

CITY OF CLEVELAND, OHIO



DEPARTMENT OF PUBLIC UTILITIES DIVISION OF WATER POLLUTION CONTROL

**REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2003 and 2002**

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES DIVISION OF WATER POLLUTION CONTROL

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Division of Water Pollution Control
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 Balance Sheets, the Statements of Revenues, Expenses and Changes in Net Assets, and the Statements of Cash Flows of the Division of Water Pollution Control, Department of Public Utilities, City of Cleveland, Cuyahoga County, Ohio, as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Division of Water Pollution Control's management. Our responsibility is to express opinions 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 opinions.

As described in Note A, the financial statements present only the Division of Water Pollution Control, and do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2003 and December 31, 2002, and the changes in its financial position and cash flows for the years then ended 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, Department of Public Utilities, City of Cleveland, Cuyahoga County, Ohio, as of December 31, 2003 and December 31, 2002, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

June 18, 2004

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**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the "City") Department of Public Utilities, Division of Water Pollution Control (the "Division"), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the fiscal year ended December 31, 2003. Please read this information in conjunction with the Division's basic financial statements and footnotes that begin on page 11.

The Division was created for the purpose of supplying sewer services to customers within the Cleveland metropolitan area. Embarking with a rudimentary system in the late 1800's, the Cleveland sewer system developed as the City itself expanded. Until the early 1970's, the City operated the entire system and managed all aspects of sewage treatment and disposal.

In 1972, a court order created the Northeast Ohio Regional Sewer District (NEORS) and transferred the operation of all wastewater treatment plants and interceptors to the district during December 1973.

The City retained responsibility for the sewer collector system in Cleveland. The Division serves a significant portion of the entire metropolitan area by managing the sanitary sewage and storm water drainage collection system. The sewer collection system transfers sanitary and storm sewage from its point of origin to an interceptor sewer or treatment plant for processing. The system is comprised of 1,200 miles of sewer lines with attendant catch basins and includes 18 pump/lift stations.

Water Pollution Control's Capital Improvement program is supported by a pay as you go system funded by its operating revenue and loans. Since the Division has a low debt burden, its capital improvements are funded from cash reserves and loans, therefore the Division could still maintain an unencumbered cash balance allowing the current debts to be repaid. Maintaining this same approach helps the Division stabilize rate increase requirements and control rates charged to its customers.

The Division added a Marketing Section to handle public relations matters with its customers. The Marketing Section is responsible for providing public education and encouraging community participation. The Marketing Section works with various groups and organizations, school systems, environmental fairs and other media events to educate the public on important issues regarding services the Division provides to the public and on environmental issues impacting the use of the sewer system.

FINANCIAL HIGHLIGHTS

- The assets of the Division exceeded its liabilities at December 31, 2003 by \$85,890,000 (net assets). Of this amount, \$28,433,000 (unrestricted net assets) may be used to meet the Division's ongoing obligations to customers and creditors.
- The Division's total net assets increased by \$2,781,000 during 2003. The increase in net assets is primarily due to a grant of \$1,977,000 received by the Division during the year.
- Total operating revenue of the Division decreased by \$393,000 or 2%. Although a sewer rate increase of 4.9% occurred in 2003, the total sewer usage decreased by 5.9% in 2003. The sewer usage decrease was primarily due to several major users, such as ISG Steel and Ford Motor Company, reducing needed services.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

- During 2003, the Division's net capital assets increased by \$2,167,000. The major additions during the year were for sewer line replacements and purchases of furniture, fixtures, equipment and vehicles, offset by depreciation expense.
- The Division secured a new loan for \$224,000 from OPWC for the Kerruish Park Storm Water Management Facility. Repayment on this loan began in July 2003 and will continue through the year 2022. Overall, the Division's total debt decreased by 4% due to the addition of this new loan that was offset by scheduled debt payments made during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Division's basic financial statements. The accompanying financial statements present financial information for the City of Cleveland's Division of Water Pollution Control Fund, in which the City accounts for the operations of the Department of Public Utilities Division of Water Pollution Control. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Division of Water Pollution Control Fund is considered an enterprise fund because the operations of the Division are similar to a private-sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and the accrual basis of accounting is used. This is similar to businesses in the private sector.

The basic financial statements of the Division can be found on pages 11 - 16 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 17 - 27 of this report.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION

Provided below is the condensed balance sheet information for the Division as of December 31, 2003 and 2002:

	2003	2002	Increase/ (Decrease)
	(In thousands)		
Assets:			
Capital assets, net	\$ 63,964	\$ 61,797	\$ 2,167
Current assets	75,763	75,414	349
Total assets	139,727	137,211	2,516
Net Assets and Liabilities:			
Net assets:			
Invested in capital assets, net of related debt	57,457	55,066	2,391
Unrestricted	28,433	28,043	390
Total net assets	85,890	83,109	2,781
Liabilities:			
Long-term obligations	6,135	6,251	(116)
Construction payable	835	706	129
Current liabilities	46,867	47,145	(278)
Total liabilities	53,837	54,102	(265)
Total net assets and liabilities	\$ 139,727	\$ 137,211	\$ 2,516

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION (Continued)

Current Assets: There was a slight increase in current assets due to the increase in customer accounts receivable related to the 2003 rate increase, and an increase in due from other City Divisions of \$136,000 attributed to the Division of Water.

Capital assets: The Division's investment in capital assets as of December 31, 2003 amounted to \$63,964,000 (net of accumulated depreciation). The total increase in the Division's investment in capital assets for the current fiscal year was 3.5%, primarily due to utility plant sewer main renovations and purchases of furniture, fixtures, equipment and vehicles. A summary of the activity in the Division's capital assets during the year ended December 31, 2003 is as follows:

	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003
(In thousands)				
Land	\$ 297	\$	\$	\$ 297
Utility plant	105,224	6,485	(228)	111,481
Furniture, fixtures, equipment & vehicles	6,087	477	(37)	6,527
Construction in progress	3,053	3,840	(4,454)	2,439
Total	114,661	10,802	(4,719)	120,744
Less: Accumulated depreciation	(52,864)	(3,962)	46	(56,780)
Capital assets, net	\$ 61,797	\$ 6,840	\$ (4,673)	\$ 63,964

During the year, utility plant sewer line and maintenance capital additions were \$6,485,000. Major capital projects/expenses for the year included:

- Fairville Avenue / W 190th Avenue sewer project
- Ostend Avenue sewer replacement
- Fairway Dr. area sewer project
- Purchase of Vehicles & Equipment
- Pump stations SCADA monitoring system
- Constructing & repairing different catch basins & sewers
- Information Technology Plan computerized system implementation
- Kerruish Park storm water retention basin improvement

Additional information on the Division's capital assets, including commitments made for future capital expenditures, can be found in Notes A and D.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION (Continued)

Liabilities: Total current liabilities decreased by \$278,000. The major components of the decrease were a \$1,061,000 decrease in Due to Other City Departments which was related to a more efficient reimbursement process by the Division, which was offset by an increase of \$597,000 in amounts due from billings on behalf of others, and a \$271,000 increase in accrued wages and benefits.

Long-term debt: At the end of the current fiscal year, the Division had total debt outstanding of \$6,252,000. In 2003, the Division made its final principal payment of \$134,000 that was associated with the OWDA construction loan. These loans are payable by revenues generated by the Division.

The activity in the Division's debt obligations outstanding during the year ended December 31, 2003 is summarized below:

	Balance January 1, 2003	Debt Issued	Debt Refunded	Debt Retired	Balance December 31, 2003
	(In thousands)				
Ohio Water Development Authority Loans (OWDA)	\$ 6,289			\$ (468)	\$ 5,821
Ohio Public Works Commission Loans (OPWC)	231	224		(24)	431
Total	\$ 6,520	\$ 224	\$	\$ (492)	\$ 6,252

Additional information on the Division's long-term debt can be found in Note B on pages 19 - 21.

Net Assets: Net assets serve as a useful indicator of a government's financial position. In the case of the Division, assets exceeded liabilities by \$85,890,000 at the close of the most recent fiscal year.

By far, the largest portion of the Division's net assets, \$57,457,000 or 67%, reflects its investment in capital assets (e.g., land, buildings, utility plant, machinery and equipment), net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The Division uses these capital assets to provide services to its customers. Consequently, these assets are not available for future spending. Although the Division's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of net assets, \$28,433,000 or 33%, are unrestricted and may be used to meet the Division's ongoing obligations to customers and creditors.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**CONDENSED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS INFORMATION**

The Division's operations during 2003 and 2002 increased its net assets by \$2,781,000 and \$1,619,000, respectively. Key elements of these increases are summarized below:

	<u>2003</u>	<u>2002</u>	<u>Increase/ (Decrease)</u>
	(In thousands)		
Operating revenues	\$ 18,878	\$ 19,271	(393)
Operating expenses	<u>18,520</u>	<u>18,272</u>	<u>248</u>
Operating income	358	999	(641)
Non-operating revenue (expense):			
Investment income	690	832	(142)
Interest expense	(256)	(260)	4
Workers' comp refund	7	14	(7)
Gain (loss) on disposal of capital assets	5	(6)	11
Other	<u>40</u>	<u>40</u>	<u>(40)</u>
Total non-operating revenue (expense), net	446	620	(174)
Capital and other contributions	<u>1,977</u>	<u>1,977</u>	<u>1,977</u>
Increase in net assets	2,781	1,619	1,162
Net assets, beginning of year	<u>83,109</u>	<u>81,490</u>	<u>1,619</u>
Net assets, end of year	<u>\$ 85,890</u>	<u>\$ 83,109</u>	<u>2,781</u>

Investment income in 2003 decreased by 17% due to lower interest rates and the need for cash liquidity in the Division of Water Pollution Control Agency Fund. The Division's investments, at December 31, 2003, decreased by \$1,316,000 as compared to December 31, 2002.

The increase in net assets in 2003 is primarily due to the \$1,977,000 grant from the Ohio Public Works Commission received in 2003.

Total revenues amounted to \$21,557,000 of which \$18,640,000 (86%) were from the sale of sewer services to customers. The grant of \$1,977,000 from the Ohio Public Works Commission (OPWC) for the Kerruish Park Storm Water Management Facility constitutes 9% of all of the Division's revenue sources for 2003.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**CONDENSED STATEMENT OF REVENUES, EXPENSE AND
CHANGES IN NET ASSETS INFORMATION (Continued)**

The total operating expenses increased by \$248,000. The primary components were an increase in wages and benefits of \$401,000, which was partially offset by a decrease of \$116,000 in depreciation expense due to assets that became fully depreciated in 2002.

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

Sewage rate increases will continue to have a positive impact on the financial position of the Division:

PER MCF (Thousand cubic feet)		
EFFECTIVE	REGULAR	HOMESTEAD
January 1, 2003	\$7.51	\$4.52
January 1, 2004	\$7.89	\$4.71
January 1, 2005	\$8.28	\$4.91

The Division of Water Pollution Control has undertaken a new Information Technology Plan that will implement a work management system and update the current business processes. The work management system will use Ellipse software from Mincom and will be implemented by Deloitte Consulting at an estimated cost of \$2,400,000.

To further enhance pump station maintenance, the Division started installing a SCADA system in 2003 to monitor these stations from its main Kirby Road facility. This system will assist in discovering problems in a timelier manner and is expected to reduce manpower needed to check lift stations, thereby enabling the Division to spend more time performing preventive maintenance. This effort was critical to the Division's desire to minimize the potential for any future environmental hazards.

ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
BALANCE SHEETS
December 31, 2003 and 2002

	<i>(In thousands)</i>	
	2003	2002
ASSETS		
CAPITAL ASSETS		
Land	\$ 297	\$ 297
Utility plant	111,481	105,224
Furniture, fixtures, equipment and vehicles	6,527	6,087
	118,305	111,608
Less: Accumulated depreciation	(56,780)	(52,864)
	61,525	58,744
Construction in progress	2,439	3,053
CAPITAL ASSETS, NET	63,964	61,797
CURRENT ASSETS		
Cash and cash equivalents	16,620	15,209
Investments	16,782	18,098
Receivables:		
Accounts receivable - net of estimated allowance for doubtful accounts of \$340,000 in 2003 and \$513,000 in 2002	37,370	37,280
Unbilled revenue	1,948	1,952
Due from other City of Cleveland departments, divisions or funds	2,703	2,567
Accrued interest receivable	99	81
Materials and supplies - at average cost	241	227
TOTAL CURRENT ASSETS	75,763	75,414
TOTAL ASSETS	\$ 139,727	\$ 137,211

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES DIVISION OF WATER POLLUTION CONTROL

BALANCE SHEETS

December 31, 2003 and 2002

		<i>(In thousands)</i>	
		2003	2002
NET ASSETS AND LIABILITIES			
NET ASSETS			
Invested in capital assets, net of related debt		\$ 57,457	\$ 55,066
Unrestricted		<u>28,433</u>	<u>28,043</u>
	TOTAL NET ASSETS	<u>85,890</u>	<u>83,109</u>
LIABILITIES			
LONG-TERM OBLIGATIONS-excluding amounts due within one year:			
OWDA loans		5,474	5,821
OPWC loans		407	219
Accrued wages and benefits		<u>254</u>	<u>211</u>
	TOTAL LONG-TERM OBLIGATIONS	<u>6,135</u>	<u>6,251</u>
CONSTRUCTION PAYABLE		835	706
CURRENT LIABILITIES			
Current portion of long-term debt, due within one year		371	480
Accounts payable		247	223
Amounts due for billing on behalf of others		42,853	42,256
Due to other City of Cleveland departments, divisions or funds		2,052	3,113
Current portion of accrued wages and benefits		1,279	1,008
Other accrued expenses		<u>65</u>	<u>65</u>
	TOTAL CURRENT LIABILITIES	<u>46,867</u>	<u>47,145</u>
	TOTAL LIABILITIES	<u>53,837</u>	<u>54,102</u>
	TOTAL NET ASSETS AND LIABILITIES	<u>\$ 139,727</u>	<u>\$ 137,211</u>

(Concluded)

See notes to financial statements.

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES DIVISION OF WATER POLLUTION CONTROL

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2003 and 2002

		<i>(In thousands)</i>	
		2003	2002
OPERATING REVENUES			
Charges for services		\$ 18,878	\$ 19,271
	TOTAL OPERATING REVENUES	<u>18,878</u>	<u>19,271</u>
OPERATING EXPENSES			
Operations		7,750	6,897
Maintenance		6,896	7,385
Depreciation		3,874	3,990
	TOTAL OPERATING EXPENSES	<u>18,520</u>	<u>18,272</u>
	OPERATING INCOME	<u>358</u>	<u>999</u>
NON-OPERATING REVENUE (EXPENSE)			
Investment income		690	832
Interest expense		(256)	(260)
Workers comp refund		7	14
Gain (loss) on disposal of capital assets		5	(6)
Other			40
	TOTAL NON-OPERATING REVENUE (EXPENSE), NET	<u>446</u>	<u>620</u>
	INCOME BEFORE CAPITAL AND OTHER CONTRIBUTIONS	<u>804</u>	<u>1,619</u>
Capital and other contributions		<u>1,977</u>	<u></u>
	INCREASE IN NET ASSETS	2,781	1,619
NET ASSETS, beginning of year		<u>83,109</u>	<u>81,490</u>
NET ASSETS, end of year		<u>\$ 85,890</u>	<u>\$ 83,109</u>

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES DIVISION OF WATER POLLUTION CONTROL STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2003 and 2002

	<i>(In thousands)</i>	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 18,772	\$ 18,475
Cash payments to suppliers for goods or services	(6,504)	(6,011)
Cash payments to employees for services	(7,868)	(7,473)
Agency activity on behalf of other sewer authorities	(530)	(1,605)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,870	3,386
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Workers compensation refund	7	23
Litigation settlement	(39)	(900)
NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES	(32)	(877)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(3,667)	(5,001)
Principal paid on long-term debt	(492)	(619)
Interest paid on long-term debt	(256)	(260)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(4,415)	(5,880)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(32,266)	(27,761)
Proceeds from sale and maturity of investment securities	33,589	16,396
Interest received on investments	665	836
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	1,988	(10,529)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,411	(13,900)
CASH AND CASH EQUIVALENTS, beginning of year	15,209	29,109
CASH AND CASH EQUIVALENTS, end of year	\$ 16,620	\$ 15,209

(Continued)

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2003 and 2002

	<i>(In thousands)</i>	
	2003	2002
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME	\$ 358	\$ 999
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,874	3,990
Changes in assets and liabilities:		
Accounts receivable, net	(90)	510
Accrued and unbilled revenue	4	(34)
Due from other City of Cleveland departments, divisions or funds	(136)	(749)
Materials and supplies, net	(14)	5
Accounts payable	24	15
Amounts due for billing on behalf of others	597	(1,216)
Due to other City of Cleveland departments, divisions or funds	(1,061)	773
Accrued wages and benefits	314	(7)
Other accrued expenses		(900)
TOTAL ADJUSTMENTS	3,512	2,387
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,870	\$ 3,386

(Concluded)

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, 2003 and 2002**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Water Pollution Control (the "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 (the "City's") primary government. The Division was created for the purpose of supplying sewer services to customers within the metropolitan area. The following is a summary of the more significant accounting policies.

Reporting Model and Basis of Accounting: The accounting policies and financial reporting practices of the Division comply with accounting principles generally accepted in the United States of America applicable to governmental units. Effective January 1, 2002, the Division changed its financial reporting by implementing the provisions of Statement No. 34 of the Governmental Accounting Standards Board (GASB), *Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These "Reporting Model" statements affected the way the Division prepares and presents financial information. As a result of the implementation of these new GASB statements, the amount previously reported as the Division's equity is now reported as the Division's net assets in the accompanying balance sheets, and the net assets are divided into two categories as follows:

- Amount invested in capital assets, net of related debt.
- Remaining unrestricted amount.

In addition, certain additional financial information regarding the Division is included in these footnotes. The implementation of the new GASB statements did not result in a change in the Division's beginning net asset/equity balance as previously reported.

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 sewer services to residential, commercial and industrial customers based upon actual water consumption. Sewer rates are authorized by City Council and billings are made on a cyclical basis. Estimates for services between the end of the various cycles and the end of the year are recorded as unbilled revenue.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2003 and 2002**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 maturity of three months or less when purchased and include certificates of deposit, U.S. Treasury bills, State Treasury Asset Reserve of Ohio (STAROhio) 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 value is based on quoted market rates.

The City has invested funds in STAROhio during fiscal year 2003 and 2002. 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, 2003 and 2002.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at fair market value as of the date received. Depreciation is computed by allocating the cost of capital assets over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as a tangible item with a useful life in excess of one year and an individual cost of more than \$5,000 for furniture, fixtures, equipment and vehicles and \$10,000 for all other assets. When capital assets are 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	5 to 75 years
Furniture, fixtures, equipment and vehicles	5 to 15 years

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2003 and 2002**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: The Division accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying balance sheets. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

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

NOTE B - LONG-TERM DEBT

Long-term debt outstanding at December 31, 2003 and 2002 is as follows:

	<u>Interest Rate</u>	<u>Original Issuance</u>	<u>2003</u>	<u>2002</u>
	<u>(In thousands)</u>			
Ohio Water Development Authority (OWDA):				
Construction loans due in annual installments of \$282,000 including interest, through 2003	5.25% - 6.25%	\$ 3,803	\$	\$ 134
Water Pollution Control loans – due in annual installments of \$477,966 to \$582,790, including interest through 2017	4.04% - 4.18%	7,897	5,821	6,155
Ohio Public Works Commission (OPWC) Loans payable annually through 2022	0%	<u>481</u>	<u>431</u>	<u>231</u>
		<u>\$ 12,181</u>	6,252	6,520
Less:				
Current portion			<u>(371)</u>	<u>(480)</u>
Total Long-Term Debt			<u>\$ 5,881</u>	<u>\$ 6,040</u>

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2003 and 2002**

NOTE B - LONG-TERM DEBT (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2003 are as follows:

	<u>Balance January 1, 2003</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance December 31, 2003</u>	<u>Due Within One Year</u>
	(In thousands)				
Ohio Water Development Authority:					
Construction loans were due in annual installments of \$282,000 including interest, through 2003	\$ 134	\$	\$ (134)	\$	\$
Water Pollution Control loans – due in annual installments of \$477,966 to \$582,790, including interest through 2017	6,155		(334)	5,821	347
Ohio Public Works Commission Loan payable annually through 2022	<u>231</u>	<u>224</u>	<u>(24)</u>	<u>431</u>	<u>24</u>
Total loans	6,520	224	(492)	6,252	371
Accrued wages and benefits	<u>1,219</u>	<u>314</u>	<u></u>	<u>1,533</u>	<u>1,279</u>
Total	<u>\$ 7,739</u>	<u>\$ 538</u>	<u>\$ (492)</u>	<u>\$ 7,785</u>	<u>\$ 1,650</u>

Minimum principal and interest payments on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	(In thousands)		
2004	371	236	607
2005	386	221	607
2006	401	206	607
2007	416	191	607
2008	433	174	607
2009-2013	2,432	601	3,033
2014-2018	1,743	124	1,867
2019-2022	<u>70</u>	<u></u>	<u>70</u>
Total	<u>\$ 6,252</u>	<u>\$ 1,753</u>	<u>\$ 8,005</u>

The Ohio Water Development Authority Construction and Ohio Public Works Commission Loans were being paid from the revenues derived from operations of Water Pollution Control system.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2003 and 2002**

NOTE B - LONG-TERM DEBT (Continued)

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.

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 of 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 five SRF loan awards related to projects as of December 31, 2003.

In addition, the Division had two OPWC loan awards as of December 31, 2003. The loan related projects are for sewer repair and replacement at the Hamlet and Adolpha Streets intersection, and a storm water detention basin project at Kerruish Park. Both loans are interest-free and principal repayment will be made from the Division's operating revenues.

NOTE C - DEPOSITS AND INVESTMENTS

Deposits: The Division's carrying amount of deposits at the years ended December 31, 2003 and December 31, 2002 totaled \$5,870,000 and (\$503,000) and the Division's bank balances were \$5,596,000 and \$517,000, respectively. The difference represents normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, the entire 2003 balance and \$470,000 of the 2002 balance were insured or collateralized with securities held by the City or by its agent in the City's name. The remaining balance of \$47,000 at December 31, 2002 was uncollateralized as defined by the GASB because it 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, as permitted under Ohio law.

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; 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 STAROhio. Generally, investments are recorded in segregated accounts by way of book entry through the banks' commercial or trust department and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City,

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2003 and 2002**

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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 credit risk 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 since they have a maturity of three months or less:

<u>Type of Investment</u>	<u>Risk Category</u>	<u>2003 Fair Value</u>	<u>2003 Cost</u>	<u>2002 Fair Value</u>	<u>2002 Cost</u>
(In thousands)					
U.S. Agency Obligations	1	\$ 16,782	\$ 16,724	\$ 18,098	\$ 18,047
STAROhio	n/a	9,695	9,695	14,676	14,676
Investment in Mutual Funds	n/a	<u>1,055</u>	<u>1,055</u>	<u>1,036</u>	<u>1,036</u>
Total Investments		27,532	27,474	33,810	33,759
Total Deposits		<u>5,870</u>	<u>5,870</u>	<u>(503)</u>	<u>(503)</u>
Total Deposits and Investments		<u>\$ 33,402</u>	<u>\$ 33,344</u>	<u>\$ 33,307</u>	<u>\$ 33,256</u>

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.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2003 and 2002**

NOTE D - CAPITAL ASSETS

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

	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003
	(In thousands)			
Capital assets, not being depreciated:				
Land	\$ 297	\$	\$	\$ 297
Construction in progress	<u>3,053</u>	<u>3,840</u>	<u>(4,454)</u>	<u>2,439</u>
Total capital assets, not being depreciated	3,350	3,840	(4,454)	2,736
Capital assets, being depreciated:				
Utility plant	105,224	6,485	(228)	111,481
Furniture, fixtures, equipment and vehicles	<u>6,087</u>	<u>477</u>	<u>(37)</u>	<u>6,527</u>
Total capital assets, being depreciated	111,311	6,962	(265)	118,008
Less: Accumulated depreciation	<u>(52,864)</u>	<u>(3,962)</u>	<u>46</u>	<u>(56,780)</u>
Total capital assets being depreciated, net	<u>58,447</u>	<u>3,000</u>	<u>(219)</u>	<u>61,228</u>
Capital assets, net	<u>\$ 61,797</u>	<u>\$ 6,840</u>	<u>\$ (4,673)</u>	<u>\$ 63,964</u>

Commitments: The Division had outstanding commitments of approximately \$7,464,000 and \$9,600,000 for future capital expenditures at December 31, 2003 and 2002, respectively. It is anticipated that these commitments will be financed from the Division's cash balances. However, at the discretion of the Division, additional long-term debt may be issued in the future to finance a portion of the costs.

NOTE E - EMPLOYEES RETIREMENT PLAN

All full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

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

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2003 and 2002**

NOTE E - EMPLOYEES RETIREMENT PLAN (Continued)

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

The Ohio Revised Code provides statutory authority for member and employer contributions. Member and employer contribution rates were consistent across all three plans (TP, MD and CO). Member contribution rates were 8.5% and employer contribution rates were 13.55% of covered payroll. The Division's required employer contributions to OPERS for all plans for the years ending December 31, 2003, 2002 and 2001 were approximately \$784,000, \$765,000, \$711,000 each year, respectively. The required payments due in 2003, 2002 and 2001 have been made.

NOTE F - OTHER POST-EMPLOYMENT BENEFITS

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

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The Division's contribution rate was 13.55% of covered payroll, and 5.00% was used to fund health care for the year. The Ohio Revised Code provides the statutory authority to require public employers to fund post retirement health care through their contributions to OPERS. The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2002 was 8%. An annual increase of 4%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from 0.50% to 6.30%.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2003 and 2002**

NOTE F - OTHER POST-EMPLOYMENT BENEFITS (Continued)

Health care costs were assumed to increase 4.00% annually. OPEBs are advance-funded on an actuarially determined basis. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The employer contribution rates are the actuarially determined contribution requirements for OPERS. The Division's actual contributions for 2003, which were to fund post employment benefits, were approximately \$289,000. \$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

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

NOTE G - CONTINGENT LIABILITIES AND RISK MANAGEMENT

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.

Risk Management: The Division 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 Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2003 or 2002.

The City provides the choice of four separate health insurance plans for its employees. These plans are provided by two different insurers through commercial insurance. Operating funds are charged a monthly rate per employee, by type of coverage. In 2002, the City participated in the State of Ohio workers' compensation premium program to provide workers' compensation benefits to its employees. In 2003, the City exercised the option of retrospective rating mechanism for our workers' compensation program.

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2003 and 2002**

NOTE G - CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims liability for the Division is immaterial.

NOTE H - RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides sewer 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 sewer services.

Billing and collection services for the Division are performed by the Division of Water for a fee. This fee is 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. Fees paid to the Division of Water for such services were approximately \$2,230,000 and \$2,239,000 in 2003 and 2002, 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:

	(In thousands)	
	2003	2002
Electricity purchases	\$ 178	\$ 187
Street construction and maintenance	189	228
City administration	285	181
Motor Vehicle Maintenance	391	264
Utilities Administration and Fiscal Control	181	218
Employee and other services provided by the Division of Water	448	470

**CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL**

**NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2003 and 2002**

NOTE I - 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 \$12,823 and \$13,200 for the years ended December 31, 2003 and 2002, respectively.



**Auditor of State
Betty Montgomery**

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CITY OF CLEVELAND - DIVISION OF WATER POLLUTION CONTROL

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 17, 2004**