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**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. The mayoral election was held in November 2001 and the new mayor took office in January of 2002.

**Reporting Entity:** The accompanying financial statements as of December 31, 2002 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 to 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.

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**

**Reporting Model:** The accounting policies and financial reporting practices of the City comply with GAAP applicable to governmental units. Effective January 1, 2002, the City changed its financial reporting by implementing the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These “Reporting Model” statements affect the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports. As part of the implementation of GASB Statement Nos. 34 and 37, the City has also opted to fully implement retroactive infrastructure reporting as prescribed by GASB Statement No. 34. Accordingly, the depreciated value of the historical cost of infrastructure assets (retroactive to January 1, 1980) is included as part of the governmental activities’ capital assets reported in the City’s government-wide statement of net assets. The implementation of these GASB statements resulted in a change in beginning fund balances as presented in the fund financial statements, which are reported using the modified accrual basis of accounting.

**Restatement of Fund Balance:** The implementation of these statements had the following effects on fund balances or retained earnings of the major and non-major funds of the City as they were previously reported.

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Division of Water Fund</u>	<u>Cleveland Public Power Fund</u>	<u>Department of Port Control</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
	(Amounts in 000's)							
Fund Balance/Retained Earnings (Accumulated Deficit) December 31, 2001	\$ 39,250	\$ 385,790	\$ 425,040	\$ 714,371	\$ 135,282	\$ 183,894	(\$11,190)	\$ 1,022,357
Change in agency fund classification	12,626		12,626					
Contributed capital at December 31, 2001	_____	_____	_____	<u>2,407</u>	<u>12,183</u>	<u>179,163</u>	<u>149,969</u>	<u>343,722</u>
Restated Fund Balance/ Net Assets December 31, 2001	<u>\$ 51,876</u>	<u>\$ 385,790</u>	437,666	<u>\$ 716,778</u>	<u>\$ 147,465</u>	<u>\$ 363,057</u>	<u>\$ 138,779</u>	1,366,079
GASB 34 Adjustments:								
Capital Assets			748,892					
Long-term Liabilities			(650,518)					
Accrued Interest Payable			(10,377)					
Deferred Revenues			53,002					
Internal Service Funds			<u>2,702</u>					_____
Net Assets December 31, 2001			<u>\$581,367</u>					<u>\$1,366,079</u>

Also, as a part of the implementation, management reassessed the fund balance of the following funds in the Non-Budgeted Special Revenue Funds. The effects of these restatements did not change the total beginning Non-Budgeted Special Revenue Fund Balance.

	<u>Community Development Block Grants</u>	<u>Community Development Funds</u>	<u>Economic Development Funds</u>	<u>General Government Funds</u>	<u>Public Service Funds</u>	<u>Public Safety Funds</u>	<u>Parks Recreation &amp; Properties Funds</u>
	(Amounts in 000's)						
Fund Balance/Retained Earnings (Accumulated Deficit) December 31, 2001	\$ 18,625	\$ 2,806	\$ 23,374	\$ 35,294	\$ 562	\$ 2,782	\$ 1,812
Change in fund classification	<u>(8,815)</u>	<u>8,815</u>	<u>20</u>	<u>(150)</u>	<u>88</u>	<u>59</u>	<u>(17)</u>
Restated Fund Balance/ Net Assets December 31, 2001	<u>\$ 9,810</u>	<u>\$ 11,621</u>	<u>\$ 23,394</u>	<u>\$ 35,144</u>	<u>\$ 650</u>	<u>\$ 2,841</u>	<u>\$ 1,795</u>

### ***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, and 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 by the City 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 in the governmental activities 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 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, and 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).
5. **Permanent Funds** - Permanent funds are used for the purpose of accounting for resources that are legally restricted to the extent that earnings, and not principal, may be used for purposes that support the reporting government's programs. During 2002, the City did not utilize any permanent 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 to other departments or to other governments on a cost-reimbursement basis.

## FIDUCIARY FUNDS

1. **Private-purpose Trust Funds** - Private-purpose trust funds are used to account for trust arrangements which benefit individuals, private organizations, or other governments. For accounting measurement purposes, the private-purpose trust funds are accounted for in essentially the same manner as proprietary funds. During 2002, the City did not utilize any private-purpose trust funds.
2. **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.
3. **Other Fiduciary Funds** - Other fiduciary funds include pension trust funds and investment trust funds. During 2002, the City did not utilize any such trust funds.

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 5 appropriation amendments for 2002 which increased total appropriations by approximately 4% from the original budget.

Unencumbered appropriations for annually budgeted funds lapse at year end.

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

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

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

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

A reconciliation of the General Fund's results of operations for 2002 reported on the budget basis versus the GAAP basis is as follows:

Excess of revenues and other financing sources over expenditures and other financing uses (budget basis)	(In thousands) \$ (2,843)
Adjustments:	
Revenue accruals	24,017
Expenditure accruals	(13,054)
Encumbrances and pre-encumbrances	<u>(10,159)</u>
Net change in fund balances	<u>\$ (2,039)</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, StarOhio and time deposits, are carried at fair value (see Note 3) 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 and equipment; 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 fixed 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 and equipment	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 current wage rates, 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. 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, as well as bond issuance costs, are recognized as revenues or expenditures during the current period. 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 other financing uses.

**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 4, the City has one swap agreement outstanding at December 31, 2002 for its Subordinated Income Tax Refunding 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 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.

**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 is employed in the General, certain Special Revenue, and Capital Projects Funds. 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 in the fund financial statements 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 operating 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 - 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 \$134,656,000 and the actual bank balance totaled \$153,594,000. The difference represents outstanding warrants payable and normal reconciling items. Based on the criteria described in GASB Statement No. 3, \$126,002,000 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 \$27,592,000 was 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). Of this amount, \$19,690,000 was invested in two bank investment contracts ("BIC"). These BICs are secured by securities held by the pledging financial institution's trust department, but not in the City's name. The remaining amount, \$7,902,000 was secured by a collateral pool held at the Federal Reserve Bank in the name of the respective depository bank, which pledges a pool of collateral against all public deposits it holds.

**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 State Treasurer Asset Reserve Fund (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>
		(Amounts in 000’s)	
U.S. Agency Obligations	1	\$ 426,011	\$ 422,790
U.S. Treasury Bills	2	16,061	15,997
U.S. Treasury Notes	2	1,235	1,245
STAROhio	n/a	138,073	138,073
Investments in Mutual Funds	n/a	273,270	273,270
Guaranteed Investment Contracts	n/a	524,065	524,065
Other	n/a	<u>184,271</u>	<u>184,271</u>
Total Investments		1,562,986	1,559,711
Total Deposits		<u>134,656</u>	<u>134,656</u>
Total Deposits and Investments		<u>\$ 1,697,642</u>	<u>\$ 1,694,367</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	\$ 383,722
Investments	253,757
Restricted:	
Cash and cash equivalents	922,486
Investments	<u>121,816</u>
Total	<u>\$ 1,681,781</u>

*Fund Financial Statements*

(Amounts in 000's)

Balance Sheet – Governmental Funds:	
Unrestricted:	
Cash and cash equivalents	\$ 228,979
Investments	18,158
Restricted:	
Cash and cash equivalents	12,999
Balance Sheet – Proprietary Funds:	
Enterprise Funds:	
Unrestricted:	
Cash and cash equivalents	146,517
Investments	235,599
Restricted:	
Cash and cash equivalents	909,487
Investments	121,816
Internal Service Funds:	
Unrestricted:	
Cash and cash equivalents	<u>8,226</u>
Subtotal	1,681,781
Statement of Fiduciary Net Assets:	
Unrestricted:	
Cash and cash equivalents	<u>15,861</u>
Total	<u>\$ 1,697,642</u>

## NOTE 4 – 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, 2002 is as follows:

	<b>Balance January 1, 2002</b>	<b>Additions</b>	<b>(Reductions)</b>	<b>Balance December 31, 2002</b>	<b>Due Within One Year</b>
	<b>(Amounts in 000's)</b>				
<b>Governmental Activities</b>					
General Obligation Bonds & Notes due through 2027, 3.5% to 9.875%	\$ 293,380	\$ 76,675	\$ (50,970)	\$ 319,085	\$ 26,285
<i>Other Obligations:</i>					
Urban Renewal Bonds due through 2018, 3.60% to 6.75%	8,875		(300)	8,575	320
Subordinated Income Tax Refunding Bonds due through 2024, 4.88%	68,200		(1,300)	66,900	1,400
Non-tax Revenue Bonds - Stadium due through 2020, 5.75%	10,000			10,000	
Taxable Urban Renewal Notes due 2002, 3.75%	4,200		(4,200)		
Certificates of Participation - 1992 and 1995	6,971		(3,887)	3,084	3,084
Certificates of Participation - Stadium	154,100		(1,690)	152,410	1,860
Capital Lease Obligations	812		(574)	238	238
Gateway Note Payable	3,750		(250)	3,500	250
Accrued wages and benefits	38,809	7,250		46,059	21,040
Police and fire overtime	57,339	5,251		62,590	540
Fire deferred vacation	1,237	277		1,514	
Estimated claims payable	2,845		(1,812)	1,033	1,033
	650,518	89,453	(64,983)	674,988	56,050
Plus: Unamortized premium		2,630	(38)	2,592	
Total Governmental Activities, net	650,518	92,083	(65,021)	677,580	56,050
<b>Business-Type Activities (Enterprise Funds)</b>					
<i>Airport System Revenue Bonds:</i>					
Series 1990 due through 2006, 6.50% to 7.30%	16,136		(3,938)	12,198	3,711
Series 1994 due through 2024, 4.80% to 7.95%	77,580		(1,770)	75,810	1,905
Series 1997 due through 2027, 4.25% to 7.00%	263,945		(5,075)	258,870	5,300
Series 2000 due through 2031, 5.00% to 5.50%	573,190			573,190	
Airport Surplus Notes, Series 2001 due 2003, 5.55%	44,950			44,950	44,950
<i>Public Power System Revenue Bonds:</i>					
Series 1994 due through 2013, 6.30% to 7.00%	65,185		(5,290)	59,895	5,610
Series 1996 due through 2024, 5.00% to 6.00%	122,380			122,380	695
Series 1998 due through 2017, 4.00% to 5.25%	44,760			44,760	
Series 2001 due through 2016, 4.00% to 5.50%	41,925		(1,330)	40,595	1,560
<i>Waterworks Improvement Revenue Bonds:</i>					
Series A 1977 due in 2008, 6.13%	12,905		(12,905)		
Series D 1986 due through 2015, 5.00% to 7.00%	15,350		(15,350)		
Series G 1993 due through 2021, 4.60% to 5.50%	187,440		(6,330)	181,110	8,800
Series H 1996 due through 2026, 4.25% to 5.75%	81,105		(9,030)	72,075	3,105
Series I 1998 due through 2028, 4.00% to 5.25%	303,765		(1,900)	301,865	2,175
Series J 2001 due through 2016, 4.00% to 5.375%	92,595			92,595	9,910
Series K 2002 due through 2033, 3.50% to 5.25%		138,050		138,050	
Series L 2002 due through 2033, 3.50% to 5.25%		90,000		90,000	
<i>Ohio Water Development Authority Loans</i>					
due through 2024, 4.04% to 6.25%	13,117	4,621	(992)	16,746	867
<i>Parking Facilities Revenue Bonds</i>					
due through 2022, 4.45% to 6.00%	75,520		(1,965)	73,555	2,075
Deferred Payment Obligation	26,532		(1,381)	25,151	1,492
Accrued wages and benefits	9,593	633		10,226	5,895
	2,067,973	233,304	(67,256)	2,234,021	98,050
Less: Unamortized (discount) premium-net	(36,170)	6,847	2,412	(26,911)	
Unamortized loss on debt refunding	(59,325)	(1,111)	3,982	(56,454)	
Total Business-Type Activities, Net	1,972,478	239,040	(60,862)	2,150,656	98,050
Total Debt and Other Long-Term Obligations	\$ 2,622,996	\$ 331,123	\$ (125,883)	\$ 2,828,236	\$ 154,100

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, 2002, \$1,162,000 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, 2002, \$298,000 of the Utilities Administration Fund compensated absences were included in business-type activities accrued wages and benefits.

A detailed summary of general obligation bonds and business-type activities debt by purpose is as follows for 2002:

	<b>Original Issue Amount</b>	<b>Balance January 1, 2002</b>	<b>Additions</b>	<b>(Reductions)</b>	<b>Balance December 31, 2002</b>
			(Amounts in 000's)		
<b>Governmental Activities Obligations:</b>					
<b>General Obligation Bonds</b>					
Public Facilities	\$ 76,015	\$ 40,805	\$ 5,880	\$ (2,525)	\$ 44,160
Public Service	9,815	245		(245)	
Convention Center	15,965	3,280		(1,480)	1,800
Residential Redevelopment	15,100	8,515	2,535	(485)	10,565
Bridges and Roadways	144,670	68,830	38,470	(20,145)	87,155
Public Safety	8,140	1,045		(380)	665
Parks & Recreation	55,615	24,370	19,915	(10,965)	33,320
Waterways	3,350	260		(130)	130
Parking	10,000	415		(415)	
Refunding Bonds	189,515	145,005		(10,090)	134,915
Judgments/Settlements	18,875	610	9,875	(4,110)	6,375
	<u>547,060</u>	<u>293,380</u>	<u>76,675</u>	<u>(50,970)</u>	<u>319,085</u>
Total General Obligation Bonds	<u>\$ 547,060</u>	<u>\$ 293,380</u>	<u>\$ 76,675</u>	<u>\$ (50,970)</u>	<u>\$ 319,085</u>
<b>Business-Type Activities' Obligations:</b>					
<b>Revenue Bonds</b>					
Airports	\$ 1,055,806	\$ 975,801		\$ (10,783)	\$ 965,018
Public Power	429,590	274,250		(6,620)	267,630
Waterworks	1,258,415	693,160	228,050	(45,515)	875,695
Parking Facilities	81,105	75,520		(1,965)	73,555
<b>Loans</b>					
Waterworks	18,699	5,978	4,621	(373)	10,226
Water Pollution Control	11,957	7,139		(619)	6,520
	<u>2,855,572</u>	<u>2,031,848</u>	<u>232,671</u>	<u>(65,875)</u>	<u>2,198,644</u>
Total Business-Type Activities	<u>\$ 2,855,572</u>	<u>\$ 2,031,848</u>	<u>\$ 232,671</u>	<u>\$ (65,875)</u>	<u>\$ 2,198,644</u>

The following is a summary of the City's future debt service requirements as of December 31, 2002:

Year Ending December 31	Governmental Activities					
	General Obligation Bonds		Urban Renewal Bonds		Subordinated Income Tax Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	(Amounts in 000's)					
2003	\$ 26,285	\$ 16,474	\$ 320	\$ 559	\$ 1,400	\$ 3,426
2004	25,095	15,035	340	539	1,500	3,351
2005	25,990	13,824	360	518	1,600	3,270
2006	25,530	12,586	385	494	1,700	3,184
2007	26,535	11,347	410	467	1,800	3,094
2008-2012	111,270	37,369	2,490	1,878	11,200	13,846
2013-2017	55,360	14,364	3,435	892	15,500	10,415
2018-2022	18,640	3,261	835	28	21,500	5,661
2023-2027	4,380	711			10,700	537
	<u>\$ 319,085</u>	<u>\$ 124,971</u>	<u>\$ 8,575</u>	<u>\$ 5,375</u>	<u>\$ 66,900</u>	<u>\$ 46,784</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)				
2003	\$	\$	\$ 4,944	\$ 7,141	\$ 238	\$ 10
2004			2,065	6,925		
2005			2,260	6,824		
2006			2,275	6,712		
2007	1,006	629	5,826	8,372		
2008-2012	4,258	3,917	55,288	39,698		
2013-2017	3,207	4,968	27,721	20,870		
2018-2022	1,529	3,371	24,045	12,084		
2023-2027			31,070	5,060		
	<u>\$ 10,000</u>	<u>\$ 12,885</u>	<u>\$ 155,494</u>	<u>\$ 113,686</u>	<u>\$ 238</u>	<u>\$ 10</u>

Year Ending December 31	Gateway Note Payable		Governmental Activities Total	
	Principal	Interest	Principal	Interest
		(Amounts in 000's)		
2003	\$ 250	\$	\$ 33,437	\$ 27,610
2004	250		29,250	25,850
2005	250		30,460	24,436
2006	250		30,140	22,976
2007	250		35,827	23,909
2008-2012	1,250		185,756	96,708
2013-2017	1,000		106,223	51,509
2018-2022			66,549	24,405
2023-2027			46,150	6,308
	<u>\$ 3,500</u>	<u>\$</u>	<u>\$ 563,792</u>	<u>\$ 303,711</u>

Year Ending December 31	Business Type Activities			
	Revenue Notes and Bonds		Construction Loans	
	Principal	Interest	Principal	Interest
	(Amounts in 000's)			
2003	\$ 89,796	\$ 108,024	\$ 867	\$ 542
2004	47,849	108,818	946	723
2005	49,908	106,547	1,170	899
2006	53,825	104,181	1,215	853
2007	66,025	95,919	1,107	807
2008-2012	378,720	428,685	6,248	3,320
2013-2017	415,775	330,491	7,027	1,956
2018-2022	406,305	221,923	4,880	714
2023-2027	369,990	118,271	1,155	46
2028-2032	290,325	32,482		
2033-2037	13,380	270		
	<u>\$ 2,181,898</u>	<u>\$ 1,655,611</u>	<u>\$ 24,615</u>	<u>\$ 9,860</u>

Year Ending December 31	Deferred Payment Obligations (Note 5)		Business-Type Activities Total	
	Principal	Interest	Principal	Interest
	(Amounts in 000's)			
2003	\$ 1,492	\$ 1,897	\$ 92,155	\$ 110,463
2004	1,612	1,777	50,407	111,318
2005	1,741	1,648	52,819	109,094
2006	1,881	1,508	56,921	106,542
2007	2,032	1,357	69,164	98,083
2008-2012	12,885	4,058	397,853	436,063
2013-2017	3,508	161	426,310	332,608
2018-2022			411,185	222,637
2023-2027			371,145	118,317
2028-2032			290,325	32,482
2033-2037			13,380	270
	<u>\$ 25,151</u>	<u>\$ 12,406</u>	<u>\$ 2,231,664</u>	<u>\$ 1,677,877</u>

The schedule of minimum principal and interest payments for construction loans includes the amortization on three 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, 2002 the amount financed on these three 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 \$7,869,085.

### General Obligation Bonds and Notes

**General Obligation Bonds and Notes:** General obligation bonds and notes issued in anticipation of such bonds are backed by the full faith and credit of the City. Such bonds and notes 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 \$331,735,800 of additional unvoted debt at December 31, 2002.

On June 27, 2002, the City issued \$23,200,000 Series 2002A General Obligation Various Purpose Bond Anticipation Notes and \$3,500,000 Series 2002B Final Judgment Bond Anticipation Notes (BAN). The 2002A BANs were issued to finance all or a portion of the costs of permanent improvements to recreation facilities and roads and bridges and to pay costs of issuance. The 2002B BANs were issued to provide funds to pay final judgments, including court approved settlements of claims, and to pay issuance costs. The BANs matured December 12, 2002 and were refunded with the proceeds of the Series 2002 General Obligation Bonds.

On December 11, 2002, the City issued \$49,975,000 Series 2002 General Obligation Bonds consisting of \$43,600,000 Various Purpose GO Bonds and \$6,375,000 Final Judgment GO Bonds. The Various Purpose Bonds were issued to 1) refund \$23,200,000 in Various Purpose General Obligation BANs; 2) to finance all or a portion of the costs of certain public improvements to public facilities, parks and recreation facilities, roads and bridges and properties in residential neighborhoods and 3) to pay costs of issuance of the bonds. The Final Judgment Bonds were issued to 1) refund \$3,500,000 in Final Judgment General Obligation BANs, 2) provide funds to pay Final Judgments and 3) pay costs of issuance of 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 issuers 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.

In 1999, the City entered into an interest rate swap transaction 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 will be the fixed rate payor, paying the fixed rate of 4.88% and the counterparty will be the floating rate payor, paying the actual variable rate borne by the Series 1994 Bonds. The stated termination date under the 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 \$66,900,000 on December 31, 2002.

**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.

**Certificates of Participation-1992 and 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 will make basic lease payments during successive renewal periods of one year or less through July 1, 2003, if the City Council appropriates 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. If the lease for the 1995 Certificates of Participation is renewed through July 1, 2003, and the City makes a purchase payment and complies with certain other conditions, the City will acquire title to the property. The final lease payment on the 1992 Certificates of Participation was made July 1, 2002 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.

**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.

The assets recorded by the City under capital leases were as follows as of December 31, 2002:

	<u>Activities</u> (Amounts in 000's)
Furniture, fixtures and equipment	\$ 3,749
Less – accumulated depreciation	(1,875)
Net book value	<u>\$ 1,874</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, 2002, 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	2,145	\$ 57,387		
Fire	193	5,383	54	\$ 1,514
Total	<u>2,338</u>	<u>\$ 62,770</u>	<u>54</u>	<u>\$ 1,514</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.

**Short-Term Taxable Urban Renewal Notes:** In October 2002, the City issued \$4,250,000 of Taxable Urban Renewal Refunding Notes, Series 2002. These one year notes, which are due October 30, 2003, are special obligations of the City and were issued to currently refund the \$4,200,000 outstanding Taxable Urban Renewal Notes, Series 2001, and to pay costs of issuance of the 2002 Notes. The 2001 Notes were issued to purchase certain properties for urban renewal purposes. Principal and interest on the Series 2002 Notes, unless paid from other sources, are to be paid from the non-tax revenues of the City. These notes are recorded as a fund liability.

#### **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.

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, 2002, the Department of Port Control has recorded a liability in the amount of \$16,938,922 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 moneys 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 improvement to the Waterworks System and to pay costs of issuance of the Series K Bonds. Net proceeds of \$15,733,750 were placed in an escrow account which was used to pay principal and interest on the refunded bonds on December 31, 2002. As a result, the refunded bonds are considered to be defeased and the liability for these bonds has been removed from long-term debt. The City completed the refunding of the Series D Bonds to reduce its total debt service payments by \$1,380,000 over the next 14 years and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$881,000. 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 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 Division.

**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.

**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, 2002 is as follows:

<u>Bond/Note Issue</u>	<u>Amount</u> (Amounts in 000's)
Unvoted Tax Supported General Obligations:	
1988	\$ 7,085
1994	25,465
Waterworks Improvement Bonds:	
Series D, 1986	15,350
Series H, 1996	102,340
Public Power System Bonds:	
Series 1994	131,440
Airport System Revenue Bonds:	
Series 1994B	7,950

## **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 5 - 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 a new runway or other 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 government-wide statement of net assets.

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. Subsequent to the agreement, the City of Brook Park (the city in which the I-X Center is located) officially announced its intention to acquire the I-X Center through an eminent domain court case. In connection with the proceedings, the City and other defendants filed various counterclaims against Brook Park, of which all counterclaims have been dismissed by the Probate Court. The Probate Court found that Brook Park's alleged public purpose of economic development and of establishing a municipally owned convention center and exhibition hall are valid and proper public purposes. A preliminary hearing on the Petition for Appropriation began on September 11, 2000, and testimony was concluded on October 2, 2000. The parties submitted proposed Findings of Fact and Conclusions of Law and closing arguments were presented on November 9, 2000.

On November 28, 2000, the Probate Court issued its decision dismissing Brook Park's Petition for Appropriation and finding in part that Brook Park did not have the authority to take the I-X Property by eminent domain. The Probate Court's decision recognizes that the City had a prior public use of the I-X Property for both current airport uses and for future airport uses, which were reasonably likely to occur. Brook Park appealed the Probate Court's ruling.

On February 6, 2001, the Mayors of the City of Cleveland and the City of Brook Park announced a preliminary agreement (the "I-X Property Agreement") designed to end the appeal by Brook Park of the Probate Court's decision. The I-X Property Agreement, which allocates various tax revenues and other monetary compensation to Brook Park, shifts the geographical borders of (i) the City of Cleveland to include the I-X Property and 90 acres of land south of the I-X Property, and (ii) the City of Brook Park to include the NASA Glenn / Research Center and 45 acres of land near the Airport. The I-X Property agreement closed on November 20, 2001 and the geographical borders of Cleveland and Brook Park shifted on January 1, 2002.

Rental income recognized by the City under this agreement totaled \$3,389,000 in 2002, of which \$2,008,000 was offset against interest expense and \$1,381,000 against the principal balance of the deferred payment obligation.

**NOTE 6 - COMPLIANCE AND ACCOUNTABILITY**

At December 31, 2002, the following funds had a net asset / fund balance deficiency:

<u>Fund Name</u>	<u>Total Deficiency</u> (Amounts in 000's)
Cleveland Stadium Operations	\$ 624
Information Systems Services	1
Telephone Exchange	16

The above deficiencies in Telephone Exchange and Information Systems Services Funds will be eliminated through increased user fees charges to cover costs. The deficiency in the Cleveland Stadium Operations Fund will be eliminated by a transfer from the Cleveland Stadium Construction Fund.

**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 (see Note 8). 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; however, the long-term portion of claims liabilities is not reported for governmental funds.

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

Changes in the estimated claims payable for all funds during the years ended December 31, 2002 and 2001 were as follows:

	<u>2002</u>	<u>2001</u>
	(Amounts in 000's)	
Estimated claims payable, January 1	\$ 3,420	\$ 4,304
Current year claims (including IBNRs) and changes in estimates	3,950	5,716
Claim payments	<u>(6,067)</u>	<u>(6,600)</u>
Estimated claims payable, December 31	<u>\$ 1,303</u>	<u>\$ 3,420</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.

**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 2002. There was no significant decrease in any insurance coverages in 2002. 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. The City participates in the State of Ohio workers' compensation program to provide workers' compensation benefits to its employees.

#### **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, 2002, the amount of claims against the City for which an unfavorable outcome is deemed to be reasonably possible, including condemnation proceedings, aggregated \$1,271,250 for governmental funds.

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.

**Cleveland Browns Stadium:** In March 1996, the City of Cleveland and the National Football League (NFL) reached a settlement in litigation relating to the relocation of the Cleveland Browns football team. The settlement obligated the NFL to provide an NFL franchise to play in Cleveland for the 1999 NFL season. In return, the City pledged to build a new stadium in downtown Cleveland for professional football.

The City financed construction of the new stadium primarily through borrowings, contributions from the new owner of the Cleveland Browns, and grants from the State of Ohio. As of December 31, 2002, outstanding debt borrowed by the City to construct the new stadium totaled approximately \$162.4 million. Such debt is being funded by the following revenue sources: an 8% off-street parking tax; an increase in admissions tax from 6% to 8%; and, an increase in the motor vehicle leasing transaction tax from \$4 to \$6 per transaction. In addition, voters of Cuyahoga County approved an extension of the existing County-wide tax on alcohol and cigarettes from August 1, 2005 through July 31, 2015.

In August 1999, construction of the stadium was completed. Total costs paid or accrued by the City as of December 31, 2002 for construction of the new stadium under all approved contracts amounted to approximately \$289 million.

The Stadium and related debt, along with the operating revenues and expenses of the Stadium, are recorded as governmental activities in the accompanying government-wide financial statements.

**Stadium Team Lease:** The City and the Cleveland Browns entered into a 30-year lease agreement for the new stadium beginning in 1999. Under the terms of the lease, the Cleveland Browns are required to pay the City an annual rent of \$250,000. In return, the Cleveland Browns receive all revenues from the operation of the stadium and pay all expenses, except for real property taxes and insurance, which are the responsibilities of the City of Cleveland. The City is in the process of requesting a property tax abatement for the new stadium. Additionally, the City is required to fund certain capital repairs as described in the lease agreement.

**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 operating 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, 2002, operating 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>
(Amounts in 000's)							
Governmental Funds:							
General	\$ 22,451	\$	\$18,142	\$ 18,142	\$ 502	\$ 502	\$3,807
Other governmental	<u>77,914</u>	<u>21,578</u>	<u>56,336</u>	<u>77,914</u>			
Total Transfers In	<u>\$ 100,365</u>	<u>\$ 21,578</u>	<u>\$74,478</u>	<u>\$ 96,056</u>	<u>\$ 502</u>	<u>\$ 502</u>	<u>\$3,807</u>

**Interfund balances:** Interfund balances at December 31, 2002 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, 2002 are as follows:

<u>Due To</u>	<u>Total</u>	<u>Due From</u>								
		<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Division of Water Fund</u> (Amounts in 000's)	<u>Cleveland Public Power Fund</u>	<u>Department of Port Control Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Total Internal Service Funds</u>
Governmental Funds:										
General	\$ 4,538	\$ 172	\$ 699	\$ 871	\$ 318	\$ 1,628	\$ 82	\$ 328	\$ 2,356	\$ 1,311
Other governmental	<u>31,672</u>	11,612	19,467	31,079	374	7		105	486	107
Total governmental	<u>\$ 36,210</u>									
Enterprise Funds:										
Division of Water	5,001	13	260	273		2,338		2,134	4,472	256
Cleveland Public Power	335	1	1	2	216			7	223	110
Department of Port										
Control	2,549	711		711		46	1,621	65	1,732	106
Other Enterprise	<u>4,734</u>	1,351	263	1,614	2,809	203		47	3,059	61
Total enterprise	<u>12,619</u>									
Internal Service Funds	<u>6,412</u>	<u>3,697</u>	<u>566</u>	<u>4,263</u>	<u>1,015</u>	<u>378</u>	<u>562</u>	<u>131</u>	<u>2,086</u>	<u>63</u>
Total Due To/Due From	<u>\$ 55,241</u>	<u>\$ 17,557</u>	<u>\$ 21,256</u>	<u>\$ 38,813</u>	<u>\$ 4,732</u>	<u>\$ 4,600</u>	<u>\$ 2,265</u>	<u>\$ 2,817</u>	<u>\$ 14,414</u>	<u>\$ 2,014</u>

#### NOTE 10 - INCOME TAXES

During 2002, 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 2002 levy was based upon an assessed valuation of approximately \$6.032 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. 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 2002, the percentage used to determine taxable value of personal property and inventory was 25%. 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 transmission and distribution property is assessed at 88% of true value, while all of its other taxable property is assessed at 25% 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 REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not all eligibility requirements have been met. As of December 31, 2002, the various components of deferred revenue reported in the governmental funds were as follows:

	<b>Eligibility Requirements</b>		
	<u>Unavailable</u>	<u>Not Met</u>	<u>Total</u>
	(Amounts in 000's)		
<b>Governmental Funds:</b>			
General Fund:			
Income taxes receivable	\$ 20,006	\$	\$ 20,006
Property taxes receivable	61,882		61,882
Local government receivable	15,877		15,877
Estate tax receivable	<u>249</u>	<u>          </u>	<u>249</u>
Total General Fund	<u>98,014</u>	<u>          </u>	<u>98,014</u>
Other Governmental Funds:			
Income taxes receivable	2,501		2,501
Special assessments receivable	3,849		3,849
Property taxes receivable	32,238		32,238
Advances received under grants		4,845	4,845
Motor vehicle taxes receivable	1,480		1,480
Muni gas tax receivable	1,298		1,298
State gasoline tax receivable	<u>687</u>	<u>          </u>	<u>687</u>
Total other governmental funds	<u>42,053</u>	<u>4,845</u>	<u>46,898</u>
Total Deferred Revenue	<u>\$ 140,067</u>	<u>\$ 4,845</u>	<u>\$ 144,912</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”), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar years 2002, 2001, and 2000 the employer pension contribution rates for the City were 13.55, 13.55, and 10.84 percent of covered payroll, respectively. Contributions are authorized by State statute and the contribution rates are determined actuarially. The City’s required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$33,585,503, \$30,376,997, and \$25,503,358, respectively. The required payments due in 2002, 2001, and 2000 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 public employee retirement system administered by the OP&F’s Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent for police and 24 percent for firefighters. Contributions are authorized by State statute. The City’s contributions to the OP&F for police and firefighters were \$20,507,698 and \$12,990,154 for the year ended December 31, 2002, \$19,554,276 and \$12,597,729 for the year ended December 31, 2001, and \$18,333,527 and \$11,943,540 for the year ended December 31, 2000, respectively. The required payments due in 2002, 2001, and 2000 have been made.

## NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

**Ohio Public Employees Retirement System:** The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten 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 Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer’s contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution rate was 13.55 of covered payroll; 5 percent was the portion that was used to fund health care for 2002.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on PERS’s latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The number of active contributing participants was 402,041. The City’s actual contributions for 2002 which were used to fund postemployment benefits were \$12,393,050. The actual contribution and the actuarially required contribution amounts are the same. PERS’s net assets available for payment of benefits at December 31, 2001 (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.



**Ohio Police and Fire Pension Fund:** The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly 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 Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2002. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2002 that were used to fund post employment benefits were \$8,141,556 for police and \$4,195,820 for firefighters. The OP&F's total health care expenses for the year ended December 31, 2001, (the latest information available) were \$122,298,771, which was net of member contributions of \$6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001 was 13,174 for police and 10,239 for firefighters.

**NOTE 15 - CAPITAL ASSETS**

**Capital Asset Activity:** Capital asset activity for the year ended December 31, 2002 was as follows:

	<b>Balance January 1, 2002</b>	<b>Restatement (See Note 1)</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2002</b>
	(Amount in 000's)				
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 37,903	\$ 23,011	\$	\$	\$ 60,914
Construction in progress	47,337	33,644	34,783	(47,280)	68,484
Total capital assets, not being depreciated	<u>85,240</u>	<u>56,655</u>	<u>34,783</u>	<u>(47,280)</u>	<u>129,398</u>
Capital assets, being depreciated:					
Land improvements	55,229	22,790	4,191		82,210
Buildings, structures and improvements	509,768	(935)	28,539		537,372
Furniture, fixtures and equipment	103,777	48,530	12,746	(2,281)	162,772
Infrastructure		237,232	22,768	(250)	259,750
Total capital assets, being depreciated	<u>668,774</u>	<u>307,617</u>	<u>68,244</u>	<u>(2,531)</u>	<u>1,042,104</u>
Less accumulated depreciation for:					
Land improvements	(3)	(50,496)	(3,784)		(54,283)
Buildings, structures and improvements	(1,488)	(138,603)	(13,170)		(153,261)
Furniture, fixtures and equipment	(8,942)	(83,434)	(11,983)	1,146	(103,213)
Infrastructure		(85,437)	(9,988)	250	(95,175)
Total accumulated depreciation	<u>(10,433)</u>	<u>(357,970)</u>	<u>(38,925)</u>	<u>1,396</u>	<u>(405,932)</u>
Total capital assets being depreciated, net	<u>658,341</u>	<u>(50,353)</u>	<u>29,319</u>	<u>(1,135)</u>	<u>636,172</u>
Governmental activities' capital assets, net	<u>\$ 743,581</u>	<u>\$ 6,302</u>	<u>\$ 64,102</u>	<u>\$ (48,415)</u>	<u>\$ 765,570</u>

	<b>January 1, 2002</b>	<b>Additions</b>	<b>Deletions</b>	<b>December 31, 2002</b>
		<b>(Amount in 000's)</b>		
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 170,270	\$ 1,961	\$ (1)	\$ 172,230
Construction in progress	255,446	324,601	(261,354)	318,693
Total capital assets, not being depreciated	<u>425,716</u>	<u>326,562</u>	<u>(261,355)</u>	<u>490,923</u>
Capital assets, being depreciated:				
Land improvements	215,628	161,778	(3,295)	374,111
Utility plant	1,259,777	69,476	(404)	1,328,849
Buildings, structures and improvements	724,670	10,696	(195)	735,171
Furniture, fixtures and equipment	123,185	26,057	(2,728)	146,514
Total capital assets, being depreciated	<u>2,323,260</u>	<u>268,007</u>	<u>(6,622)</u>	<u>2,584,645</u>
Less accumulated depreciation for:				
Land improvements	(115,971)	(13,379)	1,641	(127,709)
Utility plant	(370,035)	(35,542)	1,460	(404,117)
Buildings, structures and improvements	(264,229)	(30,364)	86	(294,507)
Furniture, fixtures and equipment	(61,686)	(6,528)	1,586	(66,628)
Total accumulated depreciation	<u>(811,921)</u>	<u>(85,813)</u>	<u>4,773</u>	<u>(892,961)</u>
Total capital assets being depreciated, net	<u>1,511,339</u>	<u>182,194</u>	<u>(1,849)</u>	<u>1,691,684</u>
Business-Type activities' capital assets, net	<u>\$1,937,055</u>	<u>\$ 508,756</u>	<u>\$ (263,204)</u>	<u>\$2,182,607</u>

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

	<b>(Amounts in 000's)</b>
<b>Governmental Activities:</b>	
General government	\$ 7,773
Public service	15,153
Public safety	8,165
Community development	203
Public health	535
Parks, recreation and properties	5,320
Economic development	55
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>211</u>
Total depreciation expense charged to governmental activities	<u>\$ 37,415</u>
<b>Business-Type Activities:</b>	
Division of Water	\$ 29,539
Cleveland Public Power	15,685
Department of Port Control	27,752
Other business-type activities	<u>8,796</u>
Total depreciation expense charged to business-type activities	<u>\$ 81,772</u>

**Construction Commitments:** Significant capital commitments of the City as of December 31, 2002 are composed of the following:

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
	(Amounts in 000's)	
Governmental Activities:		
Justice Center Garage/Plaza Rehab.	\$ 7,548	\$ 217
J. Glen Smith Health Center Rehab.	288	122
Miles/Broadway Health Center Rehab.	260	110
McCaferty Health Center	287	152
Division of Fire - station rehabs.	1,646	261
Public facilities improvements	5,337	948
Lakefront bikeway	2,327	627
Park improvements	9,903	4,388
Recreation center improvements	1,202	1,941

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
	(Amounts in 000's)	
Business-Type Activities		
Baldwin filter and turbidimeters improvement	\$ 29,168	\$ 8,576
Plant enhancement program	18,787	37,112
Nottingham station improvements	20,811	24,889
Morgan water pump station improvements	19,340	42,380
North Royalton pump station improvements	21,181	97
Warrensville-Broadway main installation	4,592	8,489
Kinsman-Green roads water main rehab.	2,043	84
Distribution main hydraulic model	4,098	913
Cochran/Harper roads high supply main	3,803	46
Southwest quad trunk mains	16,790	480
Lee road sewer replacement	587	413
Kerruish Park storm water improvement	7	2,693
Pole replacements	1,993	1,890
Longwood estates	1,192	1,184
New runway	95,187	154,989
North terminal expansion	10,541	3,636
New exit roadways	4,387	1,365
FAA Tracon	3,735	412
Consolidated maintenance facility	2,994	7,178
New concourse D	2,365	4,703
Concourse C improvement	1,011	4,888
Concourse C overlay	1,449	31,193
Terminal control & security system	667	584
Site utilities & concourse D ramp	562	1,078

**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, 2002, the State funded \$82,649,000 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 2002, interest expense incurred for the Enterprise Funds was \$101,106,000 which was net of \$22,255,000 of interest expense capitalized. For 2002, total interest income earned by the Enterprise Funds was \$23,839,000 which was net of \$19,433,000 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, notes 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 and notes rely solely on the revenues generated from the specific enterprise activity to which the debt obligations pertain for repayment.

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

Condensed Balance Sheet Information

	<b>Water Pollution Control</b>	<b>Municipal Parking Lots</b>
	<b>(Amounts in 000's)</b>	
Assets:		
Current assets	\$ 75,414	\$ 4,500
Restricted assets		15,519
Other non current assets		1,039
Capital assets	<u>61,797</u>	<u>65,670</u>
Total assets	<u>\$ 137,211</u>	<u>\$ 86,728</u>
Liabilities:		
Current liabilities	\$ 48,062	\$ 3,683
Long-term liabilities	<u>6,040</u>	<u>64,438</u>
Total liabilities	<u>54,102</u>	<u>68,121</u>
Net Assets:		
Invested in capital assets, net of related debt	55,066	(835)
Restricted for debt service		11,193
Unrestricted	<u>28,043</u>	<u>8,249</u>
Total net assets	<u>83,109</u>	<u>18,607</u>
 Total liabilities and net assets	 <u>\$ 137,211</u>	 <u>\$ 86,728</u>

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

	<b>Water Pollution Control</b>	<b>Municipal Parking Lots</b>
	<b>(Amounts in 000's)</b>	
Charges for services (pledged against bonds)	\$ 19,271	\$ 7,444
Depreciation (expense)	(3,990)	(1,734)
Other operating (expenses)	<u>(14,282)</u>	<u>(1,869)</u>
Operating income (loss)	999	3,841
Nonoperating revenues (expenses):		
Investment income	832	465
Interest expense	(260)	(4,416)
Gain (Loss) on disposal of capital assets	(6)	
Other revenue (expenses)	54	(88)
Capital contributions	<u>          </u>	<u>26</u>
Change in net assets	1,619	(172)
Net assets at beginning of year	<u>81,490</u>	<u>18,779</u>
 Net assets at end of year	 <u>\$ 83,109</u>	 <u>\$ 18,607</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	\$ 3,386	\$ 5,728
Noncapital financing activities	(877)	
Capital and related financing activities	(5,880)	(6,172)
Investing activities	<u>(10,529)</u>	<u>(1,410)</u>
Net increase (decrease) in cash and cash equivalents	(13,900)	(1,854)
Beginning cash and cash equivalents	<u>29,109</u>	<u>19,688</u>
Ending cash and cash equivalents	<u>\$ 15,209</u>	<u>\$ 17,834</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	\$ 292,895	\$ 13,286	\$ 332,618	\$ 4,323	\$
Debt retirement	101,428	4,059	126,773	11,196	
Accrued passenger facility charges			50,933		
Other	<u>9,917</u>	<u>3,363</u>	<u>84,335</u>	<u>          </u>	<u>5,792</u>
Total	<u>\$ 404,240</u>	<u>\$ 20,708</u>	<u>\$ 594,659</u>	<u>\$ 15,519</u>	<u>\$ 5,792</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 facility. 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, 2002, the City pledged \$1,302,000.

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 2002, net revenues generated by the two Gateway garages were less than the debt service payments attributed to those garages by \$3,005,000. Cumulative debt service payments funded by the City that are due from Gateway totaled \$22,217,000 at December 31, 2002. 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**

***Airport Surplus Revenue Notes:*** On February 27, 2003, the City's Department of Port Control issued \$44,780,000 of Taxable Airport Surplus Revenue Notes, Series 2003. Proceeds of the Series 2003 Notes were used to redeem the \$44,950,000 Series 2001 Airport Surplus Revenue Notes (due June 1, 2003) on March 1, 2003, to fund the interest due on the series 2003 Notes at maturity and to pay the costs of issuance. The 2003 Notes will mature November 17, 2003.

***Swaptions:*** In February 2003, the City entered into three swaptions in order to take advantage of the low interest rate environment existing in the markets in recent months and thereby realizing refunding savings today on several of its outstanding series of bonds. As a result of these agreements, the City received up-front premium payments from the counterparties (UBS PaineWebber on two of the swaptions and JPMorgan on the third) in exchange for selling to the counterparties the option to enter into a swap at a later date. A description of each of the transactions follows:

Series 1994 Subordinated Income Tax Refunding Bonds: JPMorgan Chase Bank purchased the option to enter into an interest rate swap with the City on its outstanding \$66,900,000 Subordinated Income Tax Variable Rate Refunding Bonds. In this transaction, JPMorgan paid the City \$1.7 million to purchase the option to enter into an interest rate swap with the City at any time during the life of the bonds, under which JPMorgan would pay a fixed rate of 4.88% to the City (the rate currently paid by the City on the bonds under a previous swap transaction) and the City would pay the BMA index to JPMorgan. If JPMorgan exercises the option to enter into the swap, the City would have offsetting swaps and the net effect would be the City paying the naturally floating rate on the bonds.

Parking Facilities Refunding Revenue Bonds, Series 1996: The City entered into a swaption with UBS Paine Webber (UBS) in which UBS paid the City \$3,275,000 for the right to enter into a floating-to-fixed swap 90 days prior to the bonds' call date (September 15, 2006). If UBS exercises its option, the City will issue variable rate bonds to refund the outstanding Parking Revenue Bonds. The City will then pay a fixed rate, initially at the rate of 4.911%, while UBS will pay a floating rate of 67% of one month LIBOR. The City's synthetic fixed payments created in this transaction are structured to equal the prior debt service on the 1996 Bonds.

Certificates of Participation, Series 1997 (Cleveland Stadium Project): The City entered into a swaption with UBS Paine Webber in which UBS paid the City \$3,400,000 for the right to enter into a floating-to-fixed swap 90 days prior to the bonds' call date (November 15, 2007). If UBS exercises its option, the City will issue variable rate bonds to refund the outstanding Series 1997 Certificates of Participation. The City will then pay a fixed rate, initially at the rate of 4.774%, while UBS will pay a floating rate of 67% of one month LIBOR. The City's synthetic fixed payments created in this transaction are structured to equal the prior debt service on the 1997 Certificates of Participation.

Legislation was approved by City Council on June 9, 2003 for two bond transactions. The first ordinance provides for the issuance and sale of revenue bonds in a principal amount not to exceed \$27,400,000 to fund the Core City Program for economic and community development projects in the City. These bonds will be special obligations of the City and will be payable from net project revenue and non-tax revenues. The second piece of legislation authorizes the issuance of up to \$7,200,000 Economic Development Revenue Bonds, Series 2003A (Lower Euclid Avenue Project) and up to \$2,000,000 Economic Development Revenue Bonds, Series 2003B (Lower Euclid Avenue Project) for the purpose of assisting certain property owners in the financing of costs of the construction of commercial restaurant and retail facilities and a parking garage. These bonds will be special obligations of the City and payment will be secured by a pledge of the City's non-tax revenue.

On June 9, 2003, legislation was introduced to City Council for the issuance of two additional series of bonds. One ordinance authorizes the sale of up to \$215 million in Airport System Revenue Bonds to refund outstanding revenue bonds and to pay costs of issuance to acquire property for the Airport System, and up to \$80 million in Airport System Revenue Bonds to refund outstanding revenue bonds under hedge agreements. The second ordinance authorizes the sale of Taxable Urban Renewal Temporary Refunding Bonds in an amount not to exceed \$4,350,000 to refund the outstanding Series 2002 Taxable Urban Renewal Notes which mature October 30, 2003. No final action has been taken by City Council on these two pieces of legislation.



# **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, 2002

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
<b>REVENUES:</b>				
Income taxes	\$ 249,909	\$ 249,909	\$ 246,519	\$ (3,390)
Property taxes	47,295	47,295	47,925	630
State local government fund	59,124	56,825	56,211	(614)
Other shared revenues	28,787	31,086	31,491	405
Licenses and permits	7,355	7,355	7,807	452
Charges for services	15,495	15,495	16,359	864
Fines and forfeits	17,804	17,804	17,778	(26)
Investment earnings	1,342	1,342	1,072	(270)
Workers compensation refund	4,750	4,750	5,142	392
Grant revenue	4,061	4,061	4,344	283
Miscellaneous	27,623	27,898	25,589	(2,309)
Total revenues	<u>463,545</u>	<u>463,820</u>	<u>460,237</u>	<u>(3,583)</u>
<b>EXPENDITURES:</b>				
Current:				
General government:				
Council and clerk of council				
Personnel	3,835	3,835	3,795	40
Other	1,791	1,691	1,687	4
Total council and clerk of council	<u>5,626</u>	<u>5,526</u>	<u>5,482</u>	<u>44</u>
Office of the mayor:				
Personnel	2,312	2,077	2,035	42
Other	275	275	229	46
Total office of the mayor	<u>2,587</u>	<u>2,352</u>	<u>2,264</u>	<u>88</u>
Office of consumer affairs:				
Personnel	218	193	165	28
Other	62	40	30	10
Total office of consumer affairs	<u>280</u>	<u>233</u>	<u>195</u>	<u>38</u>
Office of personnel:				
Personnel	1,166	1,251	1,218	33
Other	653	623	516	107
Total office of personnel	<u>1,819</u>	<u>1,874</u>	<u>1,734</u>	<u>140</u>
Landmarks commission:				
Personnel	142	142	106	36
Other	15	9	6	3
Total landmarks commission	<u>157</u>	<u>151</u>	<u>112</u>	<u>39</u>
Board of building standards and appeals:				
Personnel	84	84	81	3
Other	17	19	17	2
Total board of building standards and appeals	<u>101</u>	<u>103</u>	<u>98</u>	<u>5</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-  
GENERAL FUND-LEGAL APPROPRIATION LEVEL  
FOR THE YEAR ENDED DECEMBER 31, 2002**

(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	230	240	235	5
Other	<u>20</u>	<u>23</u>	<u>21</u>	<u>2</u>
Total board of zoning appeals	<u>250</u>	<u>263</u>	<u>256</u>	<u>7</u>
Civil service commission:				
Personnel	711	687	680	7
Other	<u>379</u>	<u>249</u>	<u>197</u>	<u>52</u>
Total civil service commission	<u>1,090</u>	<u>936</u>	<u>877</u>	<u>59</u>
Community relations board:				
Personnel	842	842	833	9
Other	<u>109</u>	<u>85</u>	<u>69</u>	<u>16</u>
Total community relations board	<u>951</u>	<u>927</u>	<u>902</u>	<u>25</u>
City planning commission:				
Personnel	1,227	1,227	1,051	176
Other	<u>112</u>	<u>75</u>	<u>59</u>	<u>16</u>
Total city planning commission	<u>1,339</u>	<u>1,302</u>	<u>1,110</u>	<u>192</u>
Office of equal opportunity:				
Personnel	567	552	515	37
Other	<u>58</u>	<u>48</u>	<u>27</u>	<u>21</u>
Total office of equal opportunity	<u>625</u>	<u>600</u>	<u>542</u>	<u>58</u>
Board of examiners of plumbers and electricians:				
Personnel	102	85	70	15
Other	<u>5</u>	<u>3</u>	<u>2</u>	<u>1</u>
Total board of examiners of plumbers and electricians	<u>107</u>	<u>88</u>	<u>72</u>	<u>16</u>
Municipal court-judicial division:				
Personnel	15,668	15,683	15,645	38
Other	<u>2,255</u>	<u>2,278</u>	<u>2,273</u>	<u>5</u>
Total municipal court-judicial division	<u>17,923</u>	<u>17,961</u>	<u>17,918</u>	<u>43</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, 2002

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Municipal court-housing division:				
Personnel	\$ 2,579	\$ 2,370	\$ 2,324	\$ 46
Other	<u>218</u>	<u>167</u>	<u>127</u>	<u>40</u>
Total municipal court-housing division	<u>2,797</u>	<u>2,537</u>	<u>2,451</u>	<u>86</u>
Municipal court-clerks division:				
Personnel	7,335	7,009	6,958	51
Other	<u>2,107</u>	<u>2,216</u>	<u>2,071</u>	<u>145</u>
Total municipal court-clerks division	<u>9,442</u>	<u>9,225</u>	<u>9,029</u>	<u>196</u>
Office of budget and management:				
Personnel	641	521	508	13
Other	<u>36</u>	<u>21</u>	<u>14</u>	<u>7</u>
Total office of budget and management	<u>677</u>	<u>542</u>	<u>522</u>	<u>20</u>
Department of aging:				
Personnel	335	305	289	16
Other	<u>104</u>	<u>84</u>	<u>76</u>	<u>8</u>
Total department of aging	<u>439</u>	<u>389</u>	<u>365</u>	<u>24</u>
Department of law:				
Personnel	6,404	5,504	5,414	90
Other	<u>2,763</u>	<u>2,163</u>	<u>2,115</u>	<u>48</u>
Total department of law	<u>9,167</u>	<u>7,667</u>	<u>7,529</u>	<u>138</u>
Finance administration:				
Personnel	455	455	401	54
Other	<u>73</u>	<u>68</u>	<u>61</u>	<u>7</u>
Total finance administration	<u>528</u>	<u>523</u>	<u>462</u>	<u>61</u>
Division of accounts:				
Personnel	1,121	1,021	989	32
Other	<u>605</u>	<u>555</u>	<u>527</u>	<u>28</u>
Total division of accounts	<u>1,726</u>	<u>1,576</u>	<u>1,516</u>	<u>60</u>
Division of assessments and licenses:				
Personnel	1,120	1,070	1,064	6
Other	<u>263</u>	<u>188</u>	<u>136</u>	<u>52</u>
Total division of assessments and licenses	<u>1,383</u>	<u>1,258</u>	<u>1,200</u>	<u>58</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, 2002**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Division of treasury:				
Personnel	\$ 531	\$ 521	\$ 513	\$ 8
Other	<u>114</u>	<u>103</u>	<u>101</u>	<u>2</u>
Total division of treasury	<u>645</u>	<u>624</u>	<u>614</u>	<u>10</u>
Division of purchases and supplies:				
Personnel	602	492	451	41
Other	<u>114</u>	<u>95</u>	<u>69</u>	<u>26</u>
Total division of purchases and supplies	<u>716</u>	<u>587</u>	<u>520</u>	<u>67</u>
Bureau of internal audit:				
Personnel	733	663	632	31
Other	<u>594</u>	<u>264</u>	<u>218</u>	<u>46</u>
Total bureau of internal audit	<u>1,327</u>	<u>927</u>	<u>850</u>	<u>77</u>
Division of financial reporting and control:				
Personnel	1,450	1,390	1,375	15
Other	<u>980</u>	<u>880</u>	<u>844</u>	<u>36</u>
Total division of financial reporting and control	<u>2,430</u>	<u>2,270</u>	<u>2,219</u>	<u>51</u>
TOTAL GENERAL GOVERNMENT	<u>64,142</u>	<u>60,451</u>	<u>58,839</u>	<u>1,612</u>
Public Service:				
Public service administration:				
Personnel	455	470	433	37
Other	<u>33</u>	<u>23</u>	<u>16</u>	<u>7</u>
Total public service administration	<u>488</u>	<u>493</u>	<u>449</u>	<u>44</u>
Division of architecture:				
Personnel	721	676	675	1
Other	<u>40</u>	<u>23</u>	<u>23</u>	
Total division of architecture	<u>761</u>	<u>699</u>	<u>698</u>	<u>1</u>
Division of waste collection and disposal:				
Personnel	15,236	15,176	15,099	77
Other	<u>11,711</u>	<u>11,672</u>	<u>11,339</u>	<u>333</u>
Total division of waste collection and disposal	<u>26,947</u>	<u>26,848</u>	<u>26,438</u>	<u>410</u>
Division of engineering and construction:				
Personnel	4,896	4,871	4,794	77
Other	<u>436</u>	<u>376</u>	<u>326</u>	<u>50</u>
Total division of engineering and construction	<u>5,332</u>	<u>5,247</u>	<u>5,120</u>	<u>127</u>
Division of traffic engineering:				
Personnel	3,143	3,154	3,126	28
Other	<u>722</u>	<u>877</u>	<u>814</u>	<u>63</u>
Total division of traffic engineering	<u>3,865</u>	<u>4,031</u>	<u>3,940</u>	<u>91</u>
TOTAL PUBLIC SERVICE	<u>37,393</u>	<u>37,318</u>	<u>36,645</u>	<u>673</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, 2002**

(Amounts in 000's)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Public Safety:				
Public safety administration:				
Personnel	\$ 3,396	\$ 3,321	\$ 3,288	\$ 33
Other	<u>474</u>	<u>518</u>	<u>467</u>	<u>51</u>
Total public safety administration	<u>3,870</u>	<u>3,839</u>	<u>3,755</u>	<u>84</u>
Division of police:				
Personnel	171,135	176,235	175,584	651
Other	<u>10,173</u>	<u>10,483</u>	<u>10,301</u>	<u>182</u>
Total division of police	<u>181,308</u>	<u>186,718</u>	<u>185,885</u>	<u>833</u>
Division of fire:				
Personnel	77,577	78,826	78,746	80
Other	<u>3,118</u>	<u>2,948</u>	<u>2,902</u>	<u>46</u>
Total division of fire	<u>80,695</u>	<u>81,774</u>	<u>81,648</u>	<u>126</u>
Division of emergency medical services:				
Personnel	17,161	18,821	18,596	225
Other	<u>1,727</u>	<u>1,497</u>	<u>1,390</u>	<u>107</u>
Total division of emergency medical services	<u>18,888</u>	<u>20,318</u>	<u>19,986</u>	<u>332</u>
Division of dog pound:				
Personnel	811	771	742	29
Other	<u>134</u>	<u>144</u>	<u>124</u>	<u>20</u>
Total division of dog pound	<u>945</u>	<u>915</u>	<u>866</u>	<u>49</u>
TOTAL PUBLIC SAFETY	<u>285,706</u>	<u>293,564</u>	<u>292,140</u>	<u>1,424</u>
Community Development:				
Division of administration services:				
Personnel	548	548	548	
Other	<u>93</u>	<u>93</u>	<u>84</u>	<u>9</u>
Total division of administration services	<u>641</u>	<u>641</u>	<u>632</u>	<u>9</u>
Division of neighborhood services:				
Personnel	589	589	589	
Other	<u>589</u>	<u>589</u>	<u>589</u>	
Total division of neighborhood services	<u>589</u>	<u>589</u>	<u>589</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, 2002**

**(Amounts in 000's)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Division of neighborhood development:				
Personnel	\$ 298	\$ 298	\$ 297	\$ 1
Other	<u>200</u>	<u>200</u>	<u>200</u>	<u>0</u>
Total division of neighborhood development	<u>498</u>	<u>498</u>	<u>497</u>	<u>1</u>
Division of building and housing:				
Personnel	8,610	8,637	8,636	1
Other	<u>764</u>	<u>655</u>	<u>612</u>	<u>43</u>
Total division of building and housing	<u>9,374</u>	<u>9,292</u>	<u>9,248</u>	<u>44</u>
Director's office:				
Personnel	<u>179</u>	<u>179</u>	<u>176</u>	<u>3</u>
Total director's office	<u>179</u>	<u>179</u>	<u>176</u>	<u>3</u>
TOTAL COMMUNITY DEVELOPMENT	<u>11,281</u>	<u>11,199</u>	<u>11,142</u>	<u>57</u>
Public Health:				
Public health administration:				
Personnel	798	668	636	32
Other	<u>114</u>	<u>85</u>	<u>71</u>	<u>14</u>
Total public health administration	<u>912</u>	<u>753</u>	<u>707</u>	<u>46</u>
Division of correction:				
Personnel	4,294	4,559	4,550	9
Other	<u>1,366</u>	<u>1,235</u>	<u>1,148</u>	<u>87</u>
Total division of correction	<u>5,660</u>	<u>5,794</u>	<u>5,698</u>	<u>96</u>
Division of health:				
Personnel	2,520	2,399	2,344	55
Other	<u>1,255</u>	<u>1,161</u>	<u>1,041</u>	<u>120</u>
Total division of health	<u>3,775</u>	<u>3,560</u>	<u>3,385</u>	<u>175</u>
Division of environment:				
Personnel	1,286	1,266	1,204	62
Other	<u>780</u>	<u>783</u>	<u>544</u>	<u>239</u>
Total division of environment	<u>2,066</u>	<u>2,049</u>	<u>1,748</u>	<u>301</u>
TOTAL PUBLIC HEALTH	<u>12,413</u>	<u>12,156</u>	<u>11,538</u>	<u>618</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, 2002  
(Amounts in 000's)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Parks, Recreation and Properties:				
Parks, recreation and properties administration:				
Personnel	\$ 635	\$ 615	\$ 608	\$ 7
Other	<u>207</u>	<u>194</u>	<u>158</u>	<u>36</u>
Total parks, recreation and properties administration	<u>842</u>	<u>809</u>	<u>766</u>	<u>43</u>
Division of research, planning and development:				
Personnel	656	621	617	4
Other	<u>96</u>	<u>76</u>	<u>53</u>	<u>23</u>
Total division of research, planning and development	<u>752</u>	<u>697</u>	<u>670</u>	<u>27</u>
Division of recreation:				
Personnel	9,850	9,031	8,966	65
Other	<u>3,173</u>	<u>3,371</u>	<u>3,368</u>	<u>3</u>
Total division of recreation	<u>13,023</u>	<u>12,402</u>	<u>12,334</u>	<u>68</u>
Division of parking:				
Personnel	785	829	805	24
Other	<u>58</u>	<u>55</u>	<u>37</u>	<u>18</u>
Total division of parking	<u>843</u>	<u>884</u>	<u>842</u>	<u>42</u>
Division of park maintenance and properties:				
Personnel	9,391	9,816	9,721	95
Other	<u>4,368</u>	<u>4,466</u>	<u>4,449</u>	<u>17</u>
Total division of park maintenance and properties	<u>13,759</u>	<u>14,282</u>	<u>14,170</u>	<u>112</u>
Division of property management:				
Personnel	8,403	8,693	8,561	132
Other	<u>2,049</u>	<u>2,009</u>	<u>1,773</u>	<u>236</u>
Total division of property management	<u>10,452</u>	<u>10,702</u>	<u>10,334</u>	<u>368</u>
 TOTAL PARKS, RECREATION AND PROPERTIES	 <u>39,671</u>	 <u>39,776</u>	 <u>39,116</u>	 <u>660</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, 2002**

(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	\$ 1,313	\$ 1,033	\$ 1,012	\$ 21
Other	79	48	45	3
Total economic development administration	<u>1,392</u>	<u>1,081</u>	<u>1,057</u>	<u>24</u>
TOTAL ECONOMIC DEVELOPMENT	<u>1,392</u>	<u>1,081</u>	<u>1,057</u>	<u>24</u>
Non-Departmental Expenditures:				
Other	<u>16,106</u>	<u>18,056</u>	<u>18,027</u>	<u>29</u>
TOTAL NON-DEPARTMENTAL EXPENDITURES	<u>16,106</u>	<u>18,056</u>	<u>18,027</u>	<u>29</u>
TOTAL EXPENDITURES	<u>468,104</u>	<u>473,601</u>	<u>468,504</u>	<u>5,097</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,559)	(9,781)	(8,267)	1,514
OTHER FINANCING SOURCES (USES):				
Operating transfers in	29,770	27,885	28,178	293
Operating transfers out	<u>(24,987)</u>	<u>(22,755)</u>	<u>(22,754)</u>	<u>1</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,783</u>	<u>5,130</u>	<u>5,424</u>	<u>294</u>
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES	<u>          </u>	<u>6,048</u>	<u>6,373</u>	<u>325</u>
NET CHANGE IN FUND BALANCES	224	1,397	3,530	2,133
FUND BALANCES AT BEGINNING OF YEAR	<u>(896)</u>	<u>(896)</u>	<u>(896)</u>	<u>          </u>
FUND BALANCES AT END OF YEAR	<u>\$ (672)</u>	<u>\$ 501</u>	<u>\$ 2,634</u>	<u>\$ 2,133</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.
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.
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.

**SPECIAL REVENUE FUNDS (Continued)**

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.
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.
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.

**DEBT SERVICE FUNDS (Continued)**

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.
Unvoted Bond and Note Redemption Obligation	An account of the Sinking Fund used for the payment of debt charges and accrued interest on unvoted general obligation bonds and notes issued in anticipation of such bonds.
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	To account for certificates of participation proceeds which fund certain capital acquisitions.
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, 2002**

**(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	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,589	\$	\$ 6,194	\$ 3,974	\$ 62	\$	\$ 11,819
Investments							
Receivables:							
Taxes		5,768					5,768
Accounts	121						121
Loans							
Accrued interest							
Assessments							
Receivables, net	<u>121</u>	<u>5,768</u>	<u></u>	<u></u>	<u></u>	<u></u>	<u>5,889</u>
Due from other funds	1,090	15,825					16,915
Due from other governments	5,003						5,003
Inventory of supplies	684						684
Restricted cash and cash equivalents							
<b>TOTAL ASSETS</b>	<u>\$ 8,487</u>	<u>\$ 21,593</u>	<u>\$ 6,194</u>	<u>\$ 3,974</u>	<u>\$ 62</u>	<u>\$</u>	<u>\$ 40,310</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 931	\$ 851	\$	\$	\$	\$	\$ 1,782
Accrued wages and benefits	1,113						1,113
Due to other governments						200	200
Deferred revenue	3,465	2,501					5,966
Due to other funds	567		6,194	3,974		424	11,159
Notes Payable							
Total liabilities	<u>6,076</u>	<u>3,352</u>	<u>6,194</u>	<u>3,974</u>	<u></u>	<u>624</u>	<u>20,220</u>
<b>FUND BALANCES</b>							
Reserves for:							
Loans							
Inventory	684						684
Debt service							
Encumbrances	665	7,127					7,792
Rainy day reserve fund							
Unreserved:							
Designated for future capital improvements		8,291					8,291
Undesignated	<u>1,062</u>	<u>2,823</u>	<u></u>	<u></u>	<u>62</u>	<u>(624)</u>	<u>3,323</u>
Total fund balances	<u>2,411</u>	<u>18,241</u>	<u></u>	<u></u>	<u>62</u>	<u>(624)</u>	<u>20,090</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 8,487</u>	<u>\$ 21,593</u>	<u>\$ 6,194</u>	<u>\$ 3,974</u>	<u>\$ 62</u>	<u>\$</u>	<u>\$ 40,310</u>

**Special Revenue Funds - Non-Budgeted**

<b>Community Development Block Grants</b>	<b>Community Development Funds</b>	<b>Urban Development Action Funds</b>	<b>Economic Development Funds</b>	<b>Home Weatherization Grants</b>	<b>Job Training Partnership Act (JTPA) Grants</b>	<b>WIA Grants</b>	<b>General Government Funds</b>
\$	\$ 4,846	\$ 13,499	\$ 19,494 3,507	\$	\$ 3,790	\$	\$ 17,812
9,416	10,390	108,070	5 8,130				
<u>4,968</u>	<u>10,390</u>	<u>108,070</u>	<u>8,135</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
14,384	10,390	108,070	8,135				
57	4,581		93	2,969		742 12,244	1,892 675
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>\$ 14,441</u>	<u>\$ 19,817</u>	<u>\$ 121,569</u>	<u>\$ 31,229</u>	<u>\$ 2,969</u>	<u>\$ 3,790</u>	<u>\$ 12,986</u>	<u>\$ 20,379</u>
\$ 1,151 94 171 1,644 1,965	\$ 3,153  3,787 1,265 327	\$ 3    	\$ 268 6 4,815	\$ 224  2,313 52 380	\$  3,461  329	\$ 2,304 171  10,511	\$ 697 24 920 115 31
<u>5,025</u>	<u>8,532</u>	<u>3</u>	<u>5,089</u>	<u>2,969</u>	<u>3,790</u>	<u>12,986</u>	<u>1,787</u>
9,416	8,928	108,070	3,394				
	58	13,193	3,289				7,066
		240 63	1,913 17,544				7,523 4,003
<u>9,416</u>	<u>11,285</u>	<u>121,566</u>	<u>26,140</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>18,592</u>
<u>\$ 14,441</u>	<u>\$ 19,817</u>	<u>\$ 121,569</u>	<u>\$ 31,229</u>	<u>\$ 2,969</u>	<u>\$ 3,790</u>	<u>\$ 12,986</u>	<u>\$ 20,379</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS**

**DECEMBER 31, 2002**

**(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
<b>ASSETS</b>						
Cash and cash equivalents	\$ 933	\$ 3,816	\$ 2,561	\$ 1,922	\$ 15	\$ 1,416
Investments		3,503				
Receivables:						
Taxes						
Accounts				5		
Loans						
Accrued interest						
Assessments						
Receivables, net				5		
Due from other funds		158	724	344		
Due from other governments	59	1,143	3,500	146		
Inventory of supplies						
Restricted cash and cash equivalents						
<b>TOTAL ASSETS</b>	<b>\$ 992</b>	<b>\$ 8,620</b>	<b>\$ 6,785</b>	<b>\$ 2,417</b>	<b>\$ 15</b>	<b>\$ 1,416</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 24	\$ 184	\$ 611	\$ 37	\$	\$
Accrued wages and benefits	2	30	217			
Due to other governments	88	1,847	3,665	362		641
Deferred revenue	30	4,132	1,394	54		
Due to other funds	1		16	17		775
Notes payable						
Total liabilities	145	6,193	5,903	470		1,416
<b>FUND BALANCE</b>						
Reserves for:						
Loans						
Inventory						
Debt service						
Encumbrances	3	1,056	55	66		
Rainy day reserve fund						
Unreserved:						
Designated for future capital improvements				203		
Undesignated	844	1,371	827	1,678	15	
Total fund balances	847	2,427	882	1,947	15	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 992</b>	<b>\$ 8,620</b>	<b>\$ 6,785</b>	<b>\$ 2,417</b>	<b>\$ 15</b>	<b>\$ 1,416</b>



Special Revenue Funds - Non-Budgeted					Debt Service Funds - Budgeted			
Neighborhood Development Investment Fund	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
\$ 8,141	\$ 8,016	\$ 619	\$ 78,864	\$ 90,683	\$ 2,608	\$ 2	\$ 1,004	\$ 4,976
			15,026	15,026	255			
				5,768	29,815			
		986	996	1,117				
29,237	26,665		191,908	191,908				
			4,968	4,968	2		1	3
<u>29,237</u>	<u>26,665</u>	<u>986</u>	<u>197,872</u>	<u>203,761</u>	<u>29,817</u>		<u>1</u>	<u>3</u>
			3,917	20,832				
	8,909		34,319	39,322	2,423			
				684				
<u>\$ 37,378</u>	<u>\$ 43,590</u>	<u>\$ 1,605</u>	<u>\$ 329,998</u>	<u>\$ 370,308</u>	<u>\$ 35,103</u>	<u>\$ 2</u>	<u>\$ 1,005</u>	<u>\$ 4,979</u>
\$ 197	\$ 392	\$ 879	\$ 10,124	\$ 11,906	\$	\$	\$	\$
	31		575	1,688				
	41,009		63,079	63,279				
	1,697		8,686	14,652	32,238			
			16,049	27,208				
<u>197</u>	<u>43,129</u>	<u>879</u>	<u>98,513</u>	<u>118,733</u>	<u>32,238</u>			
29,237	244		159,289	159,289				
			684	684				
					2,865	2	1,005	4,979
4,203		1,600	30,589	38,381				
			9,879	18,170				
<u>3,741</u>	<u>217</u>	<u>(874)</u>	<u>31,728</u>	<u>35,051</u>				
<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>\$ 37,378</u>	<u>\$ 43,590</u>	<u>\$ 1,605</u>	<u>\$ 329,998</u>	<u>\$ 370,308</u>	<u>\$ 35,103</u>	<u>\$ 2</u>	<u>\$ 1,005</u>	<u>\$ 4,979</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2002  
(Amounts in 000's)**

	Debt Service Funds Budgeted		Debt Service Funds Non-Budgeted		Total Debt Service Funds
	Urban Renewal Notes	Unvoted Bond & Note Redemption Obligation	Urban Renewal Fund	Urban Renewal Reserve Fund	
<b>ASSETS</b>					
Cash and cash equivalents	\$	\$	\$ 50	\$ 11	\$ 8,651
Investments			1,104	1,763	3,122
Receivables:					
Taxes					29,815
Accounts					
Loans					
Accrued interest			5	9	20
Assessments					
Receivables, net			5	9	29,835
Due from other funds					
Due from other governments					2,423
Inventory of supplies					
Restricted cash and cash equivalents					
<b>TOTAL ASSETS</b>	<u>\$</u>	<u>\$</u>	<u>\$ 1,159</u>	<u>\$ 1,783</u>	<u>\$ 44,031</u>
<b>LIABILITIES</b>					
Accounts payable	\$	\$	\$	\$	\$
Accrued wages and benefits					
Due to other governments					
Deferred revenue					32,238
Due to other funds					
Notes payable					
Total liabilities					32,238
<b>FUND BALANCE</b>					
Reserve for:					
Loans					
Inventory					
Debt service			1,159	1,783	11,793
Encumbrances					
Rainy day reserve fund					
Unreserved:					
Designated for future capital improvements					
Undesignated					
Total fund balances			1,159	1,783	11,793
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$</u>	<u>\$</u>	<u>\$ 1,159</u>	<u>\$ 1,783</u>	<u>\$ 44,031</u>

**Capital Projects Funds  
Non-Budgeted**

<u>Capital/ Urban Renewal Bond Construction</u>	<u>Grant Improvement</u>	<u>Capital Improvement</u>	<u>Certificates of Participation</u>	<u>Cleveland Stadium Construction</u>	<u>Total Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 85,879 10	\$	\$ 5,158	\$	\$ 11,386	\$ 102,423 10	\$ 201,757 18,158
						35,583
						1,117
						191,908
73				11	84	104
8					8	4,976
<u>81</u>				<u>11</u>	<u>92</u>	<u>233,688</u>
				424	424	21,256
	4,684				4,684	46,429
						684
			2,127	10,872	12,999	12,999
<u>\$ 85,970</u>	<u>\$ 4,684</u>	<u>\$ 5,158</u>	<u>\$ 2,127</u>	<u>\$ 22,693</u>	<u>\$ 120,632</u>	<u>\$ 534,971</u>
\$ 1,033	\$	\$ 4,973	\$	\$	\$ 6,006	\$ 17,912
						1,688
130					130	63,409
8					8	46,898
	4,464				4,464	31,672
<u>4,250</u>					<u>4,250</u>	<u>4,250</u>
<u>5,421</u>	<u>4,464</u>	<u>4,973</u>			<u>14,858</u>	<u>165,829</u>
						159,289
						684
						11,793
46,756				1,643	48,399	86,780
			2,127	21,050	32,107	50,277
8,930						
<u>24,863</u>	<u>220</u>	<u>185</u>			<u>25,268</u>	<u>60,319</u>
<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>
<u>\$ 85,970</u>	<u>\$ 4,684</u>	<u>\$ 5,158</u>	<u>\$ 2,127</u>	<u>\$ 22,693</u>	<u>\$ 120,632</u>	<u>\$ 534,971</u>

(Concluded)

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2002**

(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	\$	\$ 31,006	\$	\$	\$	\$	\$ 31,006
Property taxes							
Other shared revenues	11,985						11,985
Licenses and permits	1,802						1,802
Charges for services	5				250		255
Fines and forfeits							
Investment earnings	2	127			10	543	682
Grants							
Contributions							
Miscellaneous	36					1	37
Total revenues	<u>13,830</u>	<u>31,133</u>	<u></u>	<u></u>	<u>10</u>	<u>794</u>	<u>45,767</u>
EXPENDITURES:							
Current:							
General government					2,000		2,000
Public service	19,602						19,602
Public safety							
Human resources							
Community development							
Public health							
Parks, recreation and properties						610	610
Economic development							
Capital outlay		14,929					14,929
Debt service:							
Principal retirement						1,690	1,690
Interest						7,094	7,094
Other							
Total expenditures	<u>19,602</u>	<u>14,929</u>	<u></u>	<u></u>	<u>2,000</u>	<u>9,394</u>	<u>45,925</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,772)</u>	<u>16,204</u>	<u></u>	<u></u>	<u>(1,990)</u>	<u>(8,600)</u>	<u>(158)</u>
OTHER FINANCING SOURCES (USES):							
Operating transfers in	5,275	306				7,976	13,557
Operating transfers out		(18,130)					(18,130)
Debt issuance costs							
Premium on bonds and notes							
Proceeds from sale of general obligations bonds							
Total other financing sources (uses)	<u>5,275</u>	<u>(17,824)</u>	<u></u>	<u></u>	<u></u>	<u>7,976</u>	<u>(4,573)</u>
NET CHANGE IN FUND BALANCES	(497)	(1,620)			(1,990)	(624)	(4,731)
FUND BALANCES AT BEGINNING OF YEAR (As Restated - see Note 2)	<u>2,908</u>	<u>19,861</u>	<u></u>	<u></u>	<u>2,052</u>	<u></u>	<u>24,821</u>
FUND BALANCES AT END OF YEAR	<u>\$ 2,411</u>	<u>\$ 18,241</u>	<u>\$</u>	<u>\$</u>	<u>\$ 62</u>	<u>\$ (624)</u>	<u>\$ 20,090</u>

Special Revenue Funds - Non-Budgeted							
Community Development Block Grants	Community Development Funds	Urban Development Action Funds	Economic Development Funds	Home Weatherization Grants	Job Training Partnership Act (JTPA) Grants	WIA Grants	General Government Funds
\$	\$	\$	\$	\$	\$	\$	\$
			1,115				
		27	4,140				3,079
45,715	16	127	261	2,981	361	21,184	248
	26,371		204				675
	321	537	1,538				506
<u>45,715</u>	<u>26,708</u>	<u>691</u>	<u>7,258</u>	<u>2,981</u>	<u>361</u>	<u>21,184</u>	<u>4,508</u>
							2,383
46,071	26,803			2,981	361	21,184	
		1,402	1,083				
	286	62	453				4,870
<u>46,071</u>	<u>27,089</u>	<u>1,464</u>	<u>1,536</u>	<u>2,981</u>	<u>361</u>	<u>21,184</u>	<u>7,253</u>
(356)	(381)	(773)	5,722				(2,745)
(38)	45	250	(2,976)				854
	(159)	(159)					(14,661)
<u>(38)</u>	<u>45</u>	<u>91</u>	<u>(2,976)</u>				<u>(13,807)</u>
(394)	(336)	(682)	2,746				(16,552)
9,810	11,621	122,248	23,394				35,144
<u>\$ 9,416</u>	<u>\$ 11,285</u>	<u>\$ 121,566</u>	<u>\$ 26,140</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 18,592</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2002**

(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						523
Licenses and permits			1,070			
Charges for services				148		
Fines and forfeits		542				
Investment earnings	1	22	10	10		
Grants	130	3,550	8,313	212		
Contributions						
Miscellaneous	531	58	264	238		
Total revenues	<u>662</u>	<u>4,172</u>	<u>9,657</u>	<u>608</u>		<u>523</u>
EXPENDITURES:						
Current:						
General government						1,932
Public service	165					
Public safety		4,586				
Human resources						
Community development						
Public health			9,673			
Parks, recreation and properties				218		
Economic development						
Capital outlay	101			264		
Debt service:						
Principal retirement						
Interest						
Other						
Total expenditures	<u>266</u>	<u>4,586</u>	<u>9,673</u>	<u>482</u>		<u>1,932</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>396</u>	<u>(414)</u>	<u>(16)</u>	<u>126</u>		<u>(1,409)</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers in	51			191		
Operating transfers out	(250)			(165)		(2,759)
Debt issuance costs						
Premium on bonds and notes						
Proceeds from sale of general obligations bonds						
Total other financing sources (uses)	<u>(199)</u>			<u>26</u>		<u>(2,759)</u>
NET CHANGE IN FUND BALANCES	197	(414)	(16)	152		(4,168)
FUND BALANCES AT BEGINNING OF YEAR (As Restated - see Note 2)	<u>650</u>	<u>2,841</u>	<u>898</u>	<u>1,795</u>	<u>15</u>	<u>4,168</u>
FUND BALANCES AT END OF YEAR	<u>\$ 847</u>	<u>\$ 2,427</u>	<u>\$ 882</u>	<u>\$ 1,947</u>	<u>\$ 15</u>	<u>\$</u>

Special Revenue Funds - Non-Budgeted				Debt Service Funds - Budgeted				
Neighborhood Development Investment Fund	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
\$	\$	\$	\$	\$ 31,006	\$	\$	\$	\$
			1,638	13,623	24,363			
			1,070	2,872				
	80	2,472	2,727	2,982				
			7,761	7,761				
160	112		967	1,649	158		7	46
	15,625		125,321	125,321				
<u>2,536</u>			<u>6,529</u>	<u>6,566</u>	<u>56</u>			<u>1</u>
<u>2,696</u>	<u>15,817</u>	<u>2,472</u>	<u>146,013</u>	<u>191,780</u>	<u>24,577</u>		<u>7</u>	<u>47</u>
		3,031	7,346	9,346				
			165	19,767				
			4,586	4,586				
			21,545	21,545				
			75,855	75,855				
			9,673	9,673				
			218	828				
551	23,195		26,231	26,231				
638			6,674	21,603				
				1,690	24,270		1,300	
				7,094	15,453		3,120	
<u>1,189</u>	<u>23,195</u>	<u>3,031</u>	<u>152,293</u>	<u>198,218</u>	<u>39,723</u>		<u>4,420</u>	
<u>1,507</u>	<u>(7,378)</u>	<u>(559)</u>	<u>(6,280)</u>	<u>(6,438)</u>	<u>(15,146)</u>		<u>(4,413)</u>	<u>47</u>
			1,391	14,948	17,239		4,275	
			(21,008)	(39,138)				
			<u>(19,617)</u>	<u>(24,190)</u>	<u>17,239</u>		<u>4,275</u>	
1,507	(7,378)	(559)	(25,897)	(30,628)	2,093		(138)	47
<u>35,674</u>	<u>7,839</u>	<u>1,285</u>	<u>257,382</u>	<u>282,203</u>	<u>772</u>	<u>2</u>	<u>1,143</u>	<u>4,932</u>
<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>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2002**

(Amounts in 000's)

	Debt Service Funds Budgeted		Debt Service Funds Non-Budgeted		
	Urban Renewal Notes	Unvoted Bond & Note Redemption Obligation	Urban Renewal Fund	Urban Renewal Reserve Fund	Total Debt Service Funds
REVENUES:					
Income taxes	\$	\$	\$	\$	\$
Property taxes					24,363
Other shared revenues					
Licenses and permits					
Charges for services					
Fines and forfeits					
Investment earnings			13	47	271
Grants					
Contributions					
Miscellaneous			1,858	28	1,943
Total revenues			<u>1,871</u>	<u>75</u>	<u>26,577</u>
EXPENDITURES:					
Current:					
General government					
Public service					
Public safety					
Human resources					
Community development					
Public health					
Parks, recreation and properties					
Economic development					
Capital outlay					
Debt service:					
Principal retirement	4,200	26,700	300		56,770
Interest	158		578		19,309
Other			922		922
Total expenditures	<u>4,358</u>	<u>26,700</u>	<u>1,800</u>		<u>77,001</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,358)</u>	<u>(26,700)</u>	<u>71</u>	<u>75</u>	<u>(50,424)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	4,358	26,700		3	52,575
Operating transfers out			(3)		(3)
Debt issuance costs					
Premium on bonds and notes					
Proceeds from sale of general obligations bonds					
Total other financing sources (uses)	<u>4,358</u>	<u>26,700</u>	<u>(3)</u>	<u>3</u>	<u>52,572</u>
NET CHANGE IN FUND BALANCES			68	78	2,148
FUND BALANCES AT BEGINNING OF YEAR (As Restated - see Note 2)			<u>1,091</u>	<u>1,705</u>	<u>9,645</u>
FUND BALANCES AT END OF YEAR	<u>\$</u>	<u>\$</u>	<u>\$ 1,159</u>	<u>\$ 1,783</u>	<u>\$ 11,793</u>



Capital Projects Funds  
Non-Budgeted

<u>Capital/ Urban Renewal Bond Construction</u>	<u>Grant Improvement</u>	<u>Capital Improvement</u>	<u>Certificates of Participation</u>	<u>Cleveland Stadium Construction</u>	<u>Total Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$	\$	\$	\$	\$	\$	\$ 31,006
						24,363
						13,623
						2,872
						2,982
						7,761
1,554		2	43	71	1,670	3,590
	10,486				10,486	135,807
				2,500	2,500	2,500
				724	724	9,233
<u>1,554</u>	<u>10,486</u>	<u>2</u>	<u>43</u>	<u>3,295</u>	<u>15,380</u>	<u>233,737</u>
						4,513
4,513					4,513	13,859
						19,767
						4,586
						21,545
						75,855
						9,673
						828
						26,231
31,302	10,266				41,568	63,171
						3,887
						345
						3,887
						345
<u>35,815</u>	<u>10,266</u>	<u>2</u>	<u>4,232</u>	<u>3,295</u>	<u>50,313</u>	<u>325,532</u>
<u>(34,261)</u>	<u>220</u>	<u>2</u>	<u>(4,189)</u>	<u>3,295</u>	<u>(34,933)</u>	<u>(91,795)</u>
						3,130
(33,139)			(1,242)	3,825	6,955	74,478
(740)				(4,392)	(38,773)	(77,914)
2,648					(740)	(740)
					2,648	2,648
<u>76,675</u>	<u>220</u>	<u>2</u>	<u>(2,301)</u>	<u>2,728</u>	<u>11,832</u>	<u>(16,648)</u>
<u>45,444</u>			<u>1,888</u>	<u>(567)</u>	<u>46,765</u>	<u>75,147</u>
<u>11,183</u>		<u>183</u>	<u>4,428</u>	<u>19,965</u>	<u>93,942</u>	<u>385,790</u>
<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>

(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, 2002**

(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	\$	\$	\$	\$	\$ 31,487	\$ 31,487	\$ 30,802	\$ (685)
Other shared revenues	11,600	11,675	11,255	(420)				
Licenses and permits	1,700	2,100	2,074	(26)				
Charges for services	5,354	5,354	3,712	(1,642)				
Investment earnings			2	2			128	128
Miscellaneous			40	40				
Total revenues	<u>18,654</u>	<u>19,129</u>	<u>17,083</u>	<u>(2,046)</u>	<u>31,487</u>	<u>31,487</u>	<u>30,930</u>	<u>(557)</u>
EXPENDITURES:								
Public Service:								
Personnel	15,197	15,402	15,162	240				
Other	9,840	9,635	8,451	1,184				
Parks, Recreation and Properties								
Other								
Capital outlay					12,437	12,437	12,340	97
Principal retirement								
Interest								
Total expenditures	<u>25,037</u>	<u>25,037</u>	<u>23,613</u>	<u>1,424</u>	<u>12,437</u>	<u>12,437</u>	<u>12,340</u>	<u>97</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,383)</u>	<u>(5,908)</u>	<u>(6,530)</u>	<u>(622)</u>	<u>19,050</u>	<u>19,050</u>	<u>18,590</u>	<u>(460)</u>
OTHER FINANCING SOURCES (USES):								
Operating transfers in	6,383	5,270	5,275	5	306	306	306	
Operating transfers out					(18,130)	(18,130)	(18,130)	
Total other financing sources (uses)	<u>6,383</u>	<u>5,270</u>	<u>5,275</u>	<u>5</u>	<u>(17,824)</u>	<u>(17,824)</u>	<u>(17,824)</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES		(638)	(1,255)	(617)	1,226	1,226	766	(460)
DECERTICIATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES		1,573	2,005	432		1,241	730	(511)
FUND BALANCES AT BEGINNING OF YEAR	<u>(734)</u>	<u>(734)</u>	<u>(734)</u>		<u>(1,448)</u>	<u>(1,448)</u>	<u>(1,448)</u>	
FUND BALANCES AT END OF YEAR	<u>\$ (734)</u>	<u>\$ 201</u>	<u>\$ 16</u>	<u>\$ (185)</u>	<u>\$ (222)</u>	<u>\$ 1,019</u>	<u>\$ 48</u>	<u>\$ (971)</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)
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
		46	46			79	79			10	10
		46	46			79	79			10	10
								2,000	2,000		2,000
								2,000	2,000		2,000
		46	46			79	79	(2,000)	(2,000)	10	2,010
				(6,600)	(6,600)	(6,600)		2,000	2,000		(2,000)
				(6,600)	(6,600)	(6,600)		2,000	2,000		(2,000)
		46	46	(6,600)	(6,600)	(6,521)	79			10	10
6,148	6,148	6,148		10,495	10,495	10,495		52	52	52	
\$ 6,148	\$ 6,148	\$ 6,194	\$ 46	\$ 3,895	\$ 3,895	\$ 3,974	\$ 79	\$ 52	\$ 52	\$ 62	\$ 10

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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 SPECIAL REVENUE FUNDS-LEGAL APPROPRIATION LEVEL  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(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	\$	\$	\$	\$	\$ 31,487	\$ 31,487	\$ 30,802	\$ (685)
Other shared revenues					11,600	11,675	11,255	(420)
Licenses and permits					1,700	2,100	2,074	(26)
Charges for services	250	250	250		5,604	5,604	3,962	(1,642)
Investment earnings			543	543			808	808
Miscellaneous			1	1			41	41
Total revenues	<u>250</u>	<u>250</u>	<u>794</u>	<u>544</u>	<u>50,391</u>	<u>50,866</u>	<u>48,942</u>	<u>(1,924)</u>
EXPENDITURES:								
Public Service:								
Personnel					15,197	15,402	15,162	240
Other					9,840	9,635	8,451	1,184
Parks, Recreation and Properties								
Other	412	412	410	2	2,412	2,412	410	2,002
Capital outlay					12,437	12,437	12,340	97
Principal retirement	1,690	1,690	1,690		1,690	1,690	1,690	
Interest	7,094	7,094	7,094		7,094	7,094	7,094	
Total expenditures	<u>9,196</u>	<u>9,196</u>	<u>9,194</u>	<u>2</u>	<u>48,670</u>	<u>48,670</u>	<u>45,147</u>	<u>3,523</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(8,946)</u>	<u>(8,946)</u>	<u>(8,400)</u>	<u>546</u>	<u>1,721</u>	<u>2,196</u>	<u>3,795</u>	<u>1,599</u>
OTHER FINANCING SOURCES (USES):								
Operating transfers in	9,600	9,100	7,976	(1,124)	18,289	16,676	13,557	(3,119)
Operating transfers out	(640)	(640)		640	(25,370)	(25,370)	(24,730)	640
Total other financing sources (uses)	<u>8,960</u>	<u>8,460</u>	<u>7,976</u>	<u>(484)</u>	<u>(7,081)</u>	<u>(8,694)</u>	<u>(11,173)</u>	<u>(2,479)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	14	(486)	(424)	62	(5,360)	(6,498)	(7,378)	(880)
DECERTICIATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES						2,814	2,735	(79)
FUND BALANCES AT BEGINNING OF YEAR					14,513	14,513	14,513	
FUND BALANCES AT END OF YEAR	\$ 14	\$ (486)	\$ (424)	\$ 62	\$ 9,153	\$ 10,829	\$ 9,870	\$ (959)

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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, 2002  
(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	\$ 24,247	\$ 24,247	\$ 24,363	\$ 116	\$	\$	\$	\$
Investment earnings	294	294	157	(137)				
Grants	237	237		(237)				
Miscellaneous	276	521	56	(465)				
Total revenues	<u>25,054</u>	<u>25,299</u>	<u>24,576</u>	<u>(723)</u>				
EXPENDITURES:								
Principal retirement	24,270	24,270	24,270					
Interest	15,708	15,753	15,453	300				
Total expenditures	<u>39,978</u>	<u>40,023</u>	<u>39,723</u>	<u>300</u>				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(14,924)</u>	<u>(14,724)</u>	<u>(15,147)</u>	<u>(423)</u>				
OTHER FINANCING SOURCES (USES):								
Operating transfers in:								
From other subfunds			2,239	2,239				
Restricted Income Tax Fund	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>					
Total other financing sources	<u>15,000</u>	<u>15,000</u>	<u>17,239</u>	<u>2,239</u>				
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	76	276	2,092	1,816				
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES								
FUND BALANCES AT BEGINNING OF YEAR	<u>771</u>	<u>771</u>	<u>771</u>		<u>3</u>	<u>3</u>	<u>3</u>	
FUND BALANCES AT END OF YEAR	<u>\$ 847</u>	<u>\$ 1,047</u>	<u>\$ 2,863</u>	<u>\$ 1,816</u>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 3</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)
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
		6	6			49	49				
		<u>1</u>	<u>1</u>			<u>1</u>	<u>1</u>				
		<u>7</u>	<u>7</u>			<u>50</u>	<u>50</u>				
1,300	1,300	1,300						4,200	4,200	4,200	
<u>3,400</u>	<u>3,600</u>	<u>3,557</u>	43					<u>158</u>	<u>158</u>	<u>158</u>	
<u>4,700</u>	<u>4,900</u>	<u>4,857</u>	43					<u>4,358</u>	<u>4,358</u>	<u>4,358</u>	
<u>(4,700)</u>	<u>(4,900)</u>	<u>(4,850)</u>	50			<u>50</u>	50	<u>(4,358)</u>	<u>(4,358)</u>	<u>(4,358)</u>	
4,700	4,700	4,275	(425)					4,358	4,358	4,358	
<u>4,700</u>	<u>4,700</u>	<u>4,275</u>	<u>(425)</u>					<u>4,358</u>	<u>4,358</u>	<u>4,358</u>	
	(200)	(575)	(375)			50	50				
<u>1,579</u>	<u>1,579</u>	<u>1,579</u>		<u>4,926</u>	<u>4,926</u>	<u>4,926</u>					
<u>\$ 1,579</u>	<u>\$ 1,379</u>	<u>\$ 1,004</u>	<u>\$ (375)</u>	<u>\$ 4,926</u>	<u>\$ 4,926</u>	<u>\$ 4,976</u>	<u>\$ 50</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</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, 2002**

(Amounts in 000's)

	Unvoted Bond and Note Redemption				Totals			
	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
REVENUES:								
Property taxes	\$	\$	\$	\$	\$ 24,247	\$ 24,247	\$ 24,363	\$ 116
Investment earnings					294	294	212	(82)
Grants					237	237		(237)
Miscellaneous					276	521	58	(463)
Total revenues					<u>25,054</u>	<u>25,299</u>	<u>24,633</u>	<u>(666)</u>
EXPENDITURES:								
Principal retirement		26,700	26,700		29,770	56,470	56,470	
Interest					19,266	19,511	19,168	343
Total expenditures		<u>26,700</u>	<u>26,700</u>		<u>49,036</u>	<u>75,981</u>	<u>75,638</u>	<u>343</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>(26,700)</u>	<u>(26,700)</u>		<u>(23,982)</u>	<u>(50,682)</u>	<u>(51,005)</u>	<u>(323)</u>
OTHER FINANCING SOURCES (USES):								
Operating transfers in:								
From other subfunds		26,700	26,700		9,058	35,758	37,572	1,814
Restricted Income Tax Fund					15,000	15,000	15,000	
Total other financing sources		<u>26,700</u>	<u>26,700</u>		<u>24,058</u>	<u>50,758</u>	<u>52,572</u>	<u>1,814</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES					76	76	1,567	1,491
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES								
FUND BALANCES AT BEGINNING OF YEAR					<u>7,279</u>	<u>7,279</u>	<u>7,279</u>	
FUND BALANCES AT END OF YEAR	\$	\$	\$	\$	<u>\$ 7,355</u>	<u>\$ 7,355</u>	<u>\$ 8,846</u>	<u>\$ 1,491</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:

Division of 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, 2002

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 15,209	\$ 2,320	\$ 230	\$ 249
Investments	18,098			
Receivables:				
Accounts	37,793	149	112	1
Unbilled revenue	1,952			
Accrued interest	81			
Less: Allowance for doubtful accounts	<u>(513)</u>	<u>(29)</u>		
Receivables, net	<u>39,313</u>	<u>120</u>	<u>112</u>	<u>1</u>
Due from other funds	2,567	93		
Due from other governments		216		
Inventory of supplies	<u>227</u>			<u>5</u>
Total current assets	<u>75,414</u>	<u>2,749</u>	<u>342</u>	<u>255</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>
Deferred bond issuance costs				
Capital assets:				
Land	297	4,260	198	414
Land improvements				484
Utility plant	111,204			
Buildings, structures and improvements		63,738	5,703	2,400
Furniture, fixtures and equipment	107	1,502	28	450
Construction in progress	3,053		5,555	
Less: Accumulated depreciation	<u>(52,864)</u>	<u>(60,360)</u>	<u>(3,459)</u>	<u>(1,660)</u>
Total capital assets, net	<u>61,797</u>	<u>9,140</u>	<u>8,025</u>	<u>2,088</u>
Total noncurrent assets	<u>61,797</u>	<u>9,140</u>	<u>8,025</u>	<u>2,088</u>
<b>TOTAL ASSETS</b>	<u>\$ 137,211</u>	<u>\$ 11,889</u>	<u>\$ 8,367</u>	<u>\$ 2,343</u>

<b>Municipal Parking Lots</b>	<b>Cemeteries</b>	<b>Golf Courses</b>	<b>Total Nonmajor Enterprise Funds</b>
\$ 2,318	\$	\$ 597	\$ 20,923
2,000		1,002	21,100
23	9	2	38,089
			1,952
		1	82
			(542)
<u>23</u>	<u>9</u>	<u>3</u>	<u>39,581</u>
157			2,817
			216
<u>2</u>	<u>214</u>	<u>53</u>	<u>501</u>
<u>4,500</u>	<u>223</u>	<u>1,655</u>	<u>85,138</u>
15,516	5,792		21,308
<u>3</u>			<u>3</u>
<u>15,519</u>	<u>5,792</u>		<u>21,311</u>
1,039			1,039
12,929	252	208	18,558
1,264	107	2,809	4,664
			111,204
65,200	4,998	1,666	143,705
325	931	980	4,323
	1,283	524	10,415
<u>(14,048)</u>	<u>(1,848)</u>	<u>(3,378)</u>	<u>(137,617)</u>
<u>65,670</u>	<u>5,723</u>	<u>2,809</u>	<u>155,252</u>
<u>82,228</u>	<u>11,515</u>	<u>2,809</u>	<u>177,602</u>
<u>\$ 86,728</u>	<u>\$ 11,738</u>	<u>\$ 4,464</u>	<u>\$ 262,740</u>

**CITY OF CLEVELAND, OHIO**

**COMBINING BALANCE SHEET - NONMAJOR ENTERPRISE FUNDS**

**DECEMBER 31, 2002**

**(Amounts in 000's)**

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 288	\$ 164	\$ 91	\$
Accrued wages and benefits	1,219	513	86	7
Due to other funds	3,113	193	107	1
Due to other governments	42,256			
Accrued interest payable				
Current portion of long-term obligations	<u>480</u>			
Total current liabilities	47,356	870	284	8
Current liabilities payable from restricted assets	706			
Long-term liabilities:				
Construction loans	6,040			
Revenue bonds payable				
Total liabilities	<u>54,102</u>	<u>870</u>	<u>284</u>	<u>8</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	55,066	9,140	8,025	2,088
Restricted for debt service				
Unrestricted	<u>28,043</u>	<u>1,879</u>	<u>58</u>	<u>247</u>
Total net assets	<u>83,109</u>	<u>11,019</u>	<u>8,083</u>	<u>2,335</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 137,211</u></u>	<u><u>\$ 11,889</u></u>	<u><u>\$ 8,367</u></u>	<u><u>\$ 2,343</u></u>

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<b>Municipal Parking Lots</b>	<b>Cemeteries</b>	<b>Golf Courses</b>	<b>Total Nonmajor Enterprise Funds</b>
\$ 32	\$ 38	\$ 5	\$ 618
165	224	41	2,255
118	1,198	4	4,734
79			42,335
1,197			1,197
<u>2,075</u>			<u>2,555</u>
3,666	<u>1,460</u>	<u>50</u>	<u>53,694</u>
17			723
			6,040
<u>64,438</u>			<u>64,438</u>
<u>68,121</u>	<u>1,460</u>	<u>50</u>	<u>124,895</u>
(835)	5,723	2,809	82,016
11,193			11,193
<u>8,249</u>	<u>4,555</u>	<u>1,605</u>	<u>44,636</u>
<u>18,607</u>	<u>10,278</u>	<u>4,414</u>	<u>137,845</u>
<u>\$ 86,728</u>	<u>\$ 11,738</u>	<u>\$ 4,464</u>	<u>\$ 262,740</u>

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS-NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 19,271	\$ 2,508	\$ 558	\$ 65
Total operating revenue	<u>19,271</u>	<u>2,508</u>	<u>558</u>	<u>65</u>
<b>OPERATING EXPENSES:</b>				
Operations	6,897	5,243	958	56
Maintenance	7,385	822	114	15
Purchased power				
Depreciation	<u>3,990</u>	<u>2,361</u>	<u>178</u>	<u>123</u>
Total operating expenses	<u>18,272</u>	<u>8,426</u>	<u>1,250</u>	<u>194</u>
<b>OPERATING INCOME (LOSS)</b>	<u>999</u>	<u>(5,918)</u>	<u>(692)</u>	<u>(129)</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
Investment income	832	17	1	2
Interest expense	(260)			
Gain (loss) on disposal of capital assets	(6)	(14)	(33)	
Other revenues (expenses)	<u>54</u>	<u>3,486</u>		
Total non-operating revenues (expenses)	<u>620</u>	<u>3,489</u>	<u>(32)</u>	<u>2</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	1,619	(2,429)	(724)	(127)
Capital contributions		32	253	
Operating transfers in			<u>502</u>	
<b>CHANGE IN NET ASSETS</b>	1,619	(2,397)	31	(127)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>81,490</u>	<u>13,416</u>	<u>8,052</u>	<u>2,462</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 83,109</u>	<u>\$ 11,019</u>	<u>\$ 8,083</u>	<u>\$ 2,335</u>

<u>Municipal Parking Lots</u>	<u>Cemeteries</u>	<u>Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 7,444	\$ 1,384	\$ 1,931	\$ 33,161
<u>7,444</u>	<u>1,384</u>	<u>1,931</u>	<u>33,161</u>
1,799	2,187	2,530	19,670
70	33	82	8,521
<u>1,734</u>	<u>236</u>	<u>174</u>	<u>8,796</u>
<u>3,603</u>	<u>2,456</u>	<u>2,786</u>	<u>36,987</u>
<u>3,841</u>	<u>(1,072)</u>	<u>(855)</u>	<u>(3,826)</u>
465	172	56	1,545
(4,416)			(4,676)
<u>(88)</u>	<u>          </u>	<u>          </u>	<u>3,452</u>
<u>(4,039)</u>	<u>172</u>	<u>56</u>	<u>268</u>
(198)	(900)	(799)	(3,558)
26	1,552	259	2,122
<u>          </u>	<u>          </u>	<u>          </u>	<u>502</u>
(172)	652	(540)	(934)
<u>18,779</u>	<u>9,626</u>	<u>4,954</u>	<u>138,779</u>
<u>\$ 18,607</u>	<u>\$ 10,278</u>	<u>\$ 4,414</u>	<u>\$ 137,845</u>

**CITY OF CLEVELAND, OHIO**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**  
(Amounts in 000's)

	<u>Water Pollution Control</u>	<u>Convention Center</u>	<u>West Side Market</u>	<u>East Side Market</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 18,475	\$ 2,709	\$ 557	\$ 66
Cash payments to suppliers for goods or services	(6,011)	(4,580)	(744)	(19)
Cash payments to employees for services	(7,473)	(2,402)	(441)	(53)
Agency activity on behalf of NEORSD	<u>(1,605)</u>			
Net cash provided by (used for) operating activities	<u>3,386</u>	<u>(4,273)</u>	<u>(628)</u>	<u>(6)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Advance from General Fund				
Cash received through operating transfers from other funds			502	
Cash received from hotel tax		3,486		
Other	<u>(877)</u>			
Net cash provided by (used for) noncapital financing activities	<u>(877)</u>	<u>3,486</u>	<u>502</u>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and construction of capital assets	(5,001)			
Principal paid on long-term debt	(619)			
Interest paid on long-term debt	<u>(260)</u>			
Net cash provided by (used for) capital and related financing activities	<u>(5,880)</u>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of investment securities	(27,761)			
Proceeds from sale and maturity of investment securities	16,396			
Interest received on investments	<u>836</u>	<u>17</u>	<u>1</u>	<u>2</u>
Net cash provided by (used for) investing activities	<u>(10,529)</u>	<u>17</u>	<u>1</u>	<u>2</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(13,900)</b>	<b>(770)</b>	<b>(125)</b>	<b>(4)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>29,109</u></b>	<b><u>3,090</u></b>	<b><u>355</u></b>	<b><u>253</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 15,209</u></b>	<b><u>\$ 2,320</u></b>	<b><u>\$ 230</u></b>	<b><u>\$ 249</u></b>



<b>Municipal Parking Lots</b>	<b>Cemeteries</b>	<b>Golf Courses</b>	<b>Total Nonmajor Enterprise Funds</b>
\$ 7,902	\$ 1,403	\$ 1,931	\$ 33,043
(1,250)	(452)	(1,038)	(14,094)
(924)	(1,765)	(1,625)	(14,683)
<u>5,728</u>	<u>(814)</u>	<u>(732)</u>	<u>(1,605)</u>
			<u>2,661</u>
	726		726
			502
			3,486
			<u>(877)</u>
	<u>726</u>		<u>3,837</u>
			(5,001)
(1,965)			(2,584)
<u>(4,207)</u>			<u>(4,467)</u>
<u>(6,172)</u>			<u>(12,052)</u>
(2,000)		(999)	(30,760)
590	173	52	16,396
<u>(1,410)</u>	<u>173</u>	<u>(947)</u>	<u>1,671</u>
			<u>(12,693)</u>
(1,854)	85	(1,679)	(18,247)
<u>19,688</u>	<u>5,707</u>	<u>2,276</u>	<u>60,478</u>
<u>\$ 17,834</u>	<u>\$ 5,792</u>	<u>\$ 597</u>	<u>\$ 42,231</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

(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)	\$ 999	\$ (5,918)	\$ (692)	\$ (129)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	3,990	2,361	178	123
Non-cash rental income				
Loss on disposal of capital assets				
Changes in assets and liabilities:				
Receivables, net	476	6,100	(110)	1
Due from other funds	(749)	7	1	
Due from other governments		(213)		
Inventory of supplies	5			
Prepaid expenses and other assets				
Accounts payable	(1,201)	(315)	(101)	(1)
Accrued wages and benefits	(7)	77	12	(1)
Due to other funds	773	(6,176)	84	1
Due to other governments		(196)		
Accrued expenses and other liabilities	(900)			
Total adjustments	<u>2,387</u>	<u>1,645</u>	<u>64</u>	<u>123</u>
NET CASH PROVIDED BY (USED FOR)				
OPERATING ACTIVITIES	<u>\$ 3,386</u>	<u>\$ (4,273)</u>	<u>\$ (628)</u>	<u>\$ (6)</u>

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<b>Municipal Parking Lots</b>	<b>Cemeteries</b>	<b>Golf Courses</b>	<b>Total Nonmajor Enterprise Funds</b>
\$ 3,841	\$ (1,072)	\$ (855)	\$ (3,826)
1,734	236	174	8,796
97	16	(2)	6,578
(37)			(778)
	1		(212)
16	(7)	(16)	(2)
23	44	(37)	(1,588)
(5)	(28)	6	54
58	(4)	(2)	(5,266)
1			(195)
			(900)
<u>1,887</u>	<u>258</u>	<u>123</u>	<u>6,487</u>
<u>\$ 5,728</u>	<u>\$ (814)</u>	<u>\$ (732)</u>	<u>\$ 2,661</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:

### Information Systems Services

The Information Systems Services Division was established to provide centralized data processing services for certain City divisions.

### 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, 2002**

**(Amounts in 000's)**

	<u>Information Systems Services</u>	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 60	\$ 2,617	\$ 580	\$ 19
Receivables:				
Accounts	_____	5	2	_____
Receivables, net		5	2	
Due from other funds	200	640	71	106
Due from other governments				
Inventory of supplies	_____	2,468	117	_____
Total current assets	<u>260</u>	<u>5,730</u>	<u>770</u>	<u>125</u>
Capital assets:				
Land		663		
Land improvements		3		
Buildings, structures and improvements		1,805		
Furniture, fixtures and equipment	7,117	3,163	768	
Construction in progress		259		
Less: Accumulated depreciation	<u>(7,105)</u>	<u>(4,287)</u>	<u>(497)</u>	_____
Total capital assets, net	<u>12</u>	<u>1,606</u>	<u>271</u>	_____
Total noncurrent assets	<u>12</u>	<u>1,606</u>	<u>271</u>	_____
<b>TOTAL ASSETS</b>	<u>\$ 272</u>	<u>\$ 7,336</u>	<u>\$ 1,041</u>	<u>\$ 125</u>

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<u>Utilities Administration</u>	<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Total</u>
\$ 997	\$ 212	\$ 3,198	\$ 24	\$ 519	\$ 8,226
_____	_____	_____	_____	4	11
				4	11
		9	866	122	2,014
		10			10
_____	_____	_____	_____	_____	2,585
<u>997</u>	<u>212</u>	<u>3,217</u>	<u>890</u>	<u>645</u>	<u>12,846</u>
					663
					3
					1,805
69			9	20	11,146
					259
(49)	_____	_____	(9)	(6)	(11,953)
<u>20</u>	_____	_____	_____	<u>14</u>	<u>1,923</u>
<u>20</u>	_____	_____	_____	<u>14</u>	<u>1,923</u>
<u>\$ 1,017</u>	<u>\$ 212</u>	<u>\$ 3,217</u>	<u>\$ 890</u>	<u>\$ 659</u>	<u>\$ 14,769</u>

(Continued)

**CITY OF CLEVELAND, OHIO**

**COMBINING BALANCE SHEET - ALL INTERNAL SERVICE FUNDS**

**DECEMBER 31, 2002**

**(Amounts in 000's)**

	<b>Information Systems Services</b>	<b>Motor Vehicle Maintenance</b>	<b>Printing and Reproduction</b>	<b>City Storeroom and Warehouse</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 9	\$ 619	\$ 60	\$ 1
Accrued wages and benefits	253	934	79	3
Due to other funds	11	4,113	606	118
Due to other governments				
Total current liabilities	<u>273</u>	<u>5,666</u>	<u>745</u>	<u>122</u>
Total liabilities	<u>273</u>	<u>5,666</u>	<u>745</u>	<u>122</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	12	1,606	271	
Unrestricted	<u>(13)</u>	<u>64</u>	<u>25</u>	<u>3</u>
Total net assets	<u>(1)</u>	<u>1,670</u>	<u>296</u>	<u>3</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 272</u>	<u>\$ 7,336</u>	<u>\$ 1,041</u>	<u>\$ 125</u>



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<u>Utilities Administration</u>	<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Total</u>
\$ 27	\$ 4	\$ 107	\$ 363	\$ 249	\$ 1,439
447	43	572	81	6	2,418
523	165	27	462	387	6,412
		2,511			2,511
<u>997</u>	<u>212</u>	<u>3,217</u>	<u>906</u>	<u>642</u>	<u>12,780</u>
<u>997</u>	<u>212</u>	<u>3,217</u>	<u>906</u>	<u>642</u>	<u>12,780</u>
20				14	1,923
<u>          </u>	<u>          </u>	<u>          </u>	<u>(16)</u>	<u>3</u>	<u>66</u>
<u>20</u>	<u>          </u>	<u>          </u>	<u>(16)</u>	<u>17</u>	<u>1,989</u>
<u>\$ 1,017</u>	<u>\$ 212</u>	<u>\$ 3,217</u>	<u>\$ 890</u>	<u>\$ 659</u>	<u>\$ 14,769</u>

## 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, 2002

(Amounts in 000's)

	<u>Information Systems Services</u>	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>	<u>City Storeroom and Warehouse</u>
OPERATING REVENUES:				
Charges for services	\$ 360	\$ 12,622	\$ 629	\$ 765
Total operating revenue	<u>360</u>	<u>12,622</u>	<u>629</u>	<u>765</u>
OPERATING EXPENSES:				
Operations	2,588	12,110	924	762
Maintenance		1,753	35	1
Depreciation	<u>6</u>	<u>173</u>	<u>22</u>	
Total operating expenses	<u>2,594</u>	<u>14,036</u>	<u>981</u>	<u>763</u>
OPERATING INCOME (LOSS)	<u>(2,234)</u>	<u>(1,414)</u>	<u>(352)</u>	<u>2</u>
NON-OPERATING REVENUES:				
Investment income		25	8	
Loss on disposal of capital assets		(17)		
Other revenues (expenses)	_____	_____	_____	_____
Total non-operating revenues (expenses)	_____	<u>8</u>	<u>8</u>	_____
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(2,234)	(1,406)	(344)	2
Capital contributions	2	951	164	
Operating transfers in	<u>2,055</u>	_____	_____	_____
CHANGE IN NET ASSETS	(177)	(455)	(180)	2
NET ASSETS AT BEGINNING OF YEAR	<u>176</u>	<u>2,125</u>	<u>476</u>	<u>1</u>
NET ASSETS AT END OF YEAR	<u>\$ (1)</u>	<u>\$ 1,670</u>	<u>\$ 296</u>	<u>\$ 3</u>

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<u>Utilities Administration</u>	<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Total</u>
\$ 2,769	\$	\$ 5,798	\$ 3,938	\$ 1,830	\$ 28,711
<u>2,769</u>	<u></u>	<u>5,798</u>	<u>3,938</u>	<u>1,830</u>	<u>28,711</u>
2,543	429	6,060	5,153	782	31,351
209			54	1,049	3,101
6				4	211
<u>2,758</u>	<u>429</u>	<u>6,060</u>	<u>5,207</u>	<u>1,835</u>	<u>34,663</u>
<u>11</u>	<u>(429)</u>	<u>(262)</u>	<u>(1,269)</u>	<u>(5)</u>	<u>(5,952)</u>
9		262		2	306
	7				(17)
	<u>7</u>				<u>7</u>
<u>9</u>	<u>7</u>	<u>262</u>		<u>2</u>	<u>296</u>
20	(422)		(1,269)	(3)	(5,656)
	422		1,330	19	1,136
	<u>422</u>		<u>1,330</u>		<u>3,807</u>
20			61	16	(713)
			(77)	1	2,702
			<u>(77)</u>	<u>1</u>	<u>2,702</u>
\$ 20	\$	\$	\$ (16)	\$ 17	\$ 1,989
<u>20</u>	<u></u>	<u></u>	<u>(16)</u>	<u>17</u>	<u>1,989</u>

# CITY OF CLEVELAND, OHIO

## COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts in 000's)

	<u>Information Systems Services</u>	<u>Motor Vehicle Maintenance</u>	<u>Printing and Reproduction</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 481	\$ 13,891	\$ 620
Cash payments to suppliers for goods or services	(561)	(8,684)	(566)
Cash payments to employees for services	<u>(1,605)</u>	<u>(5,409)</u>	<u>(561)</u>
Net cash provided by (used for) operating activities	<u>(1,685)</u>	<u>(202)</u>	<u>(507)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Advance (repayment) from/to General Fund	(310)		
Cash received through operating transfers from other funds	2,055		
Other			
Net cash provided by (used for) noncapital financing activities	<u>1,745</u>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received on investments		25	8
Net cash provided by investing activities		<u>25</u>	<u>8</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>60</b>	<b>(177)</b>	<b>(499)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>2,794</u>	<u>1,079</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 60</u>	<u>\$ 2,617</u>	<u>\$ 580</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (2,234)	\$ (1,414)	\$ (352)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	6	173	22
Change in assets and liabilities:			
Accounts receivable		(5)	1
Due from other funds	650	1,185	(11)
Due from other governments		2	
Inventory of supplies		(123)	
Accounts payable	(19)	(84)	15
Accrued wages and benefits	(49)	2	(10)
Due to other funds	(39)	62	(172)
Due to other governments			
Total adjustments	<u>549</u>	<u>1,212</u>	<u>(155)</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ (1,685)</u>	<u>\$ (202)</u>	<u>\$ (507)</u>

<u>City Storeroom and Warehouse</u>	<u>Utilities Administration</u>	<u>Sinking Fund Administration</u>	<u>Municipal Income Tax Administration</u>	<u>Telephone Exchange</u>	<u>Radio Communications</u>	<u>Total</u>
\$ 775	\$ 2,769	\$	\$ 8,552	\$ 5,281	\$ 1,941	\$ 34,310
(734)	(432)	(321)	(2,338)	(5,709)	(1,610)	(20,955)
(33)	(2,499)	(94)	(4,528)	(212)	(44)	(14,985)
<u>8</u>	<u>(162)</u>	<u>(415)</u>	<u>1,686</u>	<u>(640)</u>	<u>287</u>	<u>(1,630)</u>
(69)		(24)		(666)		(1,069)
80		645		1,330		4,110
		6				6
<u>11</u>		<u>627</u>		<u>664</u>		<u>3,047</u>
	9		262		2	306
	<u>9</u>		<u>262</u>		<u>2</u>	<u>306</u>
19	(153)	212	1,948	24	289	1,723
	<u>1,150</u>		<u>1,250</u>		<u>230</u>	<u>6,503</u>
<u>\$ 19</u>	<u>\$ 997</u>	<u>\$ 212</u>	<u>\$ 3,198</u>	<u>\$ 24</u>	<u>\$ 519</u>	<u>\$ 8,226</u>
\$ 2	\$ 11	\$ (429)	\$ (262)	\$ (1,269)	\$ (5)	\$ (5,952)
	6				4	211
27					(4)	19
19				1,343	29	3,215
			379			381
						(123)
(30)	22	4	(205)	(747)	174	(870)
(1)	(5)	10	(77)	39	3	(88)
(9)	(196)		(660)	(6)	86	(934)
			<u>2,511</u>			<u>2,511</u>
<u>6</u>	<u>(173)</u>	<u>14</u>	<u>1,948</u>	<u>629</u>	<u>292</u>	<u>4,322</u>
<u>\$ 8</u>	<u>\$ (162)</u>	<u>\$ (415)</u>	<u>\$ 1,686</u>	<u>\$ (640)</u>	<u>\$ 287</u>	<u>\$ (1,630)</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, 2002

(Amounts in 000's)

	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at End of Year</u>
<b>MUNICIPAL COURTS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,355	\$ 48,858	\$ 51,086	\$ 3,127
Accrued interest receivable	<u>2</u>	<u>          </u>	<u>2</u>	<u>          </u>
Total assets	<u>5,357</u>	<u>48,858</u>	<u>51,088</u>	<u>3,127</u>
<b>LIABILITIES</b>				
Due to others	<u>5,357</u>	<u>48,858</u>	<u>51,088</u>	<u>3,127</u>
Total liabilities	<u>5,357</u>	<u>48,858</u>	<u>51,088</u>	<u>3,127</u>
<b>NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 <b>CENTRAL COLLECTION AGENCY</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,840	\$ 414,572	\$ 421,015	\$ 6,397
Taxes receivable	31,127	29,394	31,127	29,394
Due from other governments	<u>599</u>	<u>2,910</u>	<u>599</u>	<u>2,910</u>
Total assets	<u>44,566</u>	<u>446,876</u>	<u>452,741</u>	<u>38,701</u>
<b>LIABILITIES</b>				
Due to other governments	<u>44,566</u>	<u>446,876</u>	<u>452,741</u>	<u>38,701</u>
Total liabilities	<u>44,566</u>	<u>446,876</u>	<u>452,741</u>	<u>38,701</u>
<b>NET ASSETS</b>	<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, 2002**

(Amounts in 000's)

	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at End of Year</u>
<b>OTHER AGENCIES</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,272	\$ 10,644	\$ 7,579	\$ 6,337
Account receivables		30	30	
	<u>3,272</u>	<u>10,674</u>	<u>7,609</u>	<u>6,337</u>
Total assets	<u>3,272</u>	<u>10,674</u>	<u>7,609</u>	<u>6,337</u>
<b>LIABILITIES</b>				
Due to others	<u>3,272</u>	<u>10,674</u>	<u>7,609</u>	<u>6,337</u>
Total liabilities	<u>3,272</u>	<u>10,674</u>	<u>7,609</u>	<u>6,337</u>
<b>NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 <b>TOTALS-ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 21,467	\$ 474,074	\$ 479,680	\$ 15,861
Taxes receivable	31,127	29,394	31,127	29,394
Accrued interest receivable	2		2	
Account receivables		30	30	
Due from other governments	<u>599</u>	<u>2,910</u>	<u>599</u>	<u>2,910</u>
Total assets	<u>53,195</u>	<u>506,408</u>	<u>511,438</u>	<u>48,165</u>
<b>LIABILITIES</b>				
Due to other governments	44,566	446,876	452,741	38,701
Due to others	<u>8,629</u>	<u>59,532</u>	<u>58,697</u>	<u>9,464</u>
Total liabilities	<u>53,195</u>	<u>506,408</u>	<u>511,438</u>	<u>48,165</u>
<b>NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Concluded)

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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, 2002

(Amounts in 000's)

---

Governmental Funds Capital Assets:

Land	\$ 60,251
Land improvements	82,207
Buildings, structures and improvements	535,567
Furniture, fixtures and equipment	151,695
Infrastructure	259,750
Construction in progress	<u>68,225</u>

TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS \$ 1,157,695

Investment in Governmental Funds Capital Assets by Source:

General obligation bonds	\$ 487,495
General Fund and other revenues	345,057
Special Revenue Fund revenues:	
Restricted income taxes	131,845
Federal grants	150,207
Certificates of participation	26,023
Gifts	<u>17,068</u>

TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS \$ 1,157,695

\* 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, 2002**

**(Amounts in 000's)**

	<u>Total</u>	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings, Structures and Improvements</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>
<b>General Government:</b>							
General government	\$ 317,169	\$ 208	\$	\$ 310,085	\$ 6,876	\$	\$
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>354,444</u>	<u>1,085</u>	<u>15</u>	<u>342,237</u>	<u>11,107</u>		
<b>Public Service:</b>							
Waste collection	29,332	499		8,102	20,731		
Engineering and construction	162,121		11,323		3,531	129,854	17,413
Streets	190,925	1,800	11,460	13,833	16,677	129,854	17,301
Other	36,083	2,609		27,605	5,779		90
Total public service	<u>418,461</u>	<u>4,908</u>	<u>22,783</u>	<u>49,540</u>	<u>46,718</u>	<u>259,708</u>	<u>34,804</u>
<b>Public Safety:</b>							
Police	85,095	4,805	317	46,129	26,296		7,548
Fire	64,189	1,670		24,353	36,331		1,835
Emergency medical service	16,064			3,666	12,398		
Traffic engineering							
Dog pound	828			650	178		
Total public safety	<u>166,176</u>	<u>6,475</u>	<u>317</u>	<u>74,798</u>	<u>75,203</u>		<u>9,383</u>
<b>Public Health:</b>							
Correction	7,328	287		6,554	487		
Health and environment	11,171	1,112	36	8,106	830		1,087
Total public health	<u>18,499</u>	<u>1,399</u>	<u>36</u>	<u>14,660</u>	<u>1,317</u>		<u>1,087</u>
<b>Parks, Recreation and Properties:</b>							
Park maintenance and properties	82,671	35,042	21,991	7,713	13,468	42	4,415
Research, planning and development	21,939	2,992	7,474	967	330		10,176
Recreation	81,480	976	28,060	44,071	2,045		6,328
Total parks, recreation and properties	<u>186,090</u>	<u>39,010</u>	<u>57,525</u>	<u>52,751</u>	<u>15,843</u>	<u>42</u>	<u>20,919</u>
<b>Community Development:</b>							
Community development	12,921	7,374	1,531	581	1,480		1,955
Total community development	<u>12,921</u>	<u>7,374</u>	<u>1,531</u>	<u>581</u>	<u>1,480</u>		<u>1,955</u>
<b>Economic Development:</b>							
Economic development	1,104			1,000	27		77
Total economic development	<u>1,104</u>			<u>1,000</u>	<u>27</u>		<u>77</u>
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</b>	<u>\$ 1,157,695</u>	<u>\$ 60,251</u>	<u>\$ 82,207</u>	<u>\$ 535,567</u>	<u>\$ 151,695</u>	<u>\$ 259,750</u>	<u>\$ 68,225</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, 2002

(Amounts in 000's)

	Balance January 1, 2002 <u>(Restated)</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	Balance December 31, 2002
General Government:					
General government	\$ 314,344	\$ 5,297	\$	\$ (2,471)	\$ 317,170
City Hall	4,389	28			4,417
Justice Center	31,962	242			32,204
Charles V. Carr Municipal Center	654	36		(37)	653
Total general government	<u>351,349</u>	<u>5,603</u>		<u>(2,508)</u>	<u>354,444</u>
Public Service:					
Waste collection	28,463	1,328	(432)	(27)	29,332
Engineering and construction	149,827	20,774		(8,480)	162,121
Streets	175,456	25,073	(250)	(9,354)	190,925
Other	33,782	7,699		(5,398)	36,083
Total public service	<u>387,528</u>	<u>54,874</u>	<u>(682)</u>	<u>(23,259)</u>	<u>418,461</u>
Public Safety:					
Police	82,439	19,347		(16,691)	85,095
Fire	59,204	6,505		(1,520)	64,189
Emergency medical service	15,399	797	(71)	(61)	16,064
Traffic engineering					
Dog pound	859	16		(47)	828
Total public safety	<u>157,901</u>	<u>26,665</u>	<u>(71)</u>	<u>(18,319)</u>	<u>166,176</u>
Public Health:					
Correction	7,311	17			7,328
Health and environment	10,320	876		(25)	11,171
Total public health	<u>17,631</u>	<u>893</u>		<u>(25)</u>	<u>18,499</u>
Parks, Recreation and Properties:					
Park maintenance and properties	79,171	4,657		(1,157)	82,671
Research, planning and development	18,121	5,832		(2,014)	21,939
Recreation	81,335	401		(256)	81,480
Total parks, recreation and properties	<u>178,627</u>	<u>10,890</u>		<u>(3,427)</u>	<u>186,090</u>
Community Development:					
Community development	12,776	170		(25)	12,921
Total community development	<u>12,776</u>	<u>170</u>		<u>(25)</u>	<u>12,921</u>
Economic Development:					
Economic development	1,052	1,077		(1,025)	1,104
Total economic development	<u>1,052</u>	<u>1,077</u>	<u>0</u>	<u>(1,025)</u>	<u>1,104</u>
TOTAL GOVERNMENTAL FUNDS					
CAPITAL ASSETS	<u>\$ 1,106,864</u>	<u>\$ 100,172</u>	<u>\$ (753)</u>	<u>\$ (48,588)</u>	<u>\$ 1,157,695</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>1993</u>	<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>
<b>REVENUES</b>										
Income taxes	\$ 191,005	\$ 196,309	\$ 209,154	\$ 215,876	\$ 222,745	\$ 230,863	\$ 245,844	\$ 268,786	\$ 262,721	\$ 246,519
Property taxes	39,309	38,722	40,145	40,844	40,844	43,026	45,964	45,131	47,842	47,925
State local government funds	40,107	43,431	46,407	48,689	50,762	54,255	56,923	59,488	59,265	56,211
Other shared revenues	9,862	10,147	17,879	24,820	26,122	26,581	31,187	32,871	31,590	31,491
Licenses and permits	5,733	6,488	6,964	8,403	8,886	10,303	8,731	9,339	8,887	7,807
Charges for services	14,394	15,038	12,160	13,191	13,570	14,975	13,671	16,177	16,030	16,359
Fines and forfeits	13,947	13,890	13,360	14,422	15,375	15,914	16,611	17,843	16,768	17,778
Investment earnings	1,006	1,106	2,060	1,384	2,159	4,241	4,435	2,526	1,604	1,072
Workers comp refund	0	0	0	0	0	0	0	0	0	5,142
Grants	0	0	0	0	0	0	0	0	0	4,344
Miscellaneous	21,539	20,653	16,901	19,475	17,315	9,508	8,759	24,447	29,735	25,589
Operating transfers in	0	0	0	0	0	0	0	0	0	28,178
	<u>\$ 336,902</u>	<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>
<b>EXPENDITURES AND OTHER USES</b>										
General government	\$ 36,643	\$ 37,445	\$ 39,189	\$ 41,623	\$ 42,352	\$ 45,902	\$ 49,837	\$ 55,922	\$ 54,786	\$ 58,839
Public service	30,798	29,435	30,357	29,537	30,208	30,669	31,222	33,580	33,550	36,645
Public safety	200,874	207,541	217,825	225,669	234,064	240,717	252,723	261,480	272,436	292,140
Community development	6,366	6,040	6,461	5,920	5,943	6,461	6,581	12,583	16,655	11,142
Public health	10,421	10,545	10,261	10,037	10,274	10,418	11,984	12,465	11,884	11,538
Parks, recreation, and properties	29,310	30,126	31,121	33,263	34,952	34,385	36,150	37,574	39,131	39,116
Economic development	932	1,026	1,017	1,103	1,039	1,067	1,128	1,014	1,098	1,057
Other	12,580	11,876	12,843	14,071	14,575	14,963	16,553	16,742	16,882	18,027
Operating transfers out	9,253	12,125	16,392	26,208	24,776	23,650	24,778	39,465	41,680	22,754
	<u>\$ 337,177</u>	<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>

# 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>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Income taxes	\$ 217,082	\$ 222,651	\$ 237,081	\$ 243,213
Property taxes	58,994	60,949	62,630	63,968
State local government funds	40,515	43,634	52,625	50,865
Other shared revenues	20,644	22,339	29,098	34,590
Licenses and permits	6,096	6,924	7,466	8,714
Charges for services	14,832	15,682	13,056	13,744
Fines and forfeits	13,856	13,726	13,402	14,771
Investment earnings	5,898	6,731	10,276	9,963
Grants	76,864	81,507	97,841	90,412
Assessments and contributions	122	156	152	120
Cleveland Public Power repayment	4,370	35,609	0	0
Workers compensation settlement and refunds	249	303	916	2,095
Enterprise reimbursements	6,038	4,161	2,878	1,342
Miscellaneous	30,442	25,567	25,552	38,374
Operating transfers in	20,553	53,613	28,769	47,568
Resources from capitalized leases	0	0	3,891	0
Premium on bonds and notes	0	0	0	0
Proceeds from sale of bonds	136,456	139,708	0	58,491
Proceeds from sale of certificates of participation	0	19,790	19,171	0
	<u>\$ 653,011</u>	<u>\$ 753,050</u>	<u>\$ 604,804</u>	<u>\$ 678,230</u>
<b>EXPENDITURES AND OTHER USES</b>				
Current:				
General government	\$ 36,291	\$ 38,061	\$ 39,901	\$ 44,268
Public service	54,357	49,959	50,619	50,246
Public safety	205,801	210,118	223,488	227,572
Human resources	7,726	6,724	8,919	9,494
Community development	45,511	50,065	58,502	57,509
Public health	17,516	20,201	20,981	22,560
Parks, recreation and properties	29,931	31,409	32,889	34,528
Economic development	4,944	7,668	13,242	22,285
Other	12,164	10,227	14,523	12,980
Rebatable arbitrage	(131)	0	0	0
Capital outlay	88,960	81,622	63,457	42,314
Debt service:				
Principal retirement	16,972	112,119	18,824	21,935
Interest	16,820	22,616	26,439	23,444
Enterprise debt service	5,199	4,577	2,810	2,602
Operating transfers out	20,723	53,226	30,455	48,497
Debt issuance costs	0	0	0	0
Payments to refund notes, bonds and certificates of participation	99,858	0	19,171	16,644
	<u>\$ 662,642</u>	<u>\$ 698,592</u>	<u>\$ 624,220</u>	<u>\$ 636,878</u>

Note: Includes all Governmental Fund Types

<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
\$ 255,925	\$ 272,309	\$ 285,947	\$ 291,514	\$ 277,687	\$ 279,186
64,354	66,662	70,937	66,642	71,610	72,683
50,217	53,998	59,413	60,015	59,252	56,436
37,561	37,393	43,121	43,626	43,341	44,664
9,252	10,574	9,099	9,255	8,967	10,656
16,326	16,648	17,850	18,370	18,798	21,672
15,572	14,766	19,070	20,990	13,096	24,946
10,492	23,890	14,621	14,327	10,425	4,762
92,276	100,255	107,455	83,334	106,965	139,953
168	115	0	84	0	2,500
0	0	0	0	0	0
0	0	0	0	0	0
116	0	0	0	0	0
36,064	66,890	109,565	54,495	54,249	19,099
41,580	42,673	66,270	57,049	69,156	96,056
0	0	0	0	0	0
0	0	0	0	0	2,648
214,166	48,736	35,778	26,335	4,060	76,675
0	0	20,000	0	0	0
<u>\$ 844,069</u>	<u>\$ 754,909</u>	<u>\$ 859,126</u>	<u>\$ 746,036</u>	<u>\$ 737,606</u>	<u>\$ 851,936</u>

\$ 44,568	\$ 54,789	\$ 63,476	\$ 69,397	\$ 74,752	\$ 71,551
47,975	53,898	52,792	63,698	50,209	55,939
236,426	241,632	249,160	279,540	273,951	283,172
9,549	9,920	7,520	8,471	13,425	21,545
56,754	52,178	50,750	53,125	82,194	86,641
22,343	19,814	21,071	21,852	19,796	21,176
36,858	42,645	41,738	39,941	39,951	36,088
18,439	13,368	18,754	16,071	41,466	27,245
19,546	14,876	15,031	19,425	16,373	12,973
0	0	0	0	0	0
81,222	184,528	133,490	51,586	74,329	63,171
25,003	26,511	48,442	30,646	31,463	62,347
26,488	30,293	29,304	28,825	28,312	26,748
352	0	0	0	0	922
40,981	42,074	67,679	57,823	68,346	100,365
0	0	0	0	0	740
47,665	24,823	0	0	0	0
<u>\$ 714,169</u>	<u>\$ 811,349</u>	<u>\$ 799,207</u>	<u>\$ 740,400</u>	<u>\$ 814,567</u>	<u>\$ 870,623</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>
1992/1993	\$ 60,086,819	\$ 11,399,652	\$ 71,486,471	\$ 55,724,076	92.7%	\$ 2,164,940	\$ 57,889,016	96.3%	\$ 12,217,231
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

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
1992/1993	\$ 3,510,905	\$ 10,031,157	\$ 868,719	\$ 3,474,876	\$ 519,073	\$ 1,038,146	\$ 4,898,697	\$ 14,544,179	33.7%
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%

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) The percentage used to determine taxable value of personal property and inventory was 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. Current legislation provides the assessment rate for the taxable transmission and distribution property of an electric company remains at 88% of true value, but all other taxable property of the electric company is now assessed at 25% of 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)**

<b>Tax Year/ Collection Year</b>	<b>City of Cleveland</b>					<b>Total City Rate</b>	<b>County</b>	<b>Library and School</b>	<b>Total</b>
	<b>General Fund</b>	<b>Bond Retirement</b>	<b>Police Pension</b>	<b>Fire Pension</b>					
1992/1993	\$ 7.75	\$ 3.95	\$ 0.30	\$ 0.30	\$ 12.30	\$ 16.80	\$ 52.70	\$ 81.80	
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	

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>
1993	505,616	\$ 4,898,697	\$ 272,380,000	\$ 9,397,000	\$ 262,983,000	5.37%	\$ 520.12
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

(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 and Subordinated Income Tax Reserve Fund.

# CITY OF CLEVELAND, OHIO

## COMPUTATION OF LEGAL DEBT MARGIN (1) DECEMBER 31, 2002

Total of all City Debt Outstanding		\$ 2,607,454,000
Debt Exempt From Direct Debt Limitation:		
Tax Supporting:	\$ 318,340,000	
Tax Supporting Issues after 1980		
Self-Supporting:		
Revenue Bonds and Notes	2,181,898,000	
Ohio Water Development Authority Loans	16,746,000	
Urban Renewal Bonds and Notes	12,825,000	
Subordinated Income Tax Refunding Bonds	66,900,000	
Non-tax Revenue Bonds	10,000,000	
Total Exempt Debt	2,606,709,000	
Net Indebtedness (Voted and Unvoted) Subject to 10.50% Debt Limitation		\$ 745,000
Less: Applicable Debt Service Fund		2,865,000
Net Indebtedness Subject to 10.50% Limitation		\$ 0
Net Indebtedness (Unvoted) Subject to 5.50% Legal Debt Limitation		745,000
Less: Applicable Debt Service Fund		2,865,000
Net Indebtedness Subject to 5.50% Limitation		\$ 0
Assessed Valuation of City (2001 for 2002 Collection)		\$ 6,031,560,000
10.50% of Valuation (Maximum Voted and Unvoted General Obligation Debt Allowed)		\$ 633,313,800
Net Indebtedness Subject to 10.50% Debt Limitation		0
Legal 10.50% Margin		\$ 633,313,800
5.50% of Valuation (Maximum Unvoted Non-exempt General Obligation Debt Allowed)		\$ 331,735,800
Net Indebtedness Subject to 5.50% Debt Limitation		0
Legal 5.50% Margin		\$ 331,735,800

(1) Computation of Legal Debt Margin based on Section 133, the Uniform Bond Act of the Ohio Revised Code.



**CITY OF CLEVELAND, OHIO**

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
December 31, 2002**

	<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	\$ 319,085,000	\$ 2,865,000	(2) \$ 316,220,000	100.00%	\$ 316,220,000
Cleveland School District (3)	131,746,938	127,816,068	3,930,870	97.65%	3,838,495
Shaker Heights School District (3)	15,124,233	7,926,907	7,197,326	0.92%	66,215
Berea School District (3)	11,715,000	1,339,998	10,375,002	1.16%	120,350
Cuyahoga County (3)	200,162,636	64,106,006	136,056,630	20.33%	<u>27,660,313</u>
<b>TOTAL OVERLAPPING DEBT</b>					<u>347,905,373</u>
<b>TOTAL NET DIRECT AND OVERLAPPING DEBT</b>					<u><u>\$ 347,905,373</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 and Subordinated Income Tax Reserve Fund.
- (3) Cuyahoga County Budget Commission.

# CITY OF CLEVELAND, OHIO

## SCHEDULE OF DIRECT DEBT (1) December 31, 2002

### DIRECT DEBT

Long-Term Debt:

General Obligation Bonds and Notes:

    Various Purpose \$ 319,085,000

Revenue Bonds:

    Airport 920,068,000

    Waterworks 875,695,000

    Public Power System Improvement 267,630,000

    Parking Facilities 73,555,000

Urban Renewal Bonds 8,575,000

Subordinated Income Tax Refunding Bonds 66,900,000

Non-tax Revenue Bonds 10,000,000

Ohio Water Development Authority Loans 16,746,000

    Total Long-Term Debt \$ 2,558,254,000

Short Term Debt - Airport Surplus Revenue Notes 44,950,000

    Urban Renewal Notes 4,250,000

    Gross Direct Debt 2,607,454,000

Deduct:

General Obligation Debt Service Fund 2,865,000 (2)

Exempt Tax-Supporting General Obligations:

    General Obligation Bonds Issued after 1980 318,340,000

Revenue Bonds:

    Airport \$ 920,068,000

    Waterworks Improvement 875,695,000

    Public Power System Improvement 267,630,000

    Parking Facilities 73,555,000

    Total Revenue Bonds 2,136,948,000

Urban Renewal Bonds and Notes 12,825,000

Subordinated Income Tax Refunding Bonds 66,900,000

Non-tax Revenue Bond Anticipation Notes 10,000,000

Ohio Water Development Authority Loans 16,746,000

Short Term Debt - Airport Surplus Revenue Notes 44,950,000

    Total Deductions 2,609,574,000

    Net Direct Debt \$ 0

(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, 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>
1993	\$ 32,204,093	\$ 5,198,337	\$ 337,177,000	9.55%	1.54%
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%

(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>
1993	\$ 44,398,000	\$ 28,098,000	\$ 16,300,000	\$ 10,057,216	1.62
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

(1) Gross revenues include operating revenues plus interest income. Beginning in 2001, a minimum of 40% of passenger facility charges (PFC), 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>
1993	\$ 146,739,000	\$ 88,562,000	\$ 58,177,000	\$ 41,492,806	1.40
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

(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>
1993	\$ 67,788,000	\$ 54,128,000	\$ 13,660,000	\$ 5,912,677	2.31
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

(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-SEWER AND SEWAGE DISPOSAL 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</u>	<u>Coverage</u>
1993	\$ 16,120,000	\$ 10,672,000	\$ 5,448,000	\$ 3,634,158	1.50
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

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

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

# CITY OF CLEVELAND, OHIO

## PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS

### LAST TEN FISCAL YEARS

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<u>Year</u>	<u>Total Estimated Actual Value (1)</u>	<u>Bank Deposits at December 31 (2)</u>	<u>Building Permits Issued (3)</u>
1993	\$ 14,544,179	\$ 21,009,421	5,957
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

(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

(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, 2002

The largest property taxpayers with respect to property located in the City, based on assessed valuation of property for the 2002 tax collection year are as follows:

Name of Taxpayer	Nature of Business	Assessed Valuation	Percentage of Assessed Valuation by Category
<b>Real Property</b>			
City of Cleveland, Ohio	Government	\$ 98,121,130	2.13%
ZML - Cleveland Public Square LLC	Commercial Real Estate Holdings	47,232,500	1.03%
NPW LTD Partnership	Commercial Real Estate Holdings	36,610,000	0.80%
GSA	Commercial Real Estate Holdings	35,000,000	0.76%
ISG Cleveland Inc.	Steel Manufacturing	33,024,360	0.72%
Ohio Bell Telephone	Communications	29,917,890	0.65%
600 Superior Part LLC	Commercial Real Estate Holdings	25,970,770	0.56%
CG Erieview	Commercial Real Estate Holdings	25,202,210	0.55%
Bishop James Hickley	Commercial Real Estate Holdings	22,364,900	0.49%
Cleveland Clinic Foundation	Hospital System	18,183,480	0.39%
<b>TOTAL</b>		371,627,240	8.08%
<b>Total Assessed Valuation-Real<sup>(1)</sup></b>		\$ 4,601,551,280	81.85%
<b>Tangible Personal Property (other than Public Utilities)</b>			
The LTV Corporation	Steel Manufacturing and Processing	\$ 38,232,370	5.77%
B.F. Goodrich Company	Automotive Products	10,451,000	1.58%
Cablevision	Mass Media	14,539,140	2.20%
PPG Ohio, Inc.	Automotive Finishes, Coating	10,380,890	1.57%
TRW, Inc.	Motor Vehicle Parts and Accessories	12,944,080	1.96%
Key Corporation Capital Inc.	Finance	6,948,530	1.05%
Cargill, Inc.	Salt Mining	7,578,640	1.14%
Sherwin Williams	Paint Products	9,336,310	1.41%
IBM Credit Corporation	Real Estate Agents and Managers	6,560,720	0.99%
Kennametal Inc.	Steel Manufacturing and Processing	6,211,510	0.94%
<b>TOTAL</b>		123,183,190	18.61%
<b>Total Assessed Valuation-Tangible</b>		\$ 662,038,330	11.78%
<b>Public Utilities (Real and Tangible Personal Property)</b>			
Cleveland Electric Illuminating Co.	Utilities-Electric	\$ 139,133,450	38.85%
Ameritech	Communication	82,569,490	23.05%
American Transmission System	Power Transmission	24,285,030	6.78%
Dominion East Ohio	Utilities-Natural Gas	16,094,270	4.49%
<b>TOTAL</b>		262,082,240	73.17%
<b>Total Assessed Valuation- Public Utilities</b>		358,177,160	6.37%
<b>Total Assessed Valuation-All Categories</b>		\$ 5,621,766,770	100.00%

Source: Cuyahoga County Auditor's Office

(1) Includes Public Utilities Real Property

**CITY OF CLEVELAND, OHIO**

**SCHEDULE OF INSURANCE COVERAGE  
DECEMBER 31, 2002**

<u>Type of Coverage/ Name of Carrier</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Annual Premium</u>
<b>AIRPORTS:</b>			
1) COMPREHENSIVE GENERAL LIABILITY INSURANCE -			
A) Old Republic Insurance Co. Primary Airport General Liability Insurance	PR174703	10/10/02-10/10/03	\$108,126
B) Underwriters at Lloyd's of London Excess Airport Liability Insurance	JDDNX09803503	10/10/02-10/10/03	\$157,570
2) PROPERTY DAMAGE AND EARNINGS INSURANCE			
A) Arkwright Mutual Insurance Co.	NB707	02/06/02-02/06/03	\$288,523
3) VEHICLE LIABILITY INSURANCE			
A) National Indemnity Company	70 APN 21 66 63	08/13/02-08/13/03	\$323,289
<b>CLEVELAND PUBLIC POWER:</b>			
1) PROPERTY COVERAGE:			
A) Lloyd's of London Property Insurance Coverage	PL092902	12/3/02 - 12/03/03	\$400,000
B) Lloyd's of London Property Insurance Coverage	PL047001	08/29/01-08/29-02	(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	\$402,721,000
"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.
Blanket real and personal property special form coverage for insured perils' newly acquired location; fire brigade charges and extinguishing services.	\$43,042,755 per occurrence/location; \$250,000 deductible for turbines; \$100,000 deductible for one location; \$5,000 deductible for four locations
Pollutant removal	\$100,000 per occurrence.
Comprehensive coverage including production machinery (including breakdown)	\$20,000,000 per accident; \$250,000 deductible for turbines/generators. \$25,000 per occurrence. 20,000 KVA or larger, \$10,000 per occurrence for transformer under 20,000 KVA.
Water damage	\$100,000 per accident;
Expediting expenses	\$100,000 per accident;
Hazardous substance	\$100,000 per accident;
Ammonia contamination	\$100,000 per accident;

**CITY OF CLEVELAND, OHIO**

**SCHEDULE OF INSURANCE COVERAGE - Continued**  
**DECEMBER 31, 2002**

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<u>Type of Coverage/ Name of Carrier</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Annual Premium</u>
<b>NEW CLEVELAND BROWNS' STADIUM CONSTRUCTION</b>			
1) COMPREHENSIVE GENERAL LIABILITY INSURANCE -			
A) Pinkney Perry Insurance Agency (Zurich Global)			
General liability coverage	ERP3589292	04/23/02-04/23/03	\$193,198

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**Details of Coverage**

**Liability Limit**

Commercial General Liability Coverage, wrap program; products/complete operations coverage; personal & advertising injury coverage

\$30,000,000 per occurrence.  
\$30,000,000 aggregate.  
\$10,000 deductible per occurrence.  
\$100,000 aggregate deductible.

Fire damage

\$50,000 any one fire.

Medical expense

\$5,000 any one person.

Builders' risk property coverage

\$280,000,000 limit,

Earthquake coverage, Flood coverage

\$25,000 deductible.

\$5,000,000 limit,

\$100,000 deductible

# CITY OF CLEVELAND, OHIO

## DEMOGRAPHIC STATISTICS

December 31, 2002

The population of the City, the County, the PMSA and the State for each decade from 1950 to 2000 (U.S. Bureau of the Census) is as follows:

<u>Year</u>	<u>Population</u>			
	<u>City</u>	<u>County</u>	<u>PMSA</u>	<u>State</u>
1950	914,808	1,389,532	1,532,574	7,946,627
1960	876,050	1,647,895	1,919,483	9,706,397
1970	750,903	1,721,300	2,063,729	10,652,017
1980	573,822	1,498,400	1,898,825	10,797,630
1990	505,616	1,412,140	1,831,122	10,847,115
2000	478,403	1,393,978	2,250,871	11,353,140

### AGE DISTRIBUTION (1), (2)

<u>Age</u>	<u>2000</u>			
	<u>Males</u>		<u>Females</u>	
	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
Under 5 yrs	19,686	8.7%	18,908	7.5%
5-9 yrs	21,094	9.3%	20,614	8.2%
10-14 yrs	18,767	8.3%	18,032	7.2%
15-19 yrs	16,316	7.2%	16,179	6.4%
20-24 yrs	14,895	6.6%	17,166	6.9%
25-34 yrs	34,078	15.1%	37,769	15.0%
35-44 yrs	36,000	15.9%	37,822	15.0%
45-54 yrs	26,547	11.7%	28,564	11.3%
55-59 yrs	8,464	3.7%	10,393	4.1%
60-64 yrs	7,578	3.3%	9,552	3.8%
65 and over	23,125	10.2%	36,854	14.6%
<b>Total</b>	<b>226,550</b>	<b>100.0%</b>	<b>251,853</b>	<b>100.0%</b>

Median Age 31.6 34.3

### DISTRIBUTION OF FAMILIES BY INCOME BRACKET (average 3.2 persons) (1), (2)

<u>Income</u>	<u>1999</u>		<u>1999</u>	
	<u>Families</u>	<u>Percentage</u>	<u>Household</u>	<u>Percentage</u>
Less than 10,000	18,241	16.2 %	40,118	21.0 %
\$10,000-14,999	9,112	8.1 %	18,446	9.7 %
\$15,000-24,999	19,545	17.3 %	33,725	17.7 %
\$25,000-34,999	16,699	14.8 %	28,228	14.8 %
\$35,000-49,999	19,400	17.2 %	28,814	15.1 %
\$50,000-74,999	18,451	16.3 %	25,592	13.4 %
\$75,000-99,999	6,896	6.1 %	9,328	4.9 %
\$100,000 to \$149,999	3,227	2.9 %	4,336	2.3 %
\$150,000 to \$199,999	535	0.5 %	820	0.4 %
\$200,000 or more	732	0.6 %	1,318	0.7 %
<b>Total</b>	<b>112,838</b>	<b>100.0 %</b>	<b>190,725</b>	<b>100.0 %</b>

Median Family Income (1) \$ 30,286 \$ 25,928

Source: (1) U.S. Census of Population 2000

(2) Northern Ohio Data and Information Service, College of Urban Affairs, Cleveland State University

<http://nodis.cusohio.edu/nodis/2000reports>

## CITY OF CLEVELAND, OHIO

### DEMOGRAPHIC STATISTICS - Continued December 31, 2002

#### Employment

The following table indicates the distribution of employees among major industrial classifications in the Cleveland-Lorain - Elyria PMSA for the years of 1998 through 2002:

#### Distribution of Employees by Sector (Amounts in 000's)

	<u>2002<sup>(1)</sup></u>	<u>2001<sup>(1)</sup></u>	<u>2000<sup>(1)</sup></u>	<u>1999<sup>(2)</sup></u>	<u>1998<sup>(2)</sup></u>
Good Producing Industries:					
Construction	44.7	45.2	44.9	45.4	46.6
Primary Metal	12.0	17.0	18.9	20.5	21.4
Fabricated Metal	32.4	35.9	38.6	38.6	38.6
Industrial Machinery	0.0	30.5	34.9	35.5	37.5
Electrical Equipment	8.7	14.6	15.1	15.4	15.4
Transportation Equipment	24.5	21.5	21.5	21.3	21.4
Printing & Publishing	0.0	15.2	17.0	17.2	16.8
Non-Durable Goods <sup>(4)</sup>	50.2	0.0	0.0	0.0	0.0
Chemical Products	0.0	16.1	17.8	17.8	17.5
Rubber & Plastic Products	0.0	13.6	14.4	15.0	14.5
Other	44.6	38.9	41.1	42.0	40.3
<b>Total Goods Producing Industries</b>	<b>217.1</b>	<b>248.5</b>	<b>264.2</b>	<b>268.7</b>	<b>270.0</b>
Service Producing Industries:					
Transportation & Public Utilities	31.5	47.5	47.6	47.4	45.8
Wholesale Trade	56.5	70.4	76.0	75.3	73.9
Retail Trade	118.9	199.8	209.1	209.8	202.6
Finance, Insurance, & Real Estate	80.9	82.5	80.5	80.0	75.5
Health Services	141.0	116.5	113.4	112.3	109.0
Other Services	324.5	241.5	245.4	243.6	239.4
Federal Government	19.0	19.7	20.5	20.9	21.2
State Government	8.9	9.2	9.2	9.2	9.1
Local Government	121.9	122.8	120.3	119.0	115.9
<b>Total Goods Producing Industries</b>	<b>903.1</b>	<b>909.9</b>	<b>922.0</b>	<b>917.5</b>	<b>892.4</b>
<b>Grand Total</b>	<b>1,120.2</b>	<b>1,158.4</b>	<b>1,186.2</b>	<b>1,186.2</b>	<b>1,162.4</b>
Goods Producing Percentage	19.4%	21.5%	22.3%	22.7%	23.2%
Service Producing Percentage	80.6%	78.5%	77.7%	77.3%	76.8%

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](http://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, 2002

#### 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 <sup>(1)</sup>	Employed		Unemployed		Unemployment Rate			
	County	PMSA	County	PMSA	County	PMSA	Ohio	U.S.
1993	627,900	1,008,500	46,000	75,100	6.8%	6.9%	6.5%	6.9%
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 <sup>(3)</sup>	643,400	1,071,100	30,800	51,700	4.6%	4.6%	4.2%	4.7%
2002 <sup>(2)</sup>	624,900	1,040,300	44,800	72,700	6.7%	6.5%	5.7%	5.8%

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, 2002  
<http://lmi.state.oh.us/ASP/LAUS/vbLAUS.ASP>

(3) Revised



# CITY OF CLEVELAND, OHIO

## DEMOGRAPHIC STATISTICS - Continued December 31, 2002

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### Corporate Headquarters

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

#### The 500 Largest Industrial and Service Corporations Ranked by Revenues<sup>(A)</sup>

<u>Rank</u>	<u>Company</u>	<u>Worldwide Revenues (\$ millions)</u>	<u>Worldwide Assets (\$ millions)</u>	<u>Major Product or Services</u>
197	Progressive	\$ 9,294.4	\$ 13,564.4	Insurance
215	National City Corporation	8,727.9	118,258.4	Commercial Banking
258	Eaton	7,209.0	7,138.0	Automotive and Electronics
283	Parker Hannifin Corporation	6,149.1	5,752.6	Hydraulic Components
285	Key Corp	6,135.0	85,202.0	Commercial Banking
321	Sherwin Williams	5,184.8	3,432.3	Paints
331	OM Group	5,034.4	2,342.3	Chemical Manufacturing
346	OfficeMax	4,775.6	1,785.4	Retail Office Supplies

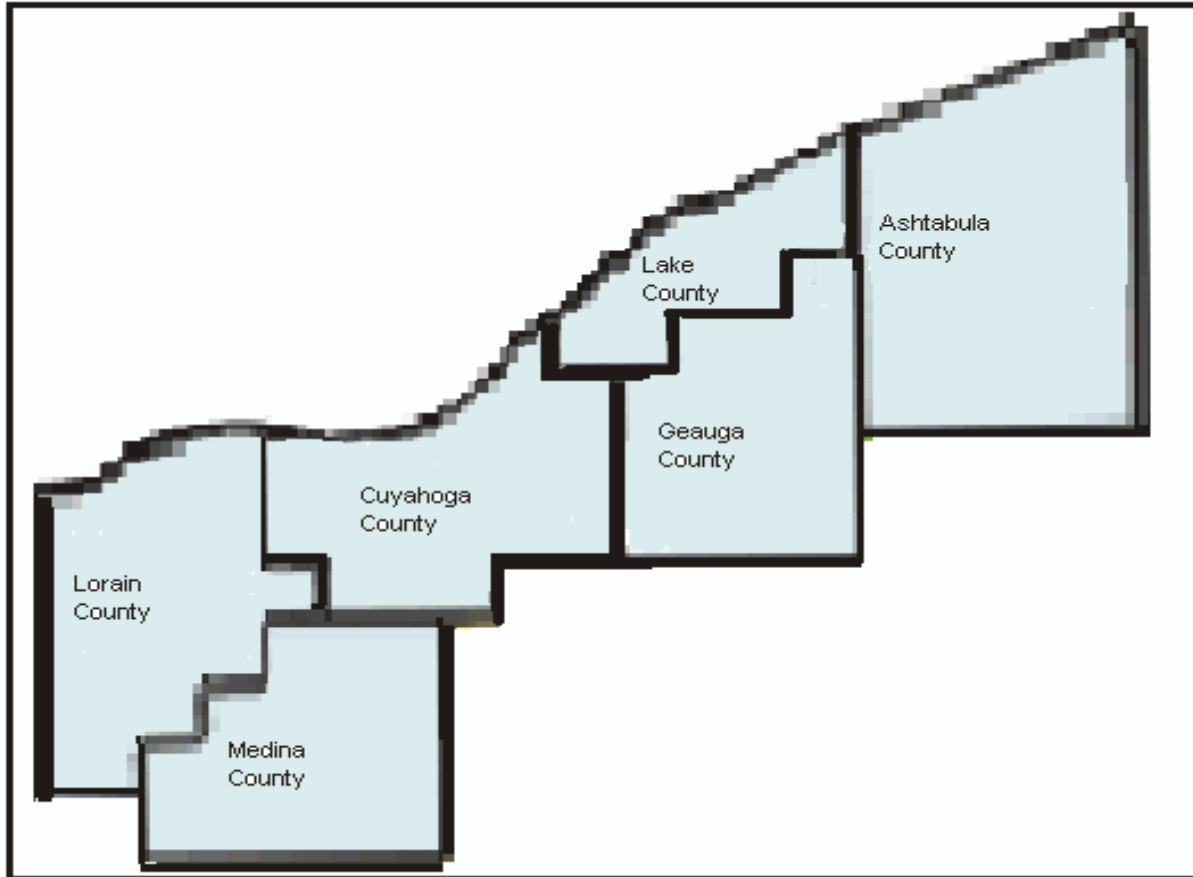
Source: (A) The Fortune 500, Vol. 145, No. 8, April 15, 2002

# CITY OF CLEVELAND, OHIO

## DEMOGRAPHIC STATISTICS – Continued

December 31, 2002

### METROPOLITAN CLEVELAND<sup>(1)</sup>



- 2,223,300 people
- 6 counties
- Largest Metropolitan area in Ohio
- 1,040,300 employed labor force<sup>(2)</sup>

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, 2002; <http://www.lmi.state.oh.us/ASP/LAUS/vbLAUS.ASP>

# CITY OF CLEVELAND, OHIO

## DEMOGRAPHIC STATISTICS – Continued

December 31, 2002

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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.....	5,405,497
Total Airport Landing Weight (1,000 lbs).....	8,194,081
Number of Scheduled Aircraft Departures per day (Average at Hopkins).....	342
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.....	1,656,024
Daily Average Pumpage-Gallon.....	251,300,000
Greatest Pumpage for a Single Day... (July 3, 2002).....	395,000,000
Maximum-Filtration Plant Capacity.....	529,000,000
Maximum-Intake Capacity per day.....	740,000,000
Number of Miles of Watermains Owned by City.....	1,600
Number of Miles of Watermains Owned by Suburb.....	3,600
Population Served.....	1,500,000

### FIRE DEPARTMENT

Number of Stations.....	26
Number of Employees (uniformed).....	996

### POLICE DEPARTMENT

Number of Districts.....	6
Number of Employees (uniformed).....	1,876

### BUILDINGS

Permits Issued.....	10,427
Estimated Cost of Construction.....	\$382,584,866
Inspections under Ohio Basic Building Code.....	54,548

### PARKS AND RECREATION

Number of Parks (district, neighborhood, and urban).....	145
Number of Ball Diamonds (at 73 sites).....	142
Total Playgrounds.....	111
Recreation Centers.....	18
Pools:	
Indoor.....	17
Outdoor.....	23
Aquatic Play Areas.....	4
Golf Courses (2-18 hole courses at each).....	2
Ice Rink.....	1
Roller Rink (indoor).....	1
Tennis Courts (at 32 sites).....	136
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).....	1,414

# CITY OF CLEVELAND, OHIO

## SCHEDULE OF STATISTICS-GENERAL FUND

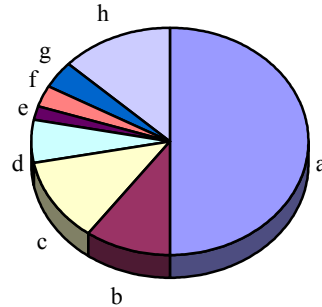
For The Year Ended December 31, 2002

### OPERATING RATIOS: GENERAL FUND-BUDGET BASIS

#### REVENUE DOLLAR BY SOURCE

Where the money came from

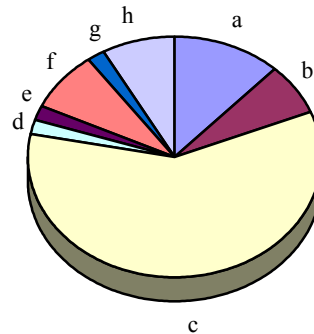
a. Income taxes	\$0.50
b. Property taxes	0.10
c. State local government fund	0.12
d. Other shared revenues	0.06
e. Licenses and permits	0.02
f. Charges for services	0.03
g. Fines and forfeits	0.04
h. Miscellaneous	0.13
	\$1.00



#### EXPENDITURE DOLLAR BY FUNCTION

Where the money was spent

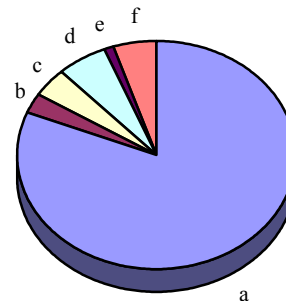
a. General government	\$0.12
b. Public service	0.07
c. Public safety	0.59
d. Public health	0.02
e. Parks, recreation and properties	0.02
f. Community development	0.08
g. Other	0.02
h. Operating transfers out	0.08
	\$ 1.00



#### EXPENDITURE DOLLAR BY OBJECT

What the money was spent on

a. Salaries, wages, and related benefits	\$0.81
b. Interdepartmental charges	0.03
c. Utilities	0.04
d. Contractual services	0.06
e. Materials and supplies	0.01
f. Operating transfers out	0.05
	\$1.00



# SPECIAL THANKS TO:

The Division of Financial Reporting and Control

---

## **Accounting and Administrative**

Celina Chaves  
Greg Cordek  
Dave Crowley  
Angela Holmes  
Michael Klein  
Antoine Pink

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

## **Technical and Data Processing**

Faranak Arab  
Kay Cebron  
Penny Gearo  
John McClellan

Sharon Muchewicz  
Sigrid Truxel  
John Winnicki

## **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

James E. Gentile, CPA  
City Controller  
Department of Finance  
Room 18 – City Hall  
Cleveland, Ohio 44114  
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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  
SEPTEMBER 2, 2003**