

**CITY OF CLEVELAND  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



CITY OF CLEVELAND  
CUYAHOGA COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Schedule of Federal Awards Expenditures .....	1
Notes to the Schedule of Federal Awards Expenditures .....	6
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	7
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i> .....	9
Schedule of Findings and Questioned Cost .....	11

**This page intentionally left blank.**

CITY OF CLEVELAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2001

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
<b>Department of Agriculture</b>			
Direct Programs:			
Summer Food Service Program for Children 1999	10.559	-	\$ 106
Summer Food Service Program for Children 2001	10.559	-	158,127
		<b>Total Department of agriculture</b>	<u>\$ 158,233</u>
<b>Department of Energy</b>			
Pass Through Programs:			
Ohio Department of Development:			
Weatherization Assistance for Low-Income Persons 1997	81.042	D-97-111	\$ (110)
Weatherization Assistance for Low-Income Persons 1997	81.042	D-97-111	110
Weatherization Assistance for Low-Income Persons 1999	81.042	D-99-111	8,164
Weatherization Assistance for Low-Income Persons 2000	81.042	D-00-111	164,846
Weatherization Assistance for Low-Income Persons 2001	81.042	D-01-111	199,117
		<b>Subtotal</b>	<u>372,127</u>
State Weatherization Grant-Stripper 1999	81.XXX	S-99-111	12,746
State Weatherization Grant-Stripper 2000	81.XXX	S-00-111	246,257
		<b>Subtotal</b>	<u>259,003</u>
		<b>Total Department of Energy</b>	<u>\$ 631,130</u>
<b>Department of Health and Human Services</b>			
Direct Programs:			
Healthy Start Initiative I	93.926	-	\$ (27,773)
Healthy Start Initiative Yr2	93.926	-	(190)
Healthy Start Initiative PhII/YrIII	93.926	-	17,834
Healthy Start Initiative PhII/Yr4	93.926	-	1,291,826
Healthy Start Initiative PhIII/YrI	93.926	-	622,365
		<b>Subtotal</b>	<u>1,904,062</u>
Pass Through Programs:			
Federation for Community Planning:			
Immunization Grants 2000	93.268	-	13,816
Immunization Grants 2001	93.268	-	75,312
		<b>Subtotal</b>	<u>89,128</u>
Ohio Department of Aging:			
Grants for Supportive Services and Senior Centers 1999	93.044	-	281
Grants for Supportive Services and Senior Centers 2001	93.044	-	115,651
		<b>Subtotal</b>	<u>115,932</u>
Cuyahoga County Board of Health:			
Preventive Health and Health Services Block Grant 2000	93.991	139-N-00	1,372
		<b>Subtotal</b>	<u>1,372</u>
Ohio Department of Health:			
Childhood Lead Poisoning Prevention 1998-1999	93.197	139-U-99	115
Childhood Lead Poisoning Prevention 1999-2000	93.197	18-2-01-F-BD	617
Childhood Lead Poisoning Prevention 2000-2001	93.197	18-2-01-F-BD	171,970
Childhood Lead Poisoning Prevention 2002	93.197	18-2-01-1-BD-02	189,727
		<b>Subtotal</b>	<u>362,429</u>
Sexually Transmitted Diseases Program 2000	93.997	18-2-01-P-BX-392	(2,714)
Sexually Transmitted Diseases Program 2001	93.997	18-2-01-P-BX-02	46,890
Sexually Transmitted Diseases Diagnosis & Treatment	93.997		18,564
		<b>Subtotal</b>	<u>62,740</u>

The accompanying notes are an integral part of this schedule

**CITY OF CLEVELAND**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended December 31, 2001**

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
<b>Department of Health and Human Services--Continued</b>			
Ohio Department of Health:			
Maternal and Child Health Services Block Grant Yr2	93.994	18-2-001-1-DM-01	(4,126)
Maternal and Child Health Services Block Grant 2001	93.994	18-2-001-1-DM-01	64,791
Maternal and Child Health Services Block Grant 2000	93.994	18-2-01-F-BE-320	5,300
Maternal and Child Health Services Block Grant 2001	93.994	18-2-001-1-BE-01	67,856
Maternal and Child Health Services Block Grant 01-02	93.994	18-2-001-1-BE-02	22,197
		<b>Subtotal</b>	<u>156,018</u>
Ohio Department of Alcohol and Drug Addiction Services:			
Centerpoint/Reward 2000	93.992	-	23
Centerpoint/Reward 2001	93.992	-	128,776
Centerpoint/Reward 2002	93.992	-	124,843
Drug Management 2001	93.992	-	16,617
Drug Management 2002	93.992	-	26,339
Focus Continuation 1998-99	93.992	-	17
Student Assistance 2001	93.992	-	33,391
Student Assistance 2002	93.992	-	40,042
		<b>Subtotal</b>	<u>370,048</u>
Ohio Department of Development:			
HIV Prevention Activities: Health Department Based 1997	93.940	139-Z	(2,208)
HIV Prevention Activities: Health Department Based 1999	93.940	18-2-01-P-AS-392	122,981
HIV Prevention Activities: Health Department Based 2001	93.940	18-2-001-2-AS-02	847,264
		<b>Subtotal</b>	<u>968,037</u>
Low-Income Home Energy Assistance 1997	93.568	H-97-111	493
Low-Income Home Energy Assistance 1998	93.568	H-98-111	(491)
Low-Income Home Energy Assistance 1999	93.568	H-99-111	8,384
Low-Income Home Energy Assistance 2000	93.568	H-00-111	464,091
Low-Income Home Energy Assistance 2001	93.568	H-01-111	1,295,512
		<b>Subtotal</b>	<u>1,767,989</u>
Ohio Department of Health:			
Human Immunodeficiency Virus (HIV) 2002	93.944	18-2-001-1-DM-02	5,079
		<b>Subtotal</b>	<u>5,079</u>
Supplemental Empowerment Zone - Title XX	93.585	G-98-01-244	115,266
		<b>Subtotal</b>	<u>115,266</u>
		<b>Total Department of Health and Human Services</b>	<u>\$ 5,918,100</u>
<b>Department of Housing &amp; Urban Development</b>			
Direct Programs:			
Community Development Block Grants:			
CDBG XX	14.218	-	\$ 6,744
CDBG XXI	14.218	-	1,043,186
CDBG XXII	14.218	-	99,029
CDBG XXIII	14.218	-	1,406,740
CDBG XXIV	14.218	-	1,864,013
CDBG XXV	14.218	-	3,263,532
CDBG XXVI	14.218	-	16,535,494
CDBG Yr 27	14.218	-	9,506,065
CDBG Float Loan	14.218	-	6,683,593
CDBG - Home Ownership Zone - Sec 108LN	14.218	-	1,808,636
CDBG - Supplemental Empowerment Zone	14.218	-	6,993,035
		<b>Subtotal</b>	<u>49,210,067</u>

*The accompanying notes are an integral part of this schedule*

**CITY OF CLEVELAND**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended December 31, 2001

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
<b>Department of Housing &amp; Urban Development--Continued</b>			
Direct Programs:			
Community Development Block Grants:			
Multifamily Property Disposition	14.199	-	10,440,341
		<b>Subtotal</b>	<u>10,440,341</u>
HOME Investment Partnerships Program 1992	14.239	-	513,722
HOME Investment Partnerships Program 1993	14.239	-	100,709
HOME Investment Partnerships Program 1997	14.239	-	148,027
HOME Investment Partnerships Program 1998	14.239	-	1,295,950
HOME Investment Partnerships Program 1999	14.239	-	926,562
HOME Investment Partnerships Program 2000	14.239	-	2,139,945
HOME Investment Partnerships Program 2001	14.239	-	1,618,000
		<b>Subtotal</b>	<u>6,742,915</u>
Emergency Shelter Grants Program 1997	14.231	-	27,294
Emergency Shelter Grants Program 1998	14.231	-	156,687
Emergency Shelter Grants Program 1999	14.231	-	98,473
Emergency Shelter Grants Program 2000	14.231	-	957,816
		<b>Subtotal</b>	<u>1,240,270</u>
Housing Opportunities for Persons With Aids 1998	14.241	-	67,912
Housing Opportunities for Persons With Aids 1999	14.241	-	331,121
Housing Opportunities for Persons With Aids 2000	14.241	-	436,833
		<b>Subtotal</b>	<u>835,866</u>
Lead - Based Paint Hazard Control in Privately - Owned Housing	14.900	-	(1,361)
Lead - Based Paint Hazard Control in Privately - Owned Housing 2001	14.900	-	797,602
		<b>Subtotal</b>	<u>796,241</u>
Community Development Block Grants:			
Empowerment Zones Program	14.244	-	5,047,548
		<b>Subtotal</b>	<u>5,047,548</u>
<b>Total Department of Housing and Urban Development</b>			<u><u>\$ 74,313,248</u></u>
<b>Department of Justice</b>			
Direct Programs:			
Public Safety Partnership and Community Policing Grants	16.710	-	\$ 20,666
Public Safety Partnership and Community Policing Grants	16.710	-	5,054,335
		<b>Subtotal</b>	<u>5,075,001</u>
Local Law Enforcement Block Grants Program 98	16.592	-	(5,667)
Local Law Enforcement Block Grants Program 99	16.592	-	463,500
Local Law Enforcement Block Grants Program 00	16.592	-	213,464
		<b>Subtotal</b>	<u>671,297</u>
Pass Through Program:			
Office of Criminal Justice Services:			
Byrne Formula Grant Program 2000	16.579	00-DG-A01-7424	29,645
Byrne Formula Grant Program 2001	16.579	01-DG-A01-7424	67,729
		<b>Subtotal</b>	<u>97,374</u>
Violence Against Women Formula Grants 1999	16.588	98-WF-VA2-8670	2,416
Violence Against Women Formula Grants 2001	16.588	00-WF-VA2-8670	23,129
		<b>Subtotal</b>	<u>25,545</u>
Juvenile Accountability Incentive Block Grants	16.523	98-JB-013-A006	103,344
Juvenile Accountability Incentive Block Grants 2000	16.523	00-JB-002-A006	77,700
		<b>Subtotal</b>	<u>181,044</u>
<b>Total Department of Justice</b>			<u><u>\$ 6,050,261</u></u>

*The accompanying notes are an integral part of this schedule*

**CITY OF CLEVELAND**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended December 31, 2001

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
<b>Department of Treasury</b>			
Direct Programs:			
G.R.E.A.T. 1999	21.053	99429046	46,893
G.R.E.A.T. 2000	21.053	ATC000066	36,596
G.R.E.A.T. 2001	21.053	ATC010045	43,326
		<b>Subtotal</b>	<u>126,815</u>
		<b>Total Department of Treasury</b>	<u><u>\$ 126,815</u></u>
<b>Department of Labor</b>			
Direct Programs:			
Urban/Rural Opportunities Grant	17.255	-	\$ 634,473
Youth Opportunity Area Grant	17.255	-	3,600,742
		<b>Subtotal</b>	<u>4,235,215</u>
Pass Through Programs:			
WIA 2000	17.255	-	6,858,032
WIA 2002	17.255	-	4,151,694
WIA Aging 2000-2001	17.255	-	5,006
WIA 2001- 2002	17.255	-	27,766
WIA SHARED COSTS/INTERDEPT CHG	17.255	-	1,528,826
		<b>Subtotal</b>	<u>12,571,324</u>
Pass Through Programs:			
Ohio Bureau Of Employment Services:			
JTPA- Title II-A 77% PY '97	17.250	0-97-20-00-01	(1,949)
JTPA- '98 Administrative Cost Pool	17.250	-	(7,152)
JTPA- Title IV Quantum Opportunities	17.250	F5485-5-00-80-60	28,814
JTPA- '99 Administrative Cost Pool	17.250	-	39,189
		<b>Subtotal</b>	<u>58,902</u>
Temporary Assistance for Needy Families 2000	93.558	-	516,276
		<b>Subtotal</b>	<u>516,276</u>
		<b>Total Department of Labor</b>	<u><u>\$ 17,381,717</u></u>
<b>Department of Transportation</b>			
Direct Programs:			
Federal Aviation Administration:			
AIP Entitlement Grant 1999	20.106	-	\$ 331,734
AIP 53 Sound Insulation	20.106	-	5,452,499
AIP 54 Sound Insulation	20.106	-	242,190
AIP Sound Insulation	20.106	-	357,504
AIP FY01 LOI Award	20.106	-	24,315,378
		<b>Subtotal</b>	<u>30,699,305</u>
Ohio Department of Development:			
Highway Planning and Construction	20.205	-	175,618
		<b>Subtotal</b>	<u>175,618</u>
		<b>Total Department of Transportation</b>	<u><u>\$ 30,874,923</u></u>

*The accompanying notes are an integral part of this schedule*



**CITY OF CLEVELAND**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended December 31, 2001

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
<b>Environmental Protection Agency</b>			
Direct Programs:			
Air Pollution Control Program Support 1998	66.001	-	\$ 42
Air Pollution Control Program Support 2000	66.001	-	4,451
Air Pollution Control Program Support 2000	66.001	-	240
Air Pollution Control Program Support 2001	66.001	-	922,332
Air Pollution Control Program Support 2001	66.001	-	32,596
Air Pollution Control Program Support 2001	66.001	-	15,137
Air Pollution Control Program Support 2002	66.001	-	907,729
Air Pollution Control Program Support 2002	66.001	-	25,254
Air Pollution Control Program Support 2002	66.001	-	2,173
Air Pollution Control Program Support 2001	66.001	-	42,609
		<b>Subtotal</b>	<u>1,952,563</u>
Pass Through Programs:			
Ohio Environmental Protection Agency:			
Air Pollution Control Program Support 1999	66.001	-	20
		<b>Subtotal</b>	<u>20</u>
		<b>Total Environmental Protection Agency</b>	<u>\$ 1,952,583</u>
		<b>Grand Total</b>	<u>\$ 137,407,010</u>

*The accompanying notes are an integral part of this schedule*

**City of Cleveland  
Cuyahoga County**

**Notes to Schedule of Federal Awards Expenditures  
For The Year Ended December 31, 2001**

**Basis of Presentation:**

The accompanying Schedule of Federal Awards Expenditures includes the federal grant activity of the City of Cleveland (the "City") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Longwood Grant:**

The United States Department of Housing and Urban Development (HUD) made available an UpFront Grant to the City in connection with the demolition, rebuilding and redevelopment of the Longwood apartments.

The funding for the Plan is forecast to come from a variety of public and private sources, including, without limitation, tax-exempt bonds issued under Section 103 of the Internal Revenue Code of 1986, private sector equity derived from benefits associated with the low income housing tax credits, HUD section 221(d)(4) mortgage insurance, HUD UpFront Grant Program Funds, and City general obligation bond, public utility, Housing Trust Fund and NDA funds.

The UpFront Grant will be allocated and loaned to the Developer throughout the various phases of the project in accordance with a Promissory Note. Interest on this Note shall begin to accrue on April 1, 2006 at a fixed annual rate of 0.25% with this Note maturing on April 1, 2046.

The City used \$6,000,000 of the \$10,440,000 in grant funds to purchase a Bond through Cuyahoga County per the Grant agreement. The County transferred the bond proceeds to the Project Trustee. . The City expensed the \$6,000,000 after it purchased these Bonds. In addition, the City transferred directly \$4,440,000 to the bond trustee per the Grant agreement. The City is a party to the Trustee "Phase One Proceeds Disbursement Agreement" but once the monies are transferred to the trust account by the Issuer the City is no longer responsible for how these monies are disbursed by the Trustee to the Developer.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building  
615 Superior Avenue, NW.  
Twelfth Floor  
Cleveland, Ohio 44113-1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.us

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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 financial statements of the City of Cleveland, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2001, and have issued our report thereon dated August 16, 2002. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-20818-001 through 2001-20818-006. We also noted immaterial instances of noncompliance, which we have reported to management of the City in a separate letter dated August 16, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned cost as items 2001-20818-007 through 2001-20818-014.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2001-20818-007 and 2001-20818-008 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 16, 2002.

This report is intended for the information of the audit committee, management, City Council, federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

August 16, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

Lausche Building  
615 Superior Avenue, NW.  
Twelfth Floor  
Cleveland, Ohio 44113-1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.us

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

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:

**Compliance**

We have audited the compliance of the City of Cleveland, Cuyahoga County, Ohio, (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2001. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of law, regulations, contracts and grants applicable to its major federal programs are the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2001.

**Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned cost as items as 2001-20818-008, 2001-20818-009, 2001-20818-011, 2001-20818-012, and 2001-20818-015 through 2001-20818-019.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2001-20818-008 to be a material weakness. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 16, 2002.

#### **Schedule of Federal Awards Expenditures**

We have audited the general-purpose financial statements of the City as of and for the year ended December 31, 2001, and have issued our report thereon dated August 16, 2002. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended for the information of the audit committee, management, City Council, federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Jim Petro**  
Auditor of State

August 16, 2002

CITY OF CLEVELAND  
 CUYAHOGA COUNTY  
 DECEMBER 31, 2001

SCHEDULE OF FINDINGS AND QUESTIONED COST  
 OMB CIRCULAR A-133 § .505

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

A-133 §.505

(d)(1)(i)	<b>Type of Financial Statement Opinion</b>	Unqualified
(d)(1)(ii)	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
(d)(1)(ii)	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
(d)(1)(iii)	<b>Was there any reported non-compliance at the financial statement level (GAGAS)?</b>	Yes
(d)(1)(iv)	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	Yes
(d)(1)(iv)	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	Yes
(d)(1)(v)	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
(d)(1)(vi)	<b>Are there any reportable findings under Sec. .510?</b>	Yes
(d)(1)(vii)	<b>Major Programs (list)</b>	CDBG 14.218 Federal Home 14.239 Empowerment Zone 14.244 Airport Improvement 20.106 COPS 16.710 WIA 17.255 Multifamily Housing 14.199
(d)(1)(viii)	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$3,000,000 Type B: all others
(d)(1)(ix)	<b>Low Risk Auditee?</b>	No

CITY OF CLEVELAND  
CUYAHOGA COUNTY  
DECEMBER 31, 2001

SCHEDULE OF FINDINGS AND QUESTIONED COST  
OMB CIRCULAR A-133 § .505

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**MATERIAL CITATIONS**

Finding Number	2001-20818-001
----------------	----------------

**Budgetary Compliance - ORC 5705.41 (D)**

Ohio Rev. Code Section 5705.41 (D), provides that no subdivision or taxing authority shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

We compared order/invoice date to the date of the purchase order. In our disbursement test for non-payroll items we noted two (2) out of sixty (60) items tested (3.33%) where the certification was prepared after the purchase. We also noted in our contract test that seventeen (17) out of ninety (90) contracts tested (18.88%) had purchase order dates that were after the contract date. Furthermore, a "then and now" certificate was not issued.

This weakness allowed goods and services to be ordered and received without proper approval. Further, the City may allow goods or services to be ordered and received without having adequate monies and/or appropriations available to pay for the obligation.

We recommend the City prepare purchase orders certifying the availability of funds and encumbering the expenditure account prior to ordering of any goods and/or services.



**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
DECEMBER 31, 2001**

**SCHEDULE OF FINDINGS AND QUESTIONED COST  
OMB CIRCULAR A-133 § .505  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**MATERIAL CITATIONS (Continued)**

Finding Number	2001-20818-002
----------------	----------------

**Budgetary Compliance – ORC 5705.39**

Ohio Revised Code 5705.39, states that no appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The City failed to submit its temporary appropriation ordinance to the County for the 2001 calendar year and passed and filed the annual appropriation ordinance for the for the 2001 calendar year on March 30, 2001. Consequently, the City permitted appropriation measure for the 2001 calendar year to become effective without having the required County Auditor’s Certificate. From January 1, 2001 until March 31, 2001 the City expended \$121,425,292 (General Fund) against an appropriation measure that was not certified by the County. In addition a supplemental appropriation ordinance was passed in October 2001 which was not submitted to the County.

We recommend the City submit their appropriation measures to the County Auditor in a timely manner and obtain the required certificate before expending funds.

Finding Number	2001-20818-003
----------------	----------------

**Negative Cash Balances**

Ohio Revised Code 5705.10 provides that monies paid into any fund shall be used only for the purposes for which such fund was established.

The following funds had negative balances at December 31, 2001, indicating that money from one fund was used to cover the expenses of another fund and consequently that money paid into a fund was not used for the purposes for which the fund had been established.

<u>Fund Name</u>	<u>Cash Fund Balance – 12/31/01</u>
Community Development Block Grant Fund	(\$ 2,946,457)
Home Weatherization Grant	(\$ 566,878)
Air Pollution Control Grant	(\$ 61,433)
Supplemental Empowerment Zone Grant	(\$ 10,651,574)
Sinking Fund Administration	(\$ 24,215)
Grant Improvement Fund	(\$ 5,863,252)
Telephone Exchange Fund	(\$ 666,155)
Information System Services Fund	(\$ 309,853)
City Storeroom and Warehouse Fund	(\$ 68,830)
WIA Grants	(\$ 8,249,820)

The City does not utilize advances from the General Fund to cover the up-front costs associated with various reimbursements type grants.

This weakness could cause a loss of accountability over the financial activity of the City including cash disbursements, budgeting, and financial reporting. In addition, the negative fund balances could put a financial burden on the City if not adequately monitored and/or corrected on timely basis.

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
DECEMBER 31, 2001**

**SCHEDULE OF FINDINGS AND QUESTIONED COST  
OMB CIRCULAR A-133 § .505  
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**MATERIAL CITATIONS (Continued)**

Finding Number	2001-20818-003 (Continued)
----------------	----------------------------

We recommend the City generate reports and review fund balances on a monthly basis, at minimum, to determine if any negative balances exist. Further, we recommend the City advance monies from the General Fund to other funds, when they are required to expend monies, prior to receiving grant reimbursements.

Finding Number	2001-20818-004
----------------	----------------

**Expenditures Exceed Appropriations**

Ohio Revised Code Subsection 5705.41(B) prohibits a subdivision from spending money unless it has been properly appropriated. The following major object codes, within the noted funds or sub-funds, had expenditures plus encumbrances that exceeded appropriations at December 31, 2001, November 30, 2001 and October 31, 2001. These violations occurred at the legal level of budgetary control.

<u>FUND:</u>	<u>Description:</u>	<u>Type:</u>	<u>Appropriations</u>	<u>Expenditures/ Encumbrances</u>
<u>Testing of December 31, 2001</u>				
GENERAL FUND:				
	Community Development – Admin. Services	Other Expenditures	\$276,244	\$280,572
<u>Testing of November 30, 2001</u>				
GENERAL FUND:				
	Civil Service Div.	Other expenditures	\$575,520	\$576,226
	City Planning Commission	Other expenditures	\$47,565	\$52,150
	Office Budget and Management	Other expenditures	\$41,143	\$43,234
	Div Finance Admin	Other expenditures	\$33,360	\$33,837
	Div Treasury	Other expenditures	\$65,930	\$73,483
	Div Public Services Admin	Other expenditures	\$18,528	\$18,655
	Div-Emergency Medical Services	Other expenditures	\$1,087,840	\$1,151,530
	Div-Parks Recreation & Property Admin	Other expenditures	\$170,845	\$182,788
	Div-Research Plan & Develop	Other expenditures	\$76,301	\$76,354
	Div-Community Development Admin Serv.	Other expenditures	\$433,564	\$1,075,800
	Div-Building & Housing	Other expenditures	\$447,098	\$472,727
	Div-Economic Development	Other expenditures	\$47,359	\$47,441
ENTERPRISE FUNDS:				
	Division of Water	Personnel & Related Expend.	\$58,225,751	\$58,309,783
	Div-Convention Center	Personnel & Related Expend.	\$2,092,844	\$2,294,181
INTERNAL SERVICE FUNDS:				
	Telephone Exchange Fund	Other expenditures	\$4,141,931	\$4,150,959
	Div-City Storeroom & Warehouse	Other expenditures	\$715,705	\$732,977
<u>Testing of October 31, 2001</u>				
GENERAL FUND:				
	Division of Bureau of Internal Audit	Salaries and Benefits	\$526,962	\$532,842

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
DECEMBER 31, 2001**

**SCHEDULE OF FINDINGS AND QUESTIONED COST  
OMB CIRCULAR A-133 § .505  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**MATERIAL CITATIONS (Continued)**

Finding Number	2001-20818-004 (Continued)
----------------	----------------------------

Spending money that has not been appropriated can lead to substantial shortfalls in available revenues for other areas, leading to deficit spending. The spending of money without the proper approval undermines City Council's authority and ability to effectively monitor activities of the City and can cause fiscal problems in the long term, for the City as-a-whole.

We recommend each department or division, in addition to the division of finance, ensure it has proper authorization from City Council, in the form of appropriation measures, prior to encumbering or spending funds.

Finding Number	2001-20818-005
----------------	----------------

**Appropriations Exceeding Estimated Revenues**

Ohio Rev. Code Section 5705.39 prohibits a subdivision from making appropriations in excess of total estimated revenue.

The Telephone Exchange Fund (Internal Service Fund) had appropriations of \$5,656,888 that exceeded estimated resources of \$4,556,889 by \$1,099,999 at December 31, 2001; however, the actual expenditures were \$4,150,959.

This resulted in total appropriations exceeding the amended official estimate of resources. In addition, this could allow expenditures to exceed the total available fund balance plus current year revenues which would then result in a negative fund balance. Finally, this weakness results in a loss of accountability over the budgetary process and reduces the effectiveness of monitoring controls.

The City failed to adequately comply with the requirements. Control weaknesses in the budgetary monitoring controls, including timely report distribution, contributed to the above instances of non-compliance.

We recommend that the City review appropriations and estimated resources on a monthly basis and make the necessary revisions to the budget in order to comply with legal budgetary requirements.

Finding Number	2001-20818-006
----------------	----------------

**Estimated Revenue vs. Actual Revenue Appropriation**

Ohio Rev. Code Section 5705.36, permits subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. In addition, this section provides that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The following funds had estimated revenues that were greater than actual revenues at December 31, 2001 and the amount of the deficiency resulted in available resources being less than the current level of appropriation.

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
DECEMBER 31, 2001**

**SCHEDULE OF FINDINGS AND QUESTIONED COST  
OMB CIRCULAR A-133 § .505  
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**MATERIAL CITATIONS (Continued)**

Finding Number	2001-20818-006
----------------	----------------

<u>FUND/SUB-FUND</u>	<u>ESTIMATED</u>	<u>ACTUAL REVENUE</u>	<u>APPROPRIATIONS</u>	<u>DEFICIENCY</u>
	<u>RESOURCES</u>	<u>&amp; UNENCUMBERED</u>		
		<u>BALANCE</u>		
General Fund	\$493,721,678	\$491,126,272	\$493,718,316	\$(2,592,044)
SCMR	\$28,226,495	\$26,733,828	\$27,659,990	\$(926,162)
Utilities – Radio Commission	\$2,327,654	\$1,590,006	\$1,998,053	\$(408,047)
Airport General Operations	\$98,675,857	\$77,174,287	\$98,622,241	\$(21,447,954)
West Side Market	\$1,402,736	\$880,955	\$1,141,395	\$(260,440)
Telephone Exchange Fund	\$4,556,889	\$3,608,354	\$5,656,888	\$(2,048,534)
Information System Serv. Fund	\$2,552,381	\$1,569,854	\$2,547,538	\$(977,684)
Motor Vehicle Maintenance Fund	\$17,646,282	\$14,514,972	\$17,571,858	\$(3,056,886)
Storeroom and Warehouse Fund	\$781,066	\$673,817	\$776,063	\$(102,246)

This could allow actual expenditures to exceed the total of unencumbered beginning fund balance plus current year revenues which would then result in a negative fund balance. Further, this condition reduces accountability over the budgetary process. Careful monitoring of the budget would have disclosed the need for a reduction of estimated revenue and a corresponding reduction of appropriations.

We recommend the City compare actual revenues plus unencumbered fund balance to estimated resources, in all funds which are legally required to be budgeted, and make any necessary amendment(s) to the certificate of estimated resources to ensure compliance with the Ohio Revised Code, and to ensure that the City does not spend more money than it collects in any fund. The comparisons should be performed at least monthly.

**MATERIAL WEAKNESS**

Finding Number	2001-20818-007
----------------	----------------

**Implementation of GASB 34**

In June 1999, GASB issued Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments". This Statement establishes financial reporting standards, requiring that the City's basic financial statements and required supplementary information (RSI) consist of the following:

- Management's Discussion and Analysis - Providing management's analytical overview of the City's financial activities.
- Basic Financial Statements - The basic financial statements will consist of Government-wide financial statements, which will include a statement of net assets and a statement of activities, prepared on the economic resources measurement focus and the accrual basis of accounting. These statements will report all assets including significant infrastructure assets, liabilities, revenues, expenses, and gains and losses of the City. The basic financial statements also will consist of the more familiar fund financial statements, but they will focus on the City's "Major" funds as defined in the Statement.

CITY OF CLEVELAND  
CUYAHOGA COUNTY  
DECEMBER 31, 2001

SCHEDULE OF FINDINGS AND QUESTIONED COST  
OMB CIRCULAR A-133 § .505  
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**MATERIAL WEAKNESSES (Continued)**

Finding Number	2001-20818-007 (Continued)
----------------	----------------------------

- In addition, for the first the City will have to determine the cost of its infrastructure (roads, bridges, sidewalks, etc.). The identification and recording of these assets will require substantial planning and an extended period of time to implement.
- Required Supplementary Information - Budgetary comparison schedules and certain "modified approach" infrastructure information.

These accounting standards are effective for the City for the year ended December 31, 2002 financial statements. Inability to follow the required standards issued by GASB may result in a qualified or adverse opinion being issued on the financial statements and restricting the City from obtaining a "Certificate of Achievement for Excellence in Financial Reporting" as presented by the Government Finance Officers Association and have negative impact on the City's bond rating resulting in higher borrowing costs.

Although the City created a GASB 34 Task Force which met in December 2000, it is lagging behind in the process of developing a comprehensive GASB 34 implementation plan. The City needs to be in the position to have GASB 34 beginning fund balances as of January 1, 2002. We recommend that the City begin to review the new standards and develop a written implementation plan as soon as possible. The new standards will materially affect the preparation and presentation of the financial statements of the City and require a restatement to its beginning fund balances as of January 1, 2002.

Finding Number	2001-20818-008
----------------	----------------

**Proper Approval of Journal Entries**

The City has several employees generating miscellaneous and/ or manual journal entries that are recorded in the accounting system.

We noted that supervisory approval was not documented on 80% of the 60 items tested; appointing authority approval was not documented on 77% of the items tested; and date of entry was not documented on 67% of the items tested. Proper approvals on supporting documentation are critical to help ensure that only authorized journal entries are entered into the City's accounting system. Unrestricted access for employees to make unapproved journal entries to the accounting system is one method that can be used to cover fraudulent transactions.

We recommend that all journal entries be reviewed and approved by the appropriate City official prior to entry into the accounting system.

CITY OF CLEVELAND  
CUYAHOGA COUNTY  
DECEMBER 31, 2001

SCHEDULE OF FINDINGS AND QUESTIONED COST  
OMB CIRCULAR A-133 § .505  
(Continued)

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**REPORTABLE CONDITIONS**

Finding Number	2001-20818-009
----------------	----------------

**Cash and Investment Accounts**

A necessary step in internal control over financial reporting is to determine the accuracy of both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance appearing on the bank statements and the balance of cash according to the City's records. Cash reconciliations are performed by the cash department within Financial Reporting and Control which is made up of the Cash Management Supervisor and his two assistants.

The City's bank reconciliations included many reconciling items that should have been cleared by year end or items that should not be occurring. Demand checks, some of which were from the 2000 fiscal year, were not properly recorded in the accounting system, creating reconciling items for two accounts (111 and 116/451). Other accounts had reconciling items that were a year old, or contained cumulative differences between deposit and check amounts and the posted amounts, and items that were a result of errors or non postings associated with the accounts receivable and accounts payable modules within PeopleSoft. There were instances of checks being reissued with both the original check and the reissued check clearing the bank; however, the City did recover the money. Also, postings of transactions (with effective dates of 12/31/00) occurred in May and June of 2001.

The City's outstanding check listings for these accounts contain many checks from the 1999 and 2000 fiscal years, as follows:

- Account 111 - Main General Checking Account: For the 1999 year, there are 608 checks totaling \$165,133. For the 2000 year, there are 680 checks totaling \$363,656.
- Accounts 112 and 451 - Payroll Accounts: For the 1999 year, there are approximately 301 checks totaling \$80,442. For the 2000 year, there are 191 checks totaling \$79,066.
- Account 169 - Income Tax Refund Account: For the 1999 year, there are approximately 376 checks totaling \$36,378. For the 2000 year, there are 452 checks totaling \$264,069.

Timely reconciliations should be performed and accountability over checks written and checks identified as outstanding should be maintained to ensure accurate accounting records.

We recommend that checks that have been outstanding for greater than one year should be voided and cleared from the system. The monies should be placed in an agency fund. After five years, the monies can be returned to the City's general fund in accordance with unclaimed funds requirements. In addition, the City should address and resolve in a timely manner the types of items and the length of time the reconciling items remain on the individual account reconciliations in a timely manner. Having the types of reconciling items that exist can make it more difficult in identifying new reconciling items and compromises the controls designed to aid in the detection of errors and/or irregularities. Also, management may not be provided with timely fiscal information. The Controller should also review and approve/sign-off the proofs prepared by the Account Supervisor as well as address the issues which create reconciling items for several accounts.

CITY OF CLEVELAND  
CUYAHOGA COUNTY  
DECEMBER 31, 2001

SCHEDULE OF FINDINGS AND QUESTIONED COST  
OMB CIRCULAR A-133 § .505  
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**REPORTABLE CONDITIONS (Continued)**

Finding Number	2001-20818-010
----------------	----------------

**Wire Transfers**

Over the past several years, the City has encountered significant control failures with wire transfer activity. During our audit we noted the following:

*Approval of Vendor Wires*

Our test of sixty wire transfers to vendors disclosed three instances where the Director/ Tax Administrator approval was not documented, nine instances where the Commissioner of Accounts' approval was not documented, and eleven instances where the Treasurer's and Finance Director's approvals were not documented for Central Collection Agency payments.

Lack of proper review and approval for expenditures prior to disbursement may lead to misappropriation or unauthorized expenditures of public funds and/ or misstatement of amounts included in financial statements.

We recommend that appropriate levels of management review and verify the accuracy and appropriateness and approve all vendor wire payments prior to transfer of fund.

*Timely Posting of Wire Transfers*

Treasury Division records the wire transfers that are for investments on an Investment Journal Entry Form. The form is then forwarded to Financial Reporting and Control (FRC) to post the entries to the PeopleSoft system. We noted that investment wire transfers were not posted in a timely manner. Of the wire transfers tested, 48% were not posted into the system timely within 3 days.

Proper and timely posting provide a system of control and accountability that serves to prevent and/or detect errors or irregularities. The risk of undetected errors or irregularities increases when entries are not completed in a proper and timely manner.

We recommend that the Investment Journal Entry Forms be completed and sent to FRC on a daily basis. FRC should then enter the information into the system timely. The work should then be reviewed by the Cash Manager for accuracy before it is entered into the PeopleSoft system. Investment wire transfers should be posted within three business days from the day the bank transfer is made.

Finding Number	2001-20818-011
----------------	----------------

**PeopleSoft - Security Administration of the NT Server**

The PeopleSoft system operates on a Windows NT platform. Responsibility for the administration of the Windows NT platform, including the administration of access security, has been informally divided between the Division of Information Systems Services (ISS) and the Division of Financial Reporting and Control (FRC). ISS is responsible for hardware and operating system maintenance, and FRC is responsible for the creation of user accounts associated with the use of the PeopleSoft system. Staff have not received sufficient training to properly set up security on the system. Several significant security weaknesses were noted.

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
DECEMBER 31, 2001**

**SCHEDULE OF FINDINGS AND QUESTIONED COST  
OMB CIRCULAR A-133 § .505  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**REPORTABLE CONDITIONS (Continued)**

Finding Number	<i>2001-20818-011 (Continued)</i>
----------------	-----------------------------------

1. Twenty-one accounts used by FRC, ISS and consultant staff have system administration privileges. Accountability for system maintenance and security administration is lost when an excessive number of users have administrator privileges. Because these privileges provide the user with the ability to control the system and modify security parameters, they should be restricted to only a minimum number of users who require access. All others, including consultants, should only be provided the rights necessary to perform their job duties. If administrator access is required, it should be provided on an as needed basis and closely monitored.
  
2. Unauthorized users could gain access by repeatedly guessing passwords without detection. Passwords only have to be a minimum of three characters and are not changed. User accounts are not locked out of the system after a minimal number of unsuccessful password attempts. The auditing functions are only enabled for logon failures and not successful logon attempts and the audit log is not reviewed on a daily basis.

The responsibility for administering the NT server security should be clearly defined and the assigned staff should receive training in NT security and administration. In addition the City should enhance their NT security by enacting the following:

- Administrator privileges should be restricted to a few users.
- Passwords should be at least 6 characters.
- Unsuccessful logon attempts should be restricted to 3. Upon the third unsuccessful attempt the user account should be deactivated and require the user to request reactivation from the NT security administrator.
- Rules for auditing security events and the audit parameters should be enabled and procedures for review of security events should be also be implemented.

In addition, the internal audit staff should perform periodic reviews of NT security controls to ensure that they are in place and operational.

Finding Number	<i>2001-20818-012</i>
----------------	-----------------------

**Encumbrances**

Encumbrances represent commitments related to contracts not yet performed and are used to control expenditures for the year and to enhance cash management. The following instances were noted in our testing of the outstanding balances in encumbrances and pre-encumbrances:

**ENCUMBRANCES:**

- 26 out of 102 instances were noted where the purchase order or contract indicated an expiration date prior to 12/31/01.
- 10 out of 102 instances were noted where the purchase order or contract had no recent draw downs on the original purchase order and in most cases, the outstanding balance was for the original purchase order amount. These purchase orders were created during the period 7/31/97 thru 9/27/00.



**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
DECEMBER 31, 2001**

**SCHEDULE OF FINDINGS AND QUESTIONED COST  
OMB CIRCULAR A-133 § .505  
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**REPORTABLE CONDITIONS (Continued)**

Finding Number	2001-20818-012 (Continued)
----------------	----------------------------

- 9 out of 102 instances were noted where the purchase order had a notation made by the City as being a “conversion purchase order item” which indicated a FAMIS system purchase order. Again, many of the outstanding balances on these purchase orders were for the original amount and the nature of commitment identified on the purchase order would not reasonably span multiple years. These purchase orders were carried over to the current computer system, and are dated from 3/10/97 thru 8/29/00.
- 1 out of 102 instances was noted in which inquiry in the computer system revealed a message that the contract was rejected by law, thereby making it invalid.
- 15 out of the 102 purchase orders we requested, the City could not provide the original, signed purchase order. A copy of the purchase order was generated from the computer system for our review.
- 11 out of 102 instances were noted in which the City could not provide the documents we requested.
- 

**PRE-ENCUMBRANCES:**

- 2 out of 52 instances were noted in the Pre-Encumbrance system report in which two requisitions totaling \$445,000 had no supporting documentation available including an authorized requisition. These requisitions, identified with an alphabetical precursor of “AW “for “Al Walker”, City Treasurer were dated 12/31/97 and 12/31/98 and were listed in the Pre-Encumbrance system report with no draw-downs of the original requisition.
- 1 out of 52 instances was noted in the Pre-Encumbrance system report in which a two million dollar requisition dated 8/13/99 in the General Fund for Waste Collection had no supporting documentation available, including an authorized requisition. This system report indicated that there were no draw-downs from the original requisition amount.
- 24 out of 52 instances were noted where there were no draw-downs of the original requisition. These requisitions ranged in dates from 12/30/97 thru 12/20/01, an indication that the commitment for which the requisition was originally intended may no longer be applicable
- 8 out of 52 instances were noted in which the requisition was from the “FAMIS” system and there were indications on the supporting documentation that the commitment was specific to a time frame that may no longer be applicable(i.e. “Waste Collection 98 vehicles”).

Our review also identified several “conversion items.” These conversion items are purchase orders carried over from the FAMIS system. We noted several of these purchase orders were open for more than 3 years with no drawdown activity from the original purchase order.

Unauthorized or invalid outstanding balances on purchase orders reduce available cash balances.

We recommend City management methodically review the system-generated reports for both Encumbrances and Pre-Encumbrances to determine if the purchase order outstanding balance still represents a valid commitment. We recommend this review be performed to eliminate outstanding balances that management no longer intends to honor. We also recommend the City enhance procedures that would facilitate management’s review of the encumbrances and pre-encumbrances periodically.

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
DECEMBER 31, 2001**

**SCHEDULE OF FINDINGS AND QUESTIONED COST  
OMB CIRCULAR A-133 § .505  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**REPORTABLE CONDITIONS (Continued)**

Finding Number	2001-20818-013
----------------	----------------

**Investment Income**

The City of Cleveland has a significant investment portfolio. During testing of investment income for fiscal Year 2001, we noted there were 1,947 investment entries out of a total population of 10,046 that were reversals or corrections due to errors or mis-postings. This accounted for 19.4% of total journal entries. When taking into account the original entry that was keyed in error, the total increases to 38.8% of the population.

Based upon inquiries, we were informed by an employee in FRC that there are no checks and balances in PeopleSoft, such as batch totals or system blocks to prevent such errors. We were told that as an error was discovered, it was corrected with a reversal, adjusting, or correcting entry.

We recommend that all journal entries receive proper authorization prior to being entered into the system to help prevent errors and we further recommend that FRC perform periodic audits, perhaps monthly, of journal entries to identify and correct errors.

Finding Number	2001-20818-014
----------------	----------------

**Fixed Assets**

In order to report the value of the City's fixed assets, the City must have a complete and up-to-date fixed asset listing. During testing of the General Fixed Asset Account Group (GFAAG) it was noted the City does not require the departments to fill out a fixed asset retirement form when an item is no longer needed and scheduled for disposal. The City also does not conduct an annual physical inventory to determine whether the fixed asset is still in existence.

The City should take steps to identify assets that are no longer in existence. For future disposals of fixed assets, the City should develop procedures to ensure that all fixed assets no longer in existence are removed from the fixed asset list and ensure that fixed assets still in existence are included on the fixed asset list. The City should perform a physical inventory of fixed assets annually, reconcile the physical count with the fixed asset listing, and investigate any discrepancies.

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
DECEMBER 31, 2001**

**SCHEDULE OF FINDINGS AND QUESTIONED COST  
OMB CIRCULAR A-133 § .505  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**REPORTABLE CONDITIONS (Continued)**

Finding Number	2001-20818-014 (Continued)
----------------	----------------------------

In addition, during testing of the fixed assets in the Department of Public Utilities the following was noted:

- In the PeopleSoft system the fixed assets posted to the general ledger and Asset Management Module disagree. Both files are drawing information from the same files and should reconcile. The Asset Management Module could not be adjusted for the beginning accumulated depreciation amounts.
- Completed capital projects and vehicles in use were included in Construction in Progress.

We recommend that the Department of Public Utilities reconcile the General Ledger and Asset Management Module and determine the factors that caused the differences. The Department of Public Utilities should transfer capital projects from Construction in Progress to Fixed Assets upon completion of construction vehicles should be posted directly to fixed assets at the time of acquisition; never to construction in progress.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

**QUESTIONED COST**

Finding Number	2001-20818-015
----------------	----------------

**WIA contracts with United Labor Agency #57188 & #58525**

According to CFR 97.36(C)(1): All procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of 97.36.

The Ohio Department of Job & Family Services Office of Research Assessment & Accountability Bureau of Audit issued an audit report in April 2002 that revealed that the following:

The Workforce Development Agency (WDA) awarded contracts #57188 covering the period September 1, 2000 through August 31, 2001 and #58525 covering October 1, 2001 through June 30, 2002 to the United Labor Agency Inc. totaling \$2,914,000. The contracts state that ULA shall operate a dislocated worker program for the WDA. These contracts were awarded on a sole source basis instead of being bid. The WDA stated that these contracts were "grandfathered-in". However, there was no documentation or other evidence available to justify this position.

Based on the audit by The Ohio Department of Job & Family Services Office of Research Assessment & Accountability Bureau of Audit, the amount of \$2,914,000 is questioned.

We recommend that the City follow the competitive bidding required by the federal grant agreement.

CITY OF CLEVELAND  
CUYAHOGA COUNTY  
DECEMBER 31, 2001

SCHEDULE OF FINDINGS AND QUESTIONED COST  
OMB CIRCULAR A-133 § .505  
(Continued)

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**REPORTABLE CONDITIONS**

Finding Number	2001-20818-016
----------------	----------------

**Longwood Estates Agreement**

The UpFront Grant agreement by and between the Secretary of Housing and Urban Development (HUD) and the City of Cleveland (Grantee) for the Longwood Apartments, PHA Project for \$25,160,000, states:

The Grantee agrees to accept the Grant Funds, which are to be used solely for those purposes specified on the Sources and Uses of Funds statement in the grant agreement.

HUD acknowledges within the Grant Agreement that the "Work," defined as HUD's Post-Closing Repair Requirements totaling \$99,713,396 of the total project cost of \$110,771,892, to be performed by the Grantee exceeds the scope which can be funded entirely by the Grant Funds above. Consequently, HUD identifies "Other Sources of Funds" and "Permitted Financing" to complete the work.

The Agreement also notes the redevelopment effort is to be accomplished by a private sector Developer selected by the City of Cleveland (the Grantee) pursuant to State of Ohio Law and City ordinance. The Grantee is responsible for the completion of the "Work" and is responsible for providing or obtaining the provision of the necessary personnel, equipment, materials, services, facilities and other items necessary to complete the work.

The Grant Agreement also assigns various other responsibilities such as the spending of the grant funds concurrently and proportionately with the Permitted Financing and requires the Grantee to comply with the Davis-Bacon Act.

The City used \$6,000,000 in grant funds to purchase OHFA Bonds per the Grant agreement. The Issuer of the bonds transferred the bond proceeds to the Project Trustee. In addition, the City transferred directly \$4,440,000 to the bond trustee per the Grant agreement. The City is a party to the Trustee "Phase One Proceeds Disbursement Agreement", however once the monies were transferred to the trust account by the Issuer and the City, the City is no longer responsible for how these monies are disbursed from the Trustee to the Developer. In addition, it was noted that the Developer was selected by HUD not the City.

The Grant Agreement assigns responsibilities to the City that are beyond its control and that are performed by HUD. If errors occur HUD could hold the City responsible based on the grant agreement.

We recommend that the City and HUD amend the Agreements to more precisely clarify what the City's responsibilities are.

Finding Number	2001-20818-017
----------------	----------------

**Negative Cash Fund Balances**

Management has the ability to request advances or draw downs for the federal fund programs.

At December 31, 2001 the Workforce Investment Act Program cash balance was \$(8,135,256) and Supplemental Empowerment Zone Grant cash balance was (\$10,651,574). These negative amounts represent cash expenditures that the City has made for federal programs in excess of revenues received.

We recommend that management implement procedures that ensure advances or draw downs are processed in a timely manner to minimize the city funds from being utilized for federal program expenditures.

CITY OF CLEVELAND  
CUYAHOGA COUNTY  
DECEMBER 31, 2001

SCHEDULE OF FINDINGS AND QUESTIONED COST  
OMB CIRCULAR A-133 § .505  
(Continued)

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**REPORTABLE CONDITIONS (Continued)**

Finding Number	2001-20818-018
----------------	----------------

**Empowerment Zone- Community Development Centers**

According to the OMB Circular A-133, recipients are responsible for monitoring subrecipient's activities to provide reasonable assurance that the subrecipient administers Federal awards in compliance with Federal requirements. The City disburses Economic Development Improvement grant funding to Community Development Centers (CDC's) to promote the use of Empowerment Zone funding. The Empowerment Zone is responsible for monitoring the CDC's activities for compliance with contract provisions and federal regulation. The following monitoring controls have been identified to ensure compliance:

- On-site Fiscal Review
- Year End Summary of Activities Review
- OMB Circular A-133 Audit Report Review for CDC's who expend more than \$300,000.

During our review of the monitoring procedures identified by the Empowerment Zone, there was no written documentation to determine whether the control procedures have been implemented.

Documenting the Department's control procedures would provide assurance that the procedures have been implemented and allows the department to monitor the CDC's program status and compliance with contract provisions and federal regulations more efficiently to aid Management in making decisions when distributing grant awards.

We recommend that the Empowerment Zone perform and document its review of the CDC's, on-site fiscal review, year end summary of activities review and the review of the required OMB Circular A-133 audit reports.

Finding Number	2001-20818-019
----------------	----------------

**Home Program- HUD- Federal Expenditures**

Federal regulations 24 CFR 92 and 502 (c) (2) require that Non-Federal entities must expend funds which they receive from HUD within 15 days of receipt of the funds. In six of the funding requests of the forty projects tested, funds were not expended within 15 days of the receipt of money. This amounted to \$83,168 of the \$761,590 tested. The City was not minimizing the period of time between the request and the need for the funds.

The City's management should review the amounts of incoming funds and the projects they are for so that amounts are expended to the correct parties within the required time limit.

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
DECEMBER 31, 2001**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315 (b)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding <u>No Longer Valid</u> ; <b>Explain</b>
2000-20818-01	Budgetary Compliance ORC Section 5705.41(D)	No	Comment reissued in 2001. See finding number 2001-20818-001.
2000-20818-02	Budgetary Compliance ORC Section 5705.39	No	Comment reissued in 2001. See finding number 2001-20818-002.
2000-20818-03	Cash and Investment Accounts	No	Comment modified and reissued in 2001. See finding number 2001-20818-009.
2000-20818-04	Wire Transfers- Vendor Wires and Investment Wires	Yes	
2000-20818-05	People Soft – Security Administration of the NT Server	No	Comment reissued in 2001. See finding number 2001-20818-011.
2000-20818-06	Access to Customer Information System	Yes	
2000-20818-07	Budget Control Cycle	No	Comment modified and reissued in 2001. See finding number 2001-20818-012.
2000-20818-08	Accrued benefits – Pension Payments	Yes	
2000-20818-09	Charges for services – Revenue Control Cycle (Gateway Parking)	No	Partially corrected; Modified and reissued in Management Letter
2000-20818-10	Implementation of GASB 33 & 34	No	The City implemented GASB 33 in 2001. However, the City is significantly behind in developing a comprehensive GASB 34 implementation plan and in developing beginning of the year figures. This will be reported as a Material weakness in the 2001 audit report. See finding number 2001-20818-007.
2000-20818-11	Fixed Assets	No	Comment reissued in 2001. See finding number 2001-20818-014.
2000-20818-12	Airport Vendor Revenue	Yes	
2000-20818-13	Airport Retention Basin	No	The Airport is currently negotiating with the FAA on settlement Modified and reissued in Management Letter

The background features a large, light gray watermark of the Seal of the Auditor of State of Ohio. The seal is circular and contains a sun with rays, a landscape with a river, and two sheaves of wheat. The text "THE SEAL OF THE AUDITOR OF STATE OF OHIO" is written around the perimeter of the seal.

**CITY OF CLEVELAND - DEPARTMENT OF PARKS, RECREATION AND PROPERTIES  
DIVISION OF PARKING FACILITIES  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**





**CITY OF CLEVELAND - DEPARTMENT OF PARKS, RECREATION AND PROPERTIES  
DIVISION OF PARKING FACILITIES  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Balance Sheets .....	4
Statements of Operations .....	6
Statements of Changes in Equity .....	7
Statements of Cash Flows .....	8
Notes to Financial Statements .....	10

**This page intentionally left blank.**



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

**JIM PETRO, AUDITOR OF STATE**

Lausche Building  
615 Superior Avenue, NW.  
Twelfth Floor  
Cleveland, Ohio 44113-1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS**

Division of Parking Facilities  
Department of Parks, Recreation and Properties  
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 Division of Parking Facilities, Department of Parks, Recreation and Properties, City of Cleveland, Ohio, as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Division of Parking Facilities' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Division of Parking Facilities and are not intended to present fairly the financial position of the City of Cleveland and the results of the City of Cleveland's operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Division of Parking Facilities, as of December 31, 2001 and December 31, 2000, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

August 16, 2002

**This page intentionally left blank.**

**This page intentionally left blank.**

**CITY OF CLEVELAND**  
**DEPARTMENT OF PARKS, RECREATION AND PROPERTIES**  
**DIVISION OF PARKING FACILITIES**  
**BALANCE SHEETS**  
**December 31, 2001 and 2000**

	<i>(in thousands of dollars)</i>	
	<b>December 31,</b>	
	<b>2001</b>	<b>2000</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,515	\$ 2,568
Accounts receivable - (Net of allowance (See Note C))	120	92
Due from other City of Cleveland departments, divisions or funds	120	387
Inventory of supplies, at cost	18	17
<b>TOTAL CURRENT ASSETS</b>	<b>3,773</b>	<b>3,064</b>
<b>UNAMORTIZED BOND ISSUANCE EXPENSE</b>	1,126	1,216
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents	16,173	6,502
Investments at market		9,688
Accrued interest receivable	123	302
<b>TOTAL RESTRICTED ASSETS</b>	<b>16,296</b>	<b>16,492</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	12,929	12,929
Land Improvements	1,264	1,264
Buildings, structures and improvements	65,200	65,200
Furniture, fixtures and equipment	793	694
	80,186	80,087
Less: accumulated depreciation	12,774	11,070
	67,412	69,017
<b>TOTAL ASSETS</b>	<b>\$ 88,607</b>	<b>\$ 89,789</b>

(in thousands of dollars)

December 31,

2001                      2000

**LIABILITIES AND EQUITY**

**LIABILITIES**

**CURRENT LIABILITIES**

Current portion of long-term debt	\$	1,965	\$	1,875
Accounts payable		201		318
Due to other governments		78		72
Due to other City of Cleveland departments, divisions or funds		60		12
Accrued interest payable		1,352		1,252
Accrued wages and benefits		170		184

**TOTAL CURRENT LIABILITIES**                      3,826                      3,713

**PAYABLE FROM RESTRICTED ASSETS**                      17                      17

**LONG TERM DEBT**

Revenue bonds		65,985		67,416
---------------	--	--------	--	--------

**TOTAL LIABILITIES**                      69,828                      71,146

**EQUITY**

Contributed capital		21,079		21,079
Accumulated deficit		(2,300)		(2,436)

**TOTAL EQUITY**                      18,779                      18,643

**TOTAL LIABILITIES AND EQUITY**                      \$ 88,607                      \$ 89,789

See notes to financial statements.

**CITY OF CLEVELAND**  
**DEPARTMENT OF PARKS, RECREATION AND PROPERTIES**  
**DIVISION OF PARKING FACILITIES**  
**STATEMENTS OF OPERATIONS**  
**For the Years Ended December 31, 2001 and 2000**

		<i>(in thousands of dollars)</i>	
		<b>For the</b>	
		<b>Years Ended December 31,</b>	
		<b>2001</b>	<b>2000</b>
<b>OPERATING REVENUES</b>			
Charges for Services		\$ 8,021	\$ 8,250
<b>TOTAL OPERATING REVENUES</b>		8,021	8,250
<b>OPERATING EXPENSES</b>			
Operations		2,075	2,053
Maintenance		68	34
Depreciation		1,704	1,696
<b>TOTAL OPERATING EXPENSES</b>		3,847	3,783
<b>OPERATING INCOME</b>		4,174	4,467
<b>NON-OPERATING INCOME (EXPENSE)</b>			
Interest income		762	1,189
Other revenue		5	
Contributed capital and other contributions		68	
Interest expense		(4,784)	(5,197)
Amortization of bond issuance costs		(89)	(91)
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>		(4,038)	(4,099)
<b>NET INCOME</b>		136	368

See notes to financial statements.



**CITY OF CLEVELAND**  
**DEPARTMENT OF PARKS, RECREATION AND PROPERTIES**  
**DIVISION OF PARKING FACILITIES**  
**STATEMENTS OF CHANGES IN EQUITY**  
**For the Years Ended December 31, 2001 and 2000**

---

*(in thousands of dollars)*

	<b>Contributed Capital</b>	<b>Accumulated Deficit</b>	<b>Total</b>
<b>BALANCE AT DECEMBER 31, 1999</b>	\$ 21,079	\$ (2,804)	\$ 18,275
Net income		368	368
<b>BALANCE AT DECEMBER 31, 2000</b>	21,079	(2,436)	18,643
Net income		136	136
<b>BALANCE AT DECEMBER 31, 2001</b>	\$ 21,079	\$ (2,300)	\$ 18,779

See notes to financial statements.

**CITY OF CLEVELAND**  
**DEPARTMENT OF PARKS, RECREATION AND PROPERTIES**  
**DIVISION OF PARKING FACILITIES**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2001 and 2000**

	<i>(in thousands of dollars)</i>	
	<b>For the</b>	
	<b>Years Ended December 31,</b>	
	<b>2001</b>	<b>2000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 7,901	\$ 8,517
Cash payments to suppliers for goods or services	(1,051)	(1,110)
Cash payments to employees for services	(810)	(734)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>6,040</b>	<b>6,673</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Other non-operating revenues	5	
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>5</b>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal paid on long-term debt	(1,875)	(1,795)
Interest paid on long-term debt	(4,294)	(4,692)
<b>NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(6,169)</b>	<b>(6,487)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	(20,238)	(23,504)
Proceeds from sale and maturity of investment securities	29,884	26,015
Interest received on investments	1,096	1,074
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>10,742</b>	<b>3,585</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>10,618</b>	<b>3,771</b>
Cash and cash equivalents, beginning of year	9,070	5,299
Cash and cash equivalents, end of year	<b>\$ 19,688</b>	<b>\$ 9,070</b>

(in thousands of dollars)  
 For the  
 Years Ended December 31,  
 2001                      2000

---

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

<b>OPERATING INCOME</b>	\$	4,174	\$	4,467
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation		1,704		1,696
Change in assets and liabilities:				
Accounts receivable, net		(28)		160
Due from other City of Cleveland departments, divisions or funds		267		107
Inventory of supplies		(1)		28
Accounts payable		(117)		285
Due to other governments		6		(117)
Due to other City of Cleveland departments, divisions or funds		48		10
Accrued wages and benefits		(13)		37
<b>TOTAL ADJUSTMENTS</b>		<u>1,866</u>		<u>2,206</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$</b>	<b>6,040</b>	<b>\$</b>	<b>6,673</b>

See notes to financial statements.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES  
DIVISION OF PARKING FACILITIES  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2001 and 2000

---

**NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*Basis of Accounting:* The Division’s financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

*Revenues:* Revenues are derived primarily from fees charged to users of City-owned parking garages and facilities operated by the Division including the net income from the Gateway garages and on-street parking meter revenue. Parking rates are authorized by City Council. Parking fees are collected on a daily basis or monthly basis at certain locations.

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

*Cash and Cash Equivalents:* Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

*Investments:* The Division follows the provisions of GASB Statement No. 31, “Accounting and Financial Reporting for Certain Investments and External Investment Pool,” which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding changes in the fair value of investments in the year in which the change occurred. Fair values of investments at year-end are based on market quotes, where available.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001 and 2000. STAROhio is an investment pool managed by the State Treasurers’ Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on December 31, 2001 and 2000.

*Restricted Assets:* Proceeds from debt and amounts set aside in various fund accounts for payment of debt are classified as restricted assets since their use is limited by the underlying loan agreement.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PARKS, RECREATION, AND PROPERTIES  
DIVISION OF PARKING FACILITIES  
NOTES TO FINANCIAL STATEMENTS-Continued  
For the Year Ended December 31, 2001 and 2000

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Fixed Assets and Depreciation:* Property, plant and equipment are stated on the basis of historical cost, or if contributed, at fair market value at the date received. Depreciation for the Proprietary Fund types is determined by allocating the cost of fixed assets over the estimated useful lives of the assets using the straight-line method. A fixed asset is defined as a tangible item with a useful life of five years or more and a value equal to or greater than \$5,000, with the exception of computer equipment and software which have a value equal to or greater than \$1,500. When property is disposed of, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Buildings, structures and improvements	10 to 65 years
Furniture, fixtures and equipment	5 to 33 years

*Bond Issuance Expenses and Discount and Unamortized Loss on Debt Refunding:* Bond issuance expenses are carried on the Division’s books as deferred expenses 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 shorter of the life of the old bond or the new bond.

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

Under GASB Statement No. 20, “Accounting and Financial Reporting for Proprietary Activities”, all Proprietary Funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, Proprietary Funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB pronouncements). The City has chosen not to apply future FASB standards.

**NOTE B-LONG-TERM DEBT**

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

		<b>Outstanding Principal Amount</b>	
	<b>Interest Rate</b>	<b>2001</b>	<b>2000</b>
<i>(in thousands of dollars)</i>			
Parking Facility Improvement Revenue			
Bonds due through 2022	4.45%-6.00%	\$ 75,520	\$ 77,395
		\$ 75,520	\$ 77,395
Less:			
Unamortized advance debt refunding		(6,548)	(7,068)
Unamortized discount		(1,022)	(1,036)
Current portion		(1,965)	(1,875)
Total Long-Term Debt		\$ 65,985	\$ 67,416

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES  
DIVISION OF PARKING FACILITIES  
NOTES TO FINANCIAL STATEMENTS-Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE B-LONG-TERM DEBT - Continued**

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

	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
	<i>(in thousand of dollars)</i>				
2002	\$ 1,965	\$	4,207	\$	6,172
2003	2,075		4,104		6,179
2004	2,175		3,995		6,170
2005	2,305		3,864		6,169
2006	2,445		3,726		6,171
Thereafter	64,555		34,211		98,766
	<u>\$ 75,520</u>	<u>\$</u>	<u>54,107</u>	<u>\$</u>	<u>129,627</u>

The proceeds from the Parking Facility Improvement Revenue Bonds Series 1992 were used to construct two new parking garages around the Gateway site and a new Willard Park Garage behind City Hall. The City's first garage on the Gateway site was completed in January 1994. The second garage was completed in August 1994. The Willard Park Garage construction was completed in April 1996.

The City has pledged the net revenues of the parking facilities, as defined in the trust indenture, as well as the additional pledged revenues which consist of various non-tax revenues, to meet debt service requirements, if necessary. In 2001 and 2000, no additional pledged revenue was required to meet the debt service on the parking bonds. The trust indenture requires, among other things, that the Division will fix parking rates and will charge and collect fees for the use of the Parking Facilities, and will restrict operating expenses. As of December 31, 2001 and December 31, 2000, the Division was in compliance with the terms and requirements of the trust indenture.

*Defeasance of Parking Facility Improvement Revenue Bonds:* In 1996 the Division defeased 1992 Parking Facility Revenue Bonds by placing the proceeds of 1996 Parking Facility Revenue Bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements. The aggregate amounts of this defeased debt at December 31, 2001 and December 31, 2000 are \$64,085,000 and \$65,270,000.

**NOTE C-RECEIVABLE FROM GATEWAY ECONOMIC DEVELOPMENT CORPORATION**

In accordance with an agreement with Gateway Economic Development Corporation ("Gateway"), Gateway is required to reimburse the City for the excess of the debt service requirements of the Parking Facility Improvement Revenue Bonds attributed to the two Gateway garages over the net revenues generated by the two Gateway garages.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES  
DIVISION OF PARKING FACILITIES  
NOTES TO FINANCIAL STATEMENTS-Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE C-RECEIVABLE FROM GATEWAY ECONOMIC DEVELOPMENT CORPORATION  
- Continued**

In 2001 and 2000, net revenues generated by the two Gateway garages were less than the debt service payments attributed to those garages by \$2,373,000 and \$2,189,000, respectively. Cumulative debt service payments funded by the City that are due from the Gateway totaled \$19,212,000 and \$16,839,000 at December 31, 2001 and 2000, respectively. Due to the uncertainty of collecting such amounts, an allowance has been recorded to offset the amounts in full.

**NOTE D-DEPOSITS AND INVESTMENTS**

*Deposits:* The Division's carrying amount of deposits for the years ended December 31, 2001 and 2000 totaled \$13,706,000 and \$5,760,000. The Division's bank balances for 2001 and 2000 were \$13,707,000 and \$6,230,000. Based on the criteria described in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements," for years ended 2001 and 2000, \$61,000 and \$49,000 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 for 2001 of \$13,646,000 included a \$6,181,000 bank investment contract (BIC) that was uninsured and uncollateralized. The remaining balance for 2000 was a BIC in the amount of \$6,181,000, that was uninsured and uncollateralized. These BIC's are secured by securities held by the pledging financial institution's trust department but not in the City's name.

*Investments:* The City's investment policies are governed by state statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; bonds and other State obligations; certificates of deposit; U.S. Government Money Market Mutual Funds; State Treasury Asset Reserve Fund (STAROhio), guaranteed investment contracts and repurchase transactions. Such repurchase transactions must be purchased from financial institutions 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 Treasury 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.

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; significant changes in market conditions could materially affect portfolio value.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES  
DIVISION OF PARKING FACILITIES  
NOTES TO FINANCIAL STATEMENTS-Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE D-DEPOSITS AND INVESTMENTS-Continued**

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements", requires the City 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.

Category3: 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 and cash equivalents in the balance sheet in accordance with the provisions of GASB Statement No. 9:

Type of Investment	Category	2001 Fair Value	2001 Cost	2000 Fair Value	2000 Cost
<i>(in thousands of dollars)</i>					
U.S. Treasury Bills	2	\$ -	\$ -	\$ 9,688	\$ 9,527
State Treasury Asset					
Reserve Fund (STAROhio)	n/a	3,493	3,493	3,025	3,025
Mutual Funds	n/a	2,489	2,489	285	285
Total Investments		\$ 5,982	\$ 5,982	\$ 12,998	\$ 12,837
Total Deposits		13,706	13,706	5,760	5,760
Total Deposits and Investments		\$ 19,688	\$ 19,688	\$ 18,758	\$ 18,597

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.

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

**NOTE E-EMPLOYEE'S RETIREMENT PLAN**

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS 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. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.



**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES  
DIVISION OF PARKING FACILITIES  
NOTES TO FINANCIAL STATEMENTS-Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE E-EMPLOYEE'S RETIREMENT PLAN - Continued**

Plan members are required to contribute 8.5 percent of their annual salary to fund pension obligations. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2001 and 2000 employer contribution rates for the Division were 13.55 and 10.84 percent of covered payroll, respectively. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Division's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$83,000, \$81,000, and \$70,000, respectively. The required amounts have been contributed for 2001, 2000, and 1999.

**NOTE F-OTHER POST EMPLOYMENT BENEFITS**

The Public Employees Retirement System of Ohio (PERS) 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 PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 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 411,076. The Division's actual contributions for 2001 and 2000 which were used to fund postemployment benefits were \$26,336 and \$25,700. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES  
DIVISION OF PARKING FACILITIES  
NOTES TO FINANCIAL STATEMENTS-Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE G-RELATED PARTY TRANSACTIONS**

*Revenues and Accounts Receivable:* The Division provides parking facilities at usual and customary rates to various departments and divisions of the City of Cleveland.

The Division operates certain garages and parking lots on behalf of other City divisions. The professional management fees recorded by the Division to operate the garages and parking lots are as follows:

	<b>2001</b>	<b>2000</b>
	<i>(in thousands of dollars)</i>	
Division of Convention Center	\$ 192	\$ 223
Department of Community Development	194	333

*Operating Expenses:* The Division is provided various services by other City divisions. Charges are based on actual usage or on a reasonable pro rata basis. The more significant expenses included in the statements of operations for the years ended December 31, 2001 and 2000 are as follows:

	<b>2001</b>	<b>2000</b>
	<i>(in thousands of dollars)</i>	
Parks Maintenance	\$ 96	\$ 91
Motor Vehicle Maintenance	16	19

The following entity is a jointly governed organization to the City of Cleveland but the City has no ongoing financial interest or responsibility.

*Gateway Economic Development Corporation of Greater Cleveland (Gateway)* - Gateway is responsible for the operating 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 H-COMMITMENTS AND CONTINGENT LIABILITIES**

Various claims are pending against the City involving the Division for personal injuries, property damage and other matters. The City is responsible for the lawsuits. In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. 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.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES  
DIVISION OF PARKING FACILITIES  
NOTES TO FINANCIAL STATEMENTS-Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE J-LEASES**

The Division leases the land for various parking facilities to managing companies under non-cancelable lease agreements, which expire at various times through the year 2056. Revenues generated from such leases totaled \$180,000 in 2001 and 2000. Future minimum rentals on non-cancelable leases are as follows:

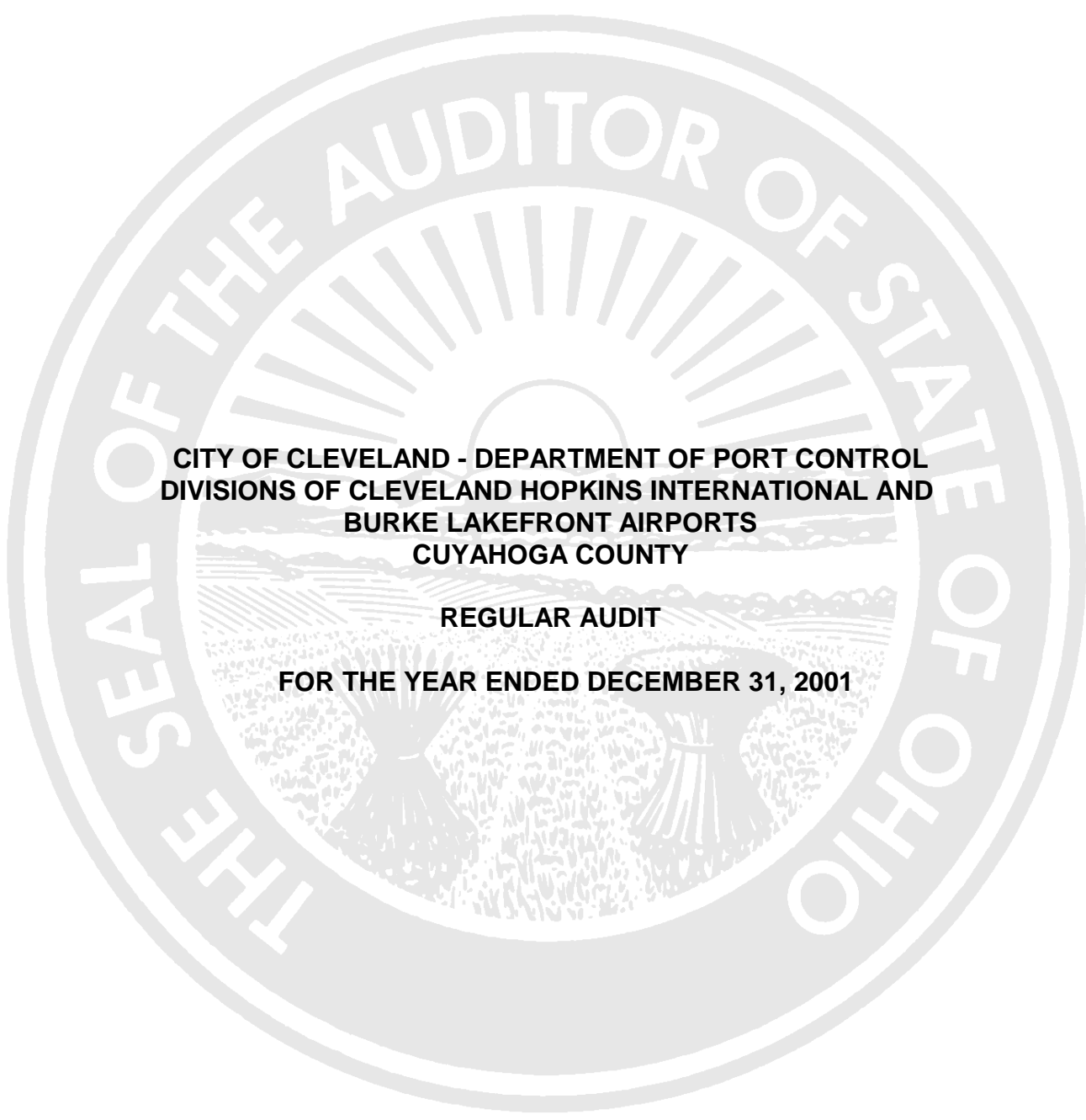
2002	\$ 180,000
2003	180,000
2004	180,000
2005	180,000
2006	180,000
Thereafter	<u>6,720,000</u>
	\$ 7,620,000

**NOTE K- CHANGE IN ACCOUNTING PRINCIPLE**

Effective January 1, 2001, the City implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues" (an amendment of GASB Statement No. 33). In general, GASB Statement Nos. 33 and 36 establish accounting and financial reporting standards which address when to report the results of nonexchange transactions involving financial or capital resources. In a nonexchange transaction, an entity gives (or receives) value without directly receiving or giving equal value in return. These statements did not have a material impact on the Division's beginning retained earnings as previously reported.

Cash received or receivables recognized that were previously recorded as contributed capital are now recorded as non-operating revenues.





**CITY OF CLEVELAND - DEPARTMENT OF PORT CONTROL  
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND  
BURKE LAKEFRONT AIRPORTS  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**CITY OF CLEVELAND - DEPARTMENT OF PORT CONTROL  
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND  
BURKE LAKEFRONT AIRPORTS  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Balance Sheets .....	4
Statements of Income .....	6
Statements of Changes in Equity .....	7
Statements of Cash Flows .....	8
Notes to Financial Statements .....	10
Schedule of Airport Revenues and Operating Expenses as Defined in the Airline Use Agreement .....	23

**This page intentionally left blank.**





**STATE OF OHIO  
OFFICE OF THE AUDITOR**

**JIM PETRO, AUDITOR OF STATE**

Lausche Building  
615 Superior Avenue, NW.  
Twelfth Floor  
Cleveland, Ohio 44113-1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**REPORT OF INDEPENDENT ACCOUNTANTS**

Divisions of Cleveland Hopkins International and  
Burke Lakefront Airports  
Department of Port Control  
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 Divisions of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio, as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Divisions of Cleveland Hopkins International and Burke Lakefront Airports' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Divisions of Cleveland Hopkins International and Burke Lakefront Airports and are not intended to present fairly the financial position of the City of Cleveland and the results of the City of Cleveland's operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Divisions of Cleveland Hopkins International and Burke Lakefront Airports, as of December 31, 2001 and December 31, 2000, and the results of its operations and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note N, the Divisions of Cleveland Hopkins International and Burke Lakefront Airports adopted Governmental Accounting Standards Board Statements Nos. 33 and 36, as of and for the year ended December 31, 2001.

We performed our audits to form an opinion on the financial statements of the Divisions of Cleveland Hopkins International and Burke Lakefront Airports taken as a whole. The Schedule of Airport Revenue and Operating Expenses as Defined in the Airline Use Agreement for the year ended December 31, 2001 is presented for purposes of additional analysis and is not a required part of the Divisions of Cleveland Hopkins International and Burke Lakefront Airports' financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Divisions of Cleveland Hopkins International and Burke Lakefront Airports' financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the Divisions of Cleveland Hopkins International and Burke Lakefront Airports' financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

August 16, 2002

**This page intentionally left blank.**

**CITY OF CLEVELAND**  
**DEPARTMENT OF PORT CONTROL**  
**DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL**  
**AND BURKE LAKEFRONT AIRPORTS**  
**BALANCE SHEETS**  
**December 31, 2001 and 2000**

	<i>(in thousands of dollars)</i>	
	<b>December 31,</b>	
	<b>2001</b>	<b>2000</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 6,459	\$ 5,181
Investments	8,872	21,798
Receivables:		
Accounts receivable-net of allowance for doubtful accounts of \$241,000 in 2001 and \$428,000 in 2000	5,392	6,618
Unbilled revenue	4,473	5,512
Landing fees - due from airlines	10,903	
Accrued interest receivable	158	593
Total receivables	20,926	12,723
Prepaid expenses	212	240
Due from other City of Cleveland departments, divisions or funds	942	1,404
Due from federal government	3,651	343
Materials and supplies, at lower of cost or market	224	240
<b>TOTAL CURRENT ASSETS</b>	41,286	41,929
<b>DEFERRED BOND ISSUANCE EXPENSE</b>	10,637	4,432
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents	694,367	160,401
Investments	68,979	72,488
Accrued interest receivable	2,202	1,333
Bond retirement reserve	53	53
Passenger facility charges receivable	2,069	2,224
<b>TOTAL RESTRICTED ASSETS</b>	767,670	236,499
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	141,577	133,949
Land improvements	196,075	187,652
Buildings, structures and improvements	367,518	364,691
Furniture, fixtures and equipment	25,775	19,963
	730,945	706,255
Less: accumulated depreciation	234,752	211,152
	496,193	495,103
Construction in progress	104,796	34,092
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	600,989	529,195
<b>TOTAL ASSETS</b>	\$ 1,420,582	\$ 812,055

	<i>(in thousands of dollars)</i>	
	December 31,	
	2001	2000
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 10,783	\$ 14,315
Current portion of deferred payment obligations	1,381	1,278
Accounts payable	3,324	3,081
Due to other City of Cleveland departments, divisions or funds	1,096	2,452
Accrued wages and benefits	3,073	3,112
Due to other governments	2,962	2,113
Landing fee adjustment-payable to Airlines		6,139
<b>TOTAL CURRENT LIABILITIES</b>	<u>22,619</u>	<u>32,490</u>
<b>PAYABLE FROM RESTRICTED ASSETS</b>		
Bond service fund-accrued interest	42,799	25,517
Construction fund	3,784	1,553
Other construction accounts	11,018	5,483
<b>TOTAL PAYABLE FROM RESTRICTED ASSETS</b>	<u>57,601</u>	<u>32,553</u>
<b>LONG TERM DEBT-excluding amounts due within one year:</b>		
Deferred payment obligation	25,150	26,532
Revenue bonds (see note B)	907,205	350,098
Notes payable (see note B)	44,950	40,000
<b>TOTAL LONG-TERM DEBT</b>	<u>977,305</u>	<u>416,630</u>
<b>TOTAL LIABILITIES</b>	1,057,525	481,673
<b>EQUITY</b>		
Contributions in aid of construction:		
Federal and State	175,591	175,591
Municipal	3,572	3,572
Total contributions in aid of construction	<u>179,163</u>	<u>179,163</u>
Retained earnings	183,894	151,219
<b>TOTAL EQUITY</b>	<u>363,057</u>	<u>330,382</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 1,420,582</u>	<u>\$ 812,055</u>

See notes to financial statements.

**CITY OF CLEVELAND**  
**DEPARTMENT OF PORT CONTROL**  
**DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL**  
**AND BURKE LAKEFRONT AIRPORTS**  
**STATEMENTS OF INCOME**  
**For the Years Ended December 31, 2001 and 2000**

	<i>(in thousands of dollars)</i>	
	<b>For the</b>	
	<b>Years Ended December 31,</b>	
	<b>2001</b>	<b>2000</b>
<b>OPERATING REVENUES</b>		
Landing fees:		
Scheduled airlines	\$ 23,175	\$ 31,020
Adjustments of landing fees as provided in airline use agreements	10,903	(6,139)
Other	2,094	2,834
	36,172	27,715
Terminal and concourse rentals:		
Scheduled airlines	16,560	15,847
Other	15,457	15,957
	32,017	31,804
Concessions	17,944	20,427
Utility sales and other	6,692	6,747
<b>TOTAL OPERATING REVENUES</b>	92,825	86,693
<b>OPERATING EXPENSES</b>		
Operations, maintenance and administrative	56,795	47,380
Depreciation and amortization	23,599	23,103
<b>TOTAL OPERATING EXPENSES</b>	80,394	70,483
<b>OPERATING INCOME</b>	12,431	16,210
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Passenger facility charges revenue	15,024	16,642
Interest income	16,141	17,859
Non-operating expenses	(11,322)	(12,264)
Interest expense	(28,869)	(28,561)
Contributed capital and other contributions	30,537	
Amortization of bond issuance expense, discount and debt refunding	(1,267)	(793)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES), NET</b>	20,244	(7,117)
<b>NET INCOME</b>	\$ 32,675	\$ 9,093

See notes to financial statements.

**CITY OF CLEVELAND**  
**DEPARTMENT OF PORT CONTROL**  
**DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL**  
**AND BURKE LAKEFRONT AIRPORTS**  
**STATEMENTS OF CHANGES IN EQUITY**  
**For the Years Ended December 31, 2001 and 2000**

*(in thousands of dollars)*

	<b>Contributions In Aid of Construction</b>		<b>Retained Earnings</b>	<b>Total</b>
	<b>Federal and State</b>	<b>Municipal</b>		
<b>BALANCE AT DECEMBER 31, 1999</b>	\$ 167,166	\$ 3,572	\$ 142,126	\$ 312,864
Grants	8,425			8,425
Net income			9,093	9,093
<b>BALANCE AT DECEMBER 31, 2000</b>	175,591	3,572	151,219	330,382
Contributed capital and other contributions			30,537	30,537
Net income, net of contributed capital and other contributions			2,138	2,138
<b>BALANCE AT DECEMBER 31, 2001</b>	<b>\$ 175,591</b>	<b>\$ 3,572</b>	<b>\$ 183,894</b>	<b>\$ 363,057</b>

See notes to financial statements.

**CITY OF CLEVELAND**  
**DEPARTMENT OF PORT CONTROL**  
**DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL**  
**AND BURKE LAKEFRONT AIRPORTS**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2001 and 2000**

	<i>(in thousands of dollars)</i>	
	<b>For the</b>	
	<b>Years Ended December 31,</b>	
	<b>2001</b>	<b>2000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 74,363	\$ 82,961
Cash payments to suppliers for goods or services	(36,555)	(30,161)
Cash payments to employees for services	(19,309)	(17,985)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>18,499</b>	<b>34,815</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Cash payments for sound insulation of homes	(10,615)	(12,283)
Cash receipts (payments) for other non-operating costs	2,271	19
Cash receipts for passenger facility charges	14,846	16,630
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>6,502</b>	<b>4,366</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(81,775)	(54,235)
Proceeds from revenue notes, net of costs and discounts	44,633	
Proceeds from revenue bonds, net of costs and discounts	560,326	
Principal paid on long-term bonds	(14,315)	(12,100)
Principal paid on long-term notes	(40,000)	
Interest paid on long-term debt	(34,107)	(21,310)
Capital grant proceeds	27,200	9,437
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>461,962</b>	<b>(78,208)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	(108,723)	(89,963)
Proceeds from sale and maturity of investment securities	125,770	94,061
Interest received on investments	31,234	17,992
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>48,281</b>	<b>22,090</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>535,244</b>	<b>(16,937)</b>
Cash and cash equivalents, beginning of year	165,582	182,519
Cash and cash equivalents, end of year	<u>\$ 700,826</u>	<u>\$ 165,582</u>



*(in thousands of dollars)*  
For the  
Years Ended December 31,  
2001                      2000

---

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

<b>OPERATING INCOME</b>	\$	12,431	\$	16,210
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization		23,599		23,103
Non-cash rental income		(3,389)		(3,389)
Loss on disposal of equipment				1,070
Change in assets and liabilities:				
Accounts receivable, net		1,661		(4,059)
Unbilled revenue		1,039		3,715
Landing fees - due from airlines		(10,903)		
Prepaid expenses		28		(77)
Due from other City of Cleveland departments, divisions or funds		462		(937)
Due from other governments		(3)		
Materials and supplies, at cost		16		35
Accounts payable		243		(1,605)
Due to other City of Cleveland departments, divisions or funds		(1,356)		(1,722)
Accrued wages and benefits		(39)		926
Due to other governments		849		(629)
Landing fee adjustment		(6,139)		2,174
<b>TOTAL ADJUSTMENTS</b>		<u>6,068</u>		<u>18,605</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$</b>	<b>18,499</b>	<b>\$</b>	<b>34,815</b>

See notes to financial statements.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PORT CONTROL  
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL  
AND BURKE LAKEFRONT AIRPORTS  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2001 and 2000

---

**NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Divisions of Cleveland Hopkins International and Burke Lakefront Airports (the “Divisions”) are reported as an enterprise fund of the City of Cleveland’s Department of Port Control and are part of the City of Cleveland’s (the “City”) primary government. The Divisions were created for the purpose of operating the airports within the Cleveland metropolitan area. The following is a summary of the more significant accounting policies.

*Basis of Accounting:* The Divisions’ financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred. Under GASB Statement No. 20, “Accounting and Financial Reporting for Proprietary Activities”, all Proprietary Funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, Proprietary Funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB pronouncements). The City has chosen not to apply future FASB standards.

*Statement of Cash Flows:* The Divisions utilize the direct method of reporting for the statement of cash flows as defined by Governmental Accounting Standards Board (“GASB”) Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government 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 Divisions. Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

*Investments:* The Divisions follow 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.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001 and 2000. STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on December 31, 2001 and 2000.

*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.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PORT CONTROL  
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL  
AND BURKE LAKEFRONT AIRPORTS  
NOTES TO FINANCIAL STATEMENTS - Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -Continued**

*Fixed Assets and Depreciation:* Property, plant and equipment is stated on the basis of historical cost, or if contributed, at fair market value at the date received. Depreciation for the Proprietary Fund Types is determined by allocating the cost of fixed assets over the estimated useful life of the assets using the straight-line method. A fixed asset is defined as a tangible item with a useful life of five years or more and a value equal to or greater than \$5,000, with the exception of computer equipment and software which have a value equal to or greater than \$1,500. When property is disposed of, the cost and related accumulated depreciation are removed from the accounts, with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Buildings, structures and improvements	10 to 65 years
Furniture, fixtures and equipment	5 to 33 years

The Divisions' policy is to capitalize interest on construction projects up to the point of 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 Divisions apply 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 Airport System 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 borrowings until the assets constructed from the bond proceeds are ready for their intended use.

For 2001, total interest expense incurred amounted to \$50,120,000, which was reduced by \$21,251,000 of interest expense capitalized. For 2001, total interest income earned amounted to \$33,147,000, which was reduced by \$17,006,000 of interest income capitalized. For 2000, total interest expense incurred and total interest income earned amounted to \$28,561,000 and \$17,859,000, respectively, and interest to be capitalized was immaterial.

*Bond Issuance Expense and Discount and Unamortized Loss on Debt Refunding:* Bond issuance expense is carried on the Divisions' books as deferred expense and deferred 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 shorter life of the new debt or old debt.

*Contributions in Aid of Construction:* Contributions in aid of construction represent federal, state and municipal capital grants not subject to mandatory repayment.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PORT CONTROL  
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL  
AND BURKE LAKEFRONT AIRPORTS  
NOTES TO FINANCIAL STATEMENTS-Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Environmental Expenditures:* Environmental expenditures consist of costs incurred for remediation efforts to Airport property. Environmental expenditures that relate to current operations are expensed or capitalized, as appropriate. Environmental expenditures that relate to an existing condition caused by past operations and which do not contribute to future revenues are expensed. Liabilities are recorded when remedial efforts are probable and the costs can be reasonably estimated.

*Non-operating Expenses:* Non-operating expenses relate to expenses of the Divisions incurred for purposes other than the operations of the Airports and consist primarily of costs incurred for noise abatement for residents of communities surrounding Cleveland Hopkins Airport. The funding for non-operating costs is from non-operating revenue (passenger facility charges and interest income).

*Interfund Transactions:* During the course of normal operations, the Divisions have numerous transactions between other City divisions and departments. Such transactions are generally reflected as due to or due from in the accompanying financial statements.

Interfund receivables and payables balances at December 31, 2001 and 2000 are as follows:

	<b>2001</b>	<b>2001</b>	<b>2000</b>	<b>2000</b>
	<b>Due From</b>	<b>Due To</b>	<b>Due From</b>	<b>Due To</b>
	<i>(in thousands of dollars)</i>			
City of Cleveland General Fund	\$ 134	\$ 256	\$ -	\$ 1,183
Division of Water				110
Division of Water Pollution Control		239		138
Division of Cleveland Public Power		34		13
Division of Research Planning & Development	30		30	
Special Revenues - Trans Fee		91		91
PFC Revenue Transfer from Oper & Maint.	321	321	917	917
Division of Telephone Exchange	457	155	457	
	\$ 942	\$ 1,096	\$ 1,404	\$ 2,452

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PORT CONTROL  
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL  
AND BURKE LAKEFRONT AIRPORTS  
NOTES TO FINANCIAL STATEMENTS - Continued  
For the Years Ended December 31, 2001 and 2000

**NOTE B - LONG-TERM DEBT**

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

	<b>Interest Rate</b>	<b>Outstanding Principal Amount</b>	
		<b>2001</b>	<b>2000</b>
<i>(in thousands of dollars)</i>			
Airport System Revenue Bonds:			
Series 1990, due through 2006	6.50%-7.30%	\$ 16,136	\$ 23,946
Series 1994, due through 2024	4.80%-7.95%	77,580	79,230
Series 1997, due through 2027	4.25%-7.00%	263,945	268,800
Series 2000, due through 2031	5.00%-5.50%	573,190	
Airport Surplus Revenue Notes:			
Series 1999, due in 2001	6.375%		40,000
Series 2001, due in 2003		44,950	
		<u>\$ 975,801</u>	<u>\$ 411,976</u>
Less:			
Unamortized discount		(10,611)	(5,140)
Unamortized loss on debt refunding		(2,252)	(2,423)
Current portion		(10,783)	(14,315)
Total Long-Term Debt excluding the deferred payment obligation		<u>\$ 952,155</u>	<u>\$ 390,098</u>

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<i>(in thousands of dollars)</i>			
2002	\$ 10,783	\$ 54,617	\$ 65,400
2003	55,866	53,213	109,079
2004	11,104	51,733	62,837
2005	11,348	51,486	62,834
2006	11,630	51,197	62,827
Thereafter	<u>875,070</u>	<u>682,461</u>	<u>1,557,531</u>
	<u>\$ 975,801</u>	<u>\$ 944,707</u>	<u>\$ 1,920,508</u>

In June 1999, the Department of Port Control issued \$40,000,000 of Taxable Airport Surplus Revenue Notes, Series 1999. These are two-year notes which matured in June 2001. The proceeds of the Notes were used to pay a portion of the cost of acquiring real property for future airport expansion, to pay all of the interest on the Series 1999 Notes, to reimburse the Surplus Fund of the Airport for a portion of the payment made to acquire real property and to pay the costs of issuance. The Series 1999 Notes are special obligations of the City and do not constitute general obligations or a pledge of the faith, credit or taxing power of the City.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PORT CONTROL  
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL  
AND BURKE LAKEFRONT AIRPORTS  
NOTES TO FINANCIAL STATEMENTS - Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE B-LONG-TERM DEBT-Continued**

On June 15, 2001, the City of Cleveland issued the Series 2001 Taxable Surplus Revenue Notes for \$44,950,000. These notes were issued to pay off the Series 1999 Taxable Airport Surplus Revenue Notes, which matured on June 15, 2001. The Series 2001 Taxable Airport Surplus Revenue Notes are due June 1, 2003.

Effective February 27, 2001, the Department of Port Control issued \$573,190,000 of Airport System Revenue Bonds. The Series 2000 Bonds are special obligations of the City and are payable from Airport Revenues as defined in the Trust Indenture governing the bonds. The proceeds of the Series 2000 Bonds will be applied by the City to finance a portion of certain improvements to Cleveland Hopkins International Airport, to pay the costs of issuance, to fund capitalized interest on the Series 2000 bonds, and to make the required deposits to the Bond Service Reserve Fund and the Renewal and Replacement Fund. The Series A bonds in the principal amount of \$360,880,000 were issued as fixed rate, Non-AMT bonds. The Series B Bonds totaled \$63,310,000 and are fixed rate AMT Bonds. The Series C Bonds, in the total amount of \$149,000,000 were issued as variable rate Non-AMT bonds with Westdeutsche Landesbank Girozentrale and State Street Bank and Trust Company serving as liquidity providers through a standby bond purchase agreement.

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, 2001 and December 31, 2000, the Department of Port Control has recorded a liability in the amount of \$19,413,000 and \$17,058,000 for compounded interest payable on the Capital Appreciation Bonds.

The Airport System Revenue Bonds are secured by the pledge of all airport revenues, as is defined in the revenue bond indenture. Further, the City has assigned all its rights and interest in and to the airline use agreements to the trustee under the revenue bond indenture. Amounts held in trust 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 these financial statements.

As of December 31, 2001, the Department was in compliance with the terms and requirements of the bond indenture.

The indenture as amended requires, among other things, that the Divisions: (1) make equal monthly deposits to a Bond Service Fund to have sufficient assets available to meet debt service requirements on the next payment date; (2) maintain the Bond Service Reserve Fund equal in amount to the maximum annual debt service to be paid in any year; (3) as long as any revenue bonds are outstanding, charge such rates, fees and charges for use of the airport system to produce in each year, together with other available funds, net revenues (as defined) at least equal to the greater of (a) 116% of the annual debt service due in such year on all outstanding revenue bonds and general obligation debt or (b) 125% of the annual debt service due in such year on all outstanding bonds.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PORT CONTROL  
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL  
AND BURKE LAKEFRONT AIRPORTS  
NOTES TO FINANCIAL STATEMENTS - Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE B-LONG-TERM DEBT-Continued**

*Defeasance of Airport System Revenue Bonds:* In prior years, the City defeased certain Airport System 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 City's financial statements. The aggregate amount of defeased debt outstanding at December 31, 2001 and 2000 are as follows:

Bond Issue	2001	2000
	<i>(in thousands of dollars)</i>	
Series 1994	\$ 7,950	\$ 7,950

**NOTE C-DEPOSITS AND INVESTMENTS**

*Deposits:* The Divisions' carrying amount of deposits at years ended December 31, 2001 and December 31, 2000 totaled approximately \$29,258,000 and \$3,303,000 and the Divisions' bank balance was approximately \$44,636,000 and \$11,161,000. Based on the criteria described in the GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements," all of the bank balance was insured or collateralized with securities held by the City or by its agent in the City's name.

*Investments:* The City's investment policies are governed by state statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; bonds and other State of Ohio obligations; certificates of deposit; U.S. Government Money Market Mutual Funds; State Treasury Asset Reserve Fund (STAROhio); guaranteed investment contracts and repurchase transactions. Such repurchase transactions must be purchased from financial institutions 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 deposits, investments in certain money market mutual funds and State Treasury Asset Reserve Fund (STAROhio). Generally, investments are recorded 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 statutes prohibit the use of Reverse Repurchase Agreements.

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements", requires the City 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.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PORT CONTROL  
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL  
AND BURKE LAKEFRONT AIRPORTS  
NOTES TO FINANCIAL STATEMENTS - Continued  
For the Years Ended December 31, 2001 and 2000

**NOTE C - DEPOSITS AND INVESTMENTS - Continued**

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

Type of Investment	Category	2001 Fair Value	2001 Cost	2000 Fair Value	2000 Cost
<i>(in thousands of dollars)</i>					
U.S. Agency Obligations	1	\$ 70,241	\$ 69,861	\$ 89,606	\$ 89,408
U.S. Treasury Bills	2	3,189	3,265	4,538	4,533
U.S. Treasury Notes	2	3,753	3,734	1,274	1,268
State Treasury Asset					
Reserve Fund (STAROhio)	n/a	70,748	70,748	31,728	31,728
Guaranteed Investment Contract	n/a	601,488	601,488	129,419	129,419
Total Investments		\$ 749,419	\$ 749,096	\$ 256,565	\$ 256,356
Total Deposits		29,258	29,258	3,303	3,303
Total Deposits and Investments		\$ 778,677	\$ 778,354	\$ 259,868	\$ 259,659

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.

STAROhio is an investment pool created pursuant to Ohio Statutes and managed by the Treasurer of the State of Ohio. Star Ohio investments and 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.

**NOTE D-SPECIAL FACILITY REVENUE BONDS**

Airport Special Revenue Bonds, Series 1990, totaling \$76,320,000 were issued to finance the acquisition and construction of a terminal, hangar and other support facilities of 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. 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 all 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 obligation of the City or a pledge of the Divisions' revenues. As such, no liabilities relating to these bonds are included in the accompanying financial statements.



**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PORT CONTROL  
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL  
AND BURKE LAKEFRONT AIRPORTS  
NOTES TO FINANCIAL STATEMENTS - Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE E-LEASES AND CONCESSIONS**

The Divisions' lease specifies terminal and concourse areas to the various airlines under terms and conditions of the airline use agreements. These agreements will remain in effect until December 31, 2005 and, under the terms of the agreements, rental payments and landing fees paid by the airlines are adjusted annually to provide airport revenues sufficient to meet the financial requirements of the airport system. Other areas are leased to various occupants under separate agreements.

The Divisions have various concession agreements that permit the concessionaires and certain others to operate on airport property. These agreements usually provide for payments based on a percentage of the revenues, with an annual minimum payment guarantee and in certain circumstances for the offset of percentage rents to the extent of certain improvements made to the leased property.

The Airport is a lessor of terminal space, land and other buildings on a fixed fee as well as a contingent rental basis. A portion of the building costs in the balance sheet are held by the Airport for the purpose of rental use. The net book value of property held for operating leases as of December 31, 2001 and 2000 is approximately \$177,830,000 and \$187,234,000, respectively.

Minimum future rental on non-cancelable operating leases to be received in each of the next five years and thereafter are as follows:

2002	\$	11,586,307
2003	\$	5,984,201
2004	\$	4,770,339
2005	\$	4,764,219
2006	\$	3,971,475
2007	\$	3,125,845
2008	\$	2,842,511
2009	\$	2,392,511
2010	\$	2,392,511
2011	\$	1,946,637
2012	\$	1,946,637
2013	\$	1,946,637
2014	\$	1,755,514
2015	\$	1,615,261
	\$	<u>51,040,605</u>

The Master Lease and Use Agreement which leases space in the terminal building and other areas is subject to fluctuating rates.

Contingent operating revenues aggregated approximately \$18,127,000 and \$17,676,000, respectively, in 2001 and 2000.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PORT CONTROL  
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL  
AND BURKE LAKEFRONT AIRPORTS  
NOTES TO FINANCIAL STATEMENTS - Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE F-CONTINGENT LIABILITIES**

Various claims are pending against the City involving the Divisions for personal injuries, property damage and other matters as well as various environmental remediation projects in its ordinary course of business. The City is responsible for the lawsuits and environmental remediation actions. In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The City's management is of the opinion that the ultimate settlement of such claims and remediation actions will not result in a material adverse effect on the Divisions' financial position or results of operations.

The Divisions received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Divisions. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the Divisions at December 31, 2001 and 2000.

As of December 31, 2001 and December 31, 2000, the Divisions had capital expenditure purchase commitments outstanding of approximately \$255 million and \$31 million.

**NOTE G-EMPLOYEE'S RETIREMENT PLAN**

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS 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. PERS issues a stand-alone financial report which may be obtained by writing to the 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 year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2001 and 2000 employer pension contribution rates for the Division were 13.55 and 10.84 percent of covered payroll, respectively. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Division's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$1,972,000, \$1,902,000, and \$1,611,000, respectively. The required amounts have been contributed for 2001, 2000, and 1999.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PORT CONTROL  
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL  
AND BURKE LAKEFRONT AIRPORTS  
NOTES TO FINANCIAL STATEMENTS - Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE H-OTHER POST EMPLOYMENT BENEFITS**

The Public Employees Retirement System of Ohio (PERS) 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 PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no changes in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 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 investments assets. The number of active contributing participants was 411,076. The Division's actual contributions for 2001 and 2000 which were used to fund postemployment benefits were \$625,000 and \$604,000. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PORT CONTROL  
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL  
AND BURKE LAKEFRONT AIRPORTS  
NOTES TO FINANCIAL STATEMENTS - Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE I-RELATED PARTY TRANSACTIONS**

The Divisions are provided various services by other City divisions. Charges are based on actual usage or a reasonable pro rata basis. The more significant expenses included in the statements of income, for the years ended December 31, 2001 and 2000, were as follows:

	<u>2001</u>	<u>2000</u>
	<i>(in thousands of dollars)</i>	
City Central Services including Police	\$ 4,839	\$ 4,290
Electricity purchased	208	220
Motor vehicle maintenance	268	330

**NOTE J-LANDING FEE ADJUSTMENT AND INCENTIVE COMPENSATION**

Under the terms of the airline use agreements, if the annual statement for the preceding term demonstrates that airport revenues over expenses (both as defined) is greater or less than that used in calculating the landing fee for the then current term, such difference shall be charged or credited to the airlines over the remaining billing periods in the current term. The landing fee adjustment for 2001 was a payable to the airport in the amount of \$10,903,000. In 2000 the landing fee adjustment resulted in a payable to the airlines of \$6,139,000.

The airline use agreements also provide an incentive for the City of Cleveland to provide the highest quality management for the airport system. There was no incentive compensation expense in 2001 and 2000.

**NOTE K-PASSENGER FACILITY CHARGES**

On November 1, 1992, Cleveland Hopkins International Airport began collecting passenger facility charges (PFC's) subject to Title 14, Code of Federal Regulations, Part 158. PFC's are fees imposed on enplaned passengers by public agencies controlling commercial service airports for the strict purpose of supporting airport planning and development projects. The charge is collected by the airlines and remitted to the airport operator net of an administrative fee to be retained by the airline and refunds to passengers. Under its federally approved program from inception in 1992 to 2007, the airport expects to collect approximately \$287 million of which an estimated 32% will be spent on noise abatement for the residents of communities surrounding the airport, 41% on the runway expansion, and 27% on airport development. PFC revenues and related interest earnings are recorded as non-operating revenues, and non-capitalized expenses funded by PFC revenues are recorded as non-operating expenses.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PORT CONTROL  
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL  
AND BURKE LAKEFRONT AIRPORTS  
NOTES TO FINANCIAL STATEMENTS - Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE L-MAJOR CUSTOMER**

In 2001 and 2000, operating revenues from one airline group for landing fees, rental and other charges amounted to approximately 30% and 31%, respectively, of total operating revenue.

**NOTE M-ACQUISITION OF INTERNATIONAL EXPOSITION 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 plans on tearing the building down to make way for a new runway. 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 balance sheet.

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

Minimum principal and interest payments due by the City on the deferred payment obligation and future minimum lease rentals due to the City under this lease for the next five years and thereafter are as follows:

<b>Deferred Payment Obligation</b>				
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Future Minimum Rentals</b>
<i>(in thousands of dollars)</i>				
2002	\$ 1,381	\$ 2,008	\$ 3,389	\$ 3,389
2003	1,492	1,897	3,389	3,389
2004	1,612	1,777	3,389	3,389
2005	1,741	1,648	3,389	3,389
2006	1,881	1,508	3,389	3,389
Thereafter	18,425	5,575	24,000	24,000
	\$ 26,532	\$ 14,413	\$ 40,945	\$ 40,945

Rental income recognized by the City under this agreement totaled \$3,389,000 in 2001, of which \$2,111,000 was offset against interest expense and \$1,278,000 was offset against the principal balance of the deferred obligation.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PORT CONTROL  
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL  
AND BURKE LAKEFRONT AIRPORTS  
NOTES TO FINANCIAL STATEMENTS - Continued  
For the years ended December 31, 2000 and 1999

---

**NOTE N- CHANGE IN ACCOUNTING PRINCIPLE**

Effective January 1, 2001, the City implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues" (an amendment of GASB Statement No. 33). In general, GASB Statement Nos. 33 and 36 establish accounting and financial reporting standards which address when to report the results of nonexchange transactions involving financial or capital resources. In a nonexchange transaction, an entity gives (or receives) value without directly receiving or giving equal value in return. These statements did not have a material impact on the Division's beginning retained earnings as previously reported.

Cash received or receivables recognized that were previously recorded as Contributed Capital are now recorded as non-operating revenue.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PORT CONTROL  
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL  
AND BURKE LAKEFRONT AIRPORTS  
AS DEFINED IN THE AIRLINE USE AGREEMENTS  
For the Years Ended December 31, 2001 and 2000

---

	<b>Cleveland Hopkins International</b>	<b>Burke Lakefront</b>	<b>Total</b>
<b>REVENUE</b>			
Airline revenue:			
Landing fees	\$ 34,077,004	\$	\$ 34,077,004
Terminal rental	16,560,273		16,560,273
Other	3,755,550		3,755,550
	<u>54,392,827</u>		<u>54,392,827</u>
Operating revenues from other sources:			
Concessions	17,641,274	300,235	17,941,509
Rentals	14,545,588	196,646	14,742,234
Landing fees	1,915,894	178,530	2,094,424
Other	3,516,930	136,129	3,653,059
	<u>37,619,686</u>	<u>811,540</u>	<u>38,431,226</u>
Non-operating revenue:			
Interest income	<u>2,608,148</u>		<u>2,608,148</u>
	<b>TOTAL REVENUE</b>	<b>\$ 811,540</b>	<b>\$ 95,432,201</b>
<b>OPERATING EXPENSES</b>			
Salaries and wages	\$ 13,059,739	\$ 842,719	\$ 13,902,458
Employee benefits	4,976,601	260,380	5,236,981
City Central Services, including police	4,912,782	193,607	5,106,389
Materials and supplies	5,939,920	272,312	6,212,232
Contractual services	26,121,074	215,002	26,336,076
	<u>\$ 55,010,116</u>	<u>\$ 1,784,020</u>	<u>\$ 56,794,136</u>







**CITY OF CLEVELAND - DEPARTMENT OF PORT CONTROL  
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND  
BURKE LAKEFRONT AIRPORTS  
CUYAHOGA COUNTY**

**REPORT ON PASSENGER FACILITY CHARGES**

**FOR THE YEAR ENDED DECEMBER 31, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND BURKE LAKEFRONT AIRPORTS  
DEPARTMENT OF PORT CONTROL  
CITY OF CLEVELAND  
REPORT ON PASSENGER FACILITY CHARGES  
TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance in Accordance with 14 CFR Part 158 .....	1
Schedule of Expenditures of Passenger Facility Charges.....	3
Notes to the Schedule of Expenditures of Passenger Facility Charges .....	4

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building  
615 Superior Avenue, NW.  
Twelfth Floor  
Cleveland, Ohio 44113-1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.us

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH 14 CFR PART 158**

Divisions of Cleveland Hopkins International and  
Burke Lakefront Airports  
Department of Port Control  
City of Cleveland  
Cuyahoga County  
5300 Riverside Drive  
Cleveland, Ohio 44135-3193

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

**Compliance**

We have audited the compliance of the Divisions of Cleveland Hopkins International and Burke Lakefront Airports, Department of Port Control, City of Cleveland, Ohio, (the Airports) with the compliance requirements described in the September 2000 *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended December 31, 2001. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Airport's management. Our responsibility is to express an opinion on the Airport's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect occurred on the passenger facility charge program. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Airport's compliance with those requirements.

In our opinion, the Airports complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended December 31, 2001.

**Internal Control Over Compliance**

The management of the Airports is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the Airport's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Guide.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over passenger facility charge program compliance that do not require inclusion in this report, that we have reported to management of the Airports in a separate letter dated August 16, 2002.

### **Schedule of Expenditures of Passenger Facility Charges**

We have audited the general-purpose financial statements of the City of Cleveland as of and for the year ended December 31, 2001, and have issued our report thereon dated August 16, 2002. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Passenger Facility Charges is presented for the purposes of additional analysis as specified by the Guide and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended for the information of the audit committee, management, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.



**Jim Petro**  
Auditor of State

August 16, 2002

**Divisions of Cleveland Hopkins International and Burke Lakefront Airports  
Department of Port Control  
City of Cleveland**

**Schedule of Expenditures of Passenger Facility Charges  
For the Year Ended December 31, 2001**

	<b>Approved Project Budget</b>	<b>Cumulative Expenditures at 12/31/00</b>	<b>1st Quarter 2001 Expenditures</b>	<b>2nd Quarter 2001 Expenditures</b>	<b>3rd Quarter 2001 Expenditures</b>	<b>4th Quarter 2001 Expenditures</b>	<b>Total 2001 Expenditures</b>	<b>Cumulative Expenditures at 12/31/01</b>
Insulate Residences - full program phase I	16,960,400	16,877,074			-39,223		-39,223	16,837,851
Extension of Taxiway "Q"	2,500,000	2,155,743					0	2,155,743
Land Acquisition - Resident Relocation	16,883,240	14,216,749	49,109	11,058	10,308	132,608	203,084	14,419,832
Sewer Construction	5,500,000	5,500,000					0	5,500,000
Asbestos Removal in Terminal CHIA	1,000,000	729,842					0	729,842
Acquisition of Analex Office Building and Vacant Land	13,025,000	13,025,000					0	13,025,000
Waste Water-Glycol Collection System Construction	6,320,642	74,294	35,000	20,700	1,148,484		1,204,184	1,278,477
NASA Feasibility and Pre-engineering Study	355,000	355,000					0	355,000
Land Acquisition	30,360,000	23,514,622	159,098	71,429	41,474	430,593	702,594	24,217,216
Sound Insulation	8,675,000	7,177,462		687,973		76,365	764,338	7,941,800
Environmental Assessment/Impact Studies	2,309,570	2,309,570					0	2,309,570
Terminal Passenger Flow and Security Study	300,000						0	0
Railway System/Vehicular Ingress-Egress Study	200,000						0	0
Runway 5R Extension Engineering	0						0	0
Runway 5R Extension Design	0						0	0
Runway 5R Construction	0						0	0
FIS Facility Construction	0						0	0
FIS Facility Design	0						0	0
Brook Park Land Transfer	8,750,000			926,003		145,992	1,071,995	1,071,995
Analex Demolition	1,229,000						0	0
Sound Insulation	20,000,000	2,557,705	542,724	1,415,397		39,796	1,997,916	4,555,622
Baggage Claim/Expansion	9,526,087	147,483					0	147,483
Tug Road Replacement	1,019,000			114,984	2,451	476,472	593,906	593,906
Interim Commuter Ramp	5,560,338			584,844		92,773	677,617	677,617
Concourse D Ramp/Site Utilities	51,305,804			5,402,847		856,024	6,258,871	6,258,871
Burke Runway Overlay 6L/24R	530,286			48,738		8,848	57,585	57,585
Install Instrument Landing System-Burke	2,181,400						0	0
Runway 6L/23R	82,106,000						0	0
	<b>286,596,767</b>	<b>88,640,543</b>	<b>785,931</b>	<b>9,283,973</b>	<b>1,163,494</b>	<b>2,259,470</b>	<b>13,492,867</b>	<b>102,133,410</b>

**Divisions of Cleveland Hopkins Airport and Burke Lakefront Airport  
Department of Port Control  
City of Cleveland**

**Notes to Schedule of Expenditures of Passenger Facility Charges  
For the Year Ended December 31, 2001**

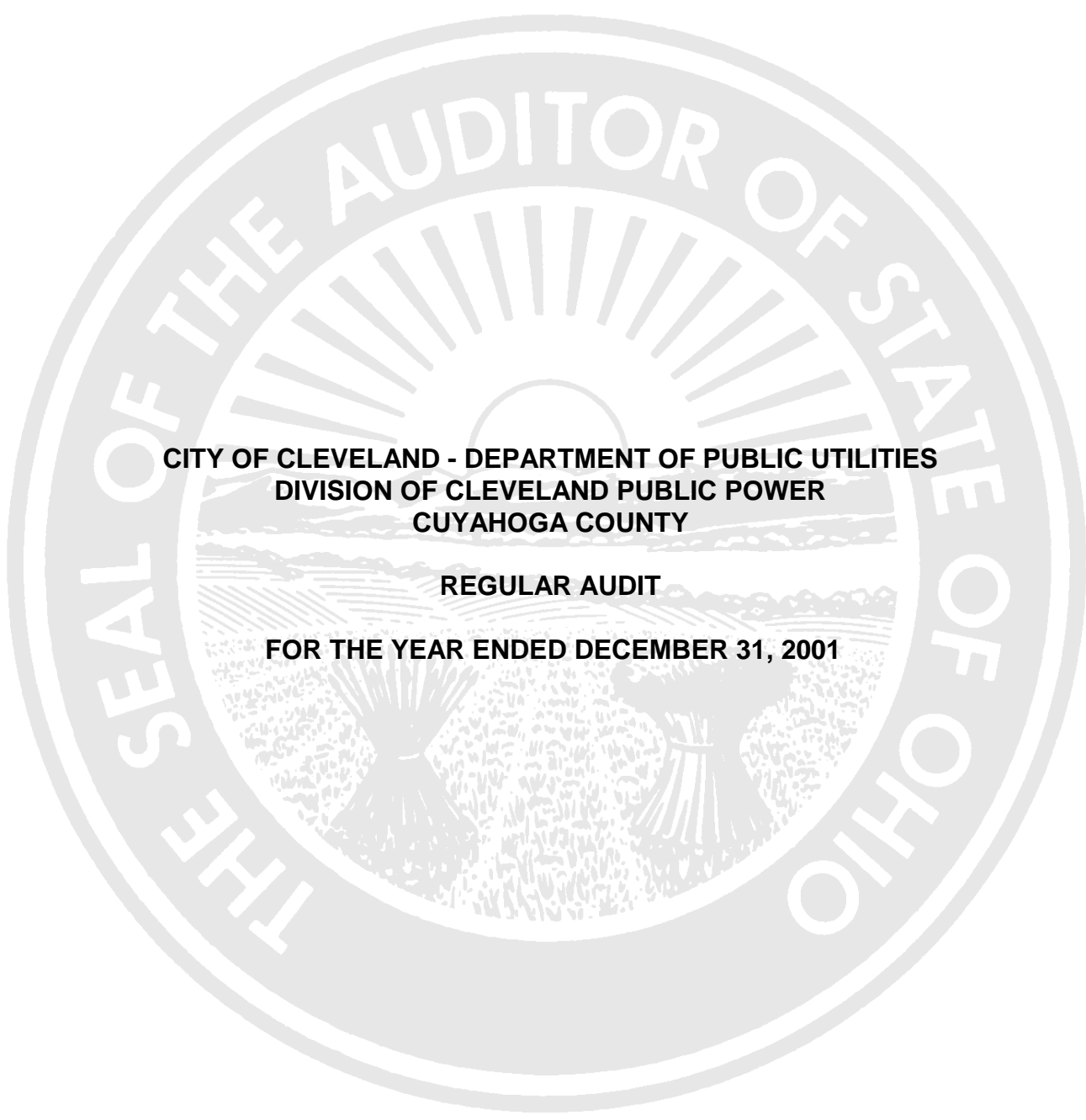
**General**

The accompanying schedule presents all activity of the Airport's Passenger Facility Charge (PFC) program. The Airport's reporting entity is defined in Note A to the Airports' financial statement.

**Basis of Presentation**

The accompanying schedule is presented on the cash basis of accounting.





**CITY OF CLEVELAND - DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF CLEVELAND PUBLIC POWER  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**CITY OF CLEVELAND - DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF CLEVELAND PUBLIC POWER  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Balance Sheets .....	4
Statements of Income and Retained Earnings .....	7
Statements of Cash Flows .....	8
Notes to Financial Statements .....	10

**This page intentionally left blank.**



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

**JIM PETRO, AUDITOR OF STATE**

Lausche Building  
615 Superior Avenue, NW.  
Twelfth Floor  
Cleveland, Ohio 44113-1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS**

Division of Cleveland Public Power  
Department of Public Utilities  
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 Division of Cleveland Public Power, Department of Public Utilities, City of Cleveland, Ohio, as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Division of Cleveland Public Power's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Division of Cleveland Public Power, and are not intended to present fairly the financial position of the City of Cleveland and the results of the City of Cleveland's operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Division of Cleveland Public Power, as of December 31, 2001 and December 31, 2000, and the results of its operations and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

August 16, 2002

**This page intentionally left blank.**

**This page intentionally left blank.**

**CITY OF CLEVELAND**  
**DEPARTMENT OF PUBLIC UTILITIES**  
**DIVISION OF CLEVELAND PUBLIC POWER**  
**BALANCE SHEETS**  
**December 31, 2001 and 2000**

		<i>(in thousands of dollars)</i>	
		<b>December 31,</b>	
		<b>2001</b>	<b>2000</b>
<b>ASSETS</b>			
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Land		\$ 4,863	\$ 4,863
Land improvements		2,304	2,134
Utility plant in service		338,490	329,828
Buildings, structures and improvements		41,209	42,453
Furniture, fixtures and equipment		28,297	25,127
		<hr/>	<hr/>
		415,163	404,405
Less: accumulated depreciation		137,740	120,540
		<hr/>	<hr/>
		277,423	283,865
Construction in progress		15,474	12,936
		<hr/>	<hr/>
	<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	292,897	296,801
<b>RESTRICTED ASSETS</b>			
Cash and cash equivalents		20,635	14,134
Investments at market			8,102
Accrued interest receivable		25	103
	<b>TOTAL RESTRICTED ASSETS</b>	<hr/>	<hr/>
		20,660	22,339
<b>UNAMORTIZED BOND ISSUANCE EXPENSE</b>			
		2,787	2,748
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		39,045	24,128
Investments at market			17,529
Accounts receivable-net of allowance for doubtful accounts of \$2,543,000 in 2001 and \$536,000 in 2000		24,492	22,098
Unbilled revenue		1,616	2,179
Due from other City of Cleveland departments, divisions or funds		6,836	1,486
Materials and supplies-at average cost, net of allowance for obsolescence of \$1,099,000 in 2001 and \$1,099,000 in 2000		2,926	3,065
Prepaid expenses		54	54
Accrued interest receivable			264
	<b>TOTAL CURRENT ASSETS</b>	<hr/>	<hr/>
		74,969	70,803
	<b>TOTAL ASSETS</b>	<hr/> <hr/>	<hr/> <hr/>
		\$ 391,313	\$ 392,691



	<i>(in thousands of dollars)</i>	
	December 31,	
	2001	2000
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Contributed capital	\$ 12,183	\$ 12,183
Retained earnings	135,282	127,994
<b>TOTAL EQUITY</b>	<u>147,465</u>	<u>140,177</u>
<b>LIABILITIES</b>		
<b>LONG TERM DEBT-excluding amounts due within one year:</b>		
Mortgage revenue bonds	223,102	227,099
<b>PAYABLE FROM RESTRICTED ASSETS</b>	278	560
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	6,620	6,855
Accounts payable	5,969	9,770
Due to other City of Cleveland departments, divisions or funds	583	656
Due to other governments	444	
Accrued interest payable	1,953	1,575
Accrued wages and benefits	3,973	4,649
Accrued expenses and other liabilities	926	1,350
<b>TOTAL CURRENT LIABILITIES</b>	<u>20,468</u>	<u>24,855</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>\$ 391,313</u>	<u>\$ 392,691</u>

See notes to financial statements.

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

**CITY OF CLEVELAND**  
**DEPARTMENT OF PUBLIC UTILITIES**  
**DIVISION OF CLEVELAND PUBLIC POWER**  
**STATEMENTS OF INCOME AND RETAINED EARNINGS**  
**For the Years Ended December 31, 2001 and 2000**

		<i>(in thousands of dollars)</i>	
		<b>For the</b>	
		<b>Years Ended December 31,</b>	
		<b>2001</b>	<b>2000</b>
<b>OPERATING REVENUES</b>			
Charges for services		\$ 132,095	\$ 134,152
<b>TOTAL OPERATING REVENUES</b>		<u>132,095</u>	<u>134,152</u>
<b>OPERATING EXPENSES</b>			
Purchased power		65,283	68,597
Operations		16,133	13,403
Maintenance		16,418	22,889
Depreciation		16,296	14,885
<b>TOTAL OPERATING EXPENSES</b>		<u>114,130</u>	<u>119,774</u>
<b>OPERATING INCOME</b>		17,965	14,378
<b>NON-OPERATING INCOME (EXPENSE)</b>			
Interest income		2,537	3,255
Interest expense		(12,423)	(13,809)
AEP refund per FERC ruling			2,864
Amortization of bond issuance expense and discount		(2,374)	(2,508)
Workers compensation refund		617	
Other		966	2,236
<b>TOTAL NON-OPERATING INCOME (EXPENSE), NET</b>		<u>(10,677)</u>	<u>(7,962)</u>
<b>NET INCOME</b>		7,288	6,416
<b>RETAINED EARNINGS, beginning of year</b>		127,994	121,578
<b>RETAINED EARNINGS, end of year</b>		<u>\$ 135,282</u>	<u>\$ 127,994</u>

See notes to financial statements.

**CITY OF CLEVELAND**  
**DEPARTMENT OF PUBLIC UTILITIES**  
**DIVISION OF CLEVELAND PUBLIC POWER**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2001 and 2000**

	<i>(in thousands of dollars)</i>	
	<b>For the</b>	
	<b>Years Ended December 31,</b>	
	<b>2001</b>	<b>2000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 124,280	\$ 134,426
Cash payments to suppliers for goods or services	(13,112)	(16,049)
Cash payments to employees for services	(21,578)	(21,708)
Cash payments for purchased power	(66,366)	(67,701)
Cash refunds of customer deposits, net	(424)	139
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>22,800</b>	<b>29,107</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Workers compensation refund	617	
AEP refund per FERC-ruling		2,864
Other		2,235
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>617</b>	<b>5,099</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(12,087)	(13,804)
Proceeds from refunding bond issue	43,036	
Principal paid on long-term debt	(6,855)	(6,465)
Cash paid to escrow agent for refunding	(43,743)	
Interest paid on long-term debt	(11,133)	(11,669)
<b>NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(30,782)</b>	<b>(31,938)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	(14,441)	(14,576)
Proceeds from sale and maturity of investment securities	40,387	17,782
Interest received on investments	2,837	3,375
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>28,783</b>	<b>6,581</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>21,418</b>	<b>8,849</b>
Cash and cash equivalents, beginning of year	38,262	29,413
Cash and cash equivalents, end of year	<u>\$ 59,680</u>	<u>\$ 38,262</u>

*(in thousands of dollars)*  
**For the**  
**Years Ended December 31,**  
**2001                      2000**

---

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

	\$		\$
<b>OPERATING INCOME</b>	17,965		14,378
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	16,296		14,885
Change in assets and liabilities:			
Accounts receivable, net	(2,284)		(3,070)
Unbilled revenue	563		(358)
Due from other City of Cleveland departments, divisions or funds	(5,350)		(702)
Materials and supplies, net	139		2,402
Accounts payable	(3,801)		2,072
Due to other City of Cleveland departments, divisions or funds	(72)		(2,459)
Due to other governments	444		
Accrued wages and benefits	(676)		1,620
Accrued expenses and other liabilities	(424)		339
<b>TOTAL ADJUSTMENTS</b>	4,835		14,729
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 22,800	\$	29,107

See notes to financial statements.

# CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF CLEVELAND PUBLIC POWER  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2001 and 2000

---

## NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Cleveland Public Power (“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 electrical services to customers within the City of Cleveland. To provide electrical services to its customers, the Division purchases electrical power under the terms of various short-term, limited-term and long-term contracts. The following is a summary of the more significant accounting policies.

*Basis of Accounting:* The Division’s financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred. Under GASB Statement No. 20, “Accounting and Financial Reporting for Proprietary Activities”, all Proprietary Funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, Proprietary Funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB pronouncements). The City has chosen not to apply future FASB standards.

*Revenues:* Revenues are derived primarily from sales of electricity to residential and commercial customers based upon actual consumption. Electricity 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 Non-expendable 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, STAROhio (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:* The Division follows 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. The fair values of investments at year-end are based on market quotes, where available.

# CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF CLEVELAND PUBLIC POWER  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2001 and 2000

---

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal years 2001 and 2000. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2001 and 2000.

*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.

*Fixed Assets and Depreciation:* Property, plant and equipment are stated on the basis of historical cost, or if contributed, at fair market value at the date received. Depreciation is determined by allocating the cost of fixed assets over the estimated useful lives of the assets using the straight-line method. A fixed asset is defined as a tangible item with a useful life of five years or more and a value equal to or greater than \$5,000, with the exception of computer equipment and software which have a value equal to or greater than \$1,500. When property is disposed of, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Utility plant in service	6 to 100 years
Buildings, structures and improvements	10 to 65 years
Furniture, fixtures and equipment	5 to 33 years

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 2001 and 2000 total interest expense incurred amounted to \$12,460,000 and \$13,819,000 respectively, which was reduced by \$37,000 and \$10,000, respectively, of interest expense capitalized. Total interest income earned amounted to \$2,543,000 and \$3,476,000, respectively, which was reduced by \$5,900 and \$221,000, 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 deferred expense 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 shorter life of the old bond or the new bond.

*Contributed Capital:* Contributed capital represents federal grants and contributions from the City of Cleveland which are not subject to mandatory repayment.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF CLEVELAND PUBLIC POWER  
NOTES TO FINANCIAL STATEMENTS-Continued  
For the Years Ended December 31, 2001 and 2000

**NOTE B - LONG-TERM DEBT**

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

	<b>Interest Rate</b>	<b>Outstanding Principal Amount</b>	
		<b>2001</b>	<b>2000</b>
		<i>(in thousands of dollars)</i>	
Cleveland Public Power Mortgage Revenue Bonds:			
Series 1991, due through 2017	5.85%-7.00%	\$ -	\$ 43,145
Series 1994, due through 2013	7.00%	16,850	21,850
Series 1994, Zero Coupon bonds due through 2015		48,335	48,335
Series 1996, due through 2024	5.00%-6.00%	122,380	122,380
Series 1998, due through 2017	4.00%-5.25%	44,760	44,760
Series 2001, due through 2016	3.55%-5.50%	41,925	
		\$ 274,250	\$ 280,470
Less:			
Unamortized discount - zero coupon bonds		(20,778)	(22,391)
Unamortized discount - current interest bonds		(5,880)	(8,044)
Unamortized loss on debt refunding		(17,870)	(16,081)
Current portion		(6,620)	(6,855)
Total Long-Term Debt		\$ 223,102	\$ 227,099

Minimum principal and interest payments on mortgage revenue bonds for the next five years and thereafter are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
	<i>(in thousand of dollars)</i>		
2002	\$ 6,620	\$ 11,803	\$ 18,423
2003	7,865	10,887	18,752
2004	9,410	10,447	19,857
2005	9,710	9,933	19,643
2006	11,025	9,474	20,499
Thereafter	229,620	101,946	331,566
	\$ 274,250	\$ 154,490	\$ 428,740



**CITY OF CLEVELAND, OHIO**

DEPARTMENT OF PUBLIC UTILITIES

DIVISION OF CLEVELAND PUBLIC POWER

NOTES TO FINANCIAL STATEMENTS-Continued

For the Years Ended December 31, 2001 and 2000

**NOTE B-LONG-TERM DEBT-Continued**

In August 2001, the Division of Cleveland Public Power issued \$41,925,000 of Public Power System Refunding Revenue Bonds, Series 2001. The proceeds were used to refund certain outstanding Series 1991 Revenue Bonds and to pay costs of issuance. Net proceeds of \$43,177,000 were placed in an irrevocable escrow account which including interest earned was used to pay principal, interest and premium on the refunded bonds on November 15, 2001. 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 total aggregate principal amount of the bonds refunded by the Series 2001 Bonds was \$41,290,000. The City completed the refunding to reduce its total debt service payments over the next fifteen years by \$7,951,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$5,832,000.

*Defeasance of Power Mortgage Revenue Bonds:* In addition to the defeased debt described above, in prior years, the City defeased certain Power 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 funds. 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, 2001 and December 31, 2000 is as follow:

<u>Bond Issue</u>	<u>2001</u>	<u>2000</u>
	<i>(in thousand of dollars)</i>	
Series 1994	\$ 131,440	\$ 131,440
Series 1991		12,170

Power Mortgage Revenue Bonds are payable from the revenues derived from operations of the public power 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 public power system, including any improvements, additions, replacements, and extension thereto.

The indenture requires that at all times the Division will charge rates and fees for the products and services of the public power system. Revenues will be at least sufficient to provide funds for the payment in each year of the necessary operating and maintenance expenses of the power system and in an amount equal to 1.25 times the payments of principal and interest on the revenue bonds then outstanding due in that year. As of December 31, 2001, 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.

*Debt Service Fund:* Monthly 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, OHIO**  
DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF CLEVELAND PUBLIC POWER  
NOTES TO FINANCIAL STATEMENTS-Continued  
For the Years Ended December 31, 2001 and 2000

---

**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. However, the City has elected, pursuant to provisions of the indenture governing the Division's bonds, to satisfy the bond reserve requirement with a surety bond in an aggregate amount at least equal to the bond reserve requirement.

*Renewal and Replacement Fund:* The balance in this fund is maintained at \$1,000,000 to be applied against the cost of repair or replacement of capital assets in order to maintain the system.

*Construction Fund:* The proceeds from Series 1994 and Series 1991 bonds of \$79,386,000 and \$12,050,000, respectively, 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, 2001 and 2000, the Division had \$14,157,000 and \$18,750,000, respectively, of outstanding commitments for future construction costs which will be funded by available bond proceeds and operating revenue. Capital costs include all costs of additions, extensions, renewals, replacements, alterations, betterments and any other capital improvements to the system. Amounts held in this fund are subject to a lien in favor of bondholders and may be used to pay principal of outstanding bonds to the extent that amounts in all other funds are insufficient. No payment needs to be made into a fund if the amounts in such fund are equal to the required fund balance, if any.

Amounts held in trust 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, the amounts are classified as restricted assets in the financial statements.

**NOTE C-EMPLOYEE'S RETIREMENT PLAN**

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS 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. PERS issues a stand-alone financial report which may be obtained by writing to the Public 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. The 2001 and 2000 employer pension contribution rates for the Division were 13.55 and 10.84 percent of covered payroll, respectively. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Division's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$2,323,000, \$2,417,000, and \$2,068,000, respectively. The required amounts have been contributed for 2001, 2000, and 1999.

#### **NOTE D-OTHER POST EMPLOYMENT BENEFITS**

The Public Employees Retirement System of Ohio (PERS) 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 PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 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 411,076. The Division's actual contributions for 2001 which were used to fund postemployment benefits were \$737,177. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

#### **NOTE E-IDLE GENERATION FACILITIES**

In April 1977, the Division closed its generation plant and, since that time, the Division's revenues have been derived primarily from the distribution of purchased power. With the present availability of competitively priced purchased power, management believes the plant will remain idle. The Division continued its past practice of depreciating the plant at rates which completed the amortization of the plant in 1999.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF CLEVELAND PUBLIC POWER  
NOTES TO FINANCIAL STATEMENTS-Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE F-RELATED PARTY TRANSACTIONS**

*Revenues and Accounts Receivable:* The Division provides electricity to the City of Cleveland, including its various departments and divisions. The usual and customary rates are charged.

*Operating Expenses:* The Division is provided various intra-city services. Charges are based on actual usage or on a reasonable pro rata basis. The more significant of these costs, included in the statements of income, for the years ended December 31 were as follows:

	2001	2000
	<i>(in thousands of dollars)</i>	
City administration	\$ 950	\$ 950
Motor vehicle maintenance	336	423
Employee and other services provided by the Division of Water	387	325
Utilities Administration and Fiscal Control	443	443
Telephone exchange	291	293
Data Processing	151	

**NOTE G-CONTINGENCIES**

Various claims are pending against the City involving the Division for personal injuries, property damage and other matters. The City is responsible for the lawsuits. 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 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. For the years ended December 31, 2001 and 2000, the estimated property taxes for the Division, based on book value of real estate at the current tax rates, would have been approximately \$1,441,000 and \$1,352,000, respectively.

**NOTE I- DEPOSITS AND INVESTMENTS**

*Deposits:* The Division's carrying amount of deposits at years ended December 31, 2001 and December 31, 2000 totaled \$121,000 and \$368,000 and the Division's bank balances were \$555,000 and \$333,000. The differences represent warrants payable and normal reconciling items. These amounts were insured or collateralized with securities held by the City or by its agent in the City's name.

*Investments:* The City's investment policies are governed by state statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; bonds and other State obligations; certificates of deposit; U.S. Government Money Market Mutual Funds; State Treasury Asset Reserve Fund (STAROhio), guaranteed investment contracts and repurchase transactions. Such repurchase transactions must be purchased from financial institutions 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 Treasury

**CITY OF CLEVELAND, OHIO**

DEPARTMENT OF PUBLIC UTILITIES  
 DIVISION OF CLEVELAND PUBLIC POWER  
 NOTES TO FINANCIAL STATEMENTS-Continued  
 For the Years Ended December 31, 2001 and 2000

**NOTE I- DEPOSITS AND INVESTMENTS - Continued**

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.

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; significant changes in market conditions could materially affect portfolio value.

GASB Statement No. 3, “Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements”, requires the City 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.

Category3: 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 and cash equivalents in the balance sheet in accordance with the provisions of GASB Statement No. 9:

Type of Investment	Category	2001	2001	2000	2000
		Fair Value	Cost	Fair Value	Cost
<i>(in thousands of dollars)</i>					
U.S. Agency Obligations	1	\$ -	\$ -	\$ 17,438	\$ 17,428
U.S. Treasury Bills	2	3,078	3,087	14,803	14,712
State Treasury Asset					
Reserve Fund (STAROhio)	n/a	41,329	41,329	25,499	25,499
Investment in Mutual Funds	n/a	15,152	15,152	5,785	5,785
Total Investments		\$ 59,559	\$ 59,568	\$ 63,525	\$ 63,424
Total Deposits		121	121	368	368
Total Deposits and Investments		\$ 59,680	\$ 59,689	\$ 63,893	\$ 63,792

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF CLEVELAND PUBLIC POWER  
NOTES TO FINANCIAL STATEMENTS-Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE I-DEPOSITS AND INVESTMENTS-Continued**

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.

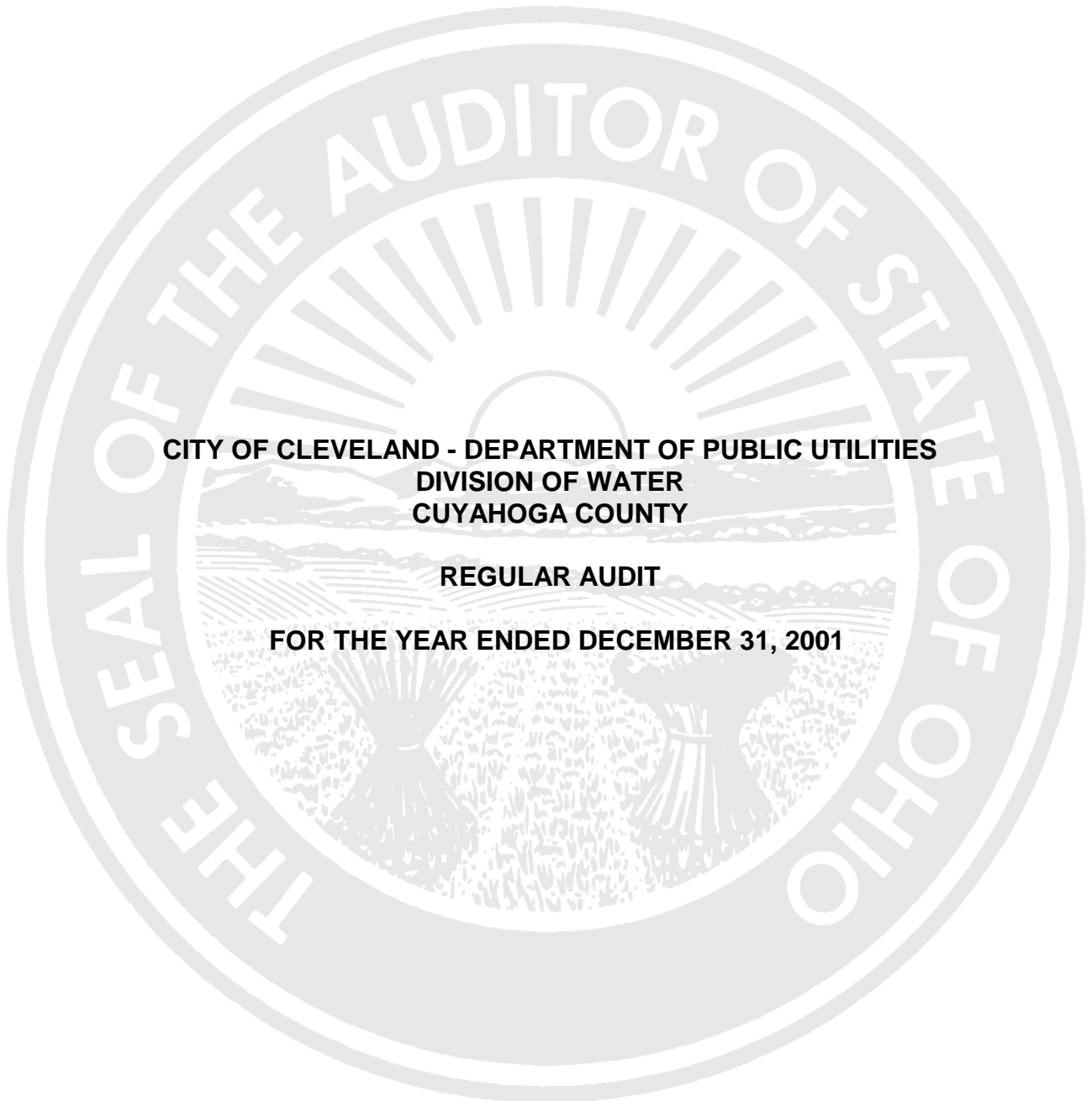
STAROhio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. STAROhio investments and investments in mutual funds are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined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

**NOTE J - AEP REFUND PER FERC RULING**

On January 12, 2000, the Federal Energy Regulatory Commission (FERC) granted American Electric Power Services (AEP) permission to issue an interim refund for amounts collected in excess of a load ratio share of annual revenue requirements. This resulted in a refund to Cleveland Public Power in the amount of \$2,864,000 which includes interest of \$779,000.

**NOTE K - KILOWATT PER HOUR TAX**

In May of 2001, Cleveland Public Power started billing for the State of Ohio electric deregulation kilowatt per hour tax. Cleveland Public Power billed \$3,780,000 for this tax in 2001, of which \$8,841 was remitted to the state, fifteen percent of the difference is attributable to the General Fund, with the balance to be used for accelerated debt reduction by Cleveland Public Power.



**CITY OF CLEVELAND - DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF WATER  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**





**CITY OF CLEVELAND - DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF WATER  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Balance Sheets .....	4
Statements of Income and Retained Earnings .....	7
Statements of Cash Flows .....	8
Notes to Financial Statements .....	10

**This page intentionally left blank.**



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

**JIM PETRO, AUDITOR OF STATE**

Lausche Building  
615 Superior Avenue, NW.  
Twelfth Floor  
Cleveland, Ohio 44113-1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**REPORT OF INDEPENDENT ACCOUNTANTS**

Division of Water  
Department of Public Utilities  
City of Cleveland  
Cuyahoga County  
601 Lakeside Ave.  
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 Division of Water, Department of Public Utilities, City of Cleveland, Ohio, as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Division of Water's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Division of Water and are not intended to present fairly the financial position of the City of Cleveland and the results of the City of Cleveland's operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Division of Water, as of December 31, 2001 and December 31, 2000, and the results of its operations and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

August 16, 2002

**This page intentionally left blank.**

**This page intentionally left blank.**

**CITY OF CLEVELAND**  
**DEPARTMENT OF PUBLIC UTILITIES**  
**DIVISION OF WATER**  
**BALANCE SHEETS**  
**December 31, 2001 and 2000**

		<i>(in thousands of dollars)</i>	
		<b>December 31,</b>	
		<b>2001</b>	<b>2000</b>
<b>ASSETS</b>			
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Land	\$	5,271	\$ 5,271
Land improvements		12,676	12,125
Utility plant in service		813,195	783,539
Buildings, structures and improvements		174,729	172,988
Furniture, fixtures and equipment		65,516	89,786
		<u>1,071,387</u>	<u>1,063,709</u>
Less: accumulated depreciation		312,825	283,851
		<u>758,562</u>	<u>779,858</u>
Construction in progress		128,005	70,785
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>		<u>886,567</u>	<u>850,643</u>
<b>RESTRICTED ASSETS</b>			
Cash and cash equivalents		239,945	216,086
Investments at market		12,899	63,870
Accrued interest receivable		883	1,312
<b>TOTAL RESTRICTED ASSETS</b>		<u>253,727</u>	<u>281,268</u>
<b>UNAMORTIZED BOND ISSUANCE EXPENSE</b>		5,964	5,738
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		111,148	23,751
Investments at market		118,510	162,983
Accounts receivable-net of allowance for doubtful accounts of \$1,841,000 in 2001 and \$1,447,000 in 2000		20,430	15,776
Unbilled revenue		22,750	22,599
Due from other City of Cleveland departments, divisions or funds		5,113	5,675
Accrued interest receivable		1,502	3,065
Materials and supplies-at average cost, net of allowance for obsolescence of \$600,000 in 2001 and \$600,000 in 2000		5,343	4,703
Prepaid expenses		1,187	224
<b>TOTAL CURRENT ASSETS</b>		<u>285,983</u>	<u>238,776</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<u><u>1,432,241</u></u>	<b>\$</b> <u><u>1,376,425</u></u>

		<i>(in thousands of dollars)</i>	
		December 31,	
		2001	2000
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Contributions in aid of construction		\$ 2,407	\$ 2,407
Retained earnings		714,371	651,340
	<b>TOTAL EQUITY</b>	<u>716,778</u>	<u>653,747</u>
<b>LIABILITIES</b>			
<b>LONG TERM DEBT-excluding amounts due within one year:</b>			
Mortgage revenue bonds		645,366	659,258
OWDA loan		5,738	
	<b>TOTAL LONG-TERM DEBT</b>	<u>651,104</u>	<u>659,258</u>
	<b>PAYABLE FROM RESTRICTED ASSETS</b>	5,303	3,603
<b>CURRENT LIABILITIES</b>			
Current portion of long-term debt		17,500	20,605
Accounts payable		5,323	2,947
Due to other City of Cleveland departments, divisions or funds		5,534	1,060
Accrued expenses		430	300
Accrued interest payable		17,018	19,263
Accrued wages and benefits		10,620	13,066
Customer deposits and other liabilities		2,631	2,576
	<b>TOTAL CURRENT LIABILITIES</b>	<u>59,056</u>	<u>59,817</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u>\$ 1,432,241</u>	<u>\$ 1,376,425</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, 2001 and 2000**

		<i>(in thousands of dollars)</i>	
		<b>For the</b>	
		<b>Years Ended December 31,</b>	
		<b>2001</b>	<b>2000</b>
<b>OPERATING REVENUES</b>			
Charges for Services		\$ 212,724	\$ 203,535
	<b>TOTAL OPERATING REVENUES</b>	<u>212,724</u>	<u>203,535</u>
<b>OPERATING EXPENSES</b>			
Operations		93,299	88,067
Maintenance		23,542	21,092
Depreciation		29,682	26,515
	<b>TOTAL OPERATING EXPENSES</b>	<u>146,523</u>	<u>135,674</u>
	<b>OPERATING INCOME</b>	66,201	67,861
<b>NON-OPERATING INCOME (EXPENSE)</b>			
Interest income		17,103	21,525
Interest expense		(19,776)	(21,374)
Workers compensation refund		2,100	
Loss on disposal of property and equipment		(1,827)	(731)
Amortization of bond issuance expense and discount		(770)	(974)
	<b>TOTAL NON-OPERATING INCOME (EXPENSE), NET</b>	<u>(3,170)</u>	<u>(1,554)</u>
	<b>NET INCOME</b>	63,031	66,307
	<b>RETAINED EARNINGS, beginning of year</b>	<u>651,340</u>	<u>585,033</u>
	<b>RETAINED EARNINGS, end of year</b>	<u>\$ 714,371</u>	<u>\$ 651,340</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, 2001 and 2000**

	<i>(in thousands of dollars)</i>	
	<b>For the</b>	
	<b>Years Ended December 31,</b>	
	<b>2001</b>	<b>2000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 212,022	\$ 201,419
Cash payments to suppliers for goods or services	(55,677)	(53,280)
Cash payments to employees for services	(61,748)	(56,699)
Cash receipts from customers deposits, net	55	80
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	94,652	91,520
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Workers comp refund	2,100	
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	2,100	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(56,958)	(51,779)
Proceeds of OWDA loan	6,208	
Principal paid on long-term debt	(20,835)	(18,567)
Interest paid on long-term debt	(38,201)	(38,993)
Cash paid to escrow agent for refunding	(97,680)	
Proceeds of refunding bonds	97,711	
<b>NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(109,755)	(109,339)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	(184,343)	(162,254)
Proceeds from sale and maturity of investment securities	279,322	133,734
Interest received on investments	29,280	26,163
<b>NET CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES</b>	124,259	(2,357)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	111,256	(20,176)
Cash and cash equivalents, beginning of year	239,837	260,013
Cash and cash equivalents, end of year	\$ 351,093	\$ 239,837

*(in thousands of dollars)*  
**For the**  
**Years Ended December 31,**  
**2001                      2000**

---

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

<b>OPERATING INCOME</b>	\$	66,201	\$	67,861
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation		29,682		26,515
Change in assets and liabilities:				
Accounts receivable, net		(4,654)		(1,882)
Unbilled revenue		(151)		(1,348)
Due from other City of Cleveland departments, divisions or funds		562		(1,953)
Materials and supplies, net		(640)		(683)
Prepaid expenses		(963)		(28)
Accounts payable		2,402		1,235
Due to other City of Cleveland departments, divisions or funds		4,474		(3,041)
Accrued expenses		130		(4)
Accrued wages and benefits		(2,446)		4,848
Customer deposits and other liabilities		55		
<b>TOTAL ADJUSTMENTS</b>		28,451		23,659
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$</b>	94,652	<b>\$</b>	91,520

See notes to financial statements.

# CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES

DIVISION OF WATER

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2001 and 2000

---

## 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 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 cyclical basis. Estimates for services between the ends of the various cycles and the end of the year are recorded as unbilled revenue.

*Basis of Accounting:* The Division’s financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred. Under GASB Statement No. 20, “Accounting and Financial Reporting for Proprietary Activities”, all Proprietary Funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, Proprietary Funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB pronouncements). The City has chosen not to apply future FASB standards.

*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 Non-expendable 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 all investment 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, STAROhio (See Note H) 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:* The Division follows 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.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001 and 2000. STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on December 31, 2001 and 2000.

# CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES

DIVISION OF WATER

NOTES TO FINANCIAL STATEMENTS-Continued

For the Year Ended December 31, 2001 and 2000

---

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*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.

*Fixed Assets and Depreciation:* Property, plant and equipment are stated on the basis of historical cost, or if contributed, at fair market value at the date received. Depreciation for the Proprietary Fund types is determined by allocating the cost of fixed assets over the estimated useful lives of the assets using the straight-line method. A fixed asset is defined as a tangible item with a useful life of five years or more and a value equal to or greater than \$5,000, with the exception of computer equipment and software which have a value equal to or greater than \$1,500. When property is disposed of, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Utility plant in service	6 to 100 years
Buildings, structures and improvements	10 to 65 years
Furniture, fixtures and equipment	5 to 33 years

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 2001 and 2000, total interest expense incurred amounted to \$38,299,000 and \$40,527,000, respectively, which was reduced by \$18,523,000 and \$19,152,000, respectively, of interest expense capitalized. For 2001 and 2000, total interest income earned amounted to \$24,957,000 and \$30,030,000, respectively, which was reduced by \$7,854,000 and \$9,730,000, respectively, of interest income capitalized.

*Bond Issuance Expense and Discount and Unamortized Loss on Debt Refunding Bond:* Bond issuance expense is carried on the Division's books as deferred expense 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 shorter life of the old bond or the new bond.

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

**CITY OF CLEVELAND, OHIO**

DEPARTMENT OF PUBLIC UTILITIES

DIVISION OF WATER

NOTES TO FINANCIAL STATEMENTS-Continued

For the Years Ended December 31, 2001 and 2000

**NOTE B - LONG-TERM DEBT**

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

	Interest Rate	Outstanding Principal Amount	
		2001	2000
		<i>(in thousands of dollars)</i>	
Water Mortgage Revenue Bonds:			
Series A, 1997, due through 2008	6.13%	\$ 12,905	\$ 12,905
Series D, 1986, due through 2015	5.00%-7.00%	15,350	15,350
Series F, 1992, due through 2016	5.50%-6.25%		87,315
Series G, 1993, due through 2021	4.60%-5.50%	187,440	201,245
Series H, 1996, due through 2026	4.20%-5.75%	81,105	90,895
Series J, 1998, due through 2028	4.00%-5.25%	303,765	305,425
Series J, 2001, due through 2016	4.00%-5.375%	92,595	
Ohio Water Development Authority Loan payable annually through 2020	4.14%	5,978	
		<u>\$ 699,138</u>	<u>\$ 713,135</u>
Less:			
Unamortized discount and premium		2,121	(4,768)
Unamortized loss on debt refunding		(32,655)	(28,504)
Current portion		(17,500)	(20,605)
Total Long-Term Debt		<u>\$ 651,104</u>	<u>\$ 659,258</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<i>(in thousand of dollars)</i>		
2002	\$ 17,500	\$ 35,073	\$ 52,573
2003	24,240	35,237	59,477
2004	25,420	33,971	59,391
2005	26,816	32,582	59,398
2006	29,007	31,089	60,096
Thereafter	576,155	257,794	833,949
	<u>\$ 699,138</u>	<u>\$ 425,746</u>	<u>\$ 1,124,884</u>

# CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES

DIVISION OF WATER

NOTES TO FINANCIAL STATEMENTS-Continued

For the Years Ended December 31, 2001 and 2000

## 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, 2001 and 2000 is as follows:

Bond Issue	2001	2000
	<i>(in thousand of dollars)</i>	
Series F, 1992	\$ 263,010	\$ 180,120
Series H, 1996	104,950	102,340
Series G, 1993	2,040	

In 1996, the City authorized the adoption of the eighth supplemental indenture to amend and restate the existing indenture, subject to the receipt of the consent of the requisite number of bondholders. With the issuance of the Series J bonds, the City reached the 66 2/3% consent required to enact the Amended and Restated Indenture. Effective October, 5, 2001, all outstanding bonds and any future bonds are secured by the Amended and Restated Indenture. Under the new indenture, the bonds are no longer secured by a mortgage lien. All bonds are secured by the Division's net revenues and by the Pledged Funds.

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.

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, OHIO

DEPARTMENT OF PUBLIC UTILITIES

DIVISION OF WATER

NOTES TO FINANCIAL STATEMENTS-Continued

For the Years Ended December 31, 2001 and 2000

---

## **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, 2001 and 2000, the Division had \$184,337,000 and \$158,138,000 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.

Effective October 4, 2001, the Division of Water issued \$92,595,000 of Waterworks Refunding Revenue Bonds, Series J 2001. The proceeds were used to currently refund certain outstanding Series F, Series G and Series H Revenue Bonds and to pay costs of issuance. Proceeds of \$96,566,000 were placed in an irrevocable escrow account which will be used to pay the principal, interest, and premium on the refunded bonds. As a result, the refunded bonds in the aggregate principal amount of \$91,965,000 are considered to be defeased and the liability for these bonds has been removed from long term debt. The City completed the refunding to reduce its total debt service payments over the next fifteen years by \$7,231,000 and to obtain an economic gain (difference between the present values of the old and new debt service payment) of \$7,193,000.

*Ohio Water Development Authority (OWDA) Loans*: These loans are payable from net revenues derived from the waterworks and water pollution control systems. These obligations do not have a lien on revenues of the Divisions. The Division received an OWDA loan in the amount of \$6,208,000 during 2001.

## **NOTE C-EMPLOYEES' RETIREMENT PLAN**

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS 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. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.



# CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES

DIVISION OF WATER

NOTES TO FINANCIAL STATEMENTS-Continued

For the Years Ended December 31, 2001 and 2000

---

## **NOTE C-EMPLOYEES' RETIREMENT PLAN-Continued**

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2001 and 2000 employer pension contribution rates for the Division were 13.55 and 10.84 percent of covered payroll, respectively. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Division's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$6,071,137, \$6,104,000, and \$5,851,000, respectively. The full amount has been contributed for 2001, 2000, and 1999.

## **NOTE D-OTHER POST EMPLOYMENT BENEFITS**

The Public Employees Retirement System of Ohio (PERS) 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 PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no-change in the number of active employee) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 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 411,076. The Division's actual contributions for 2001 which were used to fund postemployment benefits were \$1,926,000. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

# CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES

DIVISION OF WATER

NOTES TO FINANCIAL STATEMENTS-Continued

For the Years Ended December 31, 2001 and 2000

---

## NOTE E-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 F-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 \$2,269,000 and \$2,180,000 in 2001 and 2000, respectively. The Division also provides miscellaneous services to other departments and divisions of the City. Revenue realized from such services was approximately \$2,138,000 and \$1,610,000 in 2001 and 2000, 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:

	<u>2001</u>	<u>2000</u>
	<i>(in thousands of dollars)</i>	
Electricity purchases	\$ 8,953	\$ 11,158
Street construction and maintenance	1,522	953
City administration	1,600	1,600
Motor vehicle maintenance	2,274	1,813
Telephone exchange	384	393
Utilities Administration and Fiscal Control	1,735	1,498
Data Processing	300	

## NOTE G-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 \$3,477,000 and \$3,295,000 for the years ended December 31, 2001 and 2000, respectively.

# CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES

DIVISION OF WATER

NOTES TO FINANCIAL STATEMENTS-Continued

For the Years Ended December 31, 2001 and 2000

---

## NOTE H-DEPOSITS AND INVESTMENTS

*Deposits:* The Division's carrying amount of deposits at years ended December 31, 2001 and December 31, 2000 totaled \$15,556,000 and \$52,106,000 and the Division's bank balances were \$16,830,000 and \$57,178,000. Based on the criteria described in GASB Statement No.3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements," \$1,997,000 and \$115,000 of this amount were insured or collateralized with securities held by the City or by its agent in the City's name, and \$10,958,000 and \$55,789,000 were 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 balances of \$3,875,000 and \$1,274,000 were 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 obligations; certificates of deposit; U.S. Government Money Market Mutual Funds; State Treasury Asset Reserve Fund (STAROhio); guaranteed investment contracts and repurchase transactions. Such repurchase transactions must be purchased from financial institutions 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 Treasury 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.

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; significant changes in market conditions could materially affect portfolio value.

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements", requires the City 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.

Category3: includes uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the City's name.

**CITY OF CLEVELAND, OHIO**

DEPARTMENT OF PUBLIC UTILITIES

DIVISION OF WATER

NOTES TO FINANCIAL STATEMENTS-Continued

For the Years Ended December 31, 2001 and 2000

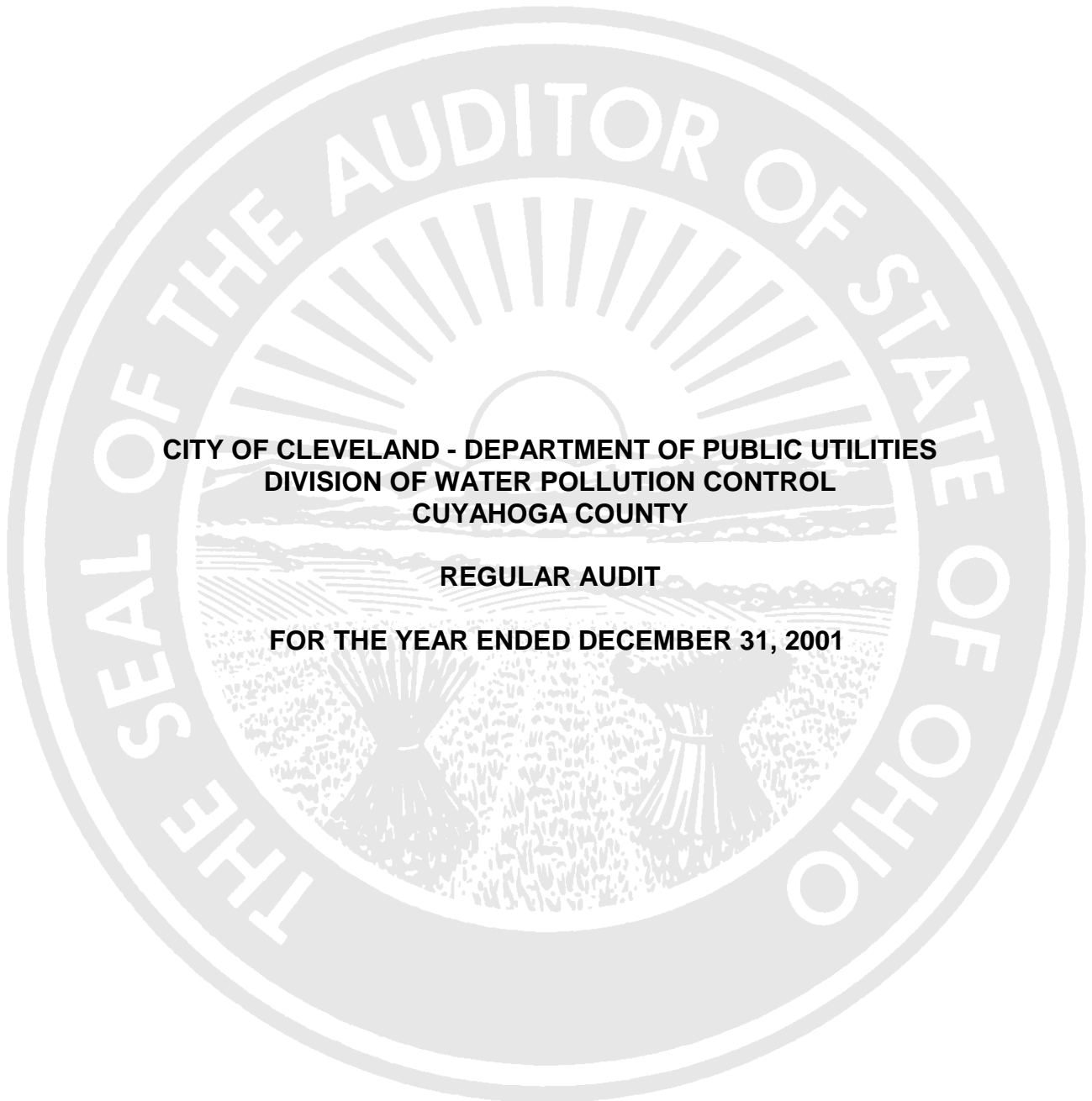
**NOTE H - DEPOSITS AND INVESTMENTS - Continued**

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

Type of Investment	Category	2001	2001	2000	2000
		Fair Value	Cost	Fair Value	Cost
<i>(in thousands of dollars)</i>					
U.S. Agency Obligations	1	\$ 136,703	\$ 135,870	\$ 164,640	\$ 164,118
U.S. Government Bonds	2	12,899	12,899	13,179	12,899
U.S. Government T-Bills	2			6,754	6,691
Repurchase Agreements	3			40,718	40,718
State Treasury Asset					
Reserve Fund (STAROhio)	n/a	100,576	100,576	3,910	3,910
Investment in Mutual Funds	n/a	86,255	86,255	21,640	21,640
Guaranteed Investment Contract	n/a	130,513	130,513	163,744	163,744
Total Investments		\$ 466,946	\$ 466,113	\$ 414,585	\$ 413,720
Total Deposits		15,556	15,556	52,106	52,106
Total Deposits and Investments		\$ 482,502	\$ 481,669	\$ 466,691	\$ 465,826

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.



**CITY OF CLEVELAND - DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF WATER POLLUTION CONTROL  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**CITY OF CLEVELAND - DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF WATER POLLUTION CONTROL  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Balance Sheets .....	4
Statements of Income and Retained Earnings .....	7
Statements of Cash Flows .....	8
Notes to Financial Statements .....	10

**This page intentionally left blank.**





**STATE OF OHIO  
OFFICE OF THE AUDITOR**

**JIM PETRO, AUDITOR OF STATE**

Lausche Building  
615 Superior Avenue, NW.  
Twelfth Floor  
Cleveland, Ohio 44113-1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS**

Division of Water Pollution Control  
Department of Public Utilities  
City of Cleveland  
Cuyahoga County  
601 Lakeside Ave.  
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 Division of Water Pollution Control, Department of Public Utilities, City of Cleveland, Ohio, as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Division of Water Pollution Control's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Division of Water Pollution Control and are not intended to present fairly the financial position of the City of Cleveland and the results of the City of Cleveland's operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Division of Water Pollution Control, as of December 31, 2001 and December 31, 2000, and the results of its operations and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note I, the Division of Water Pollution Control adopted Governmental Accounting Standards Board Statements Nos. 33 and 36, as of and for the year ended December 31, 2001.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

August 16, 2002

**This page intentionally left blank.**

**This page intentionally left blank.**

**CITY OF CLEVELAND**  
**DEPARTMENT OF PUBLIC UTILITIES**  
**DIVISION OF WATER POLLUTION CONTROL**  
**BALANCE SHEETS**  
**December 31, 2001 and 2000**

	(in thousand of dollars)	
	<b>December 31,</b>	
	<b>2001</b>	<b>2000</b>
<b>ASSETS</b>		
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	\$ 297	\$ 297
Utility plant in service	108,092	106,323
Furniture, fixtures and equipment	107	107
	108,496	106,727
Less: accumulated depreciation	49,054	45,522
	59,442	61,205
Construction in progress	909	484
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	60,351	61,689
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	29,109	14,048
Investments at market	4,053	20,239
Accounts receivable- net of allowance for doubtful accounts of \$898,000 in 2001 and \$574,000 in 2000	39,397	32,938
Unbilled revenue	1,918	2,161
Due from other City of Cleveland departments, divisions or funds	1,818	957
Accrued interest receivable	57	274
Materials and supplies-at average cost	232	233
<b>TOTAL CURRENT ASSETS</b>	76,584	70,850
<b>TOTAL ASSETS</b>	\$ 136,935	\$ 132,539

		<i>(in thousands of dollars)</i>	
		December 31,	
		2001	2000
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Contributions in aid of construction		\$ 40,154	\$ 40,154
Contributed capital		3,445	3,445
Retained earnings		37,891	37,004
	<b>TOTAL EQUITY</b>	<u>81,490</u>	<u>80,603</u>
<b>LIABILITIES</b>			
	<b>LONG TERM DEBT-excluding amounts due within one year</b>	6,548	6,866
	<b>PAYABLE FROM RESTRICTED ASSETS</b>	100	324
<b>CURRENT LIABILITIES</b>			
	Current portion of long-term debt	591	546
	Accounts payable	208	
	Amounts due for billings on behalf of others	43,472	38,432
	Due to other City of Cleveland departments, divisions or funds	2,340	4,177
	Accrued expenses	965	65
	Accrued wages and benefits	1,221	1,526
	<b>TOTAL CURRENT LIABILITIES</b>	<u>48,797</u>	<u>44,746</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u>\$ 136,935</u>	<u>\$ 132,539</u>

See notes to financial statements.

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

**CITY OF CLEVELAND**  
**DEPARTMENT OF PUBLIC UTILITIES**  
**DIVISION OF WATER POLLUTION CONTROL**  
**STATEMENTS OF INCOME AND RETAINED EARNINGS**  
**For the Years Ended December 31, 2001 and 2000**

		<i>(in thousands of dollars)</i>	
		<b>For the</b>	
		<b>Years Ended December 31,</b>	
		<b>2001</b>	<b>2000</b>
<b>OPERATING REVENUES</b>			
Charges for services		\$ 18,893	\$ 18,235
<b>TOTAL OPERATING REVENUES</b>		18,893	18,235
<b>OPERATING EXPENSES</b>			
Operations		7,012	6,486
Maintenance		6,715	7,043
Depreciation		3,859	3,905
<b>TOTAL OPERATING EXPENSES</b>		17,586	17,434
<b>OPERATING INCOME</b>		1,307	801
<b>NON-OPERATING INCOME (EXPENSE)</b>			
Workers compensation refund		314	
Litigation settlement		(2,699)	
Contributed capital and other contributions		597	
Interest income		1,683	2,217
Interest expense		(315)	(288)
<b>TOTAL NON-OPERATING INCOME (EXPENSE), NET</b>		(420)	1,929
<b>NET INCOME</b>		887	2,730
<b>RETAINED EARNINGS, beginning of year</b>		37,004	34,274
<b>RETAINED EARNINGS, end of year</b>		\$ 37,891	\$ 37,004

See notes to financial statements.

**CITY OF CLEVELAND**  
**DEPARTMENT OF PUBLIC UTILITIES**  
**DIVISION OF WATER POLLUTION CONTROL**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2001 and 2000**

	<i>(in thousands of dollars)</i>	
	<b>For the</b>	
	<b>Years Ended December 31,</b>	
	<b>2001</b>	<b>2000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 18,625	\$ 18,091
Cash payments to suppliers for goods or services	(6,185)	(6,168)
Cash payments to employees for services	(7,307)	(6,652)
Agency activity on behalf of other sewer authorities, net	(2,995)	
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	2,138	5,271
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Litigation settlement	(1,799)	
Workers compensation refund	306	
<b>NET CASH (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>	(1,493)	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(2,129)	(1,487)
Principal paid on long-term debt	(531)	(461)
Interest paid on long-term debt	(316)	(288)
<b>NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(2,976)	(2,236)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities		(4,498)
Proceeds from sale and maturity of investment securities	15,544	6,249
Interest received on investments	1,848	1,501
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	17,392	3,252
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	15,061	6,287
Cash and cash equivalents, beginning of year	14,048	7,761
Cash and cash equivalents, end of year	\$ 29,109	\$ 14,048
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY</b>		
Fixed assets acquired by capital contribution	\$ 597	\$ 269



(in thousands of dollars)  
For the  
Years Ended December 31,  
2001                      2000

---

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

	\$	\$
<b>OPERATING INCOME</b>	1,307	801
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,859	3,905
Loss on disposal of equipment	41	
Change in assets and liabilities:		
Accounts receivable, net	(6,459)	(3,314)
Unbilled revenue	243	231
Due from other City of Cleveland departments, divisions or funds	(861)	129
Materials and supplies	1	68
Accounts payable	208	(141)
Amounts due for billings on behalf of others	5,040	2,290
Due to other City of Cleveland departments, divisions or funds	(1,837)	622
Accrued expenses	900	1
Accrued wages and benefits	(304)	679
<b>TOTAL ADJUSTMENTS</b>	<u>831</u>	<u>4,470</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 2,138</u>	<u>\$ 5,271</u>

See notes to financial statements.

# CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF WATER POLLUTION CONTROL  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2001 and 2000

---

## NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Water Pollution Control (“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 providing sewage services to customers and to maintain the local sewer system of the City of Cleveland. The following is a summary of the more significant accounting policies.

*Revenue:* Revenues are derived primarily from sales of sewage services to residential, commercial and industrial customers based upon actual water consumption. Sewage 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.

The Division of Water provides billing and collection services for sewage fees and assessments charged by the Division of Water Pollution Control and other municipalities. The accounts receivable from users, cash received in payment thereof and the liability for amounts billed on behalf of these systems, but not remitted, are included in the accounts of the Division. Cash and investments collected and due to other municipalities included in the accompanying balance sheets totaled \$9,424,000 and \$11,814,000 at December 31, 2001 and 2000, respectively.

*Basis of Accounting:* The Division’s financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred. Under GASB Statement No. 20, “Accounting and Financial Reporting for Proprietary Activities”, all Proprietary Funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, Proprietary Funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB pronouncements). The City has chosen not to apply future FASB standards.

*Statement of Cash Flows:* The Division utilizes the direct method of reporting for the statement of cash flows as defined by the Government Accounting Standards Board (“GASB”) Statement No. 9, “Reporting Cash Flows of Proprietary and Non-expendable 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 deposits, U.S. Treasury bills, Star Ohio (See Note H) and repurchase agreements. The City’s policy is to enter into repurchase agreements with local commercial banks and to obtain confirmation of securities pledged.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF WATER POLLUTION CONTROL  
NOTES TO FINANCIAL STATEMENTS-Continued  
For the Year Ended December 31, 2001 and 2000

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Investments:* The Division follows 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. Investment fair values at year-end are based on market quotes, where available.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001 and 2000. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2001 and 2000.

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

*Fixed Assets and Depreciation:* Property, plant and equipment are stated on the basis of historical cost, or if contributed, at fair market value at the date received. Depreciation for the Proprietary Fund types is determined by allocating the cost of fixed assets over the estimated useful lives of the assets using the straight-line method. A fixed asset is defined as a tangible item with a useful life of five years or more and a value equal to or greater than \$5,000, with the exception of computer equipment and software which have a value equal to or greater than \$1,500. When property is disposed of, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Utility plant in service	6 to 100 years
Buildings, structures and improvements	10 to 65 years
Furniture, fixtures and equipment	5 to 33 years

*Contributed Capital:* Contributed capital represents contributions from the City of Cleveland which are not subject to mandatory repayment.

*Contributions in Aid of Construction:* Contributions in aid of construction represent federal and other grants which are not subject to repayment. The Division 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 Division for its 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 by the OPWC, the Division and the State create project agreements establishing each entity's financial contribution toward each project. As of December 31, 2001 and 2000, the State funded \$6,695,000 and \$6,098,000 respectively, for storm water detention facilities.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF WATER POLLUTION CONTROL  
NOTES TO FINANCIAL STATEMENTS-Continued  
For the Years Ended December 31, 2001 and 2000

**NOTE B - LONG-TERM DEBT**

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

	<u>Interest Rate</u>	<u>Outstanding Principal Amount</u>	
		<u>2001</u>	<u>2000</u>
		<i>(in thousands of dollars)</i>	
Ohio Water Development Authority Construction Loans due in annual installments of \$282,000 including interest, through 2003	5.25%-6.25%	\$ 391	\$ 634
Water Pollution Control Loans - due in annual installments of \$295,000 to \$521,000 including interest, through 2017	4.04%-4.18%	6,748	6,778
		<u>\$ 7,139</u>	<u>\$ 7,412</u>
Less:			
Current portion		(591)	(546)
Total Long-Term Debt		<u>\$ 6,548</u>	<u>\$ 6,866</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<i>(in thousand of dollars)</i>		
2002	\$ 591	\$ 286	\$ 877
2003	479	257	736
2004	359	236	595
2005	373	221	594
2006	388	206	594
Thereafter	<u>4,949</u>	<u>1,091</u>	<u>6,040</u>
	<u>\$ 7,139</u>	<u>\$ 2,297</u>	<u>\$ 9,436</u>

The Ohio Water Department Authority Construction Loans are payable from the revenues derived from operations of the Water Pollution Control system.

*Water Pollution Control Loans:* Under Title VI of the Clean Water Act, Congress created the State Revolving Fund ("SRF"). The SRF program provides federal capitalization grants to states, that along with 20% state matching funds, are used to capitalize state level revolving loan funds. Besides the traditional types of municipal wastewater treatment projects, Congress expanded the potential use of SRF funds to include correction of combined sewer overflows, major sewer rehabilitation and new collector sewers.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF WATER POLLUTION CONTROL  
NOTES TO FINANCIAL STATEMENTS-Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE B - LONG TERM DEBT - Continued**

In Ohio, this SRF program is known as the Water Pollution Control Loan Fund and is jointly administered by the Ohio EPA and the Ohio Water Development Authority. Principal balances on loans increase as project costs are incurred. Interest accrues on principal amounts outstanding during the construction period and is combined with the principal balance upon completion of the project. The repayment period for each loan commences no later than the 1st January or July following the expected completion date of the project to which it relates utilizing an estimate of total eligible project costs as the preliminary loan amount. Construction loans and design loans are to be repaid in semi-annual payments of principal and interest over a period of twenty years and five years, respectively. The Division had seven SRF loan awards related to projects as of December 31, 2001 and 2000. In addition, the Division had one OPWC Loan Award related to a project as of December 31, 2001.

**NOTES C-EMPLOYEES' RETIREMENT PLAN**

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS 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. PERS issues a stand-alone financial report which may be obtained by writing to the 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 year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2001 and 2000 employer pension contribution rates for the Division were 13.55 and 10.84 percent of covered payroll, respectively. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Division's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$711,000, \$724,000, and \$637,000, respectively. The required amounts have been contributed for 2001, 2000, and 1999.

**NOTE D-OTHER POST EMPLOYMENT BENEFITS**

The Public Employees Retirement System of Ohio (PERS) 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 employers' contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF WATER POLLUTION CONTROL  
NOTES TO FINANCIAL STATEMENTS-Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE D-OTHER POST EMPLOYMENT BENEFITS - Continued**

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employee) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 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 411,076. The Division's actual contributions for 2001 which were used to fund postemployment benefits were \$225,690. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

**NOTE E-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 lawsuits. In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. 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.

The Division paid \$1,799,000 and accrued \$900,000 for litigation expense for the year ended December 31, 2001.

The Division received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Division. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Division at December 31, 2001.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF WATER POLLUTION CONTROL  
NOTES TO FINANCIAL STATEMENTS-Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE F-RELATED PARTY TRANSACTIONS**

The Division provides sewage services to the City of Cleveland, including its various departments and divisions. All non self-supporting municipal functions of the City are provided free sewage service.

The Division of Water performs billing and collection services for the Division. The fee for these services was based on the number of billings made on behalf of the Division during the year at the same rates as charged to other users of the billing system. In 2001 and 2000, the expense of the billing services was approximately \$2,269,000 and \$2,180,000, respectively.

The Division is provided various other intra-city services. Charges are based on actual use or on a reasonable pro-rata basis. The more significant costs, included in the statements of income, for the years ended December 31 were as follows:

	<b>2001</b>	<b>2000</b>
	<i>(in thousands of dollars)</i>	
Employee and other services provided		
by the Division of Water	\$ 819	\$ 312
City administration	224	120
Motor vehicle maintenance	305	331
Street maintenance	178	211
Electricity	131	148
Utilities Administration and Fiscal Control	218	174

**NOTE G-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. For the year ended December 31, 2001 and 2000, the estimated property taxes for the Division, based on book value of real estate at the current tax rates, would have been approximately \$14,100 and \$14,200, respectively.

**NOTE H-DEPOSITS AND INVESTMENTS**

*Deposits:* The Division's carrying amount of deposits at years ended December 31, 2001 and December 31, 2000 totaled \$736,000 and \$1,186,000 and the Division's bank balances were \$479,000 and \$2,700,000. The differences represent outstanding warrants payable and normal reconciling items. These amounts were insured or collateralized with securities held by the City or by its agent in the City's name.

**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF WATER POLLUTION CONTROL  
NOTES TO FINANCIAL STATEMENTS-Continued  
For the Years Ended December 31, 2001 and 2000

---

**NOTE H - DEPOSITS AND INVESTMENTS - Continued**

*Investments:* The City's investment policies are governed by the 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 obligations; certificates of deposit; U.S. Government Money Market Mutual Funds; State Treasury Asset Reserve Fund (STAROhio), guaranteed investment contracts and repurchase transactions. Such repurchase transactions must be purchased from financial institutions 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 Treasury 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.

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; significant changes in market conditions could materially affect portfolio value.

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements", requires the City 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 or 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.



**CITY OF CLEVELAND, OHIO**  
DEPARTMENT OF PUBLIC UTILITIES  
DIVISION OF WATER POLLUTION CONTROL  
NOTES TO FINANCIAL STATEMENTS-Continued  
For the Years Ended December 31, 2001 and 2000

**NOTE H - DEPOSITS AND INVESTMENTS - Continued**

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

Type of Investment	Category	2001 Fair Value	2001 Cost	2000 Fair Value	2000 Cost
<i>(in thousands of dollars)</i>					
U.S. Agency Obligations	1	\$ 4,054	\$ 3,962	\$ 20,239	\$ 20,202
State Treasury Asset					
Reserve Fund (STAROhio)	n/a	28,372	28,372	12,862	12,862
Total Investments		\$ 32,426	\$ 32,334	\$ 33,101	\$ 33,064
Total Deposits		736	736	1,186	1,186
Total Deposits and Investments		\$ 33,162	\$ 33,070	\$ 34,287	\$ 34,250

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.

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

**NOTE I - CHANGE IN ACCOUNTING PRINCIPLE**

Effective January 1, 2001, the Division implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues" (an amendment of GASB Statement No. 33). In general, GASB Statement Nos. 33 and 36 establish accounting and financial reporting standards which address when to report the results of nonexchange transactions involving financial or capital resources. In a nonexchange transaction, an entity gives (or receives) value without directly receiving or giving equal value in return. These statements did not have a material impact on the Division's beginning retained earnings as previously reported.

Cash received or receivables recognized that were previously recorded as contributed capital are now recorded as non-operating revenues.



---

# CITY OF CLEVELAND



## Comprehensive Annual Financial Report

For the year ended December 31, 2001

---

Issued by the  
Department of Finance

Robert H. Baker  
Director

James E. Gentile, CPA  
City Controller



# Table of Contents

## City of Cleveland, Ohio

### Comprehensive Annual Financial Report

For the year ended December 31, 2001

<b>Introductory Section</b>	<b>Page</b>
Title Page .....	1
Table of Contents .....	2
Transmittal Letter .....	4
City Officials .....	21
City Council .....	22
Certificate of Achievement .....	23
Organization Chart .....	24
Financial Highlights .....	25
 <b>Financial Section</b>	
Report of Independent Accountants .....	27
<b>General Purpose Financial Statements (Combined Statements-Overview)</b>	
Combined Balance Sheet-All Fund Types and Account Groups .....	30
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types .....	34
Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual (Non-GAAP Budgetary Basis)- General Budgeted Special Revenue and Budgeted Debt Service Fund Types .....	36
Combined Statement of Revenues, Expenses and Changes in Retained Earnings All Proprietary Fund Types .....	38
Combined Statement of Cash Flows-All Proprietary Fund Types .....	39
Notes to Financial Statements .....	41
<b>Combining and Individual Financial Statements and Schedules</b>	
<b>General Fund:</b>	
Balance Sheet-General Fund .....	70
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund .....	71
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund-Legal Appropriation Level .....	72
<b>Special Revenue Funds:</b>	
Combining Balance Sheet-All Special Revenue Funds .....	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Special Revenue Funds .....	86
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - Budgeted Special Revenue Funds - Legal Appropriation Level .....	90
<b>Debt Service Funds:</b>	
Combining Balance Sheet-All Debt Service Funds .....	94
Combining Statement of Revenues, Expenditures and Changes in Fund Balances All Debt Service Funds .....	96
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual (Non-GAAP Budgetary Basis): Budgeted Debt Service Funds-Legal Appropriation Level .....	98

<b>Combining and Individual Financial Statements &amp; Schedules (continued)</b>	<b>Page</b>
<b>Capital Projects Funds:</b>	
Combining Balance Sheet -	
All Capital Projects Funds . . . . .	102
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -	
All Capital Projects Funds . . . . .	103
<b>Enterprise Funds:</b>	
Combining Balance Sheet-All Enterprise Funds . . . . .	106
Combining Statement of Revenues, Expenses & Changes in Retained Earnings (Deficit) -	
All Enterprise Funds . . . . .	110
Combining Statement of Cash Flows-All Enterprise Funds . . . . .	112
<b>Internal Service Funds:</b>	
Combining Balance Sheet-All Internal Service Funds . . . . .	118
Combining Statement of Revenues, Expenses and Changes in Retained Earnings -	
All Internal Service Funds . . . . .	120
Combining Statement of Cash Flows-All Internal Service Funds . . . . .	122
<b>Agency Funds:</b>	
Combining Statement of Changes in Assets and Liabilities -	
All Agency Funds . . . . .	126
<b>General Fixed Assets Account Group:</b>	
Schedule of General Fixed Assets by Sources . . . . .	129
Schedule of General Fixed Assets by Function and Activity . . . . .	130
Schedule of Changes in General Fixed Assets by Function and Activity . . . . .	131
<b>Statistical Section</b>	
General Fund Revenues by Source and Expenditures-	
by Function (Budget Basis) - Last Ten Fiscal Years . . . . .	133
General Governmental Revenues and Other Financing Sources and Expenditures	
by Function and Other Uses - Last Ten Fiscal Years . . . . .	134
Ad Valorem Property Tax Levies and Collections-Real, Utility	
and Tangible Taxes - Last Ten Fiscal Years . . . . .	136
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years . . . . .	137
Ad Valorem Property Tax Rates:	
Direct and Overlapping Governments - Last Ten Fiscal Years . . . . .	138
Ratio of Net General Bonded Debt to Assessed Value and Net:	
Bonded Debt per Capita - Last Ten Fiscal Years . . . . .	139
Computation of Legal Debt Margin . . . . .	140
Computation of Direct and Overlapping Debt . . . . .	141
Schedule of Direct Debt . . . . .	142
Ratio of Annual Debt Service for General Bonded Debt to Total General Fund	
Expenditures-(Budget Basis) - Last Ten Fiscal Years . . . . .	143
Revenue Bond Coverage: Airport Bonds - Last Ten Fiscal Years . . . . .	144
Revenue Bond Coverage: Water Bonds - Last Ten Fiscal Years . . . . .	145
Revenue Bond Coverage: Public Power System Bonds - Last Ten Fiscal Years . . . . .	146
Revenue Bond Coverage: Sewer and Sewage Disposal Bonds - Last Ten Fiscal Years . . . . .	147
Property Values, Construction and Bank Deposits - Last Ten Fiscal Years . . . . .	148
Principal Property Taxpayers . . . . .	149
Schedule of Insurance Coverage . . . . .	150
Demographic Statistics . . . . .	154
Miscellaneous Demographic Statistics . . . . .	159
Schedule of Statistics - General Fund . . . . .	160



**CITY OF CLEVELAND**  
**JANE L. CAMPBELL, MAYOR**

Department of Finance

**Robert H. Baker**

Finance Director

**James E. Gentile, CPA**

City Controller

601 Lakeside Avenue  
Room 18, City Hall  
Cleveland, OH 44114  
(216) 664-3881

August 16, 2002

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

We are pleased to submit the Comprehensive Annual Financial Report of the City of Cleveland (the "City") for the year ended December 31, 2001. This report, prepared by the Department of Finance, includes general-purpose financial statements that summarize the various operations and cash flows related to the City's 2001 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 documentation 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.

The City has applied guidelines established in the 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) assumes full reporting accountability. Full financial accountability requires 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.

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, an electric distribution system, two airports, several parking lots, and a convention center.

In accordance with GASB 14, the Cuyahoga Metropolitan Housing Authority, Cleveland-Cuyahoga Port Authority and Cleveland Municipal Schools are defined as related organizations and Gateway Economic Development Corporation of Greater Cleveland is defined as a jointly governed organization.

### **Summary of Report Structure**

To maximize clarity and readability, the Comprehensive Annual Financial Report is organized into three sections:

- The Introductory Section contains the table of contents, this transmittal letter, a listing of City officials, a listing of City Council, the Certificate of Achievement, Organizational Chart, and Financial Highlights.
- The Financial Section contains the Independent Accountants Report, general-purpose financial statements, notes to the financial statements and fund and account group statements and schedules.
- The Statistical Section contains numerous tables highlighting comparative fiscal trends for selected years.

## **INTRODUCTORY SECTION**

### **The City**

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

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

Cleveland is located in the northeast part of the state, approximately 150 miles north 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, Cleveland State University, the Cleveland Clinic, and University Hospital systems.

### **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 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 of the 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 Information**

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse. Internal control structures in place ensure that accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (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.

**Single Audit:** As a recipient of federal, state and county financial assistance, the City is 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 Amendment 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 federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, will be included in a separate report.

**Budgetary System:** 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 release of purchase orders to vendors or finalization of other contracts. Pre-encumbrances and encumbrances that would exceed their available character level appropriation are not approved or recorded until the Council authorizes additional appropriations or transfers. Unencumbered appropriations lapse at the end of each calendar year. As an additional control over expenditures, the City Charter requires that all contracts in excess of \$10,000 shall first be authorized and directed by ordinance of City Council.

**The Accounting System:** 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 Generally Accepted Accounting Principles (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 equity. The City's governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

The City's financial statements are prepared on a modified accrual basis for all governmental and fiduciary fund types. Accordingly, revenues are recognized when susceptible to accrual (i.e., both measurable and available). Expenditures, other than interest on long-term debt, are recorded as fund liabilities when incurred. The accrual basis of accounting is utilized by all proprietary funds. A more detailed explanation of the basis of accounting for the various funds is included in the *Notes to Financial Statements* located in the Financial Section of this report.

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 and divisions. The City also maintains Agency Funds to account for assets held by the City as an agent for individuals, private organizations, or other governments and/or other funds. Results of operations for these Funds are further discussed within the financial statements hereto.

### **Local Economic Indicators**

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% since 1997.

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 over the past five years is:

<b>Year</b>	<b>Value</b>
1997	\$523,655,516
1998	768,911,015
1999	502,186,592
2000	483,444,810
2001	599,014,294

It should be noted that a portion of the 1998 increase in value is attributed to the construction of the new Cleveland Browns Stadium.

**Major Industries, Economic Conditions and Employment**

Cleveland, like all municipalities across the nation, faced significant economic challenges in 2001. During the second quarter of the year, all indicators clearly pointed to the beginning of what continues to be an economic recession. City revenues felt the impact of these economic shocks with decreases in revenues and increased unemployment. During 2001, Cleveland was negatively impacted when two of its largest employers were preparing to close their doors. The loss of LTV Steel and TRW’s Cleveland Valve facility resulted in the elimination of more than 4,000 jobs and millions of lost revenues. LTV Steel and TRW are symbolic of Cleveland’s historically rich manufacturing industry. Like all manufacturing cities across the country, Cleveland has had to combat the declining industry base with more professional and service industry opportunities.

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>% of Workplace</u>
Agriculture	0.20%
Construction	4.50
Manufacturing	18.20
Wholesale Trade	3.10
Retail Trade	10.00
Transportation & Utilities	6.00
Information	2.50
Finance, Insurance & 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>
	100.00%
	=====

The average annual unemployment rate for the City was 4.6% for 2001 that compares with the State of Ohio rate of 4.3% and the United States of 4.8%.

**Revenues**

Income tax collections decreased 4.7% in 2001 over the comparable amount in 2000 primarily as a result of the slowing economy and impact of the closing of LTV and TRW. Overall, General Fund revenues and other sources totaled \$458.2 million in 2001, an increase of 0.75% from 2000.

**Expenditures**

General Fund Expenditures and other uses totaled \$476.4 million in 2001, a decrease of 2.3% from 2000. The primary cause for the decrease was a one-time reduction of Workers Compensation payments during 2001, totaling nearly \$10 million for the General Fund. On a budget basis, audited results of operation reveal that the City’s General Fund ended the year with a \$896,000 deficit. The deficit is a result of the City expenditures exceeding revenues by \$13.6 million coupled with the recertification of \$9.8 million in contractual obligations. The 2001 budgetary operating deficit and the recertifications were partially funded by the City’s beginning unencumbered fund balance of \$22.5 million.

**Employees and Labor Relations**

As of December 31, 2001, the City had approximately 9,300 full-time employees. Approximately 85% of full-time employees are represented by 26 collective bargaining units. The larger units, together with the approximate number of employees represented by such units, include the American Federation of State, County and Municipal Employees, Local 100 (2,000); Cleveland Police Patrolmen’s Association (1,500); the Association of Cleveland Firefighters (900); Municipal Foreman and Laborers Union, Local 1099 (800); Teamsters, Local 244 (380); and the Fraternal Order of Police (318).

There have been no significant labor disputes or work stoppages in the City within the last 20 years. The City is in the second 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 obligation 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.

### **Current Projects and 2001 Accomplishments**

The 2001 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:

- Initiated 259 housing starts
- Over 1,000 new jobs were created through economic development assistance programs
- Immunized over 7,490 citizens against the flu virus
- Continued assistance with the development of the City’s seventh new hotel in 10 years

Furthermore, the City hired two police recruit classes that increased police staffing to over 1,900 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 2001 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 six new fire apparatus in service during 2001, with six more to come in 2002. Year 2001 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 2001.

The staffing of Cleveland EMS units was maintained at 21 ambulances, available 24 hours each day, which decreased the average response time to all types of calls below 6.45 minutes in the year 2001. 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 was 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 the residents and visitors.

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

- Over \$47 million in loans and grants were made, stimulating over \$238 million in private investment, resulting in the retention of 1,919 jobs and the creation of 1,412 jobs.
- Manufacturing continues to be important to the Cleveland economy. In 2001, the Department of Economic Development assisted James Manufacturing with its relocation from a suburb to the City's west side, bringing 39 new jobs to the City. Braden Sutphin Ink Company received financial assistance to modernize its operation, preserving 131 jobs in Cleveland's east side.
- Construction commenced for a new 9,000 foot runway at Cleveland Hopkins International Airport.
- Assisted with predevelopment funding and land assembly activities for five large-scale neighborhood housing developments.
- Working with four neighborhood-based partners, over \$30 million of loans were approved or closed by the Empowerment Zone during 2001, stimulating at least \$78 million in investments, including significant developments undertaken by minority owned businesses.
- Empowerment Zone financing assisted the Health Museum of Cleveland, a 65-year-old institution, with the development of a new, state of the art interactive facility to further its mission of providing health information to the community.
- The League Park Development Corporation received financial assistance from the Empowerment Zone to support 29 units of new housing in the Hough Neighborhood. This is the first phase of a master plan for the League Park area, which includes 150 new housing units.
- Year 2001 saw the substantial completion of Quincy Place, a new 45,000-ft. office building in the Fairfax Neighborhood. Owned by Fairfax Renaissance Development Corporation (FRDC), this new \$15 million facility will house a day care center, FRDC's offices, and various social service agencies of Cuyahoga County, bringing these services directly to the neighborhood.
- The City has grown more aggressive in its efforts to attract and assist the hi-tech and life-science sectors. As a result, Cleveland is now the home of Quark Biotech, an emerging life-sciences company now located near the Cleveland Clinic. Originating in Chicago, Quark Biotech is a leader in research in the human genome.
- There continues to be a great deal of support for neighborhood retail. A city loan and tax incentive package supported development of a new Dave's Grocery Store in the Slavic Village Neighborhood. The new 45,000 sq. ft. facility more than doubles the size of the existing store, and is expected to not only support the grocery needs of the neighborhood, but is also expected to draw from a larger population now turning to the suburbs for fresh meat and produce.

**Future Economic Outlook**

Current economic conditions challenge the City during 2002. 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 2002 operating budget on the basis of revenue estimated to be less than 2002 and tight expenditure control.

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 for low to moderate income residents. The following amounts, including more recent renewals, were committed from 1992 through 2001:

Key Bank	\$990 million
Bank One	766 million
National City Bank	665 million
Firststar Bank	528 million
FirstMerit Bank	271 million
Fifth Third Bank	268 million
Huntington National Bank	248 million
Charter One	239 million
Metropolitan Bank & Trust	<u>53 million</u>
Total	\$4.028 billion

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.

## **Future Projects for 2002**

In preparing its 2002 budget, the City assumed that core revenues would be steady or slightly reduced compared to 2001 revenues. However, the City was forced to deal with several 2002 expenditure increases, including:

- A 3.5% wage increase effective April 1, 2002 at a cost of \$8.5 million.
- As a result of the calendar the City every 11 years incurs an extra payroll period. During 2002, the additional payroll will cost the General Fund \$11.5 million.
- A retroactive pay raise for those union members whose collective bargaining agreements are not yet completed at a projected cost of \$3.5 million.
- Increases in pension and other benefit costs of \$2.5 million generally associated with higher salary levels due to the negotiated wage increase.
- New costs to the city resulting from the recently completed collective bargaining agreements obligating the City to pay for employees' vision care.

The net result of the items outlined above was a projected \$56 million General Fund deficit. The City, in an effort to eliminate the deficit without reducing service levels, reallocated existing revenue sources, maintained 2001 year-end staffing levels (with limited exceptions) and identified more than \$21 million in one-time revenues. The projected deficit was eliminated and continued delivery of superior service to Cleveland residents was assured.

The actions taken by the City in 2002 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 2002 and recognizing virtually zero revenue growth, all core city services designed for the safety, health and welfare of City residents remained at or above 2001 service levels. Key programs in the 2002 budget are:

- Establishment of the Office of Consumer Affairs.
- Retention of 24 new park and recreation supervisors.
- Continuation of the expanded 12-week summer pool and playground season.
- Continued funding of the annual \$4.4 million streets resurfacing program.
- \$3 million investment in new concrete sidewalks, aprons, and curbs.
- New police class of 75 cadets.
- Additional staff in direct neighborhood service operations, including the Divisions of Architecture, Research Planning & Development and Engineering & Construction.
- Restaffing the Department of Law.
- Planned issuance of more than \$43 million of general obligation bonds for neighborhood capital projects.
- Planned establishment of a master leasing program for heavy duty vehicles and equipment.
- Establishment of the Office of Technology for the promotion and expansion of the emerging technology sector and biotech development.
- Hiring of a Chief Information Officer.
- Expansion of court community services.

## **General Fund**

The General Fund GAAP Basis Fund balance at December 31, 2001 was \$39.3 million. A five-year comparison of its General Fund activity follows. The revenues, expenditures and changes in fund balance shown in these comparisons are presented on the modified accrual basis of accounting as applicable to government.

General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance – GAAP Basis  
1997-2001

(Amounts in thousands)

	2001	2000	1999	1998	1997
<b>Revenues:</b>					
Income Taxes	\$246,121	\$258,255	\$253,403	\$242,056	\$227,488
Property Taxes	46,200	41,806	46,195	42,625	41,277
State & Local Government Fund	59,252	60,015	59,413	53,998	50,217
Investment Earnings	1,349	1,938	2,980	5,581	2,726
Licenses and Permits	8,853	9,155	8,984	10,278	8,855
Shared Revenues	32,042	32,252	31,722	26,918	27,043
Charges for Services	17,662	16,685	15,599	16,051	14,658
Fines and Forfeits	13,096	20,990	19,070	14,766	15,572
Miscellaneous	<u>14,912</u>	<u>13,690</u>	<u>10,055</u>	<u>15,555</u>	<u>16,788</u>
<b>Total Revenues</b>	<b>\$439,487</b>	<b>\$454,786</b>	<b>\$447,421</b>	<b>\$427,828</b>	<b>\$404,624</b>
<b>Expenditures:</b>					
General Government	\$ 53,578	\$ 55,559	\$ 47,543	\$ 47,263	\$ 42,164
Public Service	32,038	35,804	29,345	29,020	29,911
Public Safety	271,817	274,864	242,977	239,183	233,093
Community & Economic Development	16,886	14,722	7,138	7,809	6,976
Public Health	11,281	12,507	10,728	10,519	10,233
Parks, Recreation & Properties	38,446	38,624	33,502	34,375	34,193
Other	<u>15,449</u>	<u>18,306</u>	<u>14,458</u>	<u>14,125</u>	<u>18,945</u>
<b>Total Expenditures</b>	<b><u>\$439,495</u></b>	<b><u>\$450,386</u></b>	<b><u>\$385,691</u></b>	<b><u>\$382,294</u></b>	<b><u>\$375,515</u></b>
Excess/(deficiency) of revenues over expenditures	\$ (8)	\$ 4,400	\$ 61,730	\$ 45,534	\$ 29,109
<b>Other Financing Uses</b>					
Transfers In/(Out) - Net	<u>( 18,201)</u>	<u>( 37,265)</u>	<u>( 26,249)</u>	<u>( 21,198)</u>	<u>( 23,776)</u>
Total other financing uses	<u>( 18,201)</u>	<u>( 37,265)</u>	<u>( 26,249)</u>	<u>( 21,198)</u>	<u>( 23,776)</u>
Excess/(deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	( 18,209)	( 32,865)	35,481	24,336	5,333
Fund balance at beginning of year	<u>\$ 57,459</u>	<u>\$ 90,324</u>	<u>\$ 54,843</u>	<u>\$ 30,507</u>	<u>\$ 25,174</u>
Fund balance at end of year	<u>\$ 39,250</u>	<u>\$ 57,459</u>	<u>\$ 90,324</u>	<u>\$ 54,843</u>	<u>\$ 30,507</u>
	=====	=====	=====	=====	=====

**Revenue Narrative:**

**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 receipts 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 2001, approximately 75% of the total income taxes paid to the City were derived from non-residents employed in the City and business profits.

The total annual income tax receipts, excluding the restricted portion, for the last five calendar years, are shown in the following table.

<u>Year</u>	<u>Amounts (In 000's)</u>	<u>Rate</u>
1997	\$227,488	2.0%
1998	242,056	2.0%
1999	253,403	2.0%
2000	258,255	2.0%
2001	246,121	2.0%

Income tax receipts increased steadily between 1997 and 2000. However, the economic downturns of 2001, coupled with the loss of key manufacturing employers in the City, resulted in decreased tax revenues between 2000 and 2001.

### **Shared Revenues**

Shared revenues in the General Fund include the State Local Government Fund and other taxes collected by the state or counties and partially redistributed to the City and other political subdivisions. Other taxes include state income, sales, corporate franchise, public utility, estate, cigarette and liquor fees.

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. During the course of budget discussions in the Ohio General Assembly, 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.

The table below reflects distributions of these funds to the City over the past five years.

State Local Government Fund and Other Shared Revenues  
(Amounts in thousands)

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
State Local Government Fund	\$59,252	\$60,015	\$59,413	\$53,998	\$50,217
Other Shared Revenues*	<u>32,042</u>	<u>32,252</u>	<u>31,722</u>	<u>26,918</u>	<u>27,043</u>
Total	<u>\$91,294</u>	<u>\$92,267</u>	<u>\$91,135</u>	<u>\$80,916</u>	<u>\$77,260</u>

\* Includes: Cigarette Taxes, Estate Taxes, and Liquor Fees

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. Projected State of Ohio budget deficits for 2002 will result in a further reduction of LGRAF revenues to the City of nearly 5%.

**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 December 31 of that 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 upon its assessed value.

The assessed values of taxable property in the City for the past five years is as follows:

(Amount in thousands)

<u>Tax Collection Year</u>	<u>Real Property</u>	<u>Tangible Personal (Other than Public Utility)</u>	<u>Public Utility Tangible Personal</u>	<u>Total Assessed Valuation</u>
1997	\$3,767,013	\$856,832	\$476,677	\$5,100,522
1998(a)	4,015,815	885,245	474,182	5,375,242
1999	4,085,338	913,154	478,752	5,477,244
2000	4,100,737	952,829	444,315	5,497,881
2001(b)	4,618,340	988,532	451,775	6,058,647

- (a) Reflects increased collections after the triennial update in 1997.
- (b) Reflects increased collections after the triennial update in 2000.



## Investment Earnings

Investment earnings deposited to the General Fund for the last five-year period are as follows:

(in thousands)

<u>Fund</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
General	\$1,349	\$1,938	\$2,980	\$5,581	\$2,726

Investments are made by the City Treasurer and are governed by State law and local ordinance that determine what are legal investments. Due to a struggling economy, reductions in available cash for investment and continued adjustments of the prime rate by the Federal Reserve, interest earnings have steadily declined since 1999.

## Licenses and Permits

Licenses and permits are issued by the City to regulate activities related to building, health, and other business enterprises. Over the last five years, revenues in the General Fund resulting from licenses and permits amounted to:

(in thousands)

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Amount	\$8,853	\$9,155	\$8,984	\$10,278	\$8,855

Several of the City's licenses and permits are issued for a two-year period. Thus fluctuations in receipts will occur dependent on re-issuance dates.

## Charges for Services and Fines and Forfeitures

The City performs certain services for its citizens and other municipalities for which it charges various amounts. These services include impounding, storing and selling abandoned autos, parking meter fees, and various other services. The City's General Fund also allocates a portion of certain citywide expenses to certain other City funds that benefit from the service of departments funded by the General Fund. The City also collects various fines and forfeitures.

(in thousands)

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Fines & Forfeitures	\$13,096	\$20,990	\$19,070	\$14,766	\$15,572
Charges for Services	<u>\$17,662</u>	<u>\$16,685</u>	<u>\$15,599</u>	<u>\$16,051</u>	<u>\$14,658</u>
Total	<u>\$30,758</u>	<u>\$37,675</u>	<u>\$34,669</u>	<u>\$30,817</u>	<u>\$30,230</u>

## Miscellaneous

Miscellaneous revenues comprised of such items as Bureau of Workers Compensation refund and other minor revenue sources in the General Fund are as follows:

(in thousands)					
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Amount	\$14,912	\$13,690	\$10,055	\$15,555	\$16,788

## Expenditure Narrative

General Fund expenditures and other uses totaled \$476,455,000 in 2001, a decrease of 2.3% from 2000. 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.

(amounts in thousands)						
EXPENDITURES AND OTHER USES	Total <u>2001</u>	% of <u>Total</u>	Actual <u>2000</u>	% of <u>Total</u>	Increase (Decrease) <u>Over 2000</u>	% <u>Change</u>
Current:						
General Government	\$ 53,578	11.25%	\$ 55,559	11.39%	(\$1,981)	(3.57%)
Public Service	32,038	6.72%	35,804	7.34%	(3,766)	(10.52%)
Public Safety	271,817	57.05%	274,864	56.37%	(3,047)	(1.11%)
Community Development	15,770	3.31%	13,654	2.80%	2,116	15.50%
Public Health	11,281	2.37%	12,507	2.57%	(1,226)	(9.80%)
Maintenance, Parks and Recreation	38,446	8.07%	38,624	7.92%	(178)	(0.46%)
Economic Development	1,116	0.23%	1,068	0.22%	48	4.49%
Other	15,449	3.24%	18,306	3.75%	(2,857)	(15.61%)
Operating Transfers Out	<u>36,960</u>	<u>7.76%</u>	<u>37,265</u>	<u>7.64%</u>	<u>(305)</u>	<u>0.82%</u>
TOTAL EXPENDITURES AND OTHER USES	<u>\$476,455</u> =====	<u>100.00%</u> =====	<u>\$487,651</u> =====	<u>100.00%</u> =====	<u>(\$11,196)</u> =====	<u>(2.30%)</u>

Overall, expenditures rose in 2001 as a result of a 3.5% pay increase granted to City employees in April 2000, pursuant to the current three year agreement with various bargaining units. While there was also some increase in salary related fringe benefits, hospitalization and dental costs were held down by the continued shift to managed health care plans. Employees also continued to make a modest contribution towards their health insurance premiums through payroll deductions. The primary cause for the reduction in expenditures versus year 2000 was due to a one-time adjustment in workers compensation costs totaling nearly \$15 million city-wide. This resulted in a \$10 million impact to the General Fund.

## Special Revenue Funds

The Special Revenue Funds are used for certain revenue sources, primarily grant revenue, which are restricted by law or other formal action to be expended for specific purposes. Certain Special Revenue Funds are subject to an annual budget, while others are not. Special Revenue Funds not subject to an annual budget consist primarily of state and federal grants, including the Community Development Block Grant (CDBG), the Federal HOME program, Emergency Shelter Program, Housing Opportunities for Persons with Aids (HOPWA) Program, State of Ohio-Home Weatherization Assistance Program (HWAP), Urban Development Action Grant (UDAG), the WorkForce Investment Act (WIA) and the Empowerment Zone.

Community Development Block Grant: The Community Development Block Grant, which the City receives on an annual basis under Title I from the U.S. Department of Housing and Urban Development, is administered by the Department of Community Development. The annual entitlement for the program year of 2001, CDBG Year XXVI, was \$30,065,000. The primary objective of the CDBG program is the development of a viable urban community including decent housing, a suitable living environment, and expanded economic opportunities principally for low and moderate-income individuals.

The 2001 CDBG allocation breakdown is outlined below:

<u>Purpose</u>	<u>Amount</u>	<u>%</u>
Demolition & Boarding	\$ 3,450,000	11.20
Housing	7,134,000	23.17
Neighborhood Development	10,500,000	34.10
Social Service/Aids Prevention	4,284,000	13.91
Lot Clean-Up	795,000	2.58
Commercial/Economic Development	2,000,000	6.49
Citywide Agencies	<u>2,632,000</u>	<u>8.55</u>
	<u>\$30,795,000</u>	<u>100.00</u>

Additional details for the CDBG program are included in the City's Grant application titled "Consolidated Plan."

Federal HOME Program: The HOME Program is authorized by the HOME Investment Partnership Act under Title II of the National Affordable Housing Act. Purposes of the HOME Program include expanding the supply of decent, affordable housing for low-income families with emphasis on rental housing, to assisting state and local governments in carrying out affordable housing programs, and providing coordinated assistance to participants in the development of affordable low-income housing.

The City's Federal HOME Program allocation for 2001 was \$8,932,000:

<u>Activity</u>	<u>Allocation</u>	<u>% of Budget</u>
Rehabilitation loans to homeowners	\$5,567,000	63%
Rehabilitation of rental housing by community based organizations	2,000,000	22%
Development of rental housing trust funds	<u>1,365,000</u>	<u>15%</u>
	<u>\$8,932,000</u>	<u>100%</u>

### Debt Administration

General obligation bonds are recorded in the General Long-Term Obligations Account Group. Revenue bonds and mortgage revenue bonds are recorded in the applicable Enterprise Fund. The principal amounts outstanding at December 31, 2001 are as follows:

	<u>Balance</u> <u>January 1, 2001</u>	<u>Debt</u> <u>Issued</u>	<u>Debt</u> <u>Refunded</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>December 31, 2001</u>
			(Amount in 000's)		
General Long-Term Obligations:					
General Obligation Bonds	\$ 316,950			(\$23,570)	\$ 293,380
Urban Renewal Bonds/Notes	9,160	\$ 4,200		(285)	13,075
Subordinated Income Tax Bonds	69,500			(1,300)	68,200
Non-tax Revenue Bond	10,000				10,000
Certificates of Participation	167,379			(6,308)	161,071
Enterprise Fund Debt:					
Revenue Bonds and Notes	1,482,976	752,660	(\$173,255)	(43,650)	2,018,731
Ohio Water Development Loans	<u>7,412</u>	<u>6,494</u>		<u>(789)</u>	<u>13,117</u>
Total	<u>\$2,063,377</u>	<u>\$763,354</u>	<u>(\$173,255)</u>	<u>(\$75,902)</u>	<u>\$2,577,574</u>

Funds used to meet the debt service requirement on the City's general obligation bonds are from certain ad valorem taxes, restricted income taxes, interest earnings, and enterprise reimbursements from the Convention Center. Ad valorem taxes, the primary source of funds, amounted to \$23,665,000 in 2001, which represents 61% of the debt service requirement on the general obligation bonds recorded in the General Long-Term Obligations Account Group. The remaining 39% 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. These taxes were derived from a levy of \$4.35 per \$1,000 of assessed property. 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, recreational facilities, cemeteries, and urban redevelopment. The City's Enterprise Funds implement their own individual capital improvement programs and issue revenue debt necessary to fund their programs.

In October 2001, the City issued \$4,200,000 Taxable Urban Renewal Notes. These one-year notes, which mature November 1, 2002, are special obligations of the City and were issued to purchase certain properties for urban renewal purposes. Principal and interest on the Series 2001 Note, unless paid from other sources, are to be paid from the non-tax revenues of the City.

The City's 2001 Bond Ratings for general obligation and revenue bonds are as follows:

	<u>Moody's Investors Service</u>	<u>Standard &amp; Poor's</u>	<u>Fitch Investors Service</u>
General Obligation Bonds	A1	A+	A
Waterworks Mortgage: Revenue Bonds	Aa3	AA-	
Cleveland Public Power: Revenue Bonds	A2	A-	
Airport System: Revenue Bonds	A3	A	
Municipal Parking Lots: Revenue Bonds (Insured Ratings)	Aaa	AAA	AAA

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 Fund. This data at December 31, 2001 was:

Net General Bonded Debt \$292,608,000  
Ratio of Net Bonded Debt to Assessed Valuation 4.83%  
Net General Bonded Debt Per Capita \$611.63

### **Capital Projects Fund**

The Capital Projects Fund includes all major capital improvement projects of the City other than those accounted for in the Proprietary and Special Revenue Fund Types. 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.

The City is in the initial stages of providing its first five-year capital improvement plan since 1994. While the City annually revises its planned capital expenditures through a centralized planning process, the current Administration is committed to producing a Capital Development Plan that clearly outlines, in priority order, capital improvements.

Capital projects fall into three major groups and are classified under the following ten functional areas:

<u>Major Groups</u>	<u>Functional Areas</u>
Basic Services	<ul style="list-style-type: none"> <li>- Transportation (roads and bridges)</li> <li>- Public buildings and facilities</li> <li>- Vehicles and major equipment, including technology expenses</li> <li>- Parks and recreation</li> </ul>
Development	<ul style="list-style-type: none"> <li>- Economic</li> <li>- Community</li> </ul>
Major Enterprise Services	<ul style="list-style-type: none"> <li>- Airports</li> <li>- Water system</li> <li>- Electric Utility</li> <li>- Collector sewer system</li> </ul>

### **Enterprise Funds**

Cleveland operates four major Enterprise Funds encompassing two airports, a water system, an electrical plant, and a local sewer system. The City also operates other minor Enterprise Funds consisting of cemeteries, a convention center, golf courses, municipal parking lots, and public market facilities.

**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 employs 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 2001 amounted to \$92.8 million. This represents a 7.0% increase from 2000 operating revenues of \$86.7 million. Cleveland Hopkins International Airport served 11.9 million passengers in 2001. This reflects an 11.7% decrease from 2000 passengers served. This decrease is attributed to an economic downturn and the tragic events of September 11, 2001. Since October 2001, enplanements have begun to return to 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 73 suburban municipalities in Cuyahoga, Medina, Summit and Geauga Counties. The Division is an emergency standby provider for systems in four other counties. The present service area covers over 640 square miles and serves over 1.5 million people. In 2001, the aggregate metered consumption of water in the City constituted 37% of the total metered consumption in the service area, while consumption in the direct service communities and master meter communities constituted 53% and 10%, respectively.

Operating revenue in 2001 increased 4.5% to \$212.7 million from \$203.5 million in 2000. Metered sales revenue was up 4% in 2001 mainly due to a rate increase. Operating expenses, exclusive of depreciation, increased 7% to \$116.8 million compared to \$109.1 million in 2000.

**Division of Cleveland Public Power:** The Division of Cleveland Public Power supplies electrical service to over 79,600 accounts in the City. The Division is responsible for producing, supplying, transmitting and distributing electricity and providing related electrical services to customers within its service area.

Cleveland Public Power's 2001 operating revenue decreased 1.5% to \$132.1 million from \$134.2 million in 2000. The number of customers increased 1% while kilowatt hour (kwh) sales decreased 10% to 1,419 million kwh. Purchased power expense decreased 4.8% to \$65.3 million in 2001 from \$68.6 million in 2000, primarily due to the decrease in kwh sales. Operating expenses, exclusive of depreciation and purchased power, decreased 10.4% to \$32.5 million compared to \$36.3 million a year ago.

**Division of Water Pollution Control:** The Division of Water Pollution Control is responsible for the network of sewers conveying sanitary sewage and industrial waste in the City from their point of origin to the treatment facilities for treatment and disposal operated by a regional district. The division also maintains, cleans, repairs and improves sewers and their appurtenances, including catch basins and relaying of the sewer connections.

The Division reported a 3.9% increase in 2001 operating revenue to \$18.9 million compared to \$18.2 million in 2000 primarily due to a rate increase. Operating expenses, exclusive of depreciation, rose 1% to \$13.7 million from \$13.5 million a year ago.

### **General Fixed Assets**

The general fixed assets of the City as of December 31, 2001 total \$742,590,000 and include all fixed assets of the City except those recorded in the Proprietary Fund Types and infrastructure assets such as streets and bridges. Infrastructure assets are not recorded because they are immovable and of use only to the City. Fixed asset additions and deductions for fiscal year 2001 amounted to \$32,431,000 and \$9,442,000 respectively. The additions were funded primarily from the Certificates of Participation, General Fund, General Obligation Bonds proceeds and Special Revenue Funds.

### **Cash Management**

Currently, the City's policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, \$25,688,000 of bank deposits are either insured by federal depository insurance or collateralized with the collateral being held by the City or by its agent in the city's name, and \$128,521,000 are uninsured and uncollateralized. Of the \$247,447,000 of classified investments, \$195,796,000 are classified in the category of lowest credit risk established by the Governmental Accounting Standards Board, \$51,418,000 represents investments held in the City's name by the counterparty's trust department or agent, and \$233,000 represents investments held by the counterparty's trust department or agent but not in the City's name.

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 concentration 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, finance and 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 benefits maintains the City's assumption of risk at a reasonable and affordable level.

### **Other Information**

**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 State. The fiscal year ended December 31, 2001, represents the 21<sup>st</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 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, 2000. The Certificate of Achievement is a prestigious national award recognizing the conformance with the highest standards for preparation of state and local government financial reports.

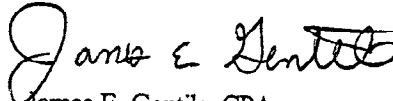
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 17 consecutive years (fiscal years ended 1984-2000). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

**Acknowledgments:** 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 and the Internal Audit 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. In addition, we would like to thank the Auditor of State 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 & Public Safety Officer  
Rodney Jenkins ..... 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  
John Barnes Jr. .... 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  
James Glending. .... Director (Acting), Department of Parks, Recreation & 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 & 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



# 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, 2000

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.

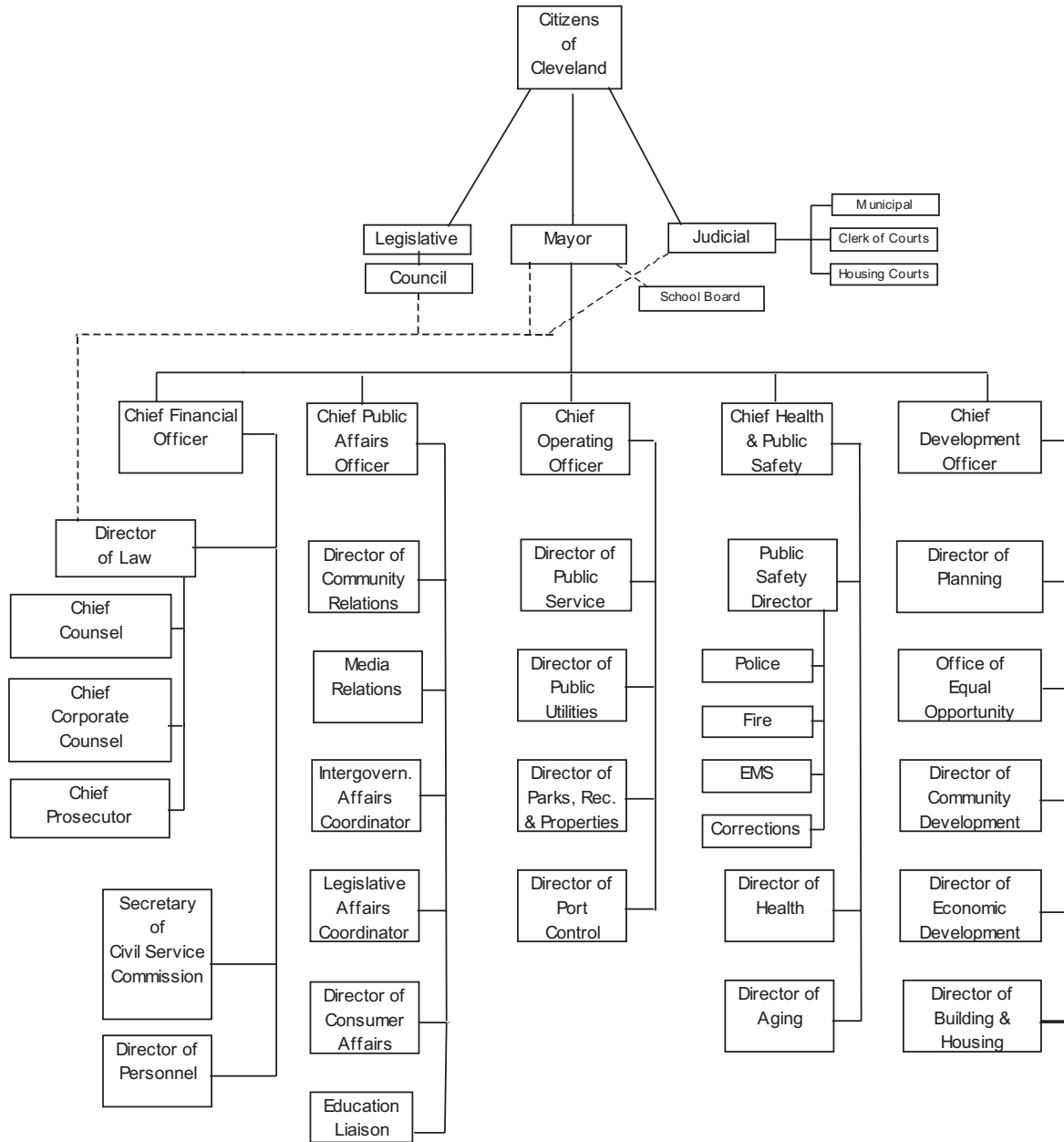


*Thomas A. Grewe*  
President

*Jeffrey L. Esser*  
Executive Director

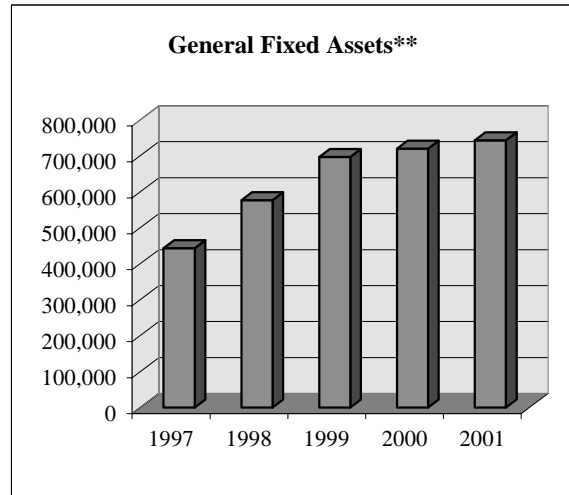
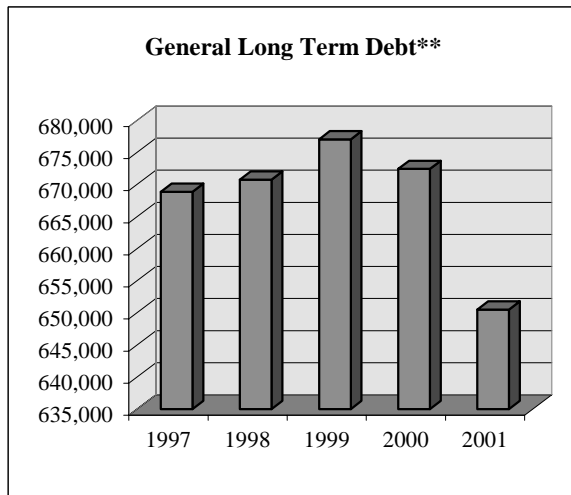
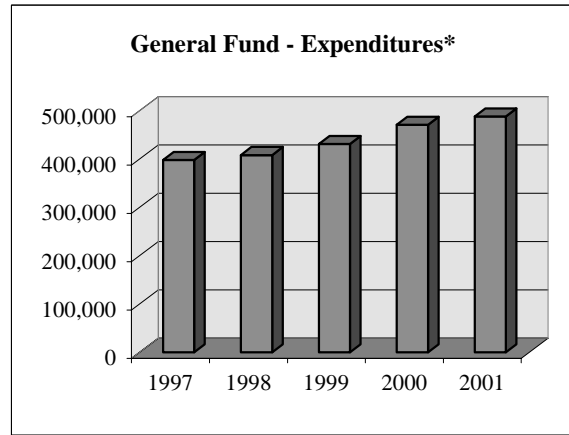
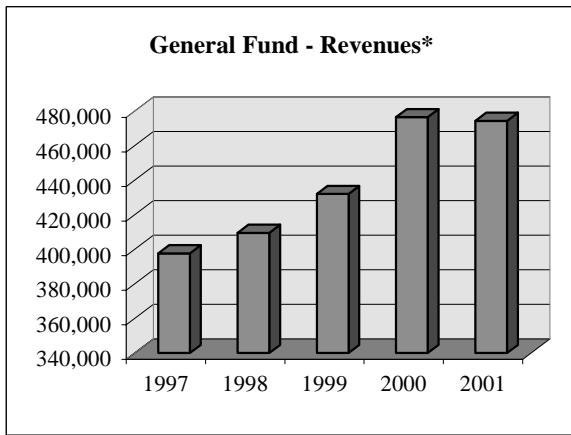
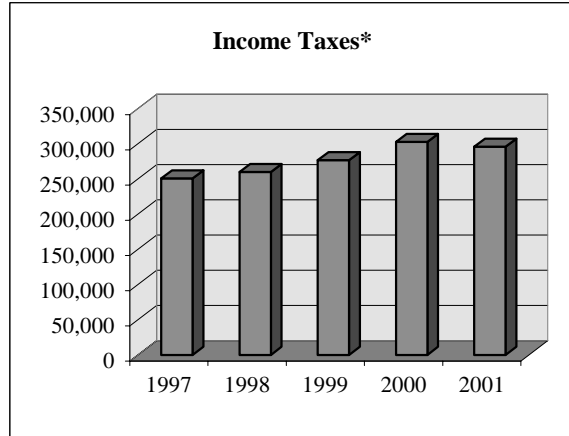
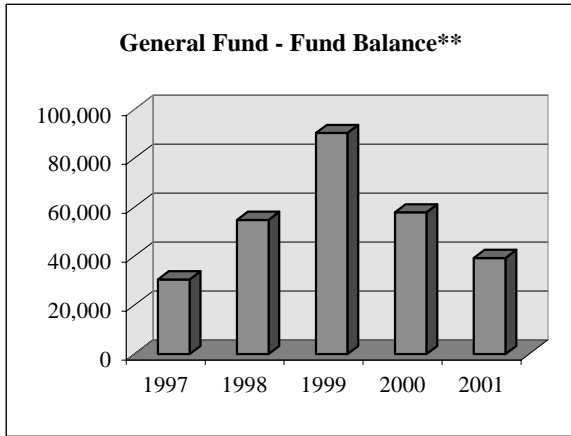
# CITYOF CLEVELAND, OHIO

## ADMINISTRATIVE ORGANIZATION CHART



# FINANCIAL HIGHLIGHTS

(in thousands of dollars)



For Year Ended	General Fund Balance**	General Fund Revenues*	General Long Term Debt**	Income Taxes*	General Fund Expenditures*	General Fixed Assets**
1997	30,507	397,778	668,874	250,590	398,183	443,283
1998	54,843	409,666	670,753	259,721	408,232	576,865
1999	90,324	432,125	677,052	276,627	430,956	696,335
2000	57,916	476,608	672,442	302,384	470,825	719,552
2001	39,250	474,442	650,518	295,559	488,102	742,590

\* Budget Basis

\*\* GAAP Basis

# **FINANCIAL SECTION**

**This Page is Intentionally Left Blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building  
615 Superior Avenue, NW.  
Twelfth Floor  
Cleveland, Ohio 44113-1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the City of Cleveland, Cuyahoga County, Ohio (the City) as of and for the year ended December 31, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Cleveland, Cuyahoga County, Ohio, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the City, taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for additional analysis and are not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects, in relation to the general-purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and therefore express no opinion thereon.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

August 16, 2002



**(THIS PAGE INTENTIONALLY LEFT BLANK)**

**CITY OF CLEVELAND, OHIO**  
**COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS**

**December 31, 2001**

(Amounts in 000's)

	Governmental Fund Types			
	General Fund	Special Revenue	Debt Service	Capital Projects
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,364	\$ 123,134	\$ 6,880	\$ 79,074
Investments at market			2,743	11,007
Receivables:				
Taxes	105,537	6,021	29,887	
Accounts	15,526	2,418		
Loans		180,824		
Unbilled revenue				
Accrued interest	24		22	317
Assessments				8
Less: Allowance for doubtful accounts	(4,825)			
Receivables, net	116,262	189,263	29,909	325
Due from other funds	42,274	22,491		4,793
Due from other governments	35,727	54,666	1,850	5,863
Inventory of supplies	53	883		
Prepaid expenses and other assets				
Restricted assets:				
Cash and cash equivalents				15,231
Investments at market				
Accrued interest receivable				
Bond retirement reserve				
Accrued passenger facility charge				
				15,231
Fixed assets in service:				
Land				
Land improvements				
Utility plant in service				
Buildings, structure and improvements				
Furniture, fixtures and equipment				
Less: Accumulated depreciation				
Construction in progress				
Amount available in Debt Service Funds				
Amount to be provided for retirement of general long-term obligations:				
Debt				
Other obligations				
<b>TOTAL ASSETS</b>	<b>\$ 196,680</b>	<b>\$ 390,437</b>	<b>\$ 41,382</b>	<b>\$ 116,293</b>

See notes to financial statements.

Proprietary Fund Types		Fiduciary Fund Type		Account Groups		Totals (Memorandum Only)	
Enterprise Fund	Internal Service	Agency Fund	General Fixed Assets	General Long-Term Obligations	2001	2000	
\$ 195,250	\$ 6,503	\$ 34,093			\$ 447,298	\$ 348,479	
131,435					145,185	277,967	
		31,127			172,572	140,371	
112,670	30				130,644	100,831	
					180,824	177,007	
30,757					30,757	32,451	
1,717		2			2,082	7,017	
					8	13	
(5,686)					(10,511)	(5,029)	
139,458	30	31,129			506,376	452,661	
14,929	5,674	297			90,458	93,549	
3,655	2	313			102,076	58,971	
8,992	2,462				12,390	11,451	
21,967					21,967	14,652	
976,827					992,058	414,432	
81,878					81,878	157,868	
3,233					3,233	3,050	
53					53	53	
2,069					2,069	2,224	
1,064,060					1,079,291	577,627	
170,270	663		\$ 37,240		208,173	200,544	
215,628	3		55,226		270,857	260,697	
1,259,777					1,259,777	1,219,690	
724,670	1,605		508,163		1,234,438	1,226,673	
123,153	9,185		94,624		226,962	235,431	
(811,918)	(10,436)				(822,354)	(745,059)	
1,681,580	1,020		695,253		2,377,853	2,397,976	
255,446			47,337		302,783	157,722	
				\$ 9,645	9,645	15,091	
					293,380	293,380	316,950
					347,493	347,493	350,441
\$ 3,516,772	\$ 15,691	\$ 65,832	\$ 742,590	\$ 650,518	\$ 5,736,195	\$ 5,073,537	

Continued

**CITY OF CLEVELAND, OHIO**  
**COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS-Continued**

**December 31, 2001**

(Amounts in 000's)

	Governmental Fund Types			
	General Fund	Special Revenue	Debt Service	Capital Projects
<b>LIABILITIES</b>				
Accounts payable	\$ 5,853	\$ 13,357		\$ 13,069
Estimated claims payable	184			
Deferred revenue	102,280	16,468	\$ 31,737	8
Due to other funds	8,445	44,074		9,274
Due to other governments	275	32,211		
Accrued wages and benefits	40,393	2,124		
Police and fire overtime				
Police and fire deferred vacation				
Sundry liabilities				
Accrued interest				
Accounts payable from restricted assets				
Capital lease obligations				
Certificates of participation				
Urban renewal increment bonds and notes				
Subordinated income tax refunding bond				
Non-tax revenue bonds				
Notes payable				
General obligation bonds payable				
Construction loans				
Deferred payment obligation				
Revenue bonds payable				
<b>TOTAL LIABILITIES</b>	157,430	108,234	31,737	22,351
<b>FUND EQUITY AND OTHER CREDITS</b>				
Investment in general fixed assets				
Contributed capital - City of Cleveland and others				
Retained earnings (accumulated deficits):				
Reserve for debt retirement				
Unreserved				
<b>TOTAL RETAINED EARNINGS (ACCUMULATED DEFICITS)</b>				
Fund balances:				
Reserve for loans		162,863		
Reserve for inventory	53	883		
Reserve for debt service			9,645	
Reserve for encumbrances	14,823	56,330		14,462
Reserve for rainy day reserve fund	10,495			
Reserve for reserve fund	6,148			
Unreserved:				
Designated for future capital improvements		24,912		75,255
Undesignated	7,731	37,215		4,225
<b>TOTAL FUND BALANCES</b>	39,250	282,203	9,645	93,942
<b>TOTAL FUND EQUITY AND OTHER CREDITS</b>	39,250	282,203	9,645	93,942
<b>TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>	\$ 196,680	\$ 390,437	\$ 41,382	\$ 116,293

See notes to financial statements.

Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Totals (Memorandum Only)	
Enterprise Fund	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	2001	2000	
\$ 20,728	\$ 2,310	\$ -	\$ -	\$ -	\$ 55,317	\$ 54,370	
				2,845	3,029	3,175	
					150,493	103,189	
16,488	8,175	4,002			90,458	93,549	
47,152		49,195			128,833	82,591	
19,813	2,504			38,809	103,643	106,793	
				57,339	57,339	64,803	
				1,237	1,237	1,193	
		12,635			12,635	11,790	
63,122					63,122	47,607	
20,506					20,506	11,543	
				812	812	1,350	
				161,071	161,071	167,379	
				13,075	13,075	9,160	
				68,200	68,200	69,500	
				10,000	10,000	10,000	
44,950				3,750	48,700	44,000	
				293,380	293,380	316,950	
13,117					13,117	7,412	
26,531					26,531	27,810	
1,878,286					1,878,286	1,347,521	
2,150,693	12,989	65,832		650,518	3,199,784	2,581,685	
			\$ 742,590		742,590	719,552	
343,722	2,967				346,689	346,687	
37,459					37,459	44,196	
984,898	(265)				984,633	879,416	
1,022,357	(265)				1,022,092	923,612	
					162,863	172,609	
					936	469	
					9,645	15,091	
					85,615	40,413	
					10,495	8,792	
					6,148	5,000	
					100,167	104,934	
					49,171	154,693	
					425,040	502,001	
1,366,079	2,702		742,590		2,536,411	2,491,852	
\$ 3,516,772	\$ 15,691	\$ 65,832	\$ 742,590	\$ 650,518	\$ 5,736,195	\$ 5,073,537	

**CITY OF CLEVELAND, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES**

**For the Year Ended December 31, 2001**

(Amounts in 000's)

	Governmental Fund Types			
	General Fund	Special Revenue	Debt Service	Capital Projects
<b>REVENUES</b>				
Income taxes	\$ 246,121	\$ 31,566	\$ -	\$ -
Property taxes	46,200		25,410	
State local government fund	59,252			
Other shared revenues	32,042	11,299		
Licenses and permits	8,853	114		
Charges for services	17,662	1,136		
Fines and forfeits	13,096			
Investment earnings	1,349	3,665	640	4,771
Grants		100,304	755	5,906
Contributions				
Miscellaneous	14,912	38,957	363	17
<b>TOTAL REVENUES</b>	<b>439,487</b>	<b>187,041</b>	<b>27,168</b>	<b>10,694</b>
<b>EXPENDITURES</b>				
Current:				
General government	53,578	21,174		
Public service	32,038	18,171		
Public safety	271,817	2,134		
Human resources		13,425		
Community development	15,770	66,424		
Public health	11,281	8,515		
Parks, recreation and properties	38,446	1,505		
Economic development	1,116	40,350		
Other	15,449		924	
Capital outlay		31,171		43,158
Debt service:				
Principal retirement			25,155	6,308
Interest			20,535	7,777
<b>TOTAL EXPENDITURES</b>	<b>439,495</b>	<b>202,869</b>	<b>46,614</b>	<b>57,243</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(8)	(15,828)	(19,446)	(46,549)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	18,759	23,244	14,042	13,111
Operating transfers out	(36,960)	(23,177)	(42)	(8,167)
Proceeds from sale of general obligation bonds, net				4,060
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(18,201)</b>	<b>67</b>	<b>14,000</b>	<b>9,004</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(18,209)	(15,761)	(5,446)	(37,545)
Fund balances at beginning of year	57,459	297,964	15,091	131,487
Fund balances at end of year	<b>\$ 39,250</b>	<b>\$ 282,203</b>	<b>\$ 9,645</b>	<b>\$ 93,942</b>

See notes to financial statements.

<b>Totals</b>			
<b>(Memorandum Only)</b>			
	<b>2001</b>		<b>2000</b>
\$	277,687	\$	291,514
	71,610		66,642
	59,252		60,015
	43,341		43,626
	8,967		9,255
	18,798		18,370
	13,096		20,990
	10,425		14,327
	106,965		83,334
			84
	54,249		54,495
	<u>664,390</u>		<u>662,652</u>
	74,752		69,397
	50,209		63,698
	273,951		279,540
	13,425		8,471
	82,194		53,125
	19,796		21,852
	39,951		39,941
	41,466		16,071
	16,373		19,425
	74,329		51,586
	31,463		30,646
	28,312		28,825
	<u>746,221</u>		<u>682,577</u>
	(81,831)		(19,925)
	69,156		57,049
	(68,346)		(57,823)
	4,060		26,335
	<u>4,870</u>		<u>25,561</u>
	(76,961)		5,636
	502,001		496,365
\$	<u>425,040</u>	\$	<u>502,001</u>

# CITY OF CLEVELAND, OHIO

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-GENERAL, BUDGETED SPECIAL REVENUE AND BUDGETED DEBT SERVICE FUND TYPES

For the Year Ended December 31, 2001

(Amounts in 000's)

	General Fund				Budgeted Special Revenue Funds			
	Original Budget	Revised Budget	Actual	Variance- Favorable (Unfavor- able)	Original Budget	Revised Budget	Actual	Variance- Favorable (Unfavor- able)
<b>REVENUES</b>								
Income taxes	\$ 271,392	\$ 271,392	\$ 262,721	\$ (8,671)	\$ 33,924	\$ 33,924	\$ 32,838	\$ (1,086)
Property taxes	48,318	48,318	47,842	(476)				
State local government fund	58,310	58,284	59,265	981				
Other shared revenues	34,612	34,612	31,590	(3,022)	11,600	11,600	11,604	4
Licenses and permits	8,184	8,184	8,887	703				
Charges for services	14,127	15,540	16,030	490	2,000	2,000	1,733	(267)
Fines and forfeits	16,658	16,658	16,768	110				
Investment earnings	4,893	2,446	1,604	(842)				
Grants								
Miscellaneous	20,569	21,603	29,735	8,132	8,260	8,260	8,784	524
<b>TOTAL REVENUES</b>	<b>477,063</b>	<b>477,037</b>	<b>474,442</b>	<b>(2,595)</b>	<b>55,784</b>	<b>55,784</b>	<b>54,959</b>	<b>(825)</b>
<b>EXPENDITURES</b>								
Current:								
General government	56,041	55,733	54,786	947				
Public service	33,990	33,825	33,550	275	27,911	27,661	26,819	842
Public safety	269,651	274,705	272,436	2,269				
Community development	16,535	16,801	16,655	146				
Public health	13,247	12,211	11,884	327				
Maintenance, parks and recreation	40,543	39,309	39,131	178	2,000	2,000	2,000	
Economic development	1,172	1,102	1,098	4				
Other	17,879	17,879	16,882	997				
Capital outlay					20,174	20,174	20,152	22
Debt service:								
Principal retirement								
Interest								
<b>TOTAL EXPENDITURES</b>	<b>449,058</b>	<b>451,565</b>	<b>446,422</b>	<b>5,143</b>	<b>50,085</b>	<b>49,835</b>	<b>48,971</b>	<b>864</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>28,005</b>	<b>25,472</b>	<b>28,020</b>	<b>2,548</b>	<b>5,699</b>	<b>5,949</b>	<b>5,988</b>	<b>39</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in					9,500	9,500	9,726	226
Operating transfers out	(44,661)	(42,153)	(41,680)	473	(13,750)	(13,750)	(13,750)	
<b>TOTAL OTHER SOURCES (USES)</b>	<b>(44,661)</b>	<b>(42,153)</b>	<b>(41,680)</b>	<b>473</b>	<b>(4,250)</b>	<b>(4,250)</b>	<b>(4,024)</b>	<b>226</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	<b>(16,656)</b>	<b>(16,681)</b>	<b>(13,660)</b>	<b>3,021</b>	<b>1,449</b>	<b>1,699</b>	<b>1,964</b>	<b>265</b>
Decertification (recertification) of prior year encumbrances			(9,779)	(9,779)			587	587
Fund balances at beginning of year	22,543	22,543	22,543		11,962	11,962	11,962	
Fund balances at end of year	<u>\$ 5,887</u>	<u>\$ 5,862</u>	<u>\$ (896)</u>	<u>\$ (6,758)</u>	<u>\$ 13,411</u>	<u>\$ 13,661</u>	<u>\$ 14,513</u>	<u>\$ 852</u>

See notes to financial statements.



Budgeted Debt Service Funds				Totals (Memorandum Only)			
Original Budget	Revised Budget	Actual	Variance- Favorable (Unfavor- able)	Original Budget	Revised Budget	Actual	Variance- Favorable (Unfavor- able)
				\$ 305,316	\$ 305,316	\$ 295,559	\$ (9,757)
\$ 25,172	\$ 25,172	\$ 24,321	\$ (851)	73,490	73,490	72,163	(1,327)
				58,310	58,284	59,265	981
				46,212	46,212	43,194	(3,018)
				8,184	8,184	8,887	703
				16,127	17,540	17,763	223
				16,658	16,658	16,768	110
325	325	570	245	5,218	2,771	2,174	(597)
755	755	755		755	755	755	
				28,829	29,863	38,519	8,656
26,252	26,252	25,646	(606)	559,099	559,073	555,047	(4,026)
				56,041	55,733	54,786	947
				61,901	61,486	60,369	1,117
				269,651	274,705	272,436	2,269
				16,535	16,801	16,655	146
				13,247	12,211	11,884	327
				42,543	41,309	41,131	178
				1,172	1,102	1,098	4
				17,879	17,879	16,882	997
				20,174	20,174	20,152	22
24,870	24,870	24,870		24,870	24,870	24,870	
20,188	20,188	19,503	685	20,188	20,188	19,503	685
45,058	45,058	44,373	685	544,201	546,458	539,766	6,692
(18,806)	(18,806)	(18,727)	79	14,898	12,615	15,281	2,666
18,450	18,450	18,755	305	27,950	27,950	28,481	531
				(58,411)	(55,903)	(55,430)	473
18,450	18,450	18,755	305	(30,461)	(27,953)	(26,949)	1,004
(356)	(356)	28	384	(15,563)	(15,338)	(11,668)	3,670
		(376)	(376)			(9,568)	(9,568)
7,627	7,627	7,627		42,132	42,132	42,132	
\$ 7,271	\$ 7,271	\$ 7,279	\$ 8	\$ 26,569	\$ 26,794	\$ 20,896	\$ (5,898)

**CITY OF CLEVELAND, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN RETAINED EARNINGS-ALL PROPRIETARY FUND TYPES**

**For the Year Ended December 31, 2001**

(Amounts in 000's)

	Proprietary Fund Types		Totals	
	Enterprise Fund	Internal Service	(Memorandum Only)	
			2001	2000
<b>OPERATING REVENUES</b>				
Charges for services	\$ 472,347	\$ 27,381	\$ 499,728	\$ 490,087
<b>TOTAL OPERATING REVENUES</b>	472,347	27,381	499,728	490,087
<b>OPERATING EXPENSES</b>				
Operations	185,828	31,604	217,432	195,963
Maintenance	48,489	3,044	51,533	55,745
Purchased power	65,283		65,283	68,597
Depreciation	78,006	79	78,085	73,032
<b>TOTAL OPERATING EXPENSES</b>	377,606	34,727	412,333	393,337
<b>OPERATING INCOME (LOSS)</b>	94,741	(7,346)	87,395	96,750
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	38,607	951	39,558	47,785
Interest expense	(66,167)		(66,167)	(73,595)
Litigation settlement	(2,699)		(2,699)	
AEP Refund per FERC ruling				2,864
Passenger facility charge revenue	15,024		15,024	16,642
Loss on disposal of property and equipment	(1,827)		(1,827)	(731)
Contributed capital and other contributions	34,818	137	34,955	
Other (expenses) revenues, net	(7,048)	99	(6,949)	(5,123)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	10,708	1,187	11,895	(12,158)
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	105,449	(6,159)	99,290	84,592
Operating transfers in		390	390	1,926
Operating transfers out	(1,200)		(1,200)	(1,152)
<b>NET INCOME (LOSS)</b>	104,249	(5,769)	98,480	85,366
Retained earnings at beginning of year	918,108	5,504	923,612	838,246
Retained earnings (accumulated deficits) at end of year	\$ 1,022,357	\$ (265)	\$ 1,022,092	\$ 923,612

See notes to financial statements.

**CITY OF CLEVELAND, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS-ALL PROPRIETARY FUND TYPES**  
**For the Year Ended December 31, 2001**  
**(Amounts in 000's)**

	Proprietary Fund Types		Totals	
	Enterprise	Internal	(Memorandum Only)	
	Fund	Service	2001	2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 444,499	\$ 30,914	\$ 475,413	\$ 485,511
Cash payments to suppliers for goods or services	(119,278)	(20,168)	(139,446)	(135,253)
Cash payments to employees for services	(115,700)	(13,976)	(129,676)	(120,868)
Cash payments for purchased power	(66,366)		(66,366)	(67,701)
Cash receipts of customer deposits	(369)		(369)	219
Agency activity on behalf of NEORS	(2,995)		(2,995)	
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	139,791	(3,230)	136,561	161,908
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Advance from General Fund	463	48	511	1,005
Cash received through operating transfers from other funds		332	332	434
Cash receipts for passenger facility charges	14,846		14,846	16,630
Cash payment for litigation settlement	(1,799)		(1,799)	
AEP refund per FERC ruling				2,864
Cash payments for sound insulation of homes	(10,615)		(10,615)	(12,283)
Cash transfer to debt service				(327)
Other non-capital financing activity	8,938	99	9,037	6,192
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	11,833	479	12,312	14,515
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from sale of revenue bonds and notes	611,167		611,167	
Proceeds from sale of refunding bonds and notes	140,747		140,747	
Acquisition and construction of capital assets	(153,109)		(153,109)	(121,354)
Principal paid on long-term debt	(84,411)		(84,411)	(39,388)
Interest paid on long-term debt	(88,051)		(88,051)	(76,952)
Cash paid to escrow agent for refunding	(141,423)		(141,423)	
Capital grant proceeds	27,200		27,200	9,437
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	312,120		312,120	(228,257)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investment securities	(327,745)		(327,745)	(302,230)
Proceeds from sale and maturity of investment securities	494,627		494,627	286,772
Interest received on investments	66,678	986	67,664	51,778
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	233,560	986	234,546	36,320
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	697,304	(1,765)	695,539	(15,514)
Cash and cash equivalents at beginning of year	474,773	8,268	483,041	498,555
Cash and cash equivalents at end of year	\$ 1,172,077	\$ 6,503	\$ 1,178,580	\$ 483,041

Continued

**CITY OF CLEVELAND, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS-ALL PROPRIETARY FUND TYPES-Continued**  
**For the Year Ended December 31, 2001**  
(Amounts in 000's)

	Proprietary Fund Types		Totals	
	Enterprise	Internal	(Memorandum Only)	
	Fund	Service	2001	2000
<b>RECONCILIATION OF OPERATING INCOME TO</b>				
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
<b>OPERATING INCOME (LOSS)</b>	\$ 94,741	\$ (7,346)	\$ 87,395	\$ 96,750
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	78,006	79	78,085	73,032
Non-cash rental income	(3,389)		(3,389)	(3,389)
Loss on disposal of equipment	41		41	1,070
Change in assets and liabilities:				
Accounts receivable, net	(13,231)	(202)	(13,433)	(12,701)
Unbilled revenue	1,694		1,694	2,240
Landing fee - due from airlines	(10,903)		(10,903)	
Due from other funds	(4,902)	(691)	(5,593)	(3,121)
Due from other governments	(5)	12	7	
Inventory of supplies	(497)	217	(280)	540
Prepaid expenses	(935)		(935)	(105)
Landing fee adjustment	(6,139)		(6,139)	2,174
Accounts payable	(962)	(962)	(1,924)	3,447
Due to other funds	2,894	5,777	8,671	(5,909)
Due to other governments	6,332		6,332	(1,413)
Accrued expenses and other liabilities	661		661	
Accrued wages and benefits	(3,615)	(114)	(3,729)	9,293
<b>TOTAL ADJUSTMENTS</b>	45,050	4,116	49,166	65,158
<b>NET CASH PROVIDED</b>				
<b>BY (USED FOR) OPERATING ACTIVITIES</b>	\$ 139,791	\$ (3,230)	\$ 136,561	\$ 161,908

See notes to financial statements.

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE A - DESCRIPTION OF CITY OPERATIONS AND BASIS OF PRESENTATION

**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 January of 2002.

**Reporting Entity:** The accompanying financial statements of the City present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2001, and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (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 adopted 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 all funds, account groups, 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 ten enterprise activities, the major 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 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 development and operations. 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 provided for the Mayor to appoint a Chief Executive Officer who was to 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. Mayoral control of the school district will go before a vote of the people in November 2002.

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.

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

---

**Basis of Presentation:** The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for using a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the general purpose financial statements.

Amounts in the “totals-memorandum only” columns represent a summation of the general purpose financial statement line items of the fund types and account groups and are presented only for analytical purposes. The summation includes fund types and account groups that use different bases of accounting, both restricted and unrestricted amounts, interfund transactions that have not been eliminated, and the caption “amount to be provided,” which is not an asset in the usual sense. Consequently, amounts shown in the “totals-memorandum only” columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures (expenses) of the City. The 2000 memorandum column does not show the impact of GASB 33, which was implemented in 2001.

The following fund types and account groups are used by the City:

### **Governmental Funds**

**General Fund:** This fund, which is the major operating fund of the City, accounts for the general operating revenues and expenditures of the City not recorded elsewhere. Revenues are derived primarily from property taxes, income taxes and the state local government fund.

**Special Revenue Funds:** These funds are used to account for specific governmental revenues (other than revenues for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. These funds include most major federal and state grants.

**Debt Service Funds:** These funds are used to account for the resources received and used to pay principal and interest on debt reported in the General Long-Term Obligations Account Group and certain enterprise funds. Revenues and financing resources are derived primarily from property taxes, reimbursements from enterprise funds and operating transfers by enterprise funds.

**Capital Projects Funds:** These funds are used to account for the acquisition or construction of capital assets other than those financed by special revenue, enterprise and internal service fund operations. Revenues and financing resources are derived primarily from the issuance of bonds, certificates of participation and the receipt of grants.

### **Proprietary Funds**

**Enterprise Funds:** These funds are used to account for operations that provide services which are financed primarily by user charges, or activities where periodic measurement of income is appropriate for capital maintenance, public policy, management control or other purposes.

**Internal Service Funds:** These funds are used to account for the goods or services provided to certain City departments and funds or to other governments on a cost reimbursement basis.

### **Fiduciary Funds**

**Agency Funds:** These funds are used to account for assets held by the City as an agent for others and include the Central Collection Agency, the Cleveland Municipal Court and payroll deductions withheld and awaiting payment.

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

---

### Account Groups

**General Fixed Assets Account Group:** This account group is used to present the general fixed assets of the City utilized in its general operations, exclusive of those used in enterprise and internal service funds. General fixed assets include land, buildings, improvements and equipment owned by the City, and the City's share of the Justice Center Building.

**General Long-Term Obligations Account Group:** This account group is used to account for all long-term obligations of the City except those accounted for in the enterprise funds.

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the more significant accounting policies for the City is described below:

**Basis of Accounting:** All financial transactions for Governmental and Fiduciary Funds are recorded on the modified accrual basis of accounting. Under this accounting method, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the fiscal period. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For the City, available means received within sixty days of year end. Revenues accrued, in which the City receives value without directly giving value in return, include income taxes, property taxes, grants, entitlements and donations. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized. If available, revenue from income taxes is recognized in the period in which the income is earned; revenue from property taxes is recognized in the year for which the taxes are levied; and revenue from grants, entitlements and donations is recognized in the year in which all eligibility 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 reimbursement basis. Governmental and Fiduciary Fund expenditures are accrued when the fund liability is incurred except for interest on long-term debt, which is recorded when due. Financial transactions for Proprietary Funds are recorded on the accrual basis of accounting; revenues are recognized when earned, and expenses are recognized as incurred. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Activities*, all Proprietary Funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, Proprietary Funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB pronouncements). The City has chosen not to apply future FASB standards.

**Measurement Focus:** All Governmental Funds are accounted for on a spending or current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Resources not available to finance expenditures or commitments of the current period are recognized as deferred revenue. Liabilities for claims, judgments, compensated absences, police and fire overtime and police and fire deferred vacation which will not be currently liquidated using expendable financial resources are shown in the General Long-Term Obligations Account Group.

All Proprietary Funds are accounted for on a flow of economic resources measurement focus and upon determination of net income, financial position and cash flows.

**Budgetary Accounting and Control:** The City is required by state law to adopt annual budgets for the General Fund, Special Revenue Funds including the Division of Streets, Restricted Income Tax, Rainy Day Reserve Fund, Schools Recreation and Cultural Activities Fund, 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), other costs, 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 authority from "personnel" to "other" or vice versa, or between divisions. City Council adopted an additional supplemental appropriation for 2001.

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

Unencumbered appropriations for annually budgeted funds lapse at year end. Budgetary data are not presented for the Proprietary Funds due to the nature of the funds. There is no legal requirement to report on such budgets.

The actual results of operations as compared to the amended appropriations passed by Council are presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (Non-GAAP Budgetary Basis)-General, Budgeted Special Revenue and Debt Service Fund Types, in accordance with the City's budgetary process (budget basis) to provide a meaningful comparison of actual results with the budget for those governmental funds for which annual budgets are prepared.

The City's budgetary process does not include annual budgeting for grant 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 and therefore budgetary comparison statements on an annual basis do not provide meaningful information and, accordingly, are not presented.

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP).

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

- (1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- (2) Expenditures are recorded when paid in cash, encumbered or pre-encumbered (budget) as opposed to when goods or services are received (GAAP). Encumbrances are recorded as expenditures (budget) as opposed to reservation of fund balance (GAAP).

### Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses (Amounts in 000's)

	General Fund	Special Revenues	Debt Service
GAAP basis	\$ (18,209)	\$ (15,761)	\$ (5,446)
Less: Funds not budgeted on an annual basis		\$ (3,683)	\$ 41
GAAP basis for budgeted funds	\$ (18,209)	\$ (12,078)	\$ (5,487)
Increase (Decrease)			
Net adjustment for revenue accruals	\$ 16,196	\$ 6,606	\$ 5,078
Adjustment for Encumbrances & Pre Encumbrances	\$ (8,467)	\$ (11,728)	
Net adjustment for expenditure accruals	\$ (3,180)	\$ 19,164	\$ 437
Budget basis for budgeted funds	\$ (13,660)	\$ 1,964	\$ 28



# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

**Pooled Cash and Investments:** 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, Star Ohio and time deposits, are carried at market value (see Note C). Interest earned on pooled cash and investments is distributed to the appropriate funds utilizing a formula based on the average weekly balance of cash and investments of each fund.

**Cash and Cash Equivalents:** Cash and cash equivalents are defined as highly liquid investments with a maturity of three months or less from when purchased.

**Investments:** Effective January 1, 1998, the City 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. In accordance with GASB Statement No. 31, the City has stated certain investments at fair value.

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

**Inventory of Supplies:** Inventory is valued at average cost except Special Revenue Fund inventory which is valued at cost. Inventory generally consists of construction, 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.

**Fixed Assets and Depreciation:** Property, plant and equipment is stated on the basis of historical cost, or if contributed, at fair market value at the date received. Infrastructure, pertaining to Governmental Fund Type activities, including streets, bridges and sidewalks, is not capitalized by the City. Depreciation is not provided in the General Fixed Assets Account Group. Depreciation for the Proprietary Fund Types is determined by allocating the cost of fixed assets over the estimated useful lives of the assets using the straight-line method. When property is disposed of, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Utility plant in service . . . . .	6 to 100 years
Buildings, structures and improvements . . . . .	10 to 65 years
Furniture, fixtures and equipment . . . . .	5 to 33 years

**Capital Outlay:** The City reports capital outlays in the fund which provides the resources.

**Idle Facilities:** In April 1977, the Division of Cleveland Public Power closed its generation plant and since that time the Division's revenues have been derived primarily from the distribution of purchased power. The Division 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.

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

---

**Capitalization of Interest:** The City's policy is to capitalize interest on Proprietary Fund Type construction projects until substantial completion of the project. 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.

For 2001, interest expense incurred for the Proprietary Funds was \$105,978,000 which was reduced by \$39,811,000 of interest expense capitalized. For 2001, total interest income earned by the Proprietary Funds was \$64,424,000 which was reduced by \$24,866,000 of interest income capitalized.

**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 D, the City has one swap agreement outstanding at December 31, 2001 for its Subordinated Income Tax Refunding Bonds.

**Contributed Capital:** Contributed capital represents federal and state grants and other financial resources received prior to January 1, 2001 supplied to the City's Proprietary Funds which are not subject to mandatory repayment. As required by GASB No. 33, after January 1, 2001 these types of resources are recorded as non-operating revenues.

**Grants and Other Intergovernmental Revenues:** Federal grants and assistance awards made on the basis of entitlement programs are recorded as intergovernmental receivables and revenues when entitlement occurs. Federal reimbursement-type grants for the acquisition of fixed assets of Proprietary Fund Types are recorded as intergovernmental receivables and contributed capital and other contributions when the related expenses occur. Other federal 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 to the extent that these loans do not have to be repaid to the Federal Government. Loans Receivable is presented net of allowance for doubtful accounts on the balance sheet. The loan proceeds are earmarked for future reprogramming under federal guidelines and are not available to fund current operating expenditures of the City.

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, 2001, the State funded \$73,621,000 of road and bridge improvement projects. Also funded was \$4,575,000 for storm water detention facilities recorded in the Enterprise Fund's Division of Water Pollution Control.

**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 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 transfers of resources to provide services, construct assets and service debt. Such transactions are generally reflected as operating transfers or reimbursements in the accompanying financial statements.

**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 Governmental Accounting Standards Board Statement No. 9. 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.

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

---

**Compensated Absences:** In conformity with the Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences", the City accrues vacation and sick pay benefits including their related fringe benefits as earned by its employees using the termination method. For Governmental Fund Types, the liability not currently due and payable at year end is recorded in the General Long-Term Obligations Account Group.

Normally, all vacation time is to be taken in the year available 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, calculated at current wage rates, upon retirement with the balance being forfeited.

**Police and Fire Deferred Vacation:** Uniformed police and fire employees are eligible to defer earned vacation time, 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 the hourly rate and their related fringe benefits at the date of retirement.

**Future Capital Improvements:** Certain resources 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 Fund Types.

**Rainy Day Reserve Fund:** The Rainy Day Reserve Fund was 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.

**Reserved Fund Balance:** Fund balances are reserved to indicate that they do not constitute available financial resources and have been specifically reserved by City ordinance or other requirements.

**Decertification (Recertification) of prior year encumbrances and pre-encumbrances :** In the normal course of business, the City decertifies encumbrances and pre-encumbrances throughout the year. During 2001, the City had to recertify encumbrances and pre-encumbrances that were previously reduced.

### NOTE C - 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 Agency 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 and 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.

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

---

**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 \$79,619,000 and the actual bank balance totaled \$154,209,000. The difference represents outstanding warrants payable and normal reconciling items. Based on the criteria described in GASB Statement No. 3, \$25,688,000 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 \$128,521,000 was uninsured and uncollateralized (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, \$20,042,000 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, \$108,479,000 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 (Star Ohio). 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.

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

GASB Statement No. 3, “Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,” 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;

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 and cash equivalents in the balance sheet in accordance with the provisions of GASB Statement No. 9:

Type of Investment	Category	Fair Value	Cost
(Amounts in 000's)			
U.S. Agency Obligations	1	\$ 195,796	\$ 194,501
U.S. Treasury Bonds	2	12,899	12,899
U.S. Treasury Bills	2	26,443	26,508
U.S. Treasury Notes	2	12,076	12,058
Repurchase Agreements	3	233	233
STAROhio	n/a	398,151	398,151
Investments in Mutual Funds	n/a	211,911	211,911
Guaranteed Investment Contracts	n/a	729,291	729,291
Total Investments		1,586,800	1,585,552
Total Deposits		79,619	79,619
Total Deposits and Investments		\$ 1,666,419	\$ 1,665,171

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 and 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.

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

### NOTE D - BONDS, DEBT AND OTHER OBLIGATIONS

A summary of all outstanding debt of the City as of December 31, 2001 is as follows:

	Balance January 1, 2001	Additions	(Reductions)	Balance December 31, 2001
(Amounts in 000's)				
<b>General Long-Term Obligations and Notes</b>				
General Obligation Bonds due through 2020, 3.5% to 9.875%	\$316,950	\$ -	(\$23,570)	\$293,380
<i>Other Obligations:</i>				
Urban Renewal Bonds due through 2018, 3.60% to 6.75%	9,160		(285)	8,875
Subordinated Income Tax Refunding Bonds due through 2024, 4.88%	69,500		(1,300)	68,200
Non-tax Revenue Bonds, 5.75% - Stadium	10,000			10,000
Taxable Urban Renewal Notes due 2002, 3.75%		4,200		4,200
Certificates of Participation - 1992 and 1995	11,759		(4,788)	6,971
Certificates of Participation - Stadium	155,620		(1,520)	154,100
Capital lease obligations	1,350		(538)	812
Gateway note payable	4,000		(250)	3,750
Accrued wages and benefits	35,753	3,056		38,809
Police and fire overtime	64,803		(7,464)	57,339
Police and fire deferred vacation	1,193	44		1,237
Estimated claims payable (Note G)	2,394	2,845	(2,394)	2,845
Total General Long-Term Obligations and Notes	\$682,482	\$10,145	(\$42,109)	\$650,518
<b>Enterprise Funds</b>				
<i>Airport System Revenue Bonds:</i>				
Series 1990 due through 2006, 6.50% to 7.30%	\$23,946	\$ -	(\$7,810)	\$16,136
Series 1994 due through 2024, 4.80% to 7.95%	79,230		(1,650)	77,580
Series 1997 due through 2027, 4.25% to 7.00%	268,800		(4,855)	263,945
Series 2000 due through 2031, 5.00% to 5.50%		573,190		573,190
<i>Airport Surplus Revenue Notes:</i>				
Series 1999 due in 2001, 6.375%	40,000		(40,000)	0
Series 2001 due in 2003, 5.55%		44,950		44,950
<i>Public Power System Revenue Bonds:</i>				
Series 1991 due through 2017, 5.85% to 7.00%	43,145		(43,145)	0
Series 1994 due through 2013, 6.30% to 7.00%	70,185		(5,000)	65,185
Series 1996 due through 2024, 5.00% to 6.00%	122,380			122,380
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		41,925
<i>Waterworks Improvement Revenue Bonds:</i>				
Series 1977 due in 2008, 6.13%	12,905			12,905
Series 1986 due through 2015, 5.00% to 7.00%	15,350			15,350
Series 1992 due through 2016, 5.50% to 6.25%	87,315		(87,315)	0
Series 1993 due through 2021, 4.60% to 5.50%	201,245		(13,805)	187,440
Series 1996 due through 2026, 4.25% to 5.75%	90,895		(9,790)	81,105
Series 1998 due through 2028, 4.00% to 5.25%	305,425		(1,660)	303,765
Series 2001 due through 2016, 4.00% to 5.375%		92,595		92,595
<i>Ohio Water Development Authority Loans</i>				
due through 2021, 4.04% to 6.25%	7,412	6,494	(789)	13,117
<i>Parking Facilities Revenue Bonds</i>				
due through 2022, 4.45% to 6.00%	77,395		(1,875)	75,520
Total Enterprise Funds	1,490,388	759,154	(217,694)	2,031,848
Less: Unamortized (discount) premium-net	(41,379)	373	4,836	(36,170)
Unamortized loss on debt refunding	(54,076)	(9,200)	3,951	(59,325)
Total Enterprise Funds, net	\$1,394,933	\$750,327	(\$208,907)	\$1,936,353
Total Debt	\$2,077,415	\$760,472	(\$251,016)	\$2,586,871

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

A summary of the City's future debt service requirements for tax supported general obligations, enterprise fund self-supporting obligations, urban renewal obligations and subordinated income tax refunding bonds as of December 31, 2001 follows:

Due In	General Long-Term Obligations Bonds Payable		Enterprise Obligations		Urban Renewal Obligations		Subordinated Income Tax Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
(Amounts in 000's)								
2002	\$ 24,270	\$ 15,209	\$ 37,459	\$ 105,986	\$ 300	\$ 578	\$ 1,300	\$ 3,496
2003	24,410	13,984	90,525	103,698	320	559	1,400	3,426
2004	23,155	12,774	48,468	100,382	340	539	1,500	3,351
2005	24,005	11,602	50,552	98,086	360	518	1,600	3,270
2006	23,470	10,403	54,495	95,692	385	494	1,700	3,184
2007-2011	109,010	33,849	356,796	402,645	2,335	2,038	10,500	14,410
2012-2016	50,690	10,814	387,615	311,724	3,220	1,116	14,500	11,194
2017-2021	14,370	1,430	381,833	211,041	1,615	111	20,100	6,742
2022-2026	0	0	337,505	115,410	0	0	15,600	1,207
2027-2031	0	0	286,600	36,683	0	0	0	0
<b>Total</b>	<b>\$293,380</b>	<b>\$110,065</b>	<b>\$2,031,848</b>	<b>\$1,581,347</b>	<b>\$8,875</b>	<b>\$5,953</b>	<b>\$68,200</b>	<b>\$50,280</b>

A detailed summary of general obligation bonds and enterprise debt by purpose as of December 31, 2001 is as follows:

	Original Issue Amount	Balance January 1, 2001	Issued 2001	Refunded/ Retired 2001	Balance December 31, 2001
(Amounts in 000's)					
<b>General Obligation Bonds</b>					
Public Facilities	\$100,950	\$43,235		\$2,430	40,805
Public Service	8,145	780		535	245
Convention Center	27,090	4,770		1,490	3,280
Residential Redevelopment	13,595	9,010		495	8,515
Bridges & Roadways	147,450	74,865		6,035	68,830
Public Safety	27,545	1,420		375	1,045
Parks & Recreation	64,355	26,725		2,355	24,370
Waterways	2,740	390		130	260
Parking	10,000	830		415	415
Refunding Bonds	229,925	153,740		8,735	145,005
Judgement/Settlement	14,500	1,185		575	610
<b>Total General Obligation Bonds</b>	<b>\$646,295</b>	<b>\$316,950</b>	<b>\$0</b>	<b>\$23,570</b>	<b>\$293,380</b>
<b>Revenue Bonds and Notes</b>					
Airport	\$1,015,351	\$411,976	618,140	\$54,315	\$975,801
Public Power	496,520	280,470	41,925	48,145	274,250
Waterworks	1,474,330	713,135	92,595	112,570	693,160
Parking Facilities	81,105	77,395		1,875	75,520
<b>Loans and Other</b>					
Waterworks	6,208	0	6,208	230	5,978
Water Pollution Control	8,853	7,412	286	559	7,139
<b>Total Enterprise Fund</b>	<b>\$3,082,367</b>	<b>\$1,490,388</b>	<b>\$759,154</b>	<b>\$217,694</b>	<b>\$2,031,848</b>

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

---

### General Obligations Bonds and Notes

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

Under the Uniform Bond Act of the Ohio Revised Code, the City at December 31, 2001 had the capacity to issue \$331,828,000 of additional debt under the direct debt limit. However, significantly less could be issued under the indirect debt limit.

### Other 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.



# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

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 counter party 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 counter party, or by the counter party to the City, depending upon the prevailing economic circumstances at the time of the termination. 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 the income tax receipts, subordinate to the pledge of the income tax receipts made under the General Bond Ordinance securing 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.

**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 faith, credit or taxing power of the City, and are payable solely from non-tax revenues of the City. The following is a schedule of future payments of the 1999 non-tax revenue bonds:

	<u>Principal</u>		<u>Interest</u>	
	(Amounts in 000's)			
2007 - 2011	\$	4,506	\$	3,669
2012 - 2016		3,394		4,781
2017 - 2021		2,100		4,435
<b>Total</b>	<b>\$</b>	<b>10,000</b>	<b>\$</b>	<b>12,885</b>

**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. 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 faith and credit of the City, and the City is not a party to the Certificates. If the Lease 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 following is a schedule of the future lease payments for these Certificates of Participation at December 31, 2001:

	<u>Principal</u>		<u>Interest</u>	
	(Amounts in 000's)			
2002	\$	3,887	\$	345
2003		3,084		126
<b>Total</b>	<b>\$</b>	<b>6,971</b>	<b>\$</b>	<b>471</b>

**Taxable Urban Renewal Notes:** In October 2001, the City issued \$4,200,000 of Taxable Urban Renewal Notes. These one year notes, which are due November 1, 2002, are special obligations of the City and were issued to purchase certain properties for urban renewal purposes. Principal of and interest on the Series 2001 Notes, unless paid from other sources, are to be paid from the non-tax revenues of the City.

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

**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 the 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. The following is a schedule of the future payments for the Series 1997 and 1999 Certificates of Participation outstanding as of December 31, 2001:

	Principal	Interest
	(Amounts in 000's)	
2002	1,690	7,094
2003	1,860	7,015
2004	2,065	6,925
2005	2,260	6,824
2006	2,275	6,712
2007-2011	49,968	40,652
2012-2016	34,762	25,168
2017-2021	22,835	13,294
2022-2026	29,520	6,610
2027-2031	6,865	360
Total	\$154,100	\$120,654

**Capital Lease Obligations:** 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. Future minimum lease payments under capital leases at December 31, 2001, are \$597,000 in year 2002 and \$248,000 in 2003. Of these amounts, \$33,000 represents interest resulting in a capital lease obligation outstanding of \$812,000 at December 31, 2001. During 2001, operating lease payments for the City were immaterial.

**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. This liability is reported in the general long-term debt account group.

**Accrued Wages and Benefits:** Accrued wages and benefits included in the general long-term debt account group consist of the non-current portion of vacation and sick pay benefits earned by employees of the City. The City accrues such 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, 2001, follow:

Division	Overtime		Deferred Vacation	
	Hours	Dollars	Hours	Dollars
	(amounts in 000's)			
Police	2,110	\$ 53,015		\$ -
Fire	187	5,059	49	1,237
Total	2,297	\$ 58,074	49	\$ 1,237

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

---

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. No accumulated overtime was paid subsequent to year end during the available and measurable period. Therefore, the full amount is included in the general long-term debt account group. 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.

### **Enterprise Fund Obligations**

***Airport System Revenue Bonds:*** These bonds 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, 2001, the Department of Port Control has recorded a liability in the amount of \$19,413,000 for compounded interest payable on the Capital Appreciation Bonds.

Effective February 27, 2001, the Department of Port Control issued \$573,190,000 of Airport System Revenue Bonds. The Series 2000 Bonds are special obligations of the City and are payable from Airport Revenues as defined in the Trust Indenture governing the bonds. The proceeds of the Series 2000 Bonds will be applied by the City to finance a portion of certain improvements to Cleveland Hopkins International Airport, to pay the costs of issuance, to fund capitalized interest on the Series 2000 bonds, and to make the required deposits to the Bond Service Reserve Fund and the Renewal and Replacement Fund. The Series A bonds in the principal amount of \$360,880,000 were issued as fixed rate, Non-AMT bonds. The Series B Bonds totaled \$63,310,000 and are fixed rate AMT Bonds. The Series C Bonds, in the total amount of \$149,000,000 were issued as variable rate Non-AMT bonds with Westdeutsche Landesbank Girozentrale and State Street Bank and Trust Company serving as liquidity providers through a standby bond purchase agreement.

***Airport Surplus Revenue Notes:*** In June, the Department of Port Control issued \$40,000,000 of Airport Surplus Revenue Notes, Series 1999. These two year notes matured in June 2001. On June 1, 2001, the City issued \$44,950,000 of Taxable Airport Surplus Revenue Notes, Series 2001. The Series 2001 Notes were issued to refund the Series 1999 Notes, which provided funds to pay a portion of the cost of acquiring real property for future airport expansion, and to pay all of the interest on the Series 2001 Notes. The Series 2001 Notes are special obligations of the City and do not constitute general obligations or a pledge of the faith, credit or taxing power of the City.

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

---

**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.

In August 2001, the Division of Cleveland Public Power issued \$41,925,000 of Public Power System Refunding Revenue Bonds, Series 2001. The proceeds were used to refund certain outstanding Series 1991 Revenue Bonds and to pay costs of issuance. Net proceeds of \$43,176,545 were placed in an irrevocable escrow account which including interest earned was used to pay principal, interest and premium on the refunded bonds on November 15, 2001. 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 total aggregate principal amount of the bonds refunded by the Series 2001 Bonds was \$41,290,000. The City completed the refunding to reduce its total debt service payments over the next fifteen years by \$7,951,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$5,832,000.

**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 are secured 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.

Effective October 4, 2001, the Division of Water issued \$92,595,000 of Waterworks Refunding Revenue Bonds, Series J 2001. The proceeds were used to currently refund certain outstanding Series F, Series G and Series H Revenue Bonds and to pay costs of issuance. Net proceeds of \$96,566,000 were placed in an irrevocable escrow account which will be used to pay the principal, interest, and premium on the refunded bonds. As a result, the refunded bonds in the aggregate principal amount of \$91,965,000 are considered to be defeased and the liability for these bonds has been removed from long-term debt. The City completed the refunding to reduce its total debt service payments over the next fifteen years by \$7,231,000 and to obtain an economic gain (difference between the present values of the old and new debt service payment) of \$7,193,000.

**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 Divisions. The Division of Water received an OWDA loan in the amount of \$6,208,000 in 2001.

**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 (see Note P).

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

**Debt Covenants:** The Enterprise Funds' related 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.

### Defeasance of Debt

The City has defeased certain debt 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 City's financial statements.

The aggregate amount of defeased debt outstanding at December 31, 2001 is as follows:

<b><u>Bond Issue</u></b>	<b><u>Amount</u></b> <b>(Amounts in 000's)</b>
Voted Tax Supported General Obligations:	
1977	\$ 40
Unvoted Tax Supported General Obligations:	
1988	8,105
1992	16,320
1994	25,465
Waterworks Improvement Bonds:	
Series F, 1992	263,010
Series G, 1993	2,040
Series H, 1996	104,950
Public Power System Bonds:	
Series 1994	131,440
Parking Facilities Bonds:	
Series 1992	64,085
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, hanger 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. 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 obligation 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.

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

### NOTE E - 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 plans on tearing the building down to make way for a new runway. 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 balance sheet.

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

Minimum principal and interest payments due by the City on the deferred payment obligation and future minimum lease rentals due to the City under this lease for the next five years and thereafter are as follows:

	Deferred Payment Obligation			Future Minimum Rentals
	Principal	Interest	Total	
	(Amounts in 000's)			
2002	1,381	2,008	3,389	3,389
2003	1,492	1,897	3,389	3,389
2004	1,612	1,777	3,389	3,389
2005	1,741	1,648	3,389	3,389
Thereafter	20,306	7,083	27,389	27,389
	\$26,532	\$14,413	\$40,945	\$40,945

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

Rental income recognized by the City under this agreement totaled \$3,389,000 in 2001, of which \$2,111,000 was offset against interest expenses and \$1,278,000 against the principal balance of the deferred payment obligation.

### NOTE F - COMPLIANCE AND ACCOUNTABILITY

At December 31, 2001, the following proprietary funds had accumulated deficits:

Fund Name	Accumulated Deficit	Contributed Capital	Total Fund Equity
(Amounts in 000's)			
Convention Center	(\$52,027)	\$65,443	\$13,416
Municipal Parking Lots	(2,300)	21,079	18,779
East Side Market	(481)	2,943	2,462
Information Systems Services	(82)	258	176
Motor Vehicle Maintenance	(283)	2,408	2,125
Telephone Exchange	(77)	-	(77)

The above deficits arise principally from the depreciation of fixed assets funded by grants recorded as contributed capital.

The City did not obtain prior certification for all commitments as required by Ohio Revised Code. The City did not file their approved appropriation measure with the County Budget Commission by the date required by Ohio Revised Code.

### NOTE G - RISK MANAGEMENT

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 H). In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Governmental fund type liabilities are recorded in the general fund in the amount of \$184,000, because it is payable with available expendable financial resources. Amounts not currently payable are reported in the general long-term debt account group. As of December 31, 2001, the total of such liabilities for governmental fund types was approximately \$2,845,000, all of which are recorded in the general long-term debt account group. Proprietary fund type liabilities are recorded in their respective fund. As of December 31, 2001, the total amount of proprietary fund type liabilities was approximately \$900,000 and is included within accounts payable.

As of December 31, 2001, the amount of claims that are deemed reasonably possible in Governmental Funds total \$6,150,000 and \$457,000 in the Proprietary Funds.

Changes in the estimated claims payable for all funds during the years ended December 31 were as follows

	2001	2000
Estimated claims payable, January 1	\$3,420,000	\$4,304,000
Current year claims and changes in estimates	3,090,700	5,715,550
Claim payments	(3,481,700)	(6,599,550)
Estimated claims payable, December 31	\$3,029,000	\$3,420,000

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

---

The estimated claims liability was 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. The estimates do not include other allocated or unallocated claim adjustment expenses.

**Insurance:** Certain proprietary funds carry insurance to cover certain liability risks and property protection. Otherwise, the City is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2001. The City reported no significant decrease in any insurance coverages in 2001. In addition, the City reported no amounts of 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.

### NOTE H - COMMITMENTS & 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, while those claims which are considered "reasonably possible" are disclosed but not accrued. The potential losses resulting from all claims which are reasonably possible, excluding condemnation proceedings, is approximately \$6,607,000 as of December 31, 2001. In addition, probable claims totaling approximately \$3,929,000 have been accrued for. These estimates were based on a case-by-case review of outstanding claims by the City's in-house legal department.

**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 the play of 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, 2001, outstanding debt borrowed by the City to construct the new stadium totaled approximately \$164 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 1998, the Cleveland Browns further agreed to pay 50% of any additional costs to build the new stadium in excess of \$283 million, up to \$5 million.

In August 1999, construction of the stadium was completed. Total costs paid or accrued by the City as of December 31, 2001 for construction of the new stadium under all approved contracts amounted to approximately \$287 million. Outstanding change orders submitted by stadium contractors through December 2001 would bring the total to approximately \$289 million. The \$2 million has been accrued for in these financial statements.

The asset related to the Stadium is recorded in the General Fixed Asset Account Group and the related debt is recorded in the General Long-Term Obligations Account Group. The activity related to the construction of the new stadium is reflected within the Cleveland Stadium Construction subfund of the Capital Projects fund. Operating revenues and expenses of the new stadium are recorded within an enterprise fund.

**Stadium Team Lease:** The City and the Cleveland Browns have 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.



# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

**Contingencies Under Grant Programs:** The City participates in a number of federally assisted 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 Initiative Grant, and FAA Airport Improvement Grant Programs. These programs are subject to financial and compliance audits by the grantors or their representatives. As of December 31, 2001, the audits of certain programs have not been completed. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The City believes that disallowed costs, if any, would not be material.

### NOTE I - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains enterprise funds which provide water, sewer (Water Pollution Control), light and power service (Cleveland Public Power), airport (Port Control), cemetery, convention center, golf courses, municipal parking and public market facilities. Segment information for the year ended December 31, 2001 for the enterprise funds is summarized as follows:

	Water	Water Pollution Control	Cleveland Public Power	Port Control	Convention Center	West Side Market
	(Amounts in 000's)					
Total operating revenue	\$212,724	\$18,893	\$132,095	\$92,825	\$3,752	\$545
Depreciation and amortization expense	29,682	3,859	16,296	23,599	2,303	180
Operating income (loss)	66,201	1,307	17,965	12,431	(5,802)	(713)
Operating transfers (out) in, net					(1,200)	
Net income (loss)	63,031	887	7,288	32,675	(2,219)	2,599
Current capital and grant contributions		597		30,537		3,280
Restricted assets	253,727		20,660	767,670		
Fixed assets additions	10,095	2,170	10,758	24,690		29
Fixed assets disposals	2,416	400				
Net working capital (deficit)	226,927	27,787	54,501	18,667	1,938	69
Total assets	1,432,241	136,935	391,313	1,420,582	20,896	8,341
Revenue bonds payable and loans	662,626		229,722	962,938		
Payables from restricted assets	5,303	100	278	14,802	6	
Other long-term liabilities	5,978	7,139		26,531		
Total fund equity	716,778	81,490	147,465	363,057	13,416	8,052

	East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Total
	(Amounts in 000's)				
Total operating revenue	\$27	\$8,021	\$1,408	\$2,057	\$472,347
Depreciation and amortization expense	122	1,704	128	133	78,006
Operating income (loss)	(165)	4,174	(878)	221	94,741
Operating transfers (out) in, net					(1,200)
Net income (loss)	(157)	136	(296)	305	104,249
Current capital and grant contributions		68	336		34,818
Restricted assets		16,296	5,707		1,064,060
Fixed assets additions		99	10		47,851
Fixed assets disposals			247	41	3,104
Net working capital (deficit)	251	(53)	(489)	2,230	331,828
Total assets	2,471	88,607	10,349	5,037	3,516,772
Revenue bonds payable and loans		67,950			1,923,236
Payables from restricted assets		17			20,506
Other long-term liabilities					39,648
Total fund equity	2,462	18,779	9,626	4,954	1,366,079

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

### NOTE J - DUE TO / DUE FROM OTHER FUNDS

Individual fund interfund receivable and payable balances as of December 31, 2001 are as follows:

	Due From	Due To
	(Amount in 000's)	
<b>GENERAL FUND</b>	\$42,274	\$8,445
<b>SPECIAL REVENUE FUNDS:</b>		
Division of Streets	641	631
Restricted Income Tax	18,040	1,270
Reserve Fund	0	6,148
Rainy Day Reserve Fund	0	10,495
Community Development Block Grants	223	4,322
Community Development Funds	0	287
Economic Development Funds	321	1
Home Weatherization Grants	0	567
Air Pollution Control Grants	0	61
W.I.A.	0	8,268
General Government Funds	1,590	45
Public Service Grants	0	114
Public Safety Funds	144	33
Public Health Funds	612	15
Parks, Recreation and Properties Grants	711	163
Gateway Shared Income Tax	118	0
Supplemental Empowerment Zone	0	11,654
Airport Trans. Rental Fees	91	0
	22,491	44,074
<b>CAPITAL PROJECTS FUNDS:</b>		
Capital/Urban Renewal Bond Construction	111	3,350
Grant Improvement	0	5,863
Capital Improvement	4,682	0
Cleveland Stadium Construction	0	61
	4,793	9,274
<b>ENTERPRISE FUNDS:</b>		
Division of Water	5,113	5,534
Division of Water Pollution Control	1,818	2,340
Division of Cleveland Public Power	6,836	583
Department of Port Control	942	1,096
Convention Center	100	6,369
West Side Market	0	23
Municipal Parking Lots	120	60
Cemeteries	0	476
Golf Courses	0	7
	14,929	16,488

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

	Due From	Due To
	(Amount in 000's)	
<b>INTERNAL SERVICE FUNDS:</b>		
Information Systems Services	850	360
Motor Vehicle Maintenance	1,825	4,051
Printing and Reproduction	60	778
City Storeroom and Warehouse	125	116
Utilities Administration	0	723
Sinking Fund Administration	58	25
Municipal Income Tax Administration	398	688
Telephone Exchange	2,208	1,134
Office of Radio Communications	150	300
	5,674	8,175
<b>AGENCY FUNDS:</b>		
Municipal Courts	0	626
Central Collection Agency	286	3,376
Other Agency	11	-
	297	4,002
	\$90,458	\$90,458

### NOTE K - INCOME TAXES

During 2001, 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 Special Revenue Funds. 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 L - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the City. The 2001 levy was based upon an assessed valuation of approximately \$6.058 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 2001, 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
- Lien Date            January 1 of the current year
- Levy Date            October 1 of the year preceding the collection year

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

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. 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 M - DEFINED BENEFIT PENSION PLANS

#### A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS 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. PERS issues a stand-alone financial report which may be obtained by writing to the 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 2001, 2000, and 1999 the employer pension contribution rate for the City were 13.55, 10.84, and 13.55 percent of covered payroll, respectively. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$32,584,418, \$25,503,358, and \$29,609,000, respectively. The required amounts have been contributed for 2001, 2000, and 1999.

#### B. 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 19.55 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 \$19,554,276 and \$12,597,729 for the year ended December 31, 2001, \$18,333,527 and \$11,943,540 for the year ended December 31, 2000, and \$19,101,885 and \$12,153,795 for the year ended December 31, 1999. The required payments have been made for 2001, 2000, and 1999.

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

---

### NOTE N - OTHER POST EMPLOYMENT BENEFITS

#### **A. PUBLIC EMPLOYEES RETIREMENT SYSTEM**

The Public Employees Retirement System of Ohio (PERS) 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 PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 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 411,076. The City's actual contributions for 2001 which were used to fund postemployment benefits were \$10,339,000. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000 (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

For 2001, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

#### **B. 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 7.5 percent of covered payroll was applied to the postemployment health care program during 2001. For 2000 the percent used to fund healthcare was 7.25 percent. 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 2001 that were used to fund postemployment benefits were \$7,528,000 for police and \$3,943,000 for fire. The OP&F's total health care expenses for the year ended December 31, 2001, were \$106,160,000, which was net of member contributions of \$5,657,000. The number of OP&F participants eligible to receive health care benefits as of December 31, 2000, (the latest information available) was 12,853 for police and 10,037 for firefighters.

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - Continued

### NOTE O - GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<b>Balance January 1, 2001</b>	<b>Additions</b>	<b>(Deductions)</b>	<b>Transfers</b>	<b>Balance December 31, 2001</b>
(Amount in 000's)					
Land	\$37,240			\$0	\$37,240
Land Improvements	54,205			1,021	55,226
Buildings, Structures and Improvements	503,756			4,407	508,163
Furniture, Fixtures and Equipment	87,442	\$16,575	(\$9,442)	49	94,624
Construction in Progress	36,909	15,856		(5,428)	47,337
Total	\$719,552	\$32,431	(\$9,442)	\$49	\$742,590

At December 31, 2001, general fixed assets include \$4,167,000 of equipment under capitalized leases and \$26,385,000 of equipment acquired through certificates of participation financing.

Construction in progress is comprised of the following at December 31, 2001:

	<b>Project Authorization</b>	<b>Expended to December 31, 2001</b>	<b>Committed</b>
(Amounts in 000's)			
General Government	\$10,533	\$9,188	\$1,345
Dog Pound	54	41	13
Health	1,546	320	1,226
Police	16,535	16,061	474
Fire	3,666	1,959	1,707
Park Maintenance and Properties	23,904	18,368	5,536
Recreation	1,777	1,400	377
Total	\$58,015	\$47,337	\$10,678

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - *Continued*

---

### **NOTE P - 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 50% 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, 2001, the City pledged \$1,383,000.

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 2001, net revenues generated by the two Gateway garages were less than the debt service payments attributed to those garages by \$2,373,000. Cumulative debt service payments funded by the City that are due from Gateway total \$19,212,000 at December 31, 2001. 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 on the balance sheet.

### **NOTE Q - CHANGE IN ACCOUNTING PRINCIPLE**

Effective January 1, 2001, the City implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues" (an amendment of GASB Statement No. 33). In general, GASB Statements No. 33 and 36 establish accounting and financial reporting standards which address when to report the results of nonexchange transactions involving financial or capital resources. In a nonexchange transaction, an entity gives (or receives) value without directly receiving or giving equal value in return. These statements did not have a material impact on the City's beginning fund balances as previously reported.

Cash received or receivables recognized with respect to income taxes, property taxes, certain grants and other nonexchange transactions that do not meet the revenue recognition criteria under GASB Statement No. 33 and 36 are recorded as deferred revenues.

# CITY OF CLEVELAND, OHIO

## NOTES TO FINANCIAL STATEMENTS - *Continued*

---

### **NOTE R - SUBSEQUENT EVENTS**

On March 11, 2002, City Council passed legislation authorizing the issuance of \$43,600,000 of Various Purpose General Obligation Bonds and \$6,375,000 of General Obligation Judgement Bonds and the issuance of notes in anticipation of those bonds (BANS). Pursuant to this legislation, the City issued \$23,200,000 Series 2002A Various Purpose General Obligation BANS and \$3,500,000 Series 2002B Final Judgement BANS, on June 27, 2002.

On July 17, 2002, City Council passed legislation authorizing the issuance of Waterworks Revenue Bonds in an amount not to exceed \$235,000,000 for improvements to the Waterworks System and not to exceed \$50,000,000 for refunding outstanding debt. The bonds are expected to be issued in the fall of 2002.



**CITY OF CLEVELAND, OHIO**  
**GENERAL FUND**

**COMPARATIVE FINANCIAL STATEMENTS**

**THE GENERAL FUND IS ESTABLISHED TO  
ACCOUNT FOR ALL FINANCIAL RESOURCES  
EXCEPT FOR THOSE REQUIRED TO BE  
ACCOUNTED FOR IN ANOTHER FUND**

# CITY OF CLEVELAND, OHIO

## BALANCE SHEET-GENERAL FUND

(Amounts in 000's)

	December 31,	
	2001	2000
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,364	\$ 12,925
Receivables:		
Taxes	105,537	85,829
Accounts	15,526	10,859
Accrued interest	24	647
Less: Allowance for doubtful accounts	(4,825)	(2,000)
	<u>116,262</u>	<u>95,335</u>
Inventory of supplies	53	
Due from other funds	42,274	44,038
Due from other governments	35,727	14,012
<b>TOTAL ASSETS</b>	<u>\$ 196,680</u>	<u>\$ 166,310</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 5,853	\$ 5,204
Estimated claims payable	184	781
Deferred revenue	102,280	52,077
Due to other funds	8,445	8,699
Due to other governments	275	221
Accrued wages and benefits	40,393	41,869
<b>TOTAL LIABILITIES</b>	<u>157,430</u>	<u>108,851</u>
<b>FUND BALANCE</b>		
Reserve for inventory	53	
Reserve for encumbrances	14,823	9,144
Reserve for rainy day reserve fund	10,495	8,792
Reserve for reserve fund	6,148	
Unreserved:		
Undesignated	7,731	39,523
<b>TOTAL FUND BALANCE</b>	<u>39,250</u>	<u>57,459</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 196,680</u>	<u>\$ 166,310</u>

**CITY OF CLEVELAND, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE-GENERAL FUND**

(Amounts in 000's)

	Years Ended December 31,	
	2001	2000
<b>REVENUES</b>		
Income taxes	\$ 246,121	\$ 258,255
Property taxes	46,200	41,806
State local government fund	59,252	60,015
Other shared revenues	32,042	32,252
Licenses and permits	8,853	9,155
Charges for services	17,662	16,685
Fines and forfeits	13,096	20,990
Investment earnings	1,349	1,938
Miscellaneous	14,912	13,690
<b>TOTAL REVENUES</b>	439,487	454,786
<b>EXPENDITURES</b>		
Current:		
General government	53,578	55,559
Public service	32,038	35,804
Public safety	271,817	274,864
Community development	15,770	13,654
Public health	11,281	12,507
Maintenance, parks and recreation	38,446	38,624
Economic development	1,116	1,068
Other	15,449	18,306
<b>TOTAL EXPENDITURES</b>	439,495	450,386
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(8)	4,400
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers in	18,759	
Operating transfers out	(36,960)	(37,265)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(18,201)	(37,265)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	(18,209)	(32,865)
Fund balance at beginning of year	57,459	90,324
Fund balance at end of year	\$ 39,250	\$ 57,459

**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, 2001**

(Amounts in 000's)

	General Fund			
	Original Budget	Revised Budget	Actual	Variance- Favorable (Unfavorable)
<b>REVENUES</b>				
Income taxes	\$ 271,392	\$ 271,392	\$ 262,721	\$ (8,671)
Property taxes	48,318	48,318	47,842	(476)
State local government fund	58,310	58,284	59,265	981
Other shared revenues	34,612	34,612	31,590	(3,022)
Licenses and permits	8,184	8,184	8,887	703
Charges for services	14,127	15,540	16,030	490
Fines and forfeits	16,658	16,658	16,768	110
Investment earnings	4,893	2,446	1,604	(842)
Workers compensation settlement and refunds				
Miscellaneous	20,569	21,603	29,735	8,132
<b>TOTAL REVENUES</b>	<b>477,063</b>	<b>477,037</b>	<b>474,442</b>	<b>(2,595)</b>
<b>EXPENDITURES</b>				
Current:				
General government				
Council and clerk of council				
Personnel	3,165	3,182	3,179	3
Other	2,292	2,292	2,247	45
Total council and clerk of council	5,457	5,474	5,426	48
Office of the Mayor				
Personnel	1,420	1,162	1,161	1
Other	238	238	238	
Total office of the Mayor	1,658	1,400	1,399	1
Office of consumer affairs				
Personnel		40		40
Other		60		60
Total office of consumer affairs		100		100
Office of personnel				
Personnel	1,175	1,121	1,120	1
Other	492	356	356	
Total office of personnel	1,667	1,477	1,476	1
Landmarks commission				
Personnel	139	139	98	41
Other	7	7	4	3
Total landmarks commission	146	146	102	44
Board of building standards and appeals				
Personnel	84	74	74	
Other	19	10	10	
Total board of building standards and appeals	103	84	84	

**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-Continued**  
**For the Year Ended December 31, 2001**  
(Amounts in 000's)

	General Fund			Variance- Favorable (Unfavorable)
	Original Budget	Revised Budget	Actual	
Fair campaign finance commission				
Other	\$ 10	\$ 10	\$ 1	\$ 9
Total fair campaign finance commission	10	10	1	9
Board of zoning appeals				
Personnel	239	229	229	
Other	29	19	19	
Total board of zoning appeals	268	248	248	
Civil service commission				
Personnel	662	644	644	
Other	575	591	582	9
Total civil service commission	1,237	1,235	1,226	9
Community relations board				
Personnel	921	921	791	130
Other	85	85	85	
Total community relations board	1,006	1,006	876	130
City planning commission				
Personnel	1,297	1,246	1,231	15
Other	48	64	55	9
Total city planning commission	1,345	1,310	1,286	24
Office of equal opportunity				
Personnel	493	480	471	9
Other	45	45	36	9
Total office of equal opportunity	538	525	507	18
Board of examiners of plumbers and electricians				
Personnel	133	77	77	
Other	3	4	2	2
Total board of examiners of plumbers and electricians	136	81	79	2
Municipal court-judicial division				
Personnel	13,869	14,058	14,058	
Other	2,121	2,120	2,089	31
Total municipal court-judicial division	15,990	16,178	16,147	31

**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-Continued**  
**For the Year Ended December 31, 2001**  
(Amounts in 000's)

	General Fund			Variance- Favorable (Unfavorable)
	Original Budget	Revised Budget	Actual	
Municipal court-housing division				
Personnel	\$ 2,319	\$ 2,130	\$ 2,083	\$ 47
Other	119	144	133	11
Total municipal court-housing division	2,438	2,274	2,216	58
Municipal court-clerks division				
Personnel	6,621	6,396	6,350	46
Other	2,154	2,354	2,217	137
Total municipal court-clerks division	8,775	8,750	8,567	183
Office of budget and management				
Personnel	608	621	619	2
Other	41	48	44	4
Total office of budget and management	649	669	663	6
Department of aging				
Personnel	292	197	197	
Other	113	67	65	2
Total department of aging	405	264	262	2
Department of law				
Personnel	4,912	5,314	5,259	55
Other	2,898	3,398	3,257	141
Total department of law	7,810	8,712	8,516	196
Division of harbors				
Personnel	56	56		56
Total division of harbors	56	56		56
Finance administration				
Personnel	359	295	295	
Other	33	35	35	
Total finance administration	392	330	330	
Division of accounts				
Personnel	905	888	887	1
Other	385	48	48	
Total division of accounts	1,290	936	935	1
Division of assessments and licenses				
Personnel	901	943	943	
Other	186	171	170	1
Total division of assessments and licenses	1,087	1,114	1,113	1

**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-Continued**  
**For the Year Ended December 31, 2001**  
(Amounts in 000's)

	General Fund			Variance- Favorable (Unfavorable)
	Original Budget	Revised Budget	Actual	
Division of treasury				
Personnel	\$ 406	\$ 430	\$ 430	\$ -
Other	66	76	76	
Total division of treasury	472	506	506	
Division of purchases and supplies				
Personnel	595	488	487	1
Other	92	62	61	1
Total division of purchases and supplies	687	550	548	2
Bureau of internal audit				
Personnel	527	520	520	
Other	229	231	225	6
Total bureau of internal audit	756	751	745	6
Division of financial reporting and control				
Personnel	1,199	1,154	1,153	1
Other	464	393	375	18
Total division of financial reporting and control	1,663	1,547	1,528	19
<b>TOTAL GENERAL GOVERNMENT</b>	56,041	55,733	54,786	947
Public Service				
Public service administration				
Personnel	438	389	387	2
Other	19	23	20	3
Total public service administration	457	412	407	5
Division of architecture				
Personnel	589	630	630	
Other	32	32	22	10
Total division of architecture	621	662	652	10
Division of waste collection and disposal				
Personnel	15,267	16,020	15,836	184
Other	12,404	11,564	11,562	2
Total division of waste collection and disposal	27,671	27,584	27,398	186
Division of engineering and construction				
Personnel	4,845	4,814	4,782	32
Other	396	353	311	42
Total division of engineering and construction	5,241	5,167	5,093	74
<b>TOTAL PUBLIC SERVICE</b>	33,990	33,825	33,550	275

**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-Continued**  
**For the Year Ended December 31, 2001**  
**(Amounts in 000's)**

	General Fund			Variance- Favorable (Unfavorable)
	Original Budget	Revised Budget	Actual	
Public Safety				
Public safety administration				
Personnel	\$ 3,863	\$ 3,448	\$ 3,348	\$ 100
Other	604	604	576	28
Total public safety administration	4,467	4,052	3,924	128
Division of police				
Personnel	158,190	161,079	160,295	784
Other	10,822	10,525	10,030	495
Total division of police	169,012	171,604	170,325	1,279
Division of fire				
Personnel	71,033	73,176	72,798	378
Other	3,398	3,155	2,961	194
Total division of fire	74,431	76,331	75,759	572
Division of emergency medical services				
Personnel	15,998	16,900	16,770	130
Other	1,088	1,223	1,189	34
Total division of emergency medical services	17,086	18,123	17,959	164
Division of traffic engineering				
Personnel	2,964	2,935	2,927	8
Other	845	880	785	95
Total division of traffic engineering	3,809	3,815	3,712	103
Division of dog pound				
Personnel	741	675	665	10
Other	105	105	92	13
Total division of dog pound	846	780	757	23
<b>TOTAL PUBLIC SAFETY</b>	269,651	274,705	272,436	2,269
Community Development				
Division of administration services				
Personnel	1,803	1,335	1,335	
Other	358	276	280	(4)
Total division of administration services	2,161	1,611	1,615	(4)
Division of neighborhood services				
Personnel	1,331	1,345	1,344	1
Other		800	800	
Total division of neighborhood services	1,331	2,145	2,144	1



**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-Continued**  
**For the Year Ended December 31, 2001**  
**(Amounts in 000's)**

	General Fund			Variance- Favorable (Unfavorable)
	Original Budget	Revised Budget	Actual	
Division of neighborhood development				
Personnel	\$ 1,501	\$ 1,614	\$ 1,613	\$ 1
Other	200	215	200	15
Total division of neighborhood development	1,701	1,829	1,813	16
Division of building and housing				
Personnel	10,428	10,275	10,167	108
Other	447	482	478	4
Total division of building and housing	10,875	10,757	10,645	112
Director's office				
Personnel	467	459	438	21
Total director's office	467	459	438	21
<b>TOTAL COMMUNITY DEVELOPMENT</b>	<b>16,535</b>	<b>16,801</b>	<b>16,655</b>	<b>146</b>
Public Health				
Public health administration				
Personnel	862	810	776	34
Other	93	93	51	42
Total public health administration	955	903	827	76
Division of correction				
Personnel	4,695	4,620	4,534	86
Other	1,172	1,201	1,187	14
Total division of correction	5,867	5,821	5,721	100
Division of health				
Personnel	2,511	2,281	2,186	95
Other	1,318	1,218	1,181	37
Total division of health	3,829	3,499	3,367	132
Division of environment				
Personnel	2,295	1,647	1,633	14
Other	301	341	336	5
Total division of environment	2,596	1,988	1,969	19
<b>TOTAL PUBLIC HEALTH</b>	<b>13,247</b>	<b>12,211</b>	<b>11,884</b>	<b>327</b>

**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-Continued**  
**For the Year Ended December 31, 2001**  
**(Amounts in 000's)**

	General Fund			Variance- Favorable (Unfavorable)
	Original Budget	Revised Budget	Actual	
Parks, Recreation and Properties				
Parks, recreation and properties administration				
Personnel	\$ 621	\$ 547	\$ 525	\$ 22
Other	171	206	193	13
Total parks, recreation and properties administration	792	753	718	35
Division of research, planning and development				
Personnel	660	611	605	6
Other	76	81	78	3
Total division of research, planning and development	736	692	683	9
Division of recreation				
Personnel	10,282	9,132	9,089	43
Other	3,297	2,812	2,812	
Total division of recreation	13,579	11,944	11,901	43
Division of parking				
Personnel	765	715	701	14
Other	36	36	35	1
Total division of parking	801	751	736	15
Division of park maintenance and properties				
Personnel	9,473	9,412	9,412	
Other	3,865	4,395	4,390	5
Total division of park maintenance and properties	13,338	13,807	13,802	5
Division of property management				
Personnel	8,855	8,990	8,933	57
Other	2,442	2,372	2,358	14
Total division of property management	11,297	11,362	11,291	71
<b>TOTAL PARKS, RECREATION AND PROPERTIES</b>	40,543	39,309	39,131	178

**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-Continued**  
**For the Year Ended December 31, 2001**  
**(Amounts in 000's)**

	General Fund			Variance- Favorable (Unfavorable)
	Original Budget	Revised Budget	Actual	
Economic Development				
Economic development administration				
Personnel	\$ 1,125	\$ 1,051	\$ 1,049	\$ 2
Other	47	51	49	2
Total economic development administration	1,172	1,102	1,098	4
<b>TOTAL ECONOMIC DEVELOPMENT</b>	1,172	1,102	1,098	4
Non-departmental expenditures				
Other	17,879	17,879	16,882	997
<b>TOTAL NON-DEPARTMENTAL EXPENDITURES</b>	17,879	17,879	16,882	997
<b>TOTAL EXPENDITURES</b>	449,058	451,565	446,422	5,143
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	28,005	25,472	28,020	2,548
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers out	(44,661)	(42,153)	(41,680)	473
	(44,661)	(42,153)	(41,680)	473
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(16,656)	(16,681)	(13,660)	3,021
Decertification (Recertification) of prior year encumbrances			(9,779)	(9,779)
Fund balance at beginning of year	22,543	22,543	22,543	
Fund balance at end of year	\$ 5,887	\$ 5,862	\$ (896)	\$ (6,758)

# CITY OF CLEVELAND, OHIO

## SPECIAL REVENUE FUNDS

### COMBINING FINANCIAL STATEMENTS

**SPECIAL REVENUE FUNDS ARE ESTABLISHED TO ACCOUNT FOR THE PROCEEDS OF SPECIFIC REVENUE SOURCES (OTHER THAN MAJOR CAPITAL PROJECTS) THAT ARE RESTRICTED BY LAW AND ADMINISTRATIVE ACTION TO EXPENDITURES FOR SPECIFIED PURPOSES**

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 Public Schools for recreation and cultural activities.
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.
WorkForce Investment Act (WIA)	To account for revenue and expenditures from the State of Ohio under the Work Force Investment Act.
Air Pollution Control Grants	To account for revenue primarily used to reduce levels of air pollution and continue progress towards meeting the federal clean air standards.
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 specific urban communities.
Rental Car Transportation Fees	To account for revenues from vehicle rentals at Cleveland Hopkins International Airport earmarked for providing airport shuttle services.

**CITY OF CLEVELAND, OHIO**  
**COMBINING BALANCE SHEET-ALL SPECIAL REVENUE FUNDS**

December 31, 2001

(Amounts in 000's)

	Budgeted					
	Division of Streets	Restricted Income Tax	Reserve Fund	Rainy Day Reserve Fund	Schools Recreation and Cultural Activities Fund	Total Budgeted Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,254	\$ -	\$ 6,148	\$ 10,495	\$ 2,052	\$ 20,949
Receivables:						
Taxes		6,021				6,021
Accounts	778					778
Loans						
Accrued interest						
	778	6,021				6,799
Due from other funds	641	18,040				18,681
Due from other governments	4,159					4,159
Inventory of supplies	883					883
<b>TOTAL ASSETS</b>	<b>\$ 8,715</b>	<b>\$ 24,061</b>	<b>\$ 6,148</b>	<b>\$ 10,495</b>	<b>\$ 2,052</b>	<b>\$ 51,471</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 358	\$ -	\$ -	\$ -	\$ -	\$ 358
Deferred revenue	3,351	2,930				6,281
Due to other funds	631	1,270	6,148	10,495		18,544
Due to other governments						
Accrued wages and benefits	1,467					1,467
<b>TOTAL LIABILITIES</b>	<b>5,807</b>	<b>4,200</b>	<b>6,148</b>	<b>10,495</b>		<b>26,650</b>
<b>FUND BALANCE</b>						
Reserve for loans						
Reserve for inventory	883					883
Reserve for encumbrances	2,401	6,491			2,000	10,892
Reserve for rainy day reserve fund						
Reserve for reserve fund						
Unreserved:						
Designated for future capital improvements	400	12,666				13,066
Undesignated	(776)	704			52	(20)
<b>TOTAL FUND BALANCE</b>	<b>2,908</b>	<b>19,861</b>			<b>2,052</b>	<b>24,821</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 8,715</b>	<b>\$ 24,061</b>	<b>\$ 6,148</b>	<b>\$ 10,495</b>	<b>\$ 2,052</b>	<b>\$ 51,471</b>

**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>Air Pollution Control Grants</b>	<b>WIA Grants</b>
\$ -	\$ 1,214	\$ 13,886	\$ 19,813	\$ -	\$ 3,262	\$ -	\$ -
18,625		108,496	20 8,265				
18,625		108,496	8,285				
223 7,693	6,218		321 35	3,050		400	11,775
<b>\$ 26,541</b>	<b>\$ 7,432</b>	<b>\$ 122,382</b>	<b>\$ 28,454</b>	<b>\$ 3,050</b>	<b>\$ 3,262</b>	<b>\$ 400</b>	<b>\$ 11,775</b>
\$ 3,517	\$ 1,589	\$ 134	\$ 24	\$ 129	\$ 39	\$ -	\$ 3,067
	1,470			909			224
4,322	287		1	567		61	8,268
77	1,280		5,046	1,445	3,223	339	
			9				216
7,916	4,626	134	5,080	3,050	3,262	400	11,775
18,625		108,496	3,397				
	258	15,061	1,611				
			172				
	2,548	(1,309)	18,194				
18,625	2,806	122,248	23,374				
<b>\$ 26,541</b>	<b>\$ 7,432</b>	<b>\$ 122,382</b>	<b>\$ 28,454</b>	<b>\$ 3,050</b>	<b>\$ 3,262</b>	<b>\$ 400</b>	<b>\$ 11,775</b>

Continued

# CITY OF CLEVELAND, OHIO

## COMBINING BALANCE SHEET-ALL SPECIAL REVENUE FUNDS-Continued

December 31, 2001

(Amounts in 000's)

	Non-Budgeted				
	General Government Funds	Public Service Funds	Public Safety Funds	Public Health Funds	Parks, Recreation and Properties Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 34,604	\$ 758	\$ 7,900	\$ 2,284	\$ 3,132
Receivables:					
Taxes					
Accounts	230				8
Loans					
Accrued interest					
	230				8
Due from other funds	1,590		144	612	711
Due from other governments	747	61	1,247	3,307	162
Inventory of supplies					
<b>TOTAL ASSETS</b>	\$ 37,171	\$ 819	\$ 9,291	\$ 6,203	\$ 4,013
<b>LIABILITIES</b>					
Accounts payable	\$ 648	\$ 5	\$ 294	\$ 591	\$ 23
Deferred revenue	576	50	5,403	1,502	52
Due to other funds	45	114	33	15	163
Due to other governments	585	88	745	2,922	1,911
Accrued wages and benefits	23		34	275	52
<b>TOTAL LIABILITIES</b>	1,877	257	6,509	5,305	2,201
<b>FUND BALANCE</b>					
Reserve for loans					
Reserve for inventory					
Reserve for encumbrances	13,561		712	2	285
Reserve for rainy day reserve fund					
Unreserved:					
Designated for future capital improvements	11,652				22
Undesignated	10,081	562	2,070	896	1,505
<b>TOTAL FUND BALANCE</b>	35,294	562	2,782	898	1,812
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	\$ 37,171	\$ 819	\$ 9,291	\$ 6,203	\$ 4,013





**CITY OF CLEVELAND, OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES-ALL SPECIAL REVENUE FUNDS**

**For the Year Ended December 31, 2001**

(Amounts in 000's)

	Budgeted					Total Budgeted Funds
	Division of Streets	Restricted Income Tax	Reserve Fund	Rainy Day Reserve Fund	Schools Recreation and Cultural Activities Fund	
<b>REVENUES</b>						
Income taxes	\$ -	\$ 29,931	\$ -	\$ -	\$ -	\$ 29,931
Other shared revenues	11,299					11,299
Licenses and permits	110					110
Charges for services	1,136					1,136
Investment earnings	8	567				575
Grants						
Miscellaneous	7,802					7,802
<b>TOTAL REVENUES</b>	<b>20,355</b>	<b>30,498</b>				<b>50,853</b>
<b>EXPENDITURES</b>						
Current:						
General government					2,001	2,001
Public service	17,932					17,932
Public safety						
Human resources						
Community development						
Public health						
Parks, Recreation and Properties						
Economic development						
Capital outlay	6,510	20,537				27,047
<b>TOTAL EXPENDITURES</b>	<b>24,442</b>	<b>20,537</b>			<b>2,001</b>	<b>46,980</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,087)</b>	<b>9,961</b>			<b>(2,001)</b>	<b>3,873</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	5,226				2,000	7,226
Operating transfers out		(18,177)	(5,000)			(23,177)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>5,226</b>	<b>(18,177)</b>	<b>(5,000)</b>		<b>2,000</b>	<b>(15,951)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>1,139</b>	<b>(8,216)</b>	<b>(5,000)</b>		<b>(1)</b>	<b>(12,078)</b>
Fund balances at beginning of year	1,769	28,077	5,000		2,053	36,899
Fund balances at end of year	\$ 2,908	\$ 19,861	\$ -	\$ -	\$ 2,052	\$ 24,821

**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	Air Pollution Control Grants	WIA Grants
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
41,338	50 22,890	355 -	595 5	2,790	59	40	13,366
41,338	1,678 24,618	2,307 2,662	11,705 12,305	2,790	59	40	13,366
40,408	23,226			2,790	59	40	13,366
40,408	23,226	3,789 48 3,837	7,310 437 7,747	2,790	59	40	13,366
930	1,392	(1,175)	4,558				
930	1,392	(1,175)	4,558				
17,695	1,414	123,423	18,816				
\$ 18,625	\$ 2,806	\$ 122,248	\$ 23,374	\$ -	\$ -	\$ -	\$ -

Continued

**CITY OF CLEVELAND, OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES-ALL SPECIAL REVENUE FUNDS-Continued**  
**For the Year Ended December 31, 2001**  
**(Amounts in 000's)**

	Non-Budgeted				
	General Government Funds	Public Service Funds	Public Safety Funds	Public Health Funds	Parks, Recreation and Properties Funds
<b>REVENUES</b>					
Income taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other shared revenues					
Licenses and permits				4	
Charges for services					
Investment earnings	688	11	60	25	56
Grants	347	125	1,174	8,016	756
Miscellaneous	6,540	510	1,612	1,043	385
<b>TOTAL REVENUES</b>	<b>7,575</b>	<b>646</b>	<b>2,846</b>	<b>9,088</b>	<b>1,197</b>
<b>EXPENDITURES</b>					
Current:					
General government	16,454				
Public service		239			
Public safety			2,134		
Human resources					
Community development					
Public health				8,475	
Parks, Recreation and Properties					1,505
Economic development					
Capital outlay	57				
<b>TOTAL EXPENDITURES</b>	<b>16,511</b>	<b>239</b>	<b>2,134</b>	<b>8,475</b>	<b>1,505</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(8,936)</b>	<b>407</b>	<b>712</b>	<b>613</b>	<b>(308)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	16,018				
Operating transfers out					
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>16,018</b>				
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>7,082</b>	<b>407</b>	<b>712</b>	<b>613</b>	<b>(308)</b>
Fund balances at beginning of year	28,212	155	2,070	285	2,120
Fund balances at end of year	<b>\$ 35,294</b>	<b>\$ 562</b>	<b>\$ 2,782</b>	<b>\$ 898</b>	<b>\$ 1,812</b>

**Non-Budgeted**

Judgment/ Settlement Funds	Gateway Shared Income Tax Funds	Neighborhood Development Investment Fund	Supplemental Empowerment Zone	Rental Car Transportation Fee	Total Non- Budgeted Funds	Totals	
						2001	2000
\$ -	\$ 1,635	\$ -	\$ -	\$ -	\$ 1,635	\$ 31,566	\$ 33,259
						11,299	11,374
					4	114	100
		809	441		3,090	1,136	1,685
			9,398		100,304	3,665	4,288
\$ 2	-	3,065		\$ 2,308	31,155	100,304	66,846
2	1,635	3,874	9,839	2,308	136,188	38,957	34,429
				2,719	19,173	21,174	13,838
					239	18,171	27,894
					2,134	2,134	4,676
					13,425	13,425	8,471
					66,424	66,424	39,471
					8,515	8,515	9,345
					1,505	1,505	1,317
		8,905	20,346		40,350	40,350	15,003
		3,582			4,124	31,171	8,071
		12,487	20,346	2,719	155,889	202,869	128,086
2	1,635	(8,613)	(10,507)	(411)	(19,701)	(15,828)	23,895
					16,018	23,244	24,536
						(23,177)	(18,529)
					16,018	67	6,007
2	1,635	(8,613)	(10,507)	(411)	(3,683)	(15,761)	29,902
13	2,533	44,287	18,346	1,696	261,065	297,964	268,062
\$ 15	\$ 4,168	\$ 35,674	\$ 7,839	\$ 1,285	\$ 257,382	\$ 282,203	\$ 297,964

**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, 2001**

(Amounts in 000's)

	Division of Streets				Restricted Income Tax			
	Original Budget	Revised Budget	Actual	Variance- Favorable (Unfavorable)	Original Budget	Revised Budget	Actual	Variance- Favorable (Unfavorable)
<b>REVENUES</b>								
Income taxes	\$ -	\$ -	\$ -	\$ -	\$ 33,924	\$ 33,924	\$ 32,838	\$ (1,086)
Other shared revenues	11,600	11,600	11,604	4				
Licenses and permits								
Charges for services	2,000	2,000	1,733	(267)				
Miscellaneous	8,260	8,260	7,803	(457)			548	548
<b>TOTAL REVENUES</b>	<b>21,860</b>	<b>21,860</b>	<b>21,140</b>	<b>(720)</b>	<b>33,924</b>	<b>33,924</b>	<b>33,386</b>	<b>(538)</b>
<b>EXPENDITURES</b>								
Public Service								
Salaries & Benefits	14,062	14,528	14,298	230				
Other	13,849	13,133	12,521	612				
Parks, Recreation and Properties								
Capital outlay					20,174	20,174	20,152	22
<b>TOTAL EXPENDITURES</b>	<b>27,911</b>	<b>27,661</b>	<b>26,819</b>	<b>842</b>	<b>20,174</b>	<b>20,174</b>	<b>20,152</b>	<b>22</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(6,051)</b>	<b>(5,801)</b>	<b>(5,679)</b>	<b>122</b>	<b>13,750</b>	<b>13,750</b>	<b>13,234</b>	<b>(516)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in	6,000	6,000	5,226	(774)				
Operating transfers out					(13,750)	(13,750)	(13,750)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>6,000</b>	<b>6,000</b>	<b>5,226</b>	<b>(774)</b>	<b>(13,750)</b>	<b>(13,750)</b>	<b>(13,750)</b>	
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(51)</b>	<b>199</b>	<b>(453)</b>	<b>(652)</b>			<b>(516)</b>	<b>(516)</b>
Decertification (recertification) of prior year encumbrances							587	587
Fund balances at beginning of year	(281)	(281)	(281)		(1,519)	(1,519)	(1,519)	
Fund balances at end of year	<u>\$ (332)</u>	<u>\$ (82)</u>	<u>\$ (734)</u>	<u>\$ (652)</u>	<u>\$ (1,519)</u>	<u>\$ (1,519)</u>	<u>\$ (1,448)</u>	<u>\$ 71</u>

Reserve Fund				Rainy Day Reserve Fund				Schools Recreation and Cultural Activities			
Original Budget	Revised Budget	Actual	Variance-Favorable (Unfavorable)	Original Budget	Revised Budget	Actual	Variance-Favorable (Unfavorable)	Original Budget	Revised Budget	Actual	Variance-Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		148	148			270	270			15	15
		148	148			270	270			15	15
								\$ 2,000	\$ 2,000	\$ 2,000	
								2,000	2,000	2,000	
		148	148			270	270	(2,000)	(2,000)	(1,985)	15
		1,000	1,000			1,500	1,500	2,000	2,000	2,000	
		1,000	1,000			1,500	1,500	2,000	2,000	2,000	
		1,148	1,148			1,500	1,500			15	15
5,000	5,000	5,000		8,725	8,725	8,725		37	37	37	
\$ 5,000	\$ 5,000	\$ 6,148	\$ 1,148	\$ 10,225	\$ 10,225	\$ 10,495	\$ 270	\$ 37	\$ 37	\$ 52	\$ 15

Continued

# CITY OF CLEVELAND, OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)- BUDGETED SPECIAL REVENUE FUNDS-LEGAL APPROPRIATION LEVEL-Continued

For the Year Ended December 31, 2001

(Amounts in 000's)

	Totals			
	Original Budget	Revised Budget	Actual	Variance- Favorable (Unfavorable)
<b>REVENUES</b>				
Income taxes	\$ 33,924	\$ 33,924	\$ 32,838	\$ (1,086)
Other shared revenues	11,600	11,600	11,604	4
Licenses and permits				
Charges for services	2,000	2,000	1,733	(267)
Miscellaneous	8,260	8,260	8,784	524
<b>TOTAL REVENUES</b>	55,784	55,784	54,959	(825)
<b>EXPENDITURES</b>				
Public Service				
Salaries & Benefits	14,062	14,528	14,298	230
Other	13,849	13,133	12,521	612
Parks, Recreation and Properties	2,000	2,000	2,000	
Capital outlay	20,174	20,174	20,152	22
<b>TOTAL EXPENDITURES</b>	50,085	49,835	48,971	864
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	5,699	5,949	5,988	39
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	9,500	9,500	9,726	226
Operating transfers out	(13,750)	(13,750)	(13,750)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(4,250)	(4,250)	(4,024)	226
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	1,449	1,699	1,964	265
Decertification (recertification) of prior year encumbrances			587	587
Fund balances at beginning of year	11,962	11,962	11,962	
Fund balances at end of year	\$ 13,411	\$ 13,661	\$ 14,513	\$ 852



# CITY OF CLEVELAND, OHIO

## DEBT SERVICE FUNDS

### COMBINING FINANCIAL STATEMENTS

**DEBT SERVICE FUNDS ARE ESTABLISHED TO ACCOUNT FOR THE ACCUMULATION OF RESOURCES FOR THE PAYMENT OF DEBT REPORTED IN THE GENERAL LONG-TERM OBLIGATION ACCOUNT GROUP AND PRINCIPAL AND INTEREST OF CERTAIN PROPRIETARY FUNDS' GENERAL OBLIGATIONS**

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.

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 of the subsequent six month period.

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.

**CITY OF CLEVELAND, OHIO**  
**COMBINING BALANCE SHEET-ALL DEBT SERVICE FUNDS**

December 31, 2001

(Amounts in 000's)

	Budgeted			
	Unvoted Tax Supported Obligations Fund	Stadium Bond Fund	Subordinated Income Tax Fund	Subordinated Income Tax Reserve Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 754	\$ 2	\$ 1,143	\$ 4,930
Investments at market	17			
Taxes receivable	29,887			
Accrued interest	1			2
Due from other funds				
Due from other governments	1,850			
<b>TOTAL ASSETS</b>	<b>\$ 32,509</b>	<b>\$ 2</b>	<b>\$ 1,143</b>	<b>\$ 4,932</b>
<b>LIABILITIES</b>				
Deferred revenue	\$ 31,737			
<b>TOTAL LIABILITIES</b>	<b>31,737</b>			
<b>FUND BALANCE</b>				
Reserve for debt service	772	2	1,143	4,932
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 32,509</b>	<b>\$ 2</b>	<b>\$ 1,143</b>	<b>\$ 4,932</b>

**Non-Budgeted**

Urban Renewal Fund	Urban Renewal Reserve Fund	Totals	
		2001	2000
\$ 51	\$ -	\$ 6,880	\$ 2,356
1,021	1,705	2,743	7,628
		29,887	31,986
19		22	59
			4,392
		1,850	
<u>\$ 1,091</u>	<u>\$ 1,705</u>	<u>\$ 41,382</u>	<u>\$ 46,421</u>
		\$ 31,737	\$ 31,330
		31,737	31,330
<u>1,091</u>	<u>1,705</u>	<u>9,645</u>	<u>15,091</u>
<u>\$ 1,091</u>	<u>\$ 1,705</u>	<u>\$ 41,382</u>	<u>\$ 46,421</u>

**CITY OF CLEVELAND, OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES-ALL DEBT SERVICE FUNDS**  
**For the Year Ended December 31, 2001**  
**(Amounts in 000's)**

	Budgeted			
	Unvoted			Subordinated
	Tax	Stadium	Subordinated	Income Tax
	Supported	Bond	Income Tax	Reserve
	Obligations	Fund	Fund	Fund
	Fund	Fund	Fund	Fund
<b>REVENUES</b>				
Property taxes	\$ 23,665	\$ -	\$ -	\$ -
Investment earnings	372		32	136
Grants	755			
Miscellaneous			363	
<b>TOTAL REVENUES</b>	<b>24,792</b>		<b>395</b>	<b>136</b>
<b>EXPENDITURES</b>				
Principal retirement	23,570		1,300	
Interest	16,388		3,552	
Other				
<b>TOTAL EXPENDITURES</b>	<b>39,958</b>		<b>4,852</b>	
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER (UNDER) EXPENDITURES</b>				
	(15,166)		(4,457)	136
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	9,358		4,642	
Operating transfers out				
<b>TOTAL OTHER FINANCING</b>				
<b>SOURCES (USES)</b>	<b>9,358</b>		<b>4,642</b>	
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>AND OTHER FINANCING SOURCES</b>				
<b>OVER (UNDER) EXPENDITURES</b>				
<b>AND OTHER USES</b>				
	(5,808)		185	136
Fund balances at beginning of year	6,580	2	958	4,796
Fund balances at end of year	\$ 772	\$ 2	\$ 1,143	\$ 4,932

**Non-Budgeted**

Urban Renewal Fund	Urban Renewal Reserve Fund	Totals	
		2001	2000
\$ 1,745	\$ -	\$ 25,410	\$ 24,836
45	55	640	773
		755	364
		363	98
1,790	55	27,168	26,071
285		25,155	23,540
595		20,535	20,639
924		924	1,119
1,804		46,614	45,298
(14)	55	(19,446)	(19,227)
	42	14,042	18,501
(42)		(42)	(29)
(42)	42	14,000	18,472
(56)	97	(5,446)	(755)
1,147	1,608	15,091	15,846
\$ 1,091	\$ 1,705	\$ 9,645	\$ 15,091

**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, 2001

(Amounts in 000's)

	Unvoted Tax Supported Obligations Fund				Stadium Bond Fund			Variance- Favorable (Unfavor- able)
	Original Budget	Revised Budget	Actual	Variance- Favorable (Unfavor- able)	Original Budget	Revised Budget	Actual	
	<b>REVENUES</b>							
Property taxes	\$ 25,172	\$ 25,172	\$ 24,321	\$ (851)				
Investment earnings	325	325	390	65				\$ -
Grants	755	755	755					
Miscellaneous								
<b>TOTAL REVENUES</b>	26,252	26,252	25,466	(786)				
<b>EXPENDITURES</b>								
Principal retirement	23,570	23,570	23,570					
Interest	16,788	16,788	16,388	400				
<b>TOTAL EXPENDITURES</b>	40,358	40,358	39,958	400				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(14,106)	(14,106)	(14,492)	(386)				
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in - Convention Ctr								
Operating transfers in - Restricted Inc Tax	13,750	13,750	13,750					
<b>TOTAL OTHER FINANCING SOURCES</b>	13,750	13,750	13,750					
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	(356)	(356)	(742)	(386)				
Decertification (recertification) of prior year encumbrances			(13)	(13)				
Fund balances at beginning of year	1,526	1,526	1,526		3	3	3	
Fund balances at end of year	\$ 1,170	\$ 1,170	\$ 771	\$ (399)	\$ 3	\$ 3	\$ 3	\$ -

Subordinated Income Tax Fund				Subordinated Income Tax Reserve Fund				Totals			
Original Budget	Revised Budget	Actual	Variance- Favorable (Unfavor- able)	Original Budget	Revised Budget	Actual	Variance- Favorable (Unfavor- able)	Original Budget	Revised Budget	Actual	Variance- Favorable (Unfavor- able)
\$ -	\$ -	\$ -		\$ -	\$ -	\$ -		\$ 25,172	\$ 25,172	\$ 24,321	\$ (851)
		30	30			\$ 150	150	325	325	570	245
								755	755	755	
		30	30			150	150	26,252	26,252	25,646	(606)
1,300	1,300	1,300						24,870	24,870	24,870	
3,400	3,400	3,115	285					20,188	20,188	19,503	685
4,700	4,700	4,415	285					45,058	45,058	44,373	685
(4,700)	(4,700)	(4,385)	315			150	150	(18,806)	(18,806)	(18,727)	79
4,700	4,700	5,005	305					18,450	18,450	18,755	305
4,700	4,700	5,005	305					18,450	18,450	18,755	305
		620	620			150	150	(356)	(356)	28	384
		(363)	(363)							(376)	(376)
1,322	1,322	1,322		4,776	4,776	4,776		7,627	7,627	7,627	
\$ 1,322	\$ 1,322	\$ 1,579	\$ 257	\$ 4,776	\$ 4,776	\$ 4,926	\$ 150	\$ 7,271	\$ 7,271	\$ 7,279	\$ 8

**(THIS PAGE INTENTIONALLY LEFT BLANK)**



# CITY OF CLEVELAND, OHIO

## CAPITAL PROJECTS FUNDS

### COMBINING FINANCIAL STATEMENTS

**CAPITAL PROJECTS FUNDS ARE ESTABLISHED TO ACCOUNT FOR FINANCIAL RESOURCES TO BE USED FOR THE ACQUISITION OR CONSTRUCTION OF MAJOR CAPITAL FACILITIES OTHER THAN THOSE FINANCED BY SPECIAL REVENUE FUNDS AND PROPRIETARY FUNDS**

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-ALL CAPITAL PROJECTS FUNDS**

**December 31, 2001**

(Amounts in 000's)

	Capital/ Urban Renewal		Grant	Capital	Certificates of	Cleveland	Totals							
	Bond	Construction					Improvement	Participation	Stadium	Construction	2001	2000		
<b>ASSETS</b>														
Cash and cash equivalents	\$	61,371	\$	-	\$	5,691	\$	-	\$	12,012	\$	79,074	\$	75,491
Investments at market		11,007										11,007		47,790
Receivables:														
Accrued interest		227						69		21		317		1,101
Assessments		8										8		13
		235						69		21		325		1,114
Due from other funds		111				4,682						4,793		4,171
Due from other governments				5,863								5,863		6,842
Restricted cash and cash equivalents								4,359		10,872		15,231		15,393
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>72,724</b>	<b>\$</b>	<b>5,863</b>	<b>\$</b>	<b>10,373</b>	<b>\$</b>	<b>4,428</b>	<b>\$</b>	<b>22,905</b>	<b>\$</b>	<b>116,293</b>	<b>\$</b>	<b>150,801</b>
<b>LIABILITIES</b>														
Accounts payable	\$	-	\$	-	\$	10,190	\$	-	\$	2,879	\$	13,069	\$	11,193
Deferred revenue		8										8		13
Due to other funds		3,350		5,863						61		9,274		8,108
<b>TOTAL LIABILITIES</b>		<b>3,358</b>		<b>5,863</b>		<b>10,190</b>				<b>2,940</b>		<b>22,351</b>		<b>19,314</b>
<b>FUND BALANCE</b>														
Reserve for encumbrances		11,967								2,495		14,462		23,144
Unreserved:														
Designated for future capital improvements		53,357						4,428		17,470		75,255		80,708
Undesignated		4,042				183						4,225		27,635
<b>TOTAL FUND BALANCE</b>		<b>69,366</b>				<b>183</b>		<b>4,428</b>		<b>19,965</b>		<b>93,942</b>		<b>131,487</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$</b>	<b>72,724</b>	<b>\$</b>	<b>5,863</b>	<b>\$</b>	<b>10,373</b>	<b>\$</b>	<b>4,428</b>	<b>\$</b>	<b>22,905</b>	<b>\$</b>	<b>116,293</b>	<b>\$</b>	<b>150,801</b>

**CITY OF CLEVELAND, OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES-ALL CAPITAL PROJECTS FUNDS**  
**For the Year Ended December 31, 2001**  
**(Amounts in 000's)**

	Capital/ Urban Renewal	Grant Improvement	Capital Improvement	Certificates of Participation	Cleveland Stadium Construction	Totals	
	Bond Construction					2001	2000
<b>REVENUES</b>							
Investment earnings	\$ 3,406	\$ -	\$ 5	\$ 220	\$ 1,140	\$ 4,771	\$ 7,328
Grants		5,902			4	5,906	16,124
Contributions							84
Miscellaneous	5				12	17	6,278
<b>TOTAL REVENUES</b>	<b>3,411</b>	<b>5,902</b>	<b>5</b>	<b>220</b>	<b>1,156</b>	<b>10,694</b>	<b>29,814</b>
<b>EXPENDITURES</b>							
Capital outlay	34,124	5,902			3,132	43,158	43,515
Principal retirement				4,788	1,520	6,308	7,106
Interest				614	7,163	7,777	8,186
<b>TOTAL EXPENDITURES</b>	<b>34,124</b>	<b>5,902</b>		<b>5,402</b>	<b>11,815</b>	<b>57,243</b>	<b>58,807</b>
<b>EXCESS (DEFICIENCY) OF EXPENDITURES OVER (UNDER) REVENUES</b>	<b>(30,713)</b>		<b>5</b>	<b>(5,182)</b>	<b>(10,659)</b>	<b>(46,549)</b>	<b>(28,993)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating transfers in				4,427	8,684	13,111	14,012
Operating transfers out	(6,167)				(2,000)	(8,167)	(2,000)
Proceeds from sale of general obligation bonds, net	4,060					4,060	26,335
Payments to refund bonds							
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,107)</b>			<b>4,427</b>	<b>6,684</b>	<b>9,004</b>	<b>38,347</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	<b>(32,820)</b>		<b>5</b>	<b>(755)</b>	<b>(3,975)</b>	<b>(37,545)</b>	<b>9,354</b>
Fund balances at beginning of year	102,186		178	5,183	23,940	131,487	122,133
Fund balances at end of year	\$ 69,366	\$ -	\$ 183	\$ 4,428	\$ 19,965	\$ 93,942	\$ 131,487

# CITY OF CLEVELAND, OHIO

## ENTERPRISE FUNDS

### COMBINING FINANCIAL STATEMENTS

**ENTERPRISE FUNDS ARE ESTABLISHED TO ACCOUNT FOR OPERATIONS THAT ARE FINANCED AND OPERATED IN A MANNER SIMILAR TO PRIVATE SECTOR BUSINESSES WHERE THE INTENT 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**

Division of Water

The Division of Water 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.

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.

Division of Cleveland Public Power

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

Department of Port Control

The Department of Port Control was established to provide airport facilities for the City and its neighboring communities.

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 its neighboring communities with recreational facilities for golfing and cross country skiing.

**CITY OF CLEVELAND, OHIO**  
**COMBINING BALANCE SHEET-ALL ENTERPRISE FUNDS**

December 31, 2001

(Amounts in 000's)

	Division of Water	Water Pollution Control	Cleveland Public Power	Department of Port Control
<b>ASSETS</b>				
Cash and cash equivalents	\$ 111,148	\$ 29,109	\$ 39,045	\$ 6,459
Investments at market	118,510	4,053		8,872
Receivables:				
Accounts	22,271	40,295	27,035	16,536
Unbilled revenue	22,750	1,918	1,616	4,473
Accrued interest receivable	1,502	57		158
Less: Allowance for doubtful accounts	(1,841)	(898)	(2,543)	(241)
Receivables, net	44,682	41,372	26,108	20,926
Due from other funds	5,113	1,818	6,836	942
Due from other governments				3,651
Inventory of supplies	5,343	232	2,926	224
Prepaid expenses and other assets	7,151		2,841	10,849
Restricted assets:				
Cash and cash equivalents	239,945		20,635	694,367
Investments at market	12,899			68,979
Accrued interest receivable	883		25	2,202
Bond retirement reserve				53
Accrued passenger facility charge				2,069
	253,727		20,660	767,670
Fixed assets in service:				
Land	5,271	297	4,863	141,577
Land improvements	12,676		2,304	196,075
Utility plant in service	813,195	108,092	338,490	
Buildings, structure and improvements	174,729		41,209	367,518
Furniture, fixtures and equipment	65,516	107	28,297	25,775
Less: Accumulated depreciation	(312,825)	(49,054)	(137,740)	(234,752)
	758,562	59,442	277,423	496,193
Construction in progress	128,005	909	15,474	104,796
<b>TOTAL ASSETS</b>	<b>\$ 1,432,241</b>	<b>\$ 136,935</b>	<b>\$ 391,313</b>	<b>\$ 1,420,582</b>

Convention Center	West Side Market	East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Totals	
						2001	2000
\$ 3,090	\$ 355	\$ 253	\$ 3,515	\$ -	\$ 2,276	\$ 195,250	\$ 75,734
						131,435	222,549
6,382	2	2	120	27		112,670	85,359
						30,757	32,451
						1,717	4,249
(163)						(5,686)	(3,029)
6,219	2	2	120	27		139,458	119,030
100			120			14,929	9,937
3	1					3,655	343
		5	18	207	37	8,992	8,495
			1,126			21,967	14,652
			16,173	5,707		976,827	399,039
						81,878	157,868
			123			3,233	3,050
						53	53
						2,069	2,224
			16,296	5,707		1,064,060	562,234
4,261	198	414	12,929	252	208	170,270	162,641
		484	1,264	7	2,818	215,628	206,489
						1,259,777	1,219,690
61,625	5,668	2,400	65,200	4,655	1,666	724,670	721,312
1,410	37	450	793	247	521	123,153	138,621
(55,812)	(3,298)	(1,537)	(12,774)	(1,143)	(2,983)	(811,918)	(734,334)
11,484	2,605	2,211	67,412	4,018	2,230	1,681,580	1,714,419
	5,378			390	494	255,446	120,813
\$ 20,896	\$ 8,341	\$ 2,471	\$ 88,607	\$ 10,349	\$ 5,037	\$ 3,516,772	\$ 2,848,206

Continued

**CITY OF CLEVELAND, OHIO**  
**COMBINING BALANCE SHEET-ALL ENTERPRISE FUNDS-Continued**

December 31, 2001

(Amounts in 000's)

	Division of Water	Water Pollution Control	Cleveland Public Power	Department of Port Control
<b>LIABILITIES</b>				
Accounts payable	\$ 8,384	\$ 1,173	\$ 6,895	\$ 3,324
Due to other funds	5,534	2,340	583	1,096
Due to other governments		43,472	444	2,962
Accrued wages and benefits	10,620	1,221	3,973	3,073
Accrued interest	17,018		1,953	42,799
Accounts payable from restricted assets	5,303	100	278	14,802
Notes payable				44,950
Construction loans	5,978	7,139		
Deferred payment obligation				26,531
Revenue bonds payable	662,626		229,722	917,988
<b>TOTAL LIABILITIES</b>	<b>715,463</b>	<b>55,445</b>	<b>243,848</b>	<b>1,057,525</b>
<b>CONTRIBUTED CAPITAL AND RETAINED EARNINGS (DEFICIT)</b>				
Contributed capital - City of Cleveland and others	2,407	43,599	12,183	179,163
Retained earnings (deficit):				
Reserve for debt retirement	17,500	591	6,620	10,783
Unreserved (deficit)	696,871	37,300	128,662	173,111
<b>TOTAL RETAINED EARNINGS (DEFICIT)</b>	<b>714,371</b>	<b>37,891</b>	<b>135,282</b>	<b>183,894</b>
<b>TOTAL FUND EQUITY</b>	<b>716,778</b>	<b>81,490</b>	<b>147,465</b>	<b>363,057</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 1,432,241</b>	<b>\$ 136,935</b>	<b>\$ 391,313</b>	<b>\$ 1,420,582</b>



Convention Center	West Side Market	East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Totals	
						2001	2000
\$ 502	\$ 192	\$ 1	\$ 201	\$ 14	\$ 42	\$ 20,728	\$ 27,196
6,369	23		60	476	7	16,488	13,039
196			78			47,152	40,820
407	74	\$ 8	170	233	34	19,813	23,428
			1,352			63,122	47,607
6			17			20,506	11,543
						44,950	40,000
						13,117	7,412
						26,531	27,810
			67,950			1,878,286	1,347,521
7,480	289	9	69,828	723	83	2,150,693	1,586,376
65,443	6,597	2,943	21,079	5,710	4,598	343,722	343,722
			1,965			37,459	44,196
(52,027)	1,455	(481)	(4,265)	3,916	356	984,898	873,912
(52,027)	1,455	(481)	(2,300)	3,916	356	1,022,357	918,108
13,416	8,052	2,462	18,779	9,626	4,954	1,366,079	1,261,830
\$ 20,896	\$ 8,341	\$ 2,471	\$ 88,607	\$ 10,349	\$ 5,037	\$ 3,516,772	\$ 2,848,206

**CITY OF CLEVELAND, OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN RETAINED EARNINGS (DEFICIT)-ALL ENTERPRISE FUNDS**  
**For the Year Ended December 31, 2001**  
**(Amounts in 000's)**

	Division of Water	Water Pollution Control	Cleveland Public Power	Department of Port Control
<b>OPERATING REVENUES</b>				
Charges for services	\$ 212,724	\$ 18,893	\$ 132,095	\$ 92,825
<b>TOTAL OPERATING REVENUE</b>	<b>212,724</b>	<b>18,893</b>	<b>132,095</b>	<b>92,825</b>
<b>OPERATING EXPENSES</b>				
Operations	93,299	7,012	16,133	56,795
Maintenance	23,542	6,715	16,418	
Purchased power			65,283	
Depreciation	29,682	3,859	16,296	23,599
<b>TOTAL OPERATING EXPENSES</b>	<b>146,523</b>	<b>17,586</b>	<b>114,130</b>	<b>80,394</b>
<b>OPERATING INCOME (LOSS)</b>	<b>66,201</b>	<b>1,307</b>	<b>17,965</b>	<b>12,431</b>
<b>NON-OPERATING REVENUE (EXPENSES)</b>				
Interest income	17,103	1,683	2,537	16,141
Interest expense	(19,776)	(315)	(12,423)	(28,869)
Litigation settlement		(2,699)		
AEP Refund per FERC ruling				
Passenger facility charge revenue				15,024
Loss on disposal of property and equipment	(1,827)			
Contributed capital and other contributions		597		30,537
Other revenues (expenses)	1,330	314	(791)	(12,589)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(3,170)</b>	<b>(420)</b>	<b>(10,677)</b>	<b>20,244</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	<b>63,031</b>	<b>887</b>	<b>7,288</b>	<b>32,675</b>
Operating transfers in				
Operating transfers out				
<b>NET INCOME (LOSS)</b>	<b>63,031</b>	<b>887</b>	<b>7,288</b>	<b>32,675</b>
Retained earnings (deficit) at beginning of year	651,340	37,004	127,994	151,219
Retained earnings (deficit) at end of year	<b>\$ 714,371</b>	<b>\$ 37,891</b>	<b>\$ 135,282</b>	<b>\$ 183,894</b>

Convention Center	West Side Market	East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Totals	
						2001	2000
\$ 3,752	\$ 545	\$ 27	\$ 8,021	\$ 1,408	\$ 2,057	\$ 472,347	\$ 458,014
3,752	545	27	8,021	1,408	2,057	472,347	458,014
5,725	974	54	2,075	2,141	1,620	185,828	164,905
1,526	104	16	68	17	83	48,489	51,773
						65,283	68,597
2,303	180	122	1,704	128	133	78,006	72,962
9,554	1,258	192	3,847	2,286	1,836	377,606	358,237
(5,802)	(713)	(165)	4,174	(878)	221	94,741	99,777
67	18	8	762	219	69	38,607	46,454
			(4,784)			(66,167)	(73,595)
						(2,699)	
							2,864
						15,024	16,642
						(1,827)	(731)
	3,280		68	336		34,818	
4,716	14		(84)	27	15	(7,048)	(5,123)
4,783	3,312	8	(4,038)	582	84	10,708	(13,489)
(1,019)	2,599	(157)	136	(296)	305	105,449	86,288
(1,200)						(1,200)	(1,152)
(2,219)	2,599	(157)	136	(296)	305	104,249	85,136
(49,808)	(1,144)	(324)	(2,436)	4,212	51	918,108	832,972
\$ (52,027)	\$ 1,455	\$ (481)	\$ (2,300)	\$ 3,916	\$ 356	\$ 1,022,357	\$ 918,108

**CITY OF CLEVELAND, OHIO**  
**COMBINING STATEMENT OF CASH FLOWS-ALL ENTERPRISE FUNDS**  
**For the Year Ended December 31, 2001**  
**(Amounts in 000's)**

	Division of Water	Water Pollution Control	Cleveland Public Power	Department of Port Control
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 212,022	\$ 18,625	\$ 124,280	\$ 74,363
Cash payments to suppliers for goods or services	(55,677)	(6,185)	(13,112)	(36,555)
Cash payments to employees for services	(61,748)	(7,307)	(21,578)	(19,309)
Cash payments for purchased power			(66,366)	
Cash receipts of customer deposits	55		(424)	
Agency activity on behalf of NEORS		(2,995)		
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	94,652	2,138	22,800	18,499
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Advance from General Fund				
Cash receipts for passenger facility charges				14,846
Cash payment for litigation		(1,799)		
AEP refund per Ferc ruling				
Cash payments for sound insulation of homes				(10,615)
Cash transfer to debt service				
Other non-capital financing activity	2,100	306	617	2,271
<b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>	2,100	(1,493)	617	6,502
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from sale of revenue bonds, loans and notes	6,208			604,959
Proceeds from sale of refunding notes	97,711		43,036	
Acquisition and construction of capital assets	(56,958)	(2,129)	(12,087)	(81,775)
Principal paid on long-term debt	(20,835)	(531)	(6,855)	(54,315)
Interest paid on long-term debt	(38,201)	(316)	(11,133)	(34,107)
Cash paid to escrow agent for refunding	(97,680)		(43,743)	
Capital grant proceeds				27,200
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(109,755)	(2,976)	(30,782)	461,962
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investment securities	(184,343)		(14,441)	(108,723)
Proceeds from sale and maturity of investment securities	279,322	15,544	40,387	125,770
Interest received on investments	29,280	1,848	2,837	31,234
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	124,259	17,392	28,783	48,281
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	111,256	15,061	21,418	535,244
Cash and cash equivalents at beginning of year	239,837	14,048	38,262	165,582
Cash and cash equivalents at end of year	<u>\$ 351,093</u>	<u>\$ 29,109</u>	<u>\$ 59,680</u>	<u>\$ 700,826</u>

Convention Center	West Side Market	East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Totals	
						2001	2000
\$ 3,256	\$ 587	\$ 27	\$ 7,901	\$ 1,431	\$ 2,007	\$ 444,499	\$ 452,681
(4,136)	(664)	(31)	(1,051)	(563)	(1,304)	(119,278)	(113,109)
(2,474)	(345)	(30)	(810)	(1,671)	(428)	(115,700)	(108,601)
						(66,366)	(67,701)
						(369)	219
						(2,995)	
(3,354)	(422)	(34)	6,040	(803)	275	139,791	163,489
				463		463	16,630
						14,846	
						(1,799)	2,864
						(10,615)	(12,283)
							(327)
3,585	14		5	26	14	8,938	6,192
3,585	14		5	489	14	11,833	13,076
						611,167	
						140,747	
					(160)	(153,109)	(121,354)
			(1,875)			(84,411)	(39,388)
			(4,294)			(88,051)	(76,952)
						(141,423)	
						27,200	9,437
			(6,169)		(160)	312,120	(228,257)
			(20,238)			(327,745)	(302,230)
			29,884	3,720		494,627	286,772
62	18	8	1,096	210	85	66,678	50,478
62	18	8	10,742	3,930	85	233,560	35,020
293	(390)	(26)	10,618	3,616	214	697,304	(16,672)
2,797	745	279	9,070	2,091	2,062	474,773	491,445
\$ 3,090	\$ 355	\$ 253	\$ 19,688	\$ 5,707	\$ 2,276	\$ 1,172,077	\$ 474,773

Continued

**CITY OF CLEVELAND, OHIO**  
**COMBINING STATEMENT OF CASH FLOWS-ALL ENTERPRISE FUNDS-Continued**  
**For the Year Ended December 31, 2001**  
**(Amounts in 000's)**

	Division of Water	Water Pollution Control	Cleveland Public Power	Department of Port Control
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>				
<b>TO NET CASH PROVIDED BY (USED FOR)</b>				
<b>OPERATING ACTIVITIES</b>				
<b>OPERATING INCOME (LOSS)</b>	\$ 66,201	\$ 1,307	\$ 17,965	\$ 12,431
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	29,682	3,859	16,296	23,599
Non-cash rental income				(3,389)
Loss on disposal of equipment		41		
Change in assets and liabilities:				
Accounts receivable, net	(4,654)	(6,459)	(2,284)	1,661
Unbilled revenue	(151)	243	563	1,039
Landing fees - due from airlines				(10,903)
Due from other funds	562	(861)	(5,350)	462
Due from other governments				(3)
Inventory of supplies	(640)	1	139	16
Prepaid expenses	(963)			28
Landing fee adjustment				(6,139)
Accounts payable	2,402	208	(3,801)	243
Due to other funds	4,474	(1,837)	(72)	(1,356)
Due to other governments		5,040	444	849
Accrued expenses and other liabilities	185	900	(424)	
Accrued wages and benefits	(2,446)	(304)	(676)	(39)
<b>TOTAL ADJUSTMENTS</b>	<u>28,451</u>	<u>831</u>	<u>4,835</u>	<u>6,068</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ 94,652</u>	<u>\$ 2,138</u>	<u>\$ 22,800</u>	<u>\$ 18,499</u>

Convention Center	West Side Market	East Side Market	Municipal Parking Lots	Cemeteries	Golf Courses	Totals	
						2001	2000
\$ (5,802)	\$ (713)	\$ (165)	\$ 4,174	\$ (878)	\$ 221	\$ 94,741	\$ 99,777
2,303	180	122	1,704	128	133	\$ 78,006	72,962
						(3,389)	(3,389)
						41	1,070
(1,523)	42		(28)	14		(13,231)	(13,226)
						1,694	2,240
						(10,903)	
18			267			(4,902)	(3,339)
(2)						(5)	
		5	(1)	(4)	(13)	(497)	1,847
						(935)	(105)
						(6,139)	2,174
40	68		(117)		(5)	(962)	2,268
1,673	8		48		(44)	2,894	(5,824)
(7)			6			6,332	(1,413)
						661	
(54)	(7)	4	(13)	(63)	(17)	(3,615)	8,447
2,448	291	131	1,866	75	54	45,050	63,712
\$ (3,354)	\$ (422)	\$ (34)	\$ 6,040	\$ (803)	\$ 275	\$ 139,791	\$ 163,489

**(THIS PAGE INTENTIONALLY LEFT BLANK)**



# CITY OF CLEVELAND, OHIO

## INTERNAL SERVICE FUNDS

### COMBINING FINANCIAL STATEMENTS

#### 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

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 was established to provide centralized storeroom services.
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 the 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, 2001**

(Amounts in 000's)

	Information Systems Services	Motor Vehicle Maintenance	Printing and Repro- duction	City Storeroom and Warehouse
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 2,794	\$ 1,079	\$ -
Accounts receivable, net			3	27
Accrued interest receivable				
Due from other funds	850	1,825	60	125
Due from other governments		2		
Inventory of supplies		2,345	117	
Fixed assets in service:				
Land		663		
Land improvements		3		
Buildings, structures and improvements		1,605		
Furniture, fixtures and equipment	7,226	1,312	600	6
Less: Accumulated depreciation	(7,210)	(2,738)	(470)	(6)
	16	845	130	
<b>TOTAL ASSETS</b>	<b>\$ 866</b>	<b>\$ 7,811</b>	<b>\$ 1,389</b>	<b>\$ 152</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 29	\$ 704	\$ 46	\$ 31
Due to other funds	360	4,051	778	116
Accrued wages and benefits	301	931	89	4
<b>TOTAL LIABILITIES</b>	<b>690</b>	<b>5,686</b>	<b>913</b>	<b>151</b>
<b>CONTRIBUTED CAPITAL AND RETAINED EARNINGS (ACCUMULATED DEFICIT)</b>				
Contributed capital-City of Cleveland and others	258	2,408	301	
Retained earnings (accumulated deficit)-unreserved	(82)	(283)	175	1
<b>TOTAL FUND EQUITY</b>	<b>176</b>	<b>2,125</b>	<b>476</b>	<b>1</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 866</b>	<b>\$ 7,811</b>	<b>\$ 1,389</b>	<b>\$ 152</b>

Utilities Adminis- tration	Sinking Fund Adminis- tration	Municipal Income Tax Adminis- tration	Telephone Exchange	Radio Commun- ications	Totals	
					2001	2000
\$ 1,150	\$ -	\$ 1,250	\$ -	\$ 230	\$ 6,503	\$ 8,268
					30	22
						46
	58	398	2,208	150	5,674	4,732
					2	
					2,462	2,487
					663	663
					3	3
					1,605	1,605
32			9		9,185	9,368
(3)			(9)		(10,436)	(10,725)
29					1,020	914
\$ 1,179	\$ 58	\$ 1,648	\$ 2,208	\$ 380	\$ 15,691	\$ 16,469
\$ 5	\$ -	\$ 311	\$ 1,109	\$ 75	\$ 2,310	\$ 2,993
723	25	688	1,134	300	8,175	2,384
451	33	649	42	4	2,504	2,623
1,179	58	1,648	2,285	379	12,989	8,000
					2,967	2,965
			(77)	1	(265)	5,504
			(77)	1	2,702	8,469
\$ 1,179	\$ 58	\$ 1,648	\$ 2,208	\$ 380	\$ 15,691	\$ 16,469

**CITY OF CLEVELAND, OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**RETAINED EARNINGS-ALL INTERNAL SERVICE FUNDS**  
**For the Year Ended December 31, 2001**  
**(Amounts in 000's)**

	Information Systems Services	Motor Vehicle Maintenance	Printing and Repro- duction	City Storeroom and Warehouse
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,199	\$ 9,497	\$ 1,379	\$ 734
<b>TOTAL OPERATING REVENUE</b>	<b>2,199</b>	<b>9,497</b>	<b>1,379</b>	<b>734</b>
<b>OPERATING EXPENSES</b>				
Operations	2,281	12,557	1,661	725
Maintenance	1	1,751	45	8
Depreciation	2	67	7	
<b>TOTAL OPERATING EXPENSES</b>	<b>2,284</b>	<b>14,375</b>	<b>1,713</b>	<b>733</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(85)</b>	<b>(4,878)</b>	<b>(334)</b>	<b>1</b>
<b>NON-OPERATING REVENUES</b>				
Interest income		147	28	
Contributed capital and other contributions			137	
Other revenues (expenses) net	3	84	1	
<b>TOTAL NON-OPERATING REVENUES</b>	<b>3</b>	<b>231</b>	<b>166</b>	
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	<b>\$ (82)</b>	<b>\$ (4,647)</b>	<b>\$ (168)</b>	<b>\$ 1</b>
Operating transfers out				
Operating transfers in				
<b>NET INCOME (LOSS)</b>	<b>(82)</b>	<b>(4,647)</b>	<b>(168)</b>	<b>1</b>
Retained earnings at beginning of year		4,364	343	
Retained earnings (accumulated deficit) at end of year	<b>\$ (82)</b>	<b>\$ (283)</b>	<b>\$ 175</b>	<b>\$ 1</b>

Utilities Adminis- tration	Sinking Fund Adminis- tration	Municipal Income Tax Adminis- tration	Telephone Exchange	Radio Commun- ications	Totals	
					2001	2000
\$ 3,000	\$ -	\$ 5,208	\$ 4,260	\$ 1,104	\$ 27,381	\$ 32,073
3,000		5,208	4,260	1,104	27,381	32,073
3,173	453	5,965	4,282	507	31,604	31,058
227			61	951	3,044	3,972
3					79	70
3,403	453	5,965	4,343	1,458	34,727	35,100
(403)	(453)	(757)	(83)	(354)	(7,346)	(3,027)
13		757	6		951	1,331
11					137	
24		757	6		99	
					1,187	1,331
\$ (379)	\$ (453)	\$ -	\$ (77)	\$ (354)	\$ (6,159)	\$ (1,696)
	390				390	1,926
(379)	(63)		(77)	(354)	(5,769)	230
379	63			355	5,504	5,274
\$ -	\$ -	\$ -	\$ (77)	\$ 1	\$ (265)	\$ 5,504

**CITY OF CLEVELAND, OHIO**  
**COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS**  
**For the Year Ended December 31, 2001**  
(Amounts in 000's)

	Information Systems Services	Motor Vehicle Maintenance	Printing and Repro- duction	City Storeroom and Warehouse
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 2,954	\$ 12,827	\$ 1,382	\$ 668
Cash payments to suppliers for goods or services	(579)	(9,768)	(506)	(704)
Cash payments to employees for services	(1,666)	(5,035)	(524)	(34)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	709	(1,976)	352	(70)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Advance (Repayment) from/to General Fund	(712)			69
Cash transfer to debt service fund				
Cash received through operating transfers from other funds				
Other non-capital financing activity	3	85	1	
<b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>	(709)	85	1	69
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received on investments		164	28	
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		164	28	
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		(1,727)	381	(1)
Cash and cash equivalents at beginning of year		4,521	698	1
Cash and cash equivalents at end of year	\$ -	\$ 2,794	\$ 1,079	\$ -
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>				
<b>OPERATING INCOME (LOSS)</b>	\$ (85)	\$ (4,878)	\$ (334)	\$ 1
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	2	67	7	
Change in assets and liabilities:				
Accounts receivable			(1)	(27)
Due from other funds	739	(625)	5	(112)
Due from other governments		12		
Inventory of supplies		98	(72)	
Accounts payable	15	(501)	(35)	23
Due to other funds	50	3,984	777	47
Due to other governments				
Accrued wages and benefits	(12)	(133)	5	(2)
<b>TOTAL ADJUSTMENTS</b>	794	2,902	686	(71)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	\$ 709	\$ (1,976)	\$ 352	\$ (70)

Utilities Adminis- tration	Sinking Fund Adminis- tration	Municipal Income Tax Adminis- tration	Telephone Exchange	Radio Commun- ications	Totals	
					2001	2000
\$ 3,000	\$ -	\$ 5,239	\$ 3,600	\$ 1,244	\$ 30,914	\$ 32,830
(391)	(394)	(2,045)	(4,256)	(1,525)	(20,168)	(22,144)
(2,357)	(69)	(3,921)	(329)	(41)	(13,976)	(12,267)
252	(463)	(727)	(985)	(322)	(3,230)	(1,581)
	24		667		48	1,005
	332				332	434
10					99	
10	356		667		479	1,439
13		757	6	18	986	1,300
13		757	6	18	986	1,300
275	(107)	30	(312)	(304)	(1,765)	1,158
875	107	1,220	312	534	8,268	7,110
\$ 1,150	\$ -	\$ 1,250	\$ -	\$ 230	\$ 6,503	\$ 8,268
\$ (403)	\$ (453)	\$ (757)	\$ (83)	\$ (354)	\$ (7,346)	\$ (3,027)
3					79	70
		(194)	20		(202)	525
			(679)	(19)	(691)	218
					12	
(32)		223			217	(1,307)
(19)	(9)	(53)	(245)	(138)	(962)	1,179
720			10	189	5,777	(85)
(17)	(1)	54	(8)		(114)	846
655	(10)	30	(902)	32	4,116	1,446
\$ 252	\$ (463)	\$ (727)	\$ (985)	\$ (322)	\$ (3,230)	\$ (1,581)

**(THIS PAGE INTENTIONALLY LEFT BLANK)**



# CITY OF CLEVELAND, OHIO

## AGENCY FUNDS

### COMBINING FINANCIAL STATEMENTS

**AGENCY FUNDS ARE ESTABLISHED TO ACCOUNT FOR  
ASSETS RECEIVED AND HELD BY THE CITY ACTING  
IN THE CAPACITY OF AN AGENT OR CUSTODIAN**

Payroll Agency	To account for payroll taxes and other related payroll deductions collected for other governmental units or funds.
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 other funds, 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, 2001**

(Amounts in 000's)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
<b>PAYROLL AGENCY</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,010	\$ 371,391	\$ 372,301	\$ 6,100
<b>TOTAL ASSETS</b>	<b>\$ 7,010</b>	<b>\$ 371,391</b>	<b>\$ 372,301</b>	<b>\$ 6,100</b>
<b>LIABILITIES</b>				
Due to other governments	\$ 6,576	\$ 299,601	\$ 300,897	\$ 5,280
Sundry liabilities	434	71,790	71,404	820
<b>TOTAL LIABILITIES</b>	<b>\$ 7,010</b>	<b>\$ 371,391</b>	<b>\$ 372,301</b>	<b>\$ 6,100</b>
<b>MUNICIPAL COURTS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,329	\$ 57,731	\$ 60,705	\$ 5,355
Accrued interest	24	2	24	2
<b>TOTAL ASSETS</b>	<b>\$ 8,353</b>	<b>\$ 57,733</b>	<b>\$ 60,729</b>	<b>\$ 5,357</b>
<b>LIABILITIES</b>				
Due to other funds	\$ 4,248	\$ 20,197	\$ 23,819	\$ 626
Sundry liabilities	4,105	37,536	36,910	4,731
<b>TOTAL LIABILITIES</b>	<b>\$ 8,353</b>	<b>\$ 57,733</b>	<b>\$ 60,729</b>	<b>\$ 5,357</b>
<b>CENTRAL COLLECTION AGENCY</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 19,415	\$ 430,352	\$ 436,927	\$ 12,840
Taxes receivable	17,502	31,127	17,502	31,127
Due from other funds	-	286	-	286
Due from other governments	284	313	284	313
<b>TOTAL ASSETS</b>	<b>\$ 37,201</b>	<b>\$ 462,078</b>	<b>\$ 454,713</b>	<b>\$ 44,566</b>
<b>LIABILITIES</b>				
Due to other funds	\$ 11,687	\$ 301,133	\$ 309,444	\$ 3,376
Due to other governments	25,514	160,945	145,269	41,190
<b>TOTAL LIABILITIES</b>	<b>\$ 37,201</b>	<b>\$ 462,078</b>	<b>\$ 454,713</b>	<b>\$ 44,566</b>

**CITY OF CLEVELAND, OHIO**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES-**  
**ALL AGENCY FUNDS-Continued**  
**For the Year Ended December 31, 2001**  
**(Amounts in 000's)**

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
<b>OTHER AGENCIES</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,313	\$ 9,918	\$ 12,433	\$ 9,798
Due from other funds	\$ -	\$ 11	\$ -	\$ 11
<b>TOTAL ASSETS</b>	<b>\$ 12,313</b>	<b>\$ 9,929</b>	<b>\$ 12,433</b>	<b>\$ 9,809</b>

<b>LIABILITIES</b>				
Due to other governments	\$ 5,062	\$ 8,647	\$ 10,984	\$ 2,725
Sundry liabilities	7,251	1,282	1,449	7,084
<b>TOTAL LIABILITIES</b>	<b>\$ 12,313</b>	<b>\$ 9,929</b>	<b>\$ 12,433</b>	<b>\$ 9,809</b>

**TOTALS-ALL AGENCY FUNDS**

<b>ASSETS</b>				
Cash and cash equivalents	\$ 47,067	\$ 869,392	\$ 882,366	\$ 34,093
Taxes receivable	17,502	31,127	17,502	31,127
Accrued interest	24	2	24	2
Due from other funds	-	297	-	297
Due from other governments	284	313	284	313
<b>TOTAL ASSETS</b>	<b>\$ 64,877</b>	<b>\$ 901,131</b>	<b>\$ 900,176</b>	<b>\$ 65,832</b>

<b>LIABILITIES</b>				
Due to other funds	\$ 15,935	\$ 321,330	\$ 333,263	\$ 4,002
Due to other governments	37,152	469,193	457,150	49,195
Sundry liabilities	11,790	110,608	109,763	12,635
<b>TOTAL LIABILITIES</b>	<b>\$ 64,877</b>	<b>\$ 901,131</b>	<b>\$ 900,176</b>	<b>\$ 65,832</b>

**CITY OF CLEVELAND, OHIO**  
**GENERAL FIXED ASSETS**  
**ACCOUNT GROUP**

**THIS ACCOUNT GROUP IS USED TO PRESENT THE  
GENERAL FIXED ASSETS OF THE CITY UTILIZED IN ITS  
GENERAL OPERATIONS, EXCLUSIVE OF THOSE USED IN  
ENTERPRISE AND INTERNAL SERVICE FUNDS**

**GENERAL FIXED ASSETS INCLUDE LAND, BUILDINGS,  
BETTERMENTS AND EQUIPMENT OWNED BY  
THE CITY AND THE CITY'S INVESTMENT  
IN THE JUSTICE CENTER BUILDING**

**CITY OF CLEVELAND, OHIO**  
**SCHEDULE OF GENERAL FIXED ASSETS BY SOURCES**

**December 31, 2001**

(Amounts in 000's)

---

**General Fixed Assets:**

Land	\$ 37,240
Land improvements	55,226
Buildings, structures and improvements	508,163
Furniture, fixtures and equipment	94,624
Construction in progress	47,337
<b>TOTAL GENERAL FIXED ASSETS</b>	<u><u>\$ 742,590</u></u>

**Investment in General Fixed Assets:**

General obligation bonds	\$ 263,753
General Fund and other revenues	322,231
Special Revenue Fund revenues:	
Restricted income taxes	74,236
Federal grants	46,050
Certificates of participation	26,385
Gifts	9,935
<b>TOTAL INVESTMENT IN GENERAL FIXED ASSETS</b>	<u><u>\$ 742,590</u></u>

**CITY OF CLEVELAND, OHIO**  
**SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY**

December 31, 2001

(Amounts in 000's)

	Total	Land	Land Improvements	Buildings, Structures and Improvements	Capitalized Leased Equipment	Furniture, Fixtures and Equipment
<b>General Government:</b>						
General government	\$ 297,338	\$ 208		\$ 288,628	\$ 8	\$ 8,494
City Hall	20,476			20,476		
Justice Center	29,725			29,306	150	269
Charles V. Carr Municipal Center	22,102	2,540		19,562		
<b>TOTAL GENERAL GOVERNMENT</b>	<b>369,641</b>	<b>2,748</b>	<b>-</b>	<b>357,972</b>	<b>158</b>	<b>8,763</b>
<b>Public Service:</b>						
Waste collection	24,229	1,057		8,138	7,227	7,807
Engineering and construction	3,208				60	3,148
Streets	21,731	258	138	12,922	2,854	5,559
Other	1,950			1,317		633
<b>TOTAL PUBLIC SERVICE</b>	<b>51,118</b>	<b>1,315</b>	<b>138</b>	<b>22,377</b>	<b>10,141</b>	<b>17,147</b>
<b>Public Health:</b>						
Correction	7,216	135		6,638	78	365
Health and environment	10,893	1,116	56	8,980	53	688
<b>TOTAL PUBLIC HEALTH</b>	<b>18,109</b>	<b>1,251</b>	<b>56</b>	<b>15,618</b>	<b>131</b>	<b>1,053</b>
<b>Public Safety:</b>						
Police	64,209	4,560	316	33,654	5,548	20,131
Fire	43,525	1,619		22,593	12,874	6,439
Emergency medical service	4,500			125	669	3,706
Traffic engineering	1,603			155	228	1,220
Dog pound	717			630	31	56
<b>TOTAL PUBLIC SAFETY</b>	<b>114,554</b>	<b>6,179</b>	<b>316</b>	<b>57,157</b>	<b>19,350</b>	<b>31,552</b>
<b>Parks, Recreation and Properties</b>						
Park maintenance and properties	59,825	23,170	25,332	8,237	674	2,412
Research, planning and development	3,699		3,383	164		152
Recreation	71,949	920	24,540	45,054	27	1,408
<b>TOTAL PARKS, RECREATION AND PROPERTIES</b>	<b>135,473</b>	<b>24,090</b>	<b>53,255</b>	<b>53,455</b>	<b>701</b>	<b>3,972</b>
<b>Community Development:</b>						
Community development	5,228	1,657	1,331	584	71	1,585
<b>TOTAL COMMUNITY DEVELOPMENT</b>	<b>5,228</b>	<b>1,657</b>	<b>1,331</b>	<b>584</b>	<b>71</b>	<b>1,585</b>
<b>Economic Development:</b>						
Economic development	1,130		130	1,000		-
<b>TOTAL ECONOMIC DEVELOPMENT</b>	<b>1,130</b>	<b>-</b>	<b>130</b>	<b>1,000</b>	<b>-</b>	<b>-</b>
<b>TOTAL BY FUNCTION</b>	<b>695,253</b>	<b>37,240</b>	<b>55,226</b>	<b>508,163</b>	<b>30,552</b>	<b>64,072</b>
Construction in progress	47,337		11,458	35,879	-	
<b>TOTAL GENERAL FIXED ASSETS</b>	<b>\$ 742,590</b>	<b>\$ 37,240</b>	<b>\$ 66,684</b>	<b>\$ 544,042</b>	<b>\$ 30,552</b>	<b>\$ 64,072</b>

# CITY OF CLEVELAND, OHIO

## SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY

For the Year Ended December 31, 2001

(Amounts in 000's)

	Balance January 1, 2001	Additions	Deductions	Transfers	Balance December 31, 2001
<b>General Government:</b>					
General government	\$ 298,588	\$ 276	\$ (3,479)	\$ 1,953	\$ 297,338
City Hall	20,476				20,476
Justice Center	29,725				29,725
Charles V. Carr Municipal Center	22,102				22,102
<b>TOTAL GENERAL GOVERNMENT</b>	<b>\$ 370,891</b>	<b>\$ 276</b>	<b>\$ (3,479)</b>	<b>\$ 1,953</b>	<b>\$ 369,641</b>
<b>Public Service:</b>					
Waste collection	21,936	2,575	(300)	18	24,229
Engineering and construction	2,934	232	(38)	80	3,208
Streets	19,774	1,979	(453)	431	21,731
Other	3,663	-	(52)	(1,661)	1,950
<b>TOTAL PUBLIC SERVICE</b>	<b>48,307</b>	<b>4,786</b>	<b>(843)</b>	<b>(1,132)</b>	<b>51,118</b>
<b>Public Health:</b>					
Correction	7,190	58	(46)	14	7,216
Health and environment	10,671	-	-	222	10,893
<b>TOTAL PUBLIC HEALTH</b>	<b>17,861</b>	<b>58</b>	<b>(46)</b>	<b>236</b>	<b>18,109</b>
<b>Public Safety:</b>					
Police	58,188	7,642	(1,658)	37	64,209
Fire	41,948	1,685	(1,147)	1,039	43,525
Emergency medical service	4,107	710	(196)	(121)	4,500
Traffic engineering	2,238	360	(1,148)	153	1,603
Dog pound	717		-		717
<b>TOTAL PUBLIC SAFETY</b>	<b>107,198</b>	<b>10,397</b>	<b>(4,149)</b>	<b>1,108</b>	<b>114,554</b>
<b>Parks, Recreation and Properties</b>					
Park maintenance and properties	58,046	628	(473)	1,624	59,825
Research, planning and development	3,897	92	(27)	(263)	3,699
Recreation	71,334	252	(37)	400	71,949
<b>TOTAL PARKS, RECREATION AND PROPERTIES</b>	<b>133,277</b>	<b>972</b>	<b>(537)</b>	<b>1,761</b>	<b>135,473</b>
<b>Community Development:</b>					
Community development	4,929	86	(388)	601	5,228
<b>TOTAL COMMUNITY DEVELOPMENT</b>	<b>4,929</b>	<b>86</b>	<b>(388)</b>	<b>601</b>	<b>5,228</b>
<b>Economic Development:</b>					
Economic development	180		-	950	1,130
<b>TOTAL ECONOMIC DEVELOPMENT</b>	<b>180</b>	<b>-</b>	<b>-</b>	<b>950</b>	<b>1,130</b>
Construction in progress	36,909	15,856		(5,428)	47,337
<b>TOTAL GENERAL FIXED ASSETS</b>	<b>\$ 719,552</b>	<b>\$ 32,431</b>	<b>\$ (9,442)</b>	<b>\$ 49</b>	<b>\$ 742,590</b>

# **STATISTICAL SECTION**



**CITY OF CLEVELAND, OHIO**  
**GENERAL FUND REVENUES BY SOURCE AND**  
**EXPENDITURES BY FUNCTION-(BUDGET BASIS)**  
**LAST TEN FISCAL YEARS**  
(Amounts in 000's)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>REVENUES</b>										
Income taxes	\$184,805	\$191,005	\$196,309	\$209,154	\$215,876	\$222,745	\$230,863	\$245,844	\$268,786	\$262,721
Property taxes	40,423	39,309	38,722	40,145	40,844	40,844	43,026	45,964	45,131	47,842
State local government fund	37,570	40,107	43,431	46,407	48,689	50,762	54,255	56,923	59,488	59,265
Other shared revenues	8,454	9,862	10,147	17,879	24,820	26,122	26,581	31,187	32,871	31,590
Licenses and permits	5,981	5,733	6,488	6,964	8,403	8,886	10,303	8,731	9,339	8,887
Charges for services	11,440	14,394	15,038	12,160	13,191	13,570	14,975	13,671	16,177	16,030
Fines and forfeits	13,745	13,947	13,890	13,360	14,422	15,375	15,914	16,611	17,843	16,768
Investment earnings	1,121	1,006	1,106	2,060	1,384	2,159	4,241	4,435	2,526	1,604
Miscellaneous	19,380	21,539	20,653	16,901	19,475	17,315	9,508	8,759	24,447	29,735
	\$322,919	\$336,902	\$345,784	\$365,030	\$387,104	\$397,778	\$409,666	\$432,125	\$476,608	\$474,442
<b>EXPENDITURES AND OTHER USES</b>										
General Government	\$35,856	\$36,643	\$37,445	\$39,189	\$41,623	\$42,352	\$45,902	\$49,837	\$55,922	\$54,786
Public Service	31,362	30,798	29,435	30,357	29,537	30,208	30,669	31,222	33,580	33,550
Public Safety	194,675	200,874	207,541	217,825	225,669	234,064	240,717	252,723	261,480	272,436
Community Development	7,164	6,366	6,040	6,461	5,920	5,943	6,461	6,581	12,583	16,655
Public Health	10,604	10,421	10,545	10,261	10,037	10,274	10,418	11,984	12,465	11,884
Parks, Recreation and Properties	28,098	29,310	30,126	31,121	33,263	34,952	34,385	36,150	37,574	39,131
Economic Development	443	932	1,026	1,017	1,103	1,039	1,067	1,128	1,014	1,098
Other	9,784	12,580	11,876	12,843	14,071	14,575	14,963	16,553	16,742	16,882
Operating Transfers Out	5,282	9,253	12,125	16,392	26,208	24,776	23,650	24,778	39,465	41,680
	\$ 323,268	\$ 337,177	\$ 346,159	\$ 365,466	\$ 387,431	\$ 398,183	\$ 408,232	\$ 430,956	\$ 470,825	\$ 488,102

**CITY OF CLEVELAND, OHIO**  
**GENERAL GOVERNMENT REVENUES AND OTHER FINANCING SOURCES**  
**AND EXPENDITURES BY FUNCTION AND OTHER USES**  
**LAST TEN FISCAL YEARS**  
**(Amounts in 000's)**

	1992	1993	1994	1995
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Income taxes	\$211,417	\$217,082	\$222,651	\$237,081
Property taxes	61,367	58,994	60,949	62,630
State local government fund	37,569	40,515	43,634	52,625
Other shared revenues	19,392	20,644	22,339	29,098
Licenses and permits	6,519	6,096	6,924	7,466
Charges for services	14,492	14,832	15,682	13,056
Fines and forfeits	13,839	13,856	13,726	13,402
Investment earnings	6,276	5,898	6,731	10,276
Grants	67,612	76,864	81,507	97,841
Assessments and contributions	116	122	156	152
Cleveland Public Power repayment	0	4,370	35,609	0
Workers compensation settlement and refunds	0	249	303	916
Enterprise reimbursements	6,157	6,038	4,161	2,878
Miscellaneous	25,610	30,442	25,567	25,552
Operating transfers in	21,001	20,553	53,613	28,769
Resources from capitalized leases	2,363	0	0	3,891
Proceeds from sale of bonds-net	35,380	136,456	139,708	0
Proceeds from sale of certificates of participation	17,125	0	19,790	19,171
	<u>\$546,235</u>	<u>\$653,011</u>	<u>\$753,050</u>	<u>\$604,804</u>
<b>EXPENDITURES AND OTHER USES</b>				
Current:				
General government	\$39,047	\$36,291	\$38,061	\$39,901
Public service	50,610	54,357	49,959	50,619
Public safety	199,584	205,801	210,118	223,488
Human resources	10,380	7,726	6,724	8,919
Community development	39,768	45,511	50,065	58,502
Public health	15,901	17,516	20,201	20,981
Maintenance, parks and recreation	28,515	29,931	31,409	32,889
Economic development	8,206	4,944	7,668	13,242
Other	9,107	12,164	10,227	14,523
Rebatable arbitrage	0	(131)	0	0
Capital outlay	49,273	88,960	81,622	63,457
Debt service:				
Principal retirement	15,810	16,972	112,119	18,824
Interest	17,694	16,820	22,616	26,439
Enterprise debt service	6,178	5,199	4,577	2,810
Operating transfers out	20,560	20,723	53,226	30,455
Payments to refund notes, bonds and certificates of participation	10,156	99,858	0	19,171
	<u>\$520,789</u>	<u>\$662,642</u>	<u>\$698,592</u>	<u>\$624,220</u>

Note: Includes all Governmental Fund Types

1996	1997	1998	1999	2000	2001
\$243,213	\$255,925	\$272,309	\$285,947	\$291,514	\$277,687
63,968	64,354	66,662	70,937	66,642	71,610
50,865	50,217	53,998	59,413	60,015	59,252
34,590	37,561	37,393	43,121	43,626	43,341
8,714	9,252	10,574	9,099	9,255	8,967
13,744	16,326	16,648	17,850	18,370	18,798
14,771	15,572	14,766	19,070	20,990	13,096
9,963	10,492	23,890	14,621	14,327	10,425
90,412	92,276	100,255	107,455	83,334	106,965
120	168	115	0	84	0
0	0	0	0	0	0
2,095	0	0	0	0	0
1,342	116	0	0	0	0
38,374	36,064	66,890	109,565	54,495	54,249
47,568	41,580	42,673	66,270	57,049	69,156
0	0	0	0	0	0
58,491	214,166	48,736	35,778	26,335	4,060
0	0	0	20,000	0	0
<b>\$678,230</b>	<b>\$844,069</b>	<b>\$754,909</b>	<b>\$859,126</b>	<b>\$746,036</b>	<b>\$737,606</b>

\$44,268	\$44,568	\$54,789	\$63,476	\$69,397	\$74,752
50,246	47,975	53,898	52,792	63,698	50,209
227,572	236,426	241,632	249,160	279,540	273,951
9,494	9,549	9,920	7,520	8,471	13,425
57,509	56,754	52,178	50,750	53,125	82,194
22,560	22,343	19,814	21,071	21,852	19,796
34,528	36,858	42,645	41,738	39,941	39,951
22,285	18,439	13,368	18,754	16,071	41,466
12,980	19,546	14,876	15,031	19,425	16,373
0	0	0	0	0	0
42,314	81,222	184,528	133,490	51,586	74,329
21,935	25,003	26,511	48,442	30,646	31,463
23,444	26,488	30,293	29,304	28,825	28,312
2,602	352	0	0	0	0
48,497	40,981	42,074	67,679	57,823	68,346
16,644	47,665	24,823	0	0	0
<b>\$636,878</b>	<b>\$714,169</b>	<b>\$811,349</b>	<b>\$799,207</b>	<b>\$740,400</b>	<b>\$814,567</b>

**CITY OF CLEVELAND, OHIO**  
*AD VALOREM*  
**PROPERTY TAX LEVIES AND COLLECTIONS-**  
**REAL, UTILITY AND TANGIBLE TAXES**  
**LAST TEN FISCAL YEARS**

Tax Year/ Collection Year	Current Levy	Delinquent Levy (1)	Total Levy	Current Collection	Current Levy Collected	Delinquent Collection	Total Collections	Total Collections	
								As Percent of Current Levy	Cumulative Delinquencies
1991/1992	61,331,722	10,980,125	72,311,847	56,886,685	92.8%	2,632,169	59,518,854	97.0%	10,200,350
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

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	
1991/1992	3,580,628	10,230,366	905,638	3,483,223	518,619	1,037,238	5,004,885	14,750,827	33.9%
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%

Source: Cuyahoga County Auditor's Office

(1) The assessed valuation level for real property in Cuyahoga County is 35% of 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 &amp; School</b>	<b>Total</b>
	<b>General Fund</b>	<b>Bond Retirement</b>	<b>Police Pension</b>	<b>Fire Pension</b>					
1991/1992	7.75	3.95	0.30	0.30	12.30	16.80	51.90	81.00	
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	

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**

<b>Year</b>	<b>Population(1)</b>	<b>Assessed Value (2) (Amounts in 000's)</b>	<b>Gross General Bonded Debt (3)</b>	<b>Less Balance in Debt Service Fund (4)</b>	<b>Net General Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
1992	505,616	\$ 5,004,885	\$ 251,060,000	\$ 9,447,394	\$ 241,612,606	4.83%	\$477.86
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	5,477,243	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

(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, 2001

Total of all City Debt Outstanding	\$ 2,416,503,000
Debt Exempt From Direct Debt Limitation:	
Tax Supporting:	
Tax Supporting Issues after 1980	\$ 291,210,000
Self-Supporting:	
Revenue Bonds and Notes	2,018,731,000
Ohio Water Development Authority Loans	13,117,000
Urban Renewal Bonds and Notes	13,075,000
Subordinated Income Tax Refunding Bonds	68,200,000
Non-tax Revenue Bonds	10,000,000
Total Exempt Debt	<u>2,414,333,000</u>
Net Indebtedness (Voted and Unvoted) Subject to 10.50% Debt Limitation	2,170,000
Less: Applicable Debt Service Fund	<u>772,000</u>
Net Indebtedness Subject to 10.50% Limitation	<u>\$ 1,398,000</u>
Net Indebtedness (Unvoted) Subject to 5.50% Legal Debt Limitation	\$ 2,170,000
Less: Applicable Debt Service Fund	<u>772,000</u>
Net Indebtedness Subject to 5.50% Limitation	<u>\$1,398,000</u>
Assessed Valuation of City (2000 for 2001 Collection)	<u>\$ 6,058,647,000</u>
10.50% of Valuation (Maximum Voted and Unvoted General Obligation Debt Allowed)	\$ 636,157,935
Net Indebtedness Subject to 10.50% Debt Limitation	<u>1,398,000</u>
Legal 10.50% Margin	<u>\$ 634,759,935</u>
5.50% of Valuation (Maximum Unvoted Non-exempt General Obligation Debt Allowed)	\$ 333,225,585
Net Indebtedness Subject to 5.50% Debt Limitation	<u>1,398,000</u>
Legal 5.50% Margin	<u>\$ 331,827,585</u>

(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, 2001

	Gross Debt	Debt Service Fund	Net Debt	Percent Applicable (1)	City's Share
City of Cleveland	\$ 293,380,000	\$ 772,000 (2)	\$ 292,608,000	100.00%	\$ 292,608,000
Cleveland School District (3)	110,050,000	24,736,000	85,314,000	97.92%	83,539,469
Shaker Heights School District (3)	16,999,223	686,346	16,312,877	0.92%	150,078
Berea School District (3)	11,715,000	739,871	10,975,129	1.16%	127,311
Cuyahoga County (3)	216,544,636	371,048	216,173,588	21.01%	<u>45,418,071</u>
<b>TOTAL NET DIRECT AND OVERLAPPING DEBT</b>					<u><u>\$ 421,842,929</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, 2001

### DIRECT DEBT

#### Long-Term Debt:

##### General Obligation Bonds and Notes:

Various Purpose \$ 293,380,000

##### Revenue Bonds:

Airport 930,851,000

Waterworks 693,160,000

Public Power System Improvement 274,250,000

Parking Facilities 75,520,000

Urban Renewal Bonds and Notes 13,075,000

Subordinated Income Tax Refunding Bonds 68,200,000

Non-tax Revenue Bonds 10,000,000

Ohio Water Development Authority Loans 13,117,000

Total Long-Term Debt 2,371,553,000

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

Gross Direct Debt 2,416,503,000

#### Deduct:

General Obligation Debt Service Fund 772,000 (2)

##### Exempt Tax-Supporting General Obligations:

General Obligation Bonds Issued after 1980 291,210,000

##### Revenue Bonds:

Airport 930,851,000

Waterworks Improvement 693,160,000

Public Power System Improvement 274,250,000

Parking Facilities 75,520,000

Total Revenue Bonds 1,973,781,000

Urban Renewal Bonds and Notes 13,075,000

Subordinated Income Tax Refunding Bonds 68,200,000

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

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

Total Deductions 2,401,988,000

Net Direct Debt \$ 14,515,000

(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

Year	Debt Service on General Tax Supported Debt	Debt Service on Self-Supporting Debt	General Fund Expenditures (1)	Ratio of Tax Supported Debt Service to General Fund Expenditures	Ratio of Self-Supporting Debt Service to General Fund Expenditures
1992	33,504,835	6,177,438	323,268,000	10.36%	1.91%
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%

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

# CITY OF CLEVELAND, OHIO

## REVENUE BOND COVERAGE-AIRPORT BONDS

### LAST TEN FISCAL YEARS

Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement (3)	Coverage
1992	\$ 43,872,000	\$ 27,236,000	\$ 16,636,000	\$ 10,168,562	1.64
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

- (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**

<b>Year</b>	<b>Gross Revenues (1)</b>	<b>Direct Operating Expenses (2)</b>	<b>Net Revenue Available for Debt Service</b>	<b>Annual Debt Service Requirement (3)</b>	<b>Coverage</b>
1992	\$ 133,180,000	\$ 89,673,000	\$ 43,507,000	\$ 25,932,187	1.68
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

- (1) Gross revenues include operating revenues plus interest income.
- (2) Direct operating expenses include operating expenses less depreciation.
- (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*

<b>Year</b>	<b>Gross Revenues (1)</b>	<b>Direct Operating Expenses (2)</b>	<b>Net Revenue Available for Debt Service</b>	<b>Annual Debt Service Requirement (3)</b>	<b>Coverage</b>
1992	\$ 60,426,000	\$ 48,294,000	\$ 12,132,000	\$ 5,632,570	2.15
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

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

(2) Direct operating expenses include operating expenses less depreciation.

(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

<b>Year</b>	<b>Gross Revenues (1)</b>	<b>Direct Operating Expenses (2)</b>	<b>Net Revenue Available for Debt Service</b>	<b>Annual Debt Service Requirement</b>	<b>Coverage</b>
1992	\$ 15,487,000	\$ 9,883,000	\$ 5,604,000	\$ 4,044,932	1.39
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

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

(2) Direct operating expenses include operating expenses less depreciation.

# CITY OF CLEVELAND, OHIO

## *PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS*

### *LAST TEN FISCAL YEARS*

<b>Year</b>	<b>Total Estimated Actual Value (1) (Amounts in 000's)</b>	<b>Bank Deposits at December 31 (2) (Amounts in 000's)</b>	<b>Building Permits Issued (3)</b>
1992	14,750,827	19,379,280	5,355
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	16,032,610	61,943,764	9,194
2001	17,662,765	63,893,769	9,853

(1) Estimated 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

December 31, 2001

The largest property taxpayers with respect to property located in the City, based on assessed valuation of property for the 2001 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	\$ 98,621,290	2.14%
ZML - Cleveland Public Square LLC	Commercial Real Estate Holdings	56,305,130	1.22%
NPW LTD Partnership	Commercial Real Estate Holdings	36,610,000	0.79%
Cleveland Clinic Foundation	Hospital System	33,157,070	0.72%
BRE/City Center LLC	Commercial Real Estate Holdings	33,051,760	0.72%
LTV Steel Co. Inc.	Steel Manufacturing and Processing	32,987,400	0.71%
GSA	Commercial Real Estate Holdings	31,034,190	0.67%
600 Superior Lace	Commercial Real Estate Holdings	25,970,770	0.56%
CG Erieview	Commercial Real Estate Holdings	25,202,210	0.55%
Bishop James Hickey	Commercial Real Estate Holdings	22,353,030	0.48%
<b>TOTAL</b>		<b>\$ 395,292,850</b>	<b>8.56%</b>
<b>Total Assessed Valuation-Real (1)</b>		<b>\$ 4,618,340,000</b>	<b>76.23%</b>
<b>Tangible Personal Property (other than Public Utilities)</b>			
The LTV Corporation	Steel Manufacturing and Processing	\$ 87,013,300	8.80%
B.F. Goodrich Company	Automotive Products	12,501,000	1.26%
Cablevision	Mass Media	11,694,110	1.18%
PPG Ohio, Incorporated	Automotive Finishes, Coatings & Resins	10,789,390	1.09%
TRW, Incorporated	Motor Vehicle Parts and Accessories	10,748,560	1.09%
ICG Equipment, Inc.	Telephone	8,878,400	0.90%
Cargill, Incorporated	Salt Mining	8,870,060	0.90%
Sherwin Williams Co.	Paint Products	8,510,330	0.86%
IBM Credit Corporation	Real Estate Agents & Managers	8,429,230	0.85%
Midland Steel Products	Steel Manufacturing and Processing	7,549,880	0.76%
<b>TOTAL</b>		<b>\$ 174,984,260</b>	<b>17.70%</b>
<b>Total Assessed Valuation-Tangible Personal</b>		<b>\$ 988,532,000</b>	<b>16.32%</b>
<b>Public Utilities (Real and Tangible Personal Property)</b>			
Cleveland Electric Illuminating Co.	Electric	\$ 167,903,820	37.17%
Ameritech	Telephone	110,353,100	24.43%
American Transmission System	Electric	25,938,450	5.74%
Dominion East Ohio	Natural Gas	15,604,100	3.45%
<b>TOTAL</b>		<b>\$ 319,799,470</b>	<b>70.79%</b>
<b>Total Assessed Valuation-Public Utilities</b>		<b>\$ 451,775,000</b>	<b>7.46%</b>
<b>Total Assessed Valuation-All Categories</b>		<b>\$ 6,058,647,000</b>	<b>100.00%</b>

Source: Cuyahoga County Auditor's Office.

(1) Includes Public Utilities Real Property.

# CITY OF CLEVELAND, OHIO

## SCHEDULE OF INSURANCE COVERAGE

December 31, 20001

Type of Coverage / Name of Carrier	Policy Number	Policy Period	Annual Premium
<b>AIRPORTS:</b>			
1) COMPREHENSIVE GENERAL LIABILITY INSURANCE -			
A) Great American Insurance Co.			
Primary Airport General Liability Insurance	PR174701	10/10/01-10/10/02	\$120,335
B) Underwriters at Lloyd's of London			
Excess Airport Liability Insurance	JDDNX09803501	10/10/01-10/10/02	\$105,000
2) PROPERTY DAMAGE AND EARNINGS INSURANCE -			
A) Factory Mutual Insurance Co.			
	NB348	02/06/98-02/06/03	\$116,003
3) VEHICLE LIABILITY INSURANCE:			
A) St. Paul Mercury Insurance Co.			
	GP03400045	07/03/01-07/03/02	\$ 52,693
<b>CLEVELAND PUBLIC POWER:</b>			
1) PROPERTY COVERAGE:			
A) Lloyd's of London			
Property Insurance Coverage	PL047001	08/29/01-08/29/02	\$ 134,746
B) Lloyd's of London			
Boiler and Machinery Coverage	PL047001	08/29/01-08/28/02	(included above)

Details of Coverage	Liability Limit
Bodily injury and property damage including airport operations hazard, products-completed operations hazard, contractual hazard, non-owned aircraft hazard, liquor liability hazard and hangarkeepers liability.	\$20 million annual aggregate. Self-insured retention of \$100,000.
Excess liability coverage	\$180 million annual aggregate, excess to \$50 million primary coverage.
Property damage, gross earnings, demolition, and increased cost of construction	\$391,084,000.
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 or property damage arising out of the ownership, maintenance, operation and use of all owned, non-owned, leased and/or hired vehicles.	\$1 million per occurrence \$1,000 deductible per accident with annual aggregate deductible of \$10,000. Uninsured Motorist \$50,000 per vehicle
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, 2001

<b>Type of Coverage/ Name of Carrier</b>	<b>Policy Number</b>	<b>Policy Period</b>	<b>Annual Premium</b>
<b>NEW CLEVELAND BROWNS' STADIUM CONSTRUCTION:</b>			
Pinkney Perry Insurance Agency (Zurich Global) General liability coverage	ERP3589292	04/23/01-04/23/02	\$102,060

---

Details of Coverage	Liability Limit
Commercial General Liability Coverage, wrap program; products/completed 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, 2001

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:

Year	Population			
	City	County	PMSA	State
1950 .....	914,808	1,389,532	1,532,574	7,946,627
1960 .....	876,050	1,647,895	1,909,483	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)

Age	2000			
	Males		Females	
	Number	Percentage	Number	Percentage
Under 5 Years .....	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)

Income	1999		1999	
	Families	Percentage	Household	Percentage
\$0-10,000 .....	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- 99,000 .....	6,896	6.1%	9,338	4.9%
\$100,000- 149,999 .....	3,227	2.9%	4,336	2.3%
\$150,000- 199,999 .....	535	0.5%	820	.4%
Over \$200,000 .....	732	.6%	1,318	.7%
<b>Total</b>	<b>112,838</b>	<b>100.0%</b>	<b>190,735</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 & Information Service, College of Urban Affairs, Cleveland State University

# CITY OF CLEVELAND, OHIO

## DEMOGRAPHIC STATISTICS - Continued

December 31, 2001

### Employment

The following table indicates the distribution of employees among major industrial classifications in the Cleveland - Lorain - Elyria PMSA for the years 1997 through 2001:

<b>Distribution of Employees by Sector</b>					
<b>(Amounts in 000's)</b>					
	<b>2001<sup>(1)</sup></b>	<b>2000<sup>(1)</sup></b>	<b>1999<sup>(3)</sup></b>	<b>1998<sup>(2)</sup></b>	<b>1997<sup>(2)</sup></b>
<b>Good Producing Industries:</b>					
Construction	45.2	44.9	45.4	46.6	44.2
Primary Metal	17.0	18.9	20.5	21.4	21.6
Fabricated Metal	35.9	38.6	38.6	38.6	38.4
Industrial Machinery	30.5	34.9	35.5	37.5	36.3
Electrical Equipment	14.6	15.1	15.4	15.4	16.0
Transportation Equipment	21.5	21.5	21.3	21.4	22.2
Printing & Publishing	15.2	17.0	17.2	16.8	17.0
Chemical Products	16.1	17.8	17.8	17.5	17.4
Rubber & Plastic Products	13.6	14.4	15.0	14.5	14.6
Other	38.9	41.1	42.0	40.3	39.7
<b>Total Goods Producing Industries</b>	248.5	264.2	268.7	270.0	267.4
<b>Service Producing Industries:</b>					
Transportation & Public Utilities	47.5	47.6	47.4	45.8	45.4
Wholesale Trade	70.4	76.0	75.3	73.9	72.7
Retail Trade	199.8	209.1	209.8	202.6	198.3
Finance, Insurance, & Real Estate	82.5	80.5	80.0	75.5	74.1
Health Services	116.5	113.4	112.3	109.0	106.2
Other Services	241.5	245.4	243.6	239.4	228.9
Federal Government	19.7	20.5	20.9	21.2	21.5
State Government	9.2	9.2	9.2	9.1	9.0
Local Government	122.8	120.3	119.0	115.9	114.0
<b>Total Service Producing Industries</b>	909.9	922.0	917.5	892.4	870.1
<b>Grand Total</b>	1,158.4	1,186.2	1,186.2	1,162.4	1,137.5
Goods Producing Percentage	21.5%	22.3%	22.7%	23.2%	23.5%
Service Producing Percentage	78.5%	77.7%	77.3%	76.8%	76.5%

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

(1) Office of Research, Assessment, & Accountability, Bureau of Labor Market Information, Labor Market Review, January 2002

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

(3) Revised

# CITY OF CLEVELAND, OHIO

## *DEMOGRAPHIC STATISTICS - Continued*

December 31, 2001

### 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.
1992	629,200	1,011,100	48,800	82,900	7.2%	7.6%	7.3%	7.5%
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 <sup>(3)</sup>	646,300	1,070,500	31,100	49,800	4.6%	4.4%	4.1%	4.0%
2001 <sup>(2)</sup>	648,300	1,073,900	31,100	52,300	4.6%	4.6%	4.3%	4.8%

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

(3) Revised



# CITY OF CLEVELAND, OHIO

## DEMOGRAPHIC STATISTICS - Continued

December 31, 2001

### 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>

Rank	Company	Worldwide Revenues (\$ millions)	Worldwide Assets (\$ millions)	Major Product or Services
122	TRW. Incorporated	\$ 16,383.0	\$ 14,444.0	Automotive and Electronics
213	National City Corporation	9,092.6	105,816.7	Commercial Banking
254	Progressive	7,488.2	11,127.4	Insurance
257	KeyCorp	7,352.8	80,938.0	Commercial Banking
259	Eaton	7,299.0	7,646.0	Automotive and Electronics
303	Parker Hannifin Corporation	5,979.6	5,337.7	Hydraulic Components
339	Sherwin Williams	5,066.0	3,627.9	Paints
357	OfficeMax	4,636.0	1,768.6	Retail Office Supplies
416	LTV	3,956.0	4,605.0	Steel Manufacturing

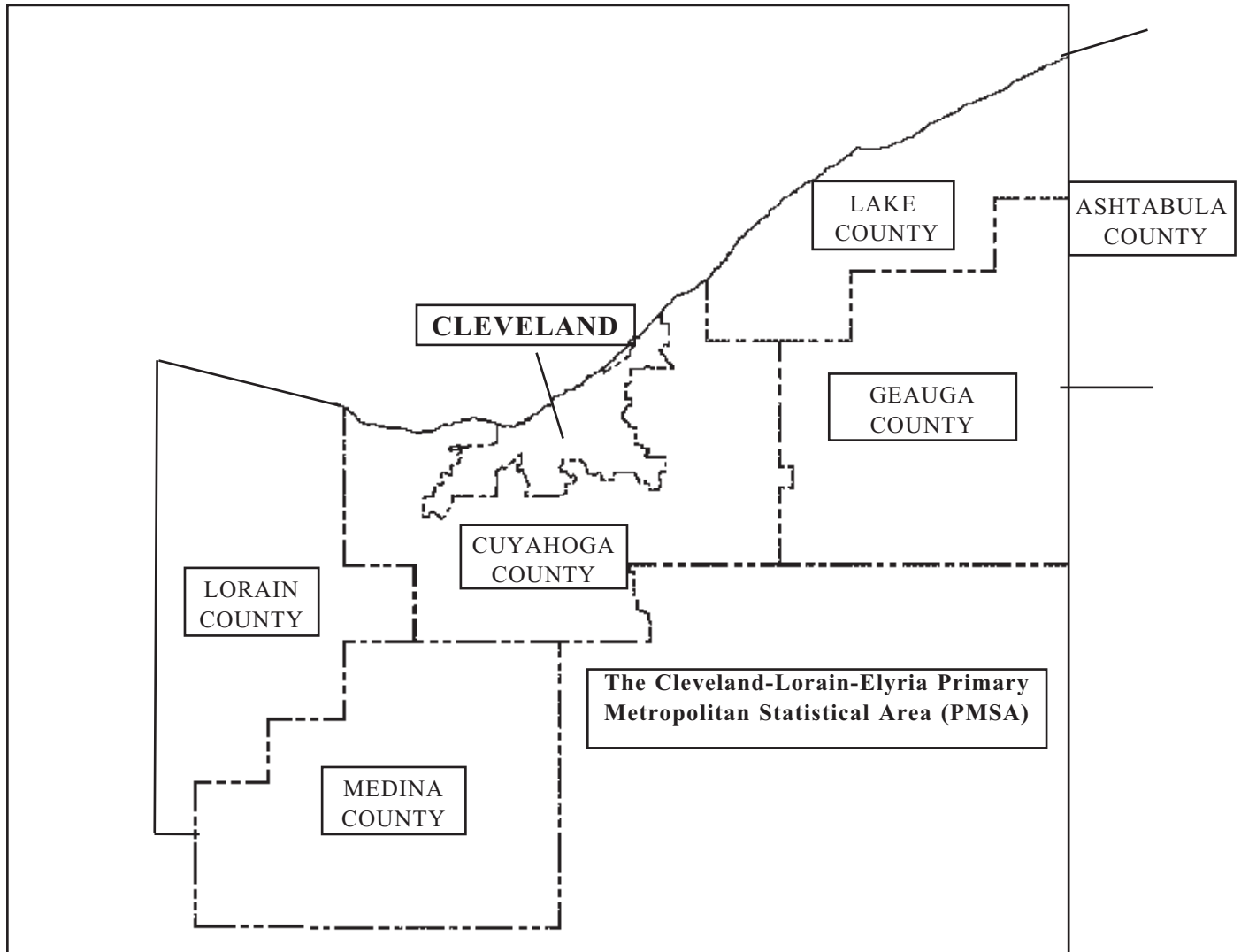
Source: (A) The Fortune 500, Vol. 145, No. 8, April 15, 2002

# CITY OF CLEVELAND, OHIO

## DEMOGRAPHIC STATISTICS - Continued

December 31, 2001

### METROPOLITAN CLEVELAND (1)



2,223,300 million people

6 counties

Largest metropolitan area in Ohio

1,073,900 employed labor force (2)

(1) Effective January 1, 1994, Ashtabula and Lorain counties were added to the Cleveland PMSA.

(2) Office of Research Assessment & Accountability, Bureau of Labor Market Information, Labor Market Review, January 2002.

# CITY OF CLEVELAND, OHIO

## DEMOGRAPHIC STATISTICS - Continued

December 31, 2001

---

DATE OF INCORPORATION.....	MARCH 5, 1836
DATE OF ADOPTION OF ORIGINAL CITY CHARTER.....	JULY 1, 1913
FORM OF GOVERNMENT.....	MAYOR AND TWENTY-ONE COUNCILMEN
AREA-SQUARE MILES.....	76
MILES OF SHORELINE ON CUYAHOGA RIVER.....	17
MILES OF SHORELINE ON LAKE ERIE.....	14
<b>ELECTION OF NOVEMBER, 2001 (Mayoral)</b>	
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
<b>AIRPORTS</b>	
Cleveland Hopkins International Airport	
Enplaned Passengers.....	5,918,082
Total Airport Landing Weight (1,000 lbs).....	8,765,175
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
<b>WATER SYSTEM</b>	
Number of Customer Billings.....	1,657,213
Daily Average Pumpage-Gallons.....	258,148,000
Greatest Pumpage for a Single Day (July 16, 2001).....	364,000,000
Maximum-Filtration Plant Capacity per day-gallons.....	529,000,000
Maximum-Intake Capacity per day-gallons.....	740,000,000
Number of Miles of Watermains Owned by City.....	1,600
Number of Miles of Watermains Owned by Suburbs.....	3,500
Population Served.....	1,500,000
<b>FIRE DEPARTMENT</b>	
Number of Stations.....	26
Number of Employees (Uniform).....	999
<b>POLICE DEPARTMENT</b>	
Number of Districts.....	6
Number of Employees (Uniform).....	1,876
<b>BUILDINGS</b>	
Permits Issued.....	9,853
Estimated Cost of Construction.....	\$599,014,294
Inspections under Ohio Basic Building Code.....	45,254
<b>PARKS AND RECREATION</b>	
Number of Parks (District, Community, Neighborhood and Urban).....	145
Number of Ball Diamonds (at 73 sites).....	142
Total Playgrounds.....	112
Recreation Centers.....	18
Pools:	
Indoor.....	17
Outdoor.....	24
Golf Courses (2-18 hole courses at each).....	2
Ice Rink.....	1
Roller Rink (indoor).....	1
Tennis Courts (at 31 sites).....	134
Soccer Fields.....	8
Cudell Fine Arts Center.....	1
Rockefeller Park Public Greenhouse.....	1
Camp George L. Forbes.....	1
Total Park Acreage (not including golf courses).....	1,421

# CITY OF CLEVELAND, OHIO

## SCHEDULE OF STATISTICS-GENERAL FUND

For The Year Ended December 31, 2001

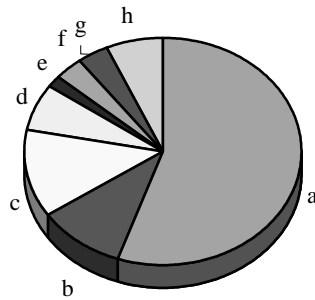
---

### OPERATING RATIOS: GENERAL FUND-BUDGET BASIS

#### REVENUE DOLLAR BY SOURCE

Where the money came from

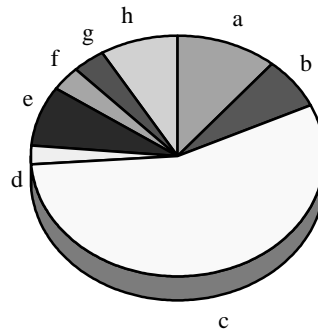
a. Income taxes	\$ 0.55
b. Property taxes	0.10
c. State local government fund	0.12
d. Other shared revenues	0.07
e. Licenses and permits	0.02
f. Charges for services	0.03
g. Fines and forfeits	0.04
h. Miscellaneous	0.07
	\$ 1.00



#### EXPENDITURE DOLLAR BY FUNCTION

Where the money was spent

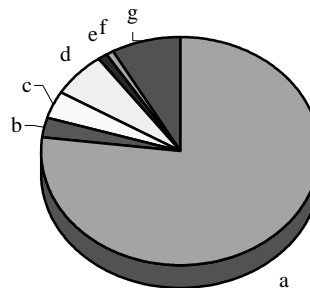
a. General government	\$ 0.11
b. Public service	0.07
c. Public safety	0.56
d. Public health	0.02
e. Maintenance, parks and recreation	0.08
f. Community development	0.03
g. Other	0.04
h. Operating transfers out	0.09
	\$ 1.00



#### EXPENDITURE DOLLAR BY OBJECT

What the money was spent on

a. Salaries, wages, and related benefits	\$ 0.77
b. Interdepartmental charges	0.03
c. Utilities	0.04
d. Contractual services	0.06
e. Materials and supplies	0.01
f. Miscellaneous	0.01
g. Operating transfers out	0.08
	\$ 1.00





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
OCTOBER 2, 2002**