

CITY OF CLEVELAND, OHIO



**DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER**

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

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

PricewaterhouseCoopers LLP

July 27, 2000

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
BALANCE SHEETS
December 31, 1999 and 1998

	<i>(in thousands of dollars)</i>	
	December 31,	
	1999	1998
ASSETS		
PROPERTY, PLANT AND EQUIPMENT		
Land	\$ 5,279	\$ 5,279
Land improvements	12,132	13,363
Utility plant in service	785,386	656,059
Buildings, structures and improvements	172,992	140,898
Furniture, fixtures and equipment	61,969	55,670
	1,037,758	871,269
Less: accumulated depreciation	262,016	249,804
	775,742	621,465
Construction in progress	43,531	167,558
PROPERTY, PLANT AND EQUIPMENT, NET	819,273	789,023
RESTRICTED ASSETS		
Cash and cash equivalents	236,723	272,754
Investments at market	74,286	69,752
Accrued interest receivable	1,439	1,601
TOTAL RESTRICTED ASSETS	312,448	344,107
UNAMORTIZED BOND ISSUANCE EXPENSE	6,220	6,718
CURRENT ASSETS		
Cash and cash equivalents	23,290	52,136
Investments at market	122,339	51,095
Accounts receivable-net of allowance for doubtful accounts of \$1,011 in 1999 and \$1,147 in 1998	13,894	17,059
Unbilled revenue	21,251	19,516
Due from other City of Cleveland departments, divisions or funds	3,722	3,073
Accrued interest receivable	1,679	803
Materials and supplies-at average cost, net of allowance for obsolescence of \$606 in 1999 and \$616 in 1998	4,020	4,110
Prepaid expenses	196	425
TOTAL CURRENT ASSETS	190,391	148,217
TOTAL ASSETS	\$ 1,328,332	\$ 1,288,065

		<i>(in thousands of dollars)</i>	
		December 31,	
		1999	1998
EQUITY AND LIABILITIES			
EQUITY			
Contributions in aid of construction		\$ 2,407	\$ 2,407
Retained earnings		585,033	524,804
TOTAL EQUITY		<u>587,440</u>	<u>527,211</u>
LIABILITIES			
LONG TERM DEBT-excluding amounts due within one year:		677,400	693,402
PAYABLE FROM RESTRICTED ASSETS		8,394	10,794
CURRENT LIABILITIES			
Current portion of long-term debt		18,567	17,456
Accounts payable		1,712	2,252
Due to other City of Cleveland departments, divisions or funds		4,101	3,402
Accrued expenses		304	625
Accrued interest payable		19,700	18,866
Accrued wages and benefits		8,218	12,184
Customer deposits and other liabilities		2,496	1,873
TOTAL CURRENT LIABILITIES		<u>55,098</u>	<u>56,658</u>
TOTAL LIABILITIES		<u>740,892</u>	<u>760,854</u>
TOTAL EQUITY AND LIABILITIES		<u>\$ 1,328,332</u>	<u>\$ 1,288,065</u>

See notes to financial statements.

(THIS PAGE INTENTIONALLY LEFT BLANK)

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENTS OF INCOME AND RETAINED EARNINGS
For the Years Ended December 31, 1999 and 1998

	<i>(in thousands of dollars)</i>	
	For the	
	Years Ended December 31,	
	1999	1998
OPERATING REVENUES	\$ 204,839	\$ 192,628
OPERATING EXPENSES		
Operations	80,878	84,053
Maintenance	18,822	18,409
Depreciation	24,761	20,997
TOTAL OPERATING EXPENSES	<u>124,461</u>	<u>123,459</u>
OPERATING INCOME	80,378	69,169
OTHER INCOME (EXPENSE)		
State insurance refund	-	4,365
Interest income	8,938	11,393
Interest expense	(17,035)	(18,628)
Loss on disposal of property and equipment	(11,039)	(461)
Amortization of bond issuance expense and discount	(1,013)	(1,102)
TOTAL OTHER EXPENSE, NET	<u>(20,149)</u>	<u>(4,433)</u>
NET INCOME	60,229	64,736
RETAINED EARNINGS, beginning of year	524,804	460,068
RETAINED EARNINGS, end of year	<u>\$ 585,033</u>	<u>\$ 524,804</u>

See notes to financial statements.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 1999 and 1998

	<i>(in thousands of dollars)</i>	
	For the	
	Years Ended December 31,	
	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 206,271	\$ 192,678
Cash payments to suppliers for goods or services	(45,656)	(44,923)
Cash payments to employees for services	(58,504)	(62,131)
Cash receipts from customers deposits, net	623	251
NET CASH PROVIDED BY OPERATING ACTIVITIES	102,734	85,875
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State insurance refund	-	4,365
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(54,839)	(77,450)
Proceeds from bond issue	-	302,375
Cash paid to escrow agent for refunding	-	(202,372)
Principal paid on long-term debt	(17,457)	(14,243)
Interest paid on long-term debt	(38,621)	(35,553)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(110,917)	(27,243)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investment securities	(210,311)	(203,799)
Proceeds from sale and maturity of investment securities	134,533	263,387
Interest received on investments	19,084	24,890
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(56,694)	84,478
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(64,877)	147,475
Cash and cash equivalents, beginning of year	324,890	177,415
Cash and cash equivalents, end of year	\$ 260,013	\$ 324,890

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

**RECONCILIATION OF OPERATING INCOME TO
 NET CASH PROVIDED BY OPERATING ACTIVITIES:**

OPERATING INCOME	\$	80,378	\$	69,169
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation		24,761		20,997
Change in assets and liabilities:				
Accounts receivable, net		3,165		(4,003)
Unbilled revenue		(1,735)		(1,133)
Due from other City of Cleveland departments, divisions or funds		(649)		(417)
Materials and supplies, net		90		(342)
Prepaid expenses		229		84
Accounts payable		(540)		122
Due to other City of Cleveland departments, divisions or funds		699		555
Accrued expenses		(321)		(25)
Accrued wages and benefits		(3,966)		617
Customer deposits and other liabilities		623		251
TOTAL ADJUSTMENTS		<u>22,356</u>		<u>16,706</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	102,734	\$	85,875

See notes to financial statements.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Water ("Division") is reported as an enterprise fund of the City of Cleveland's Department of Public Utilities and is a part of the City of Cleveland's ("City") primary government. The Division was created for the purpose of supplying water services to customers within the Cleveland metropolitan area. The following is a summary of the more significant accounting policies.

Revenues: Revenues are derived primarily from sales of water to residential, commercial and industrial customers based upon actual water consumption. Water rates are authorized by City Council and billings are made on a cycle basis. Estimates for services between the ends of the various cycles and the end of the year are recorded as unbilled revenue.

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

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased and include certificates of deposit, U.S. Treasury bills, Star Ohio (See Note I) and repurchase agreements. The City's policy is to enter into repurchase agreements with local commercial banks and to obtain confirmation of securities pledged.

Investments: Effective January 1, 1998, the Division adopted the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools," which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred.

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

Property, Plant and Equipment: Property, plant and equipment is stated on the basis of cost. Maintenance and repair costs are charged to expense as incurred. Depreciation is provided on the straight-line method at rates designed to amortize the cost of depreciable assets over their estimated useful lives which range from 5 to 100 years.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
NOTES TO FINANCIAL STATEMENTS-Continued
December 31, 1999 and 1998

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

The Division's policy is to capitalize interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of the assets and is depreciated on the straight-line basis over the estimated useful lives of such assets. The Division 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 Mortgage Revenue Bonds. This statement requires capitalization of interest cost of the eligible borrowings less interest earned on investment of the related bond proceeds from the date of borrowing until the assets constructed from the bond proceeds are ready for their intended use.

For 1999 and 1998, total interest expense incurred amounted to \$41,506,000 and \$37,434,000, respectively, which was reduced by \$24,471,000 and \$18,806,000, respectively, of interest expense capitalized. For 1999 and 1998, total interest income earned amounted to \$19,798,000 and \$24,242,000, respectively, which was reduced by \$10,860,000 and \$12,849,000, respectively, of interest income capitalized.

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

Contributions in Aid of Construction: Contributions in aid of construction represent federal grants which are not subject to repayment.

Reclassifications: Certain reclassifications have been made to the 1998 amounts to conform to the 1999 presentation.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
NOTES TO FINANCIAL STATEMENTS-Continued
December 31, 1999 and 1998

NOTE B—LONG-TERM DEBT

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

	Interest Rate	Outstanding Principal Amount	
		1999	1998
<i>(in thousands of dollars)</i>			
Water Mortgage Revenue Bonds:			
Series A, 1977, due through 2008	6.13%	\$ 12,905	\$ 12,905
Series D, 1986, due through 2015	5.00-7.00	15,350	18,960
Series F, 1992, due through 2016	5.50-6.25	88,480	92,445
Series G, 1993, due through 2021	4.60-5.50	212,475	216,260
Series H, 1996, due through 2026	4.20-5.75	96,540	102,360
Series I, 1998, due through 2028	4.00-5.25	305,650	305,650
 Ohio Water Development Authority Loan, payable semi-annually through 2000	 9.47	 302	 579
		731,702	749,159
Less:			
Unamortized loss on debt refunding		(30,475)	(32,526)
Unamortized discount		(5,260)	(5,775)
Current portion		(18,567)	(17,456)
		\$ 677,400	\$ 693,402

Minimum principal and interest payments on long-term debt for the next five years are as follows:

	Principal	Interest	Total
<i>(in thousands of dollars)</i>			
2000	\$ 18,567	\$ 38,993	\$ 57,560
2001	20,605	37,984	58,589
2002	21,910	36,840	58,750
2003	23,310	35,592	58,902
2004	24,600	34,258	58,858
Thereafter	622,710	322,902	945,612
	\$ 731,702	\$ 506,569	\$1,238,271

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
NOTES TO FINANCIAL STATEMENTS-Continued
December 31, 1999 and 1998

NOTE B—LONG-TERM DEBT—Continued

Defeasance of Mortgage Revenue Bonds: In prior years, the Division defeased certain Mortgage Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Division's financial statements. The aggregate amount of defeased debt outstanding at December 31, 1999 is as follows:

<u>Bond Issue</u>	<u>Amount</u>
	<i>(in thousands of dollars)</i>
Series F, 1992	\$183,140
Series H, 1996	\$102,340

Mortgage revenue bonds are payable from the revenues derived from operations of the waterworks system, after the payment of all operating and maintenance expenses (net revenues). The bonds are collateralized by a pledge of and lien on such net revenues plus a first mortgage lien upon all property of the waterworks system, including any improvements, additions, replacements and extensions thereto.

The Division's indentures have certain restrictive covenants and principally require that bond reserve funds be maintained and charges for fees 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.

The indenture requires that at all times the Division will charge rates and fees for the products and services of the waterworks system, so that revenues will be at least sufficient to provide funds for the payment in each year of the necessary operating and maintenance expenses of the waterworks system and the greater of (1) an amount equal to 1.25 times the payments of principal, premium, if any, and interest on the revenue bonds then outstanding due in that year or (2) an amount sufficient to maintain the required balances in all funds and accounts created under the mortgage. As of December 31, 1999 the Division was in compliance with the terms and requirements of the bond indenture.

The indenture establishes the following fund accounts for the application of revenues:

Revenue Fund: All revenues will be deposited into this fund and will be used for payment of current operating expenses and deposits into other funds. On the 25th day of each month, an amount equal to one-sixth of the operating expenses, before depreciation, for the preceding fiscal year must be maintained in this fund.

Debt Service Fund: Deposits will be made from the revenue fund to cover succeeding principal and interest payments as they become due on the mortgage revenue bonds.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
NOTES TO FINANCIAL STATEMENTS-Continued
December 31, 1999 and 1998

NOTE B—LONG-TERM DEBT—Continued

Debt Service Reserve Fund: Deposits will be made to this fund if the amount in the debt service fund at any time is less than the debt service reserve requirement. Amounts in the fund were deposited from the proceeds of the mortgage revenue bonds and represent the maximum annual debt service requirement of these bonds.

Contingency Fund: The balance in this fund must be maintained at \$3,500,000.

Construction Fund: Proceeds from the mortgage revenue bonds were deposited into this fund to be used, along with earnings from investments of amounts held therein, for the payment of capital costs. As of December 31, 1999 and 1998, the Division had \$168,729,000 and \$55,996,000 of outstanding commitments for future construction costs which will be funded by available bond proceeds and operating revenues. Capital costs include all costs of additions, extensions, renewals, replacements, alterations, betterments and any other capital improvements to the waterworks system. Amounts held in this fund are subject to a lien in favor of bondholders and may be used to pay principal of outstanding mortgage revenue bonds to the extent that amounts in all other funds are insufficient. No payment need be made into a fund if the amounts in such fund are equal to the required fund balance, if any.

Amounts held in any fund may be invested by the City Treasurer or the Trustee in permitted investments, however, the use of funds is limited by the bond indenture and, accordingly, are classified as restricted assets in the accompanying financial statements.

NOTE C—EMPLOYEES' RETIREMENT PLAN

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

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

The funding policy for the above plan is as follows: The Ohio Revised Code provides statutory authority for employee and employer contributions. During 1999, PERS employees contributed 8.5% of their salary to the plan and the Division contributed 13.55% of covered payrolls to the plan, of which 4.2% was applied towards the health care program for retirants. The required employer contributions to PERS for the years ending December 31, 1999 and 1998 were \$5,851,000 and \$6,001,000, respectively, equal to 100% of the required employer contributions for each year.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
NOTES TO FINANCIAL STATEMENTS-Continued
December 31, 1999 and 1998

NOTE D—OTHER POST EMPLOYMENT BENEFITS

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

PERS provides post-retirement health care coverage to service retirees with 10 years or more of qualifying Ohio service credit. The post-retirement health care benefits cover disability recipients and primary survivor recipients. Post-retirement health care coverage is funded by a portion of the Division's contribution to PERS. During 1999, the Division's portion that was used to fund health care was 4.2% of covered payroll. Post-retirement health care benefits are established by state statute.

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

NOTE E—DEFERRED COMPENSATION

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

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

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
NOTES TO FINANCIAL STATEMENTS-Continued
December 31, 1999 and 1998

NOTE F—CONTINGENT LIABILITIES

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

NOTE G—RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides water services to the City of Cleveland, including its various departments and divisions. Standard consumption rates are charged, except for the Division of Fire, public buildings and certain other facilities owned by the City of Cleveland, which by ordinance, are provided free water services.

The Division performs billing and collection services for the Division of Water Pollution Control for a fee. This fee is based on the number of billings made on behalf of that division during the year at the same rates as charged to other users of the billing system. Revenue realized from the Division of Water Pollution Control for such services was approximately \$2,202,000 and \$2,151,000 in 1999 and 1998, respectively. The Division also provides miscellaneous services to other departments and divisions of the City. Revenue realized from such services was approximately \$2,307,000 and \$3,458,000 in 1999 and 1998, respectively.

Operating Expenses: The Division is provided various intra-city services. Charges are based on actual use or on a reasonable pro rata basis. The more significant costs for the years ended December 31 were as follows:

	1999	1998
	<i>(in thousands of dollars)</i>	
Electricity purchases	\$12,091	\$12,645
Street construction and maintenance	818	618
City administration	1,544	1,427
Motor vehicle maintenance	1,854	2,325
Telephone exchange	343	396
Utilities Administration and Fiscal Control	1,124	1,498

NOTE H—CUYAHOGA COUNTY REAL PROPERTY TAXES

The Division is required by ordinance to keep records of the estimated property taxes which would be payable to Cuyahoga County were it subject to such taxes. The estimated property taxes for the Division, based on book value of real estate at the current tax rates, would have been approximately \$3,748,000 and \$2,830,000 for the years ended December 31, 1999 and 1998, respectively.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
NOTES TO FINANCIAL STATEMENTS-Continued
December 31, 1999 and 1998

NOTE I—DEPOSITS AND INVESTMENTS

Deposits: The Division's carrying amount of deposits at year-end totaled \$8,918,000. The Division's bank balance was \$57,039,000. Based on the criteria described in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements," \$221,000 of this amount was insured or collateralized with securities held by the City or by its agent in the City's name, and \$55,789,000 invested in Bank Investment Contracts secured by repurchase agreements of government securities held as collateral by the City's trustee in the name of the trustee. The remaining balance of \$1,029,000 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: GASB Statement No. 3 requires the Division to categorize its investments into one of three categories: Category 1 includes Insured or Registered, or Securities Held by the City or its Agent in the City's Name; Category 2 includes Uninsured and Unregistered, with Securities Held by the Counterparty's Trust Department or Agent in the City's Name; 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 Division's investments at December 31, 1999 are as follows:

<u>Type of Investment</u>	<u>Category</u>	<u>Market Value</u>	<u>Cost</u>
		<i>(in thousands of dollars)</i>	
U.S. Agency Securities	1	\$ 139,791	\$ 140,878
U.S. Government Bonds	2	13,139	12,899
U.S. Government T-Bills	2	6,695	6,691
Repurchase Agreements	3	38,586	38,586
State Treasurer Asset			
Reserve fund (Star Ohio)	n/a	27,727	27,727
Investment in Mutual Funds	n/a	26,242	26,242
Guaranteed Investment Contract	n/a	195,540	195,540
Total Investments		447,720	448,563
Total Deposits		8,918	8,918
Total Deposits and Investments		\$ 456,638	\$ 457,481

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

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