CITY OF CLEVELAND
CUYAHOGA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2002

Auditor of State
Betty Montgomery

CITY OF CLEVELAND
CUYAHOGA COUNTY

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CITY OF CLEVELAND
CUYAHOGA COUNTY
CASH BASIS EXPENDITURES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2002

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Agriculture			
Direct Programs:			
Summer Food Service Program for Children 2002	10.559	-	142,281
		Total Department of agriculture	$ 142,281
Department of Energy			
Pass Through Programs:			
Ohio Department of Development:			
Weatherization Assistance for Low-Income Persons 2000	81.042	D-00-111	(9,444)
Weatherization Assistance for Low-Income Persons 2001	81.042	D-01-111	1,943
Weatherization Assistance for Low-Income Persons 2002	81.042	D-02-111	845,381
Weatherization Assistance for Low-Income Persons 2003	81.042		478,138
		Subtotal	1,316,018
		Total Department of Energy	$ 1,316,018
Department of Health and Human Services			
Direct Programs:			
Healthy Start Initiative PhII/YrI	93.926	-	1,403,797
Healthy Start Initiative Yr2	93.926	-	697
Healthy Start Initiative Yr 3	93.926	-	802,390
		Subtotal	2,206,884
Pass Through Programs:			
Federation for Community Planning:			
Immunization Grants 2001	93.268	-	11,762
Immunization Grants 2002	93.268	-	39,059
		Subtotal	50,821
Ohio Department of Health:			
Childhood Lead Poisoning Prevention 2000-2001	93.197	18-2-01-F-BD	7,065
Childhood Lead Poisoning Prevention 2000-2002	93.197	18-2-01-F-BE	67
Childhood Lead Poisoning Prevention 2001-2002	93.197	18-2-01-1-BE-02	63,066
Childhood Lead Poisoning Prevention 2002	93.197	18-2-01-1-BD-02	193,039
Childhood Lead Poisoning Prevention 2003	93.197	18-2-01-1-BD-03	155,568
Childhood Lead Poisoning Prevention 2003	93.197	18-2-01-1-BE-03	17,381
		Subtotal	436,186
Sexually Transmitted Diseases Program 2000	93.977	18-2-01-P-BX-392	
Sexually Transmitted Diseases Program 2001	93.977	18-2-01-P-BX-02	3,563
Sexually Transmitted Diseases Diagnosis & Treatment	93.977		138,243
		Subtotal	141,806
Acquired Immunodeficiency Syndrome (AIDS) Activity 2001	93.118		207,718
Acquired Immunodeficiency Syndrome (AIDS) Activity 2002	93.118		731,388
		Subtotal	939,106
Community Access Program 2002	93.252		372,780
Community Access Program 2003	93.252		29,705
		Subtotal	402,485
Ohio Department of Alcohol and Drug Addiction Services:			
Centerpoint/Reward 1994	93.959	-	(2)
Centerpoint/Reward 2002	93.959	-	143,517
Centerpoint/Reward 2003	93.959	-	98,438
Drug Management 2001	93.959	-	540
Drug Management 2002	93.959	-	33,175
Drug Management 2003	93.959		18,954
Student Assistance 2002	93.959	-	43,011
Student Assistance 2003	93.959	-	34,558
		Subtotal	372,191
Ohio Department of Development:			
Low-Income Home Energy Assistance 1997	93.568	H-97-111	2
Low-Income Home Energy Assistance 1999	93.568	H-99-111	(133)
Low-Income Home Energy Assistance 2000	93.568	H-00-111	(2,129)
Low-Income Home Energy Assistance 2001	93.568	H-01-111	801,345
Low-Income Home Energy Assistance 2002	93.568	H-02-111	750,930
		Subtotal	1,550,015
Human Immunodeficiency Virus (HIV) 2002	93.944	18-2-001-1-DM-02	119,578
Human Immunodeficiency Virus (HIV) 2003	93.944		6,807
		Subtotal	126,385

CITY OF CLEVELAND
CUYAHOGA COUNTY
CASH BASIS EXPENDITURES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2002

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Health and Human Services--continued			
Supplemental Empowerment Zone - Title XX	93.585	G-98-01-244	143,679
		Subtotal	143,679
		Total Department of Health and Human Services	$ 6,369,558
Department of Housing & Urban Development			
Direct Programs:			
Community Development Block Grants:			
CDBG XX	14.218	-	$ 16,873
CDBG XXI	14.218	-	372,509
CDBG XXII	14.218	-	449,605
CDBG XXIII	14.218	-	1,088,013
CDBG XXIV	14.218	-	771,618
CDBG XXV	14.218	-	5,185,540
CDBG XXVI	14.218	-	5,490,580
CDBG Yr 27	14.218	-	14,292,928
CDBG Yr 28	14.218		11,348,652
CDBG Float Loan	14.218	-	7,982,585
CDBG - Home Ownership Zone - Sec 108LN	14.218	-	1,097,293
		Subtotal	48,096,196
Fair Housing Board Yr 27	14.218		2,586
Yr 28 Fair Housing Grant	14.218		46,012
CDBG Fair Housing Budget	14.218		1,108
SHAP/CHORE 2001-2002	14.218		117,663
SHAP/CHORE 2002-2003	14.218		39,693
Youth at Risk 27	14.218		50,000
School Safety Initiative	14.218		90,595
CDBG AIDS Yr 27 FY2000	14.218		511,863
CDBG AIDS Yr 28	14.218		206,391
AIDS Prevention Prgm Yr24-26	14.218		1,819
Project Clean 97	14.218		52,954
Project Clean- CDBG yr 27	14.218		337,492
Project Clean yr28 CDBG	14.218		544,479
		Subtotal	2,002,655
Multifamily Property Disposition	14.199		13,848,068
		Subtotal	13,848,068
HOME Investment Partnerships Program 1992	14.239		611,757
HOME Investment Partnerships Program 1993	14.239		25,851
HOME Investment Partnerships Program 1997	14.239		(67,571)
HOME Investment Partnerships Program 1998	14.239		2,010,301
HOME Investment Partnerships Program 1999	14.239		6,720
HOME Investment Partnerships Program 2000	14.239		1,597,342
HOME Investment Partnerships Program 2001	14.239		2,289,984
HOME Investment Partnerships Program 2002	14.239		2,575,782
		Subtotal	9,050,166
Emergency Shelter Grants Program 1997	14.231	-	
Emergency Shelter Grants Program 1998	14.231		(8,005)
Emergency Shelter Grants Program 1999	14.231		(189)
Emergency Shelter Grants Program 2000	14.231		89,350
Emergency Shelter Grants Program 2001	14.231		964,641
		Subtotal	1,045,797
Housing Opportunities for Persons With Aids 1998	14.241		37,437
Housing Opportunities for Persons With Aids 2000	14.241		257,166
Housing Opportunities for Persons With Aids 2001	14.241		465,183
Housing Opportunities for Persons With Aids 2002	14.241		545,971
Housing Opportunities for Persons With Aids 2003	14.241		220,359
		Subtotal	1,526,116
Lead - Based Paint Hazard Control in Privately - Owned Housing 2001	14.900	-	1,351,225
		Subtotal	1,351,225
Empowerment Zone Grants			
Empowerment Zones Program	14.244	-	9,762,212
		Subtotal	9,762,212
		Total Department of Housing and Urban Development	86,682,435

CITY OF CLEVELAND
CUYAHOGA COUNTY
CASH BASIS EXPENDITURES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2002

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Justice			
Direct Programs:			
Local Law Enforcement Block Grants Program 98	16.592	-	101
Local Law Enforcement Block Grants Program 99	16.592	-	661,708
Local Law Enforcement Block Grants Program 00	16.592	-	2,095,147
		Subtotal	2,756,956
Cops in School	16.710		329,345
		Subtotal	329,345
Distressed Neighborhoods	16.710		3,791,198
		Subtotal	3,791,198
Bulletproof Vest Partnership Program 2000	16.607		4,848
Bulletproof Vest Partnership Program 2001	16.607		54,605
		Subtotal	59,453
Pass Through Programs:			
Office of Criminal Justice Services:			
Byrne Formula Grant Program 2002	16.579	01-DG-A01-7424	100,000
		Subtotal	100,000
Violence Against Women Formula Grants 2001	16.588	00-WF-VA2-8670	153,838
Violence Against Women Formula Grants 2002	16.588	01-WF-VA2-8670	225,747
		Subtotal	379,585
Juvenile Accountability Incentive Block Grants	16.523	98-JB-013-A006	14
Juvenile Accountability Incentive Block Grants 2000	16.523	00-JB-002-A006	261,222
Juvenile Accountability Incentive Block Grants 2002	16.523		202,852
		Subtotal	464,088
		Total Department of Justice	$ 7,880,625
Department of Treasury			
Direct Programs:			
G.R.E.A.T. 2001	21.053	ATC010045	23,827
G.R.E.A.T. 2002	21.053	ATC020121	2,633
		Subtotal	26,460
		Total Department of Treasury	$ 26,460
Department of Labor			
Direct Programs:			
Urban/Rural Opportunities Grant	17.258	-	$ 52,654
Youth Opportunity Area Grant	17.259	-	4,660,657
		Subtotal	4,713,311
Pass Through Programs:			
Ohio Department of Jobs and Family Services:			
WIA 2000	17.258	-	8,666,987
WIA 2002	17.258	-	7,330,640
WIA 2003	17.258		5,466,294
WIA Aging 2000-2001	17.258	-	
WIA 2001- 2002	17.258	-	97,442
WIA 2002- 2003	17.258		23,842
WIA SHARED COSTS/INTERDEPT CHG	17.258	-	81,831
		Subtotal	21,667,036
Pass Through Programs:			
Ohio Bureau of Employment Services:			
JTPA- '99 Administrative Cost Pool	17.250	-	32,075
		Subtotal	32,075
		Total Department of Labor	$ 26,412,422
Department of Transportation			
Direct Programs:			
Federal Aviation Administration:			
AIP FYOI LOI Award	20.106	-	27,812,751
		Subtotal	27,812,751
Pass Through Programs:			
Ohio Department of Development:			
Highway Planning and Construction	20.205	-	20,000
		Subtotal	20,000
ODOT Bessemer Ave	20.205	**Subtotal**	253,855
Federal Highway Administration	20.205	**Subtotal**	42,876
Transportation Enhance TEA 21	20.205	**Subtotal**	92,945
		Total Department of Transportation	$ 28,222,427

CITY OF CLEVELAND
CUYAHOGA COUNTY
CASH BASIS EXPENDITURES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2002

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Environmental Protection Agency			
Direct Programs:			
Air Pollution Control Program Support 1994	66.001	-	$ (1,906)
Air Pollution Control Program Support 1997	66.001	-	(702)
Air Pollution Control Program Support 2000	66.001	-	2,608
Air Pollution Control Program Support 2001	66.001	-	1,767
Air Pollution Control Program Support 2002	66.001	-	1,727,469
Air Pollution Control Program Support 2003	66.001	-	384,475
		Subtotal	2,113,711
Pass Through Program:			
Ohio Environmental Protection Agency:			
Air Pollution Control Program Support 1999	66.001	-	64,787
		Subtotal	64,787
		Total Environmental Protection Agency	$ 2,178,498
		Grand Total	$ 159,230,724

Notes to Schedule of Federal Awards Expenditures
For The Year Ended December 31, 2002

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 cash 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.

Rainbow Terrace 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 Rainbow Terrace 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 Community Development Block Grant funds.

The UpFront Grant will be allocated and loaned to the Developer in accordance with the Promissory Note. Interest on this Note began to accrue on August 20, 2002 at a fixed annual rate of 5.60% with this Note maturing on August 20, 2045.

The City used $11,701,404 in grant funds to purchase a Bond through Cuyahoga County per the Grant agreement. The country transferred the bond proceeds to the Project Trustee. The City expensed $11,701,404 after it purchased these bonds. The City transferred the funds to the trustee per the Grant agreements. 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.

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Auditor of State
Betty Montgomery

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

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

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

We have audited the basic financial statements of the City of Cleveland, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated June 26, 2003, wherein we noted, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements– and Management's Discussion and Analysis– for State and Local Governments*. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 26, 2003.

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 as items 2002-001 through 2002-003.

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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, we believe that none of the reportable conditions described above are 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 the management of the City in a separate letter dated June 26, 2003.

This report is intended for the information and use 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.

Betty Montgomery

Betty Montgomery
Auditor of State

June 26, 2003

Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT OF COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

City of Cleveland
Cuyahoga County
601 Lakeside Avenue
Cleveland, OH 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, 2002. 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 laws, regulations, contracts and grants applicable to each of its major federal programs is 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 Circular 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 each of its major federal programs for the year ended December 31, 2002. However, we noted certain immaterial instances of noncompliance applicable to its major federal programs that we have reported to management of the City in a separate letter dated June 26, 2003.

The Office of Inspector General for the U.S. Department of Housing & Urban Development has issued a report on the Empowerment Zone Grants, in which they have reported a questioned cost of $11,636,069.

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 as items 2002-001, 2002-002, and 2002-004.

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, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to the management of the City in a separate letter dated June 26, 2003.

Schedule of Federal Awards Expenditures

We have audited the basic financial statements of the City as of and for the year ended December 31, 2002, and have issued our report thereon dated June 26, 2003, wherein we noted, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements– and Management's Discussion and Analysis– for State and Local Governments*. Our audit was performed for the purpose of forming an opinion on the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use 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.

Betty Montgomery

Betty Montgomery
Auditor of State

June 26, 2003

CITY OF CLEVELAND
CUYAHOGA COUNTY
DECEMBER 31, 2002

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

1. SUMMARY OF AUDITOR'S RESULTS

A-133 §.505

(d)(1)(i)	***Type of Financial Statement Opinion***	Unqualified
(d)(1)(ii)	***Were there any material control weakness conditions reported at the financial statement level (GAGAS)?***	No
(d)(1)(ii)	***Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?***	Yes
(d)(1)(iii)	***Was there any reported non-compliance at the financial statement level (GAGAS)?***	No
(d)(1)(iv)	***Were there any material internal control weakness conditions reported for major federal programs?***	No
(d)(1)(iv)	***Were there any other reportable internal control weakness conditions reported for major federal programs?***	Yes
(d)(1)(v)	***Type of Major Programs' Compliance Opinion***	Unqualified
(d)(1)(vi)	***Are there any reportable findings under Sec. .510?***	Yes
(d)(1)(vii)	***Major Programs (list)***	CDBG CFDA # 14.218 Federal Home CFDA # 14.239 Empowerment Zone CFDA # 14.244 Airport Improvement CFDA # 20.106 COPS CFDA # 16.710 WIA CFDA # 17.258 / 17.259 Multifamily Housing CFDA # 14.199
(d)(1)(viii)	***Dollar Threshold: Type A/B Programs***	Type A: > $3,000,000 Type B: all others
(d)(1)(ix)	***Low Risk Auditee?***	No

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

Finding Number	*2002-001*

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 wire transfers to vendors disclosed the Commissioner of originating department approval was not documented 28% of the time.

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 funds.

Timely Posting of Wire Transfers
The Treasury Division records bank 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, 68% were not posted into the system in a timely (within 3 days) fashion.

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. 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.

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

REPORTABLE CONDITIONS (Continued)

Finding Number	*2002-002*

Negative Cash Balances

At December 31, 2002 the following funds, the majority of which are federal funds, had negative cash balances:

Fund Name	Cash Fund Balance – 12/31/02
Community Development Block Grant Fund	($ 956,165)
Home Weatherization Grant	($ 379,493)
WIA Grants	($10,450,807)
Cleveland Stadium Operations	($ 424,448)
Grant Improvement Fund	($ 4,463,585)
Payroll Agency	($ 18,814)

These negative numbers represent the cash expenditures that the City made for the fund's purpose in excess of the revenue received. 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 cash fund balances could put a financial burden on the City if not adequately monitored and/or corrected on a timely basis.

We recommend the City generate reports and review cash fund balances on a monthly basis, at a minimum, to determine if any negative balances exist. Also, management should implement procedures for federal funds that would ensure advances or draw downs would be processed in a timely manner so excessive City funds would not be utilized before funds are received. Further, we recommend the City advance monies from the General Fund to funds, when they are required to expend monies, prior to receiving reimbursements.

Finding Number	*2002-003*

Police Department Payroll Approval

The City's payroll process involves approval of time worked by employees each pay period. This approval is evidenced by a signature of the employee's supervisor on the employee's time sheet. Police Department employees utilize a computerized time-keeping device called KMAN to record their time on a daily basis. Daily "Duty Assignment" sheets are generated from the computer system, which are to be signed and approved by the employee's supervisor.

During our review of police department timesheets, we determined that approximately 32% of the time sheets were not signed and approved by the employee's supervisor.

The failure of supervisors to review and approve time worked by employees could result in the City paying employees for incorrect hours.

We recommend the Police Department supervisors sign and approve their employees' Daily "Duty Assignment" sheets on a daily basis.

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

3. FINDINGS FOR FEDERAL AWARDS

REPORTABLE CONDITIONS (Continued)

Finding Number	*2002-004*

Rainbow Terrace and Longwood Apartments (Renamed Arbor Park Village) Agreements*

The Grant Agreements by and between the Secretary of Housing and Urban Development (HUD) and the City of Cleveland (Grantee) for the Rainbow Terrace Apartments and Longwood Apartments Projects, state:

> 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 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 Grant Agreement also assigns various other responsibilities to the Grantee, 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 the grant funds to purchase OHFA Bonds per the Grant Agreements. In both projects, the issuer of the bonds transferred the bond proceeds to the Project Trustee. In addition, the City transferred grant funds directly 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.

The City has relied on HUD for both monitoring of Davis-Bacon compliance and for the required proportionality testing. We recommend the City implement monitoring controls to verify all necessary contract compliance. These controls must be documented and made available to all necessary agencies.

CITY OF CLEVELAND
CUYAHOGA COUNTY
DECEMBER 31, 2002

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; **Explain**
2001-20818-001	Budgetary Compliance ORC § 5705.41(D)	No	Partially corrected – Comment modified and reissued in the Management Letter.
2001-20818-002	Budgetary Compliance ORC §5705.39	No	Significant action taken. Comment reissued in the Management Letter.
2001-20818-003	Negative Cash Balances	No	Comment modified and reissued in 2002. See finding number 2002-002.
2001-20818-004	Expenditures Exceed Appropriations	No	Significant action taken. Comment reissued in the Management Letter.
2001-20818-005	Appropriations Exceeding Estimated Revenues	No	Partially corrected - Comment modified and reissued in the Management Letter.
2001-20818-006	Estimated Revenue vs. Actual Revenue Appropriation	No	Partially corrected – Comment modified and reissued in the Management Letter.
2001-20818-007	Implementation of GASB 34	Yes	
2001-20818-008	Proper Approval of Journal Entries	Yes	
2001-20818-009	Cash & Investment Accounts	No	Partially corrected - Comment modified and reissued in the Management Letter.
2001-20818-010	Wire transfers	No	Partially corrected - Comment modified and reissued in 2002. See finding 2002-001.
2001-20818-011	PeopleSoft-Security Administration of the NT Server	No	Partially corrected – Comment modified and reissued in the Management Letter.
2001-20818-012	Encumbrances	Yes	
2001-20818-013	Investment Income	Yes	

CITY OF CLEVELAND
CUYAHOGA COUNTY
DECEMBER 31, 2002

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COST
OMB CIRCULAR A-133 § .315 (b)
(Continued)

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; **Explain**
2001-20818-014	Fixed Assets	Yes	
2001-20818-015	WIA Contracts With United Labor Agency #57188 and #58525	No	Partially corrected – The City is furnishing additional documentation on the remaining $1,500,000 in questioned cost to the Ohio Department of Jobs and Family Services.
2001-20818-016	Longwood Estates Agreement	No	Comment modified and reissued in 2002. See finding number 2002-004.
2001-20818-017	Negative Cash Fund Balances	No	Comment modified and reissued in 2002. See finding number 2002-002.
2001-20818-018	Empowerment Zone—Community Development Centers	Yes	
2001-20818-019	Home Program – HUD – Federal Expenditures	No	Partially corrected - Comment modified and reissued in the Management Letter.

CITY OF CLEVELAND, OHIO

CENTRAL COLLECTION AGENCY

DEPARTMENT OF FINANCE
DIVISION OF TAXATION

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2002 and 2001

CITY OF CLEVELAND

CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Central Collection Agency
Division of Taxation
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 Central Collection Agency Internal Service and Agency Funds, Division of Taxation, City of Cleveland, Ohio, as of and for the years ended December 31, 2002 and December 31, 2001, as listed in the table of contents. These financial statements are the responsibility of the Central Collection Agency'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 discussed in Note 1, the financial statements present only the Central Collection Agency Internal Service and Agency Funds and do not purport to, and do not, present fairly the financial position of the City of Cleveland, as of December 31, 2002 and December 31, 2001, 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 Central Collection Agency Internal Service and Agency Funds as of December 31, 2002 and December 31, 2001, 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.

The Schedule of Cash Receipts and Distribution of Funds, the Schedule of Allocation of Net Operating Expenses, and the Schedule of Income Taxes Receivable are presented for purposes of additional analysis and are not a required part of the Central Collection Agency Internal Service and Agency Funds financial statements. Such information has been subjected to the auditing procedures applied in the audits of the Central Collection Agency Internal Service and Agency Funds financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the Central Collection Agency Internal Service and Agency Funds financial statements taken as a whole.

Betty Montgomery

Betty Montgomery
Auditor of State

June 26, 2003

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CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the "City") Department of Finance, Division of Taxation (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 years ended December 31, 2002 and December 31, 2001. Please read this information in conjunction with the Division's basic financial statements and footnotes that begin on page 8.

The Division of Taxation was created in 1966 by the enactment of the City of Cleveland's Income Tax Ordinance providing the City's Income Tax Administrator with the authority to enter into agreements with any other municipal corporation to administer income tax laws and to provide for a central income tax collection facility. The Division began with 14 member communities and currently provides a full range of tax collection services for 44 member communities throughout 14 Ohio counties. The Division employs more than 100 individuals to process more than 1.2 million returns, estimated payments, and tax assessments. In 2002, the Division collected more than $414 million, which represents over 20% of the total income tax revenues collected for all municipalities within the State of Ohio.

FINANCIAL HIGHLIGHTS

- The assets and the liabilities of the Division equal $96,453,886 at December 31, 2002.
- The Division's total assets decreased by $3,950,443 during 2002 primarily due to a decrease in taxes receivable.
- The Division's total cash receipts of $414 million consisted of $335 million of employer withholding, $33 million of business profits, $40 million of individual payments, and $6 million of other payments.
- During 2002, the Division's total operational cost was $6,060,480. This consists of $4,454,250 of employee's wages and benefits, $260,281 of allocated charges, and $1,345,949 of other miscellaneous expenses.
- The Division provides a mechanism for member municipalities to maximize efficiencies, minimize costs and capitalize from economies of scale. Pooling tax collections and investing at current market rates allows the operational costs of the Division to be reduced by interest income. The Division's member municipalities also benefit by printing and mailing large volumes of income tax forms to their taxpayers.

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 Taxation Fund, in which the City of Cleveland accounts for the operations of the Department of Finance, Division of Taxation. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The Division of Taxation operates two funds. The operating fund is considered an internal service proprietary fund because the operations of the Division are similar to a private-sector business enterprise. Accordingly, in accounting for the operating 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 second fund is an agency fund, which is used to account for the collection and remittance of income taxes for the member municipalities. For accounting purposes, the agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of operations. All financial transactions for the agency fund are reported on the accrual basis of accounting.

The basic financial statements of the Division can be found on pages 8-11 of this report.

The notes to the financial statements and accompanying schedules 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 and accompanying schedules can be found on pages 12-21 of this report.

CONDENSED BALANCE SHEET INFORMATION

Provided below is condensed balance sheet information for the Internal Service and Agency funds of the Division as of December 31, 2002 and 2001:

	2002	2001	Increase/ (Decrease)
Assets:			
Cash and cash equivalents	$ 12,157,256	$ 14,090,424	$ (1,933,168)
Taxes receivable	81,447,294	85,316,896	(3,869,602)
Due from CCA internal service fund	2,507,784		2,507,784
Due from the City of Cleveland	9,004	684,163	(675,159)
Due from member municipalities	332,548	312,846	19,702
Total assets	96,453,886	100,404,329	(3,950,443)
Liabilities:			
Accounts payable	106,643	311,370	(204,727)
Due to CCA agency fund	2,507,784		2,507,784
Due to the City of Cleveland	54,563,022	58,253,076	(3,690,054)
Due to member municipalities	38,701,127	41,190,486	(2,489,359)
Due to other governments	2,741		2,741
Accrued wages and benefits	572,569	649,397	(76,828)
Total liabilities	$ 96,453,886	$ 100,404,329	$ (3,950,443)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION (Continued)

Assets: The Division collects and disburses income tax receipts monthly. Assets primarily consist of cash on hand and anticipated income tax receivable. The decrease in assets is primarily attributable to the Division's taxes receivable which is substantiated by the overall decrease in income tax collections.

Liabilities: Liabilities primarily consist of amounts owed to member municipalities, therefore, the decline in due to member communities reflects the corresponding decrease in income taxes receivable.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Internal Service Fund		
	2002	**2001**	**Increase/ (Decrease)**
Operating Revenues			
Charges for services	$ 5,798,865	$ 5,208,438	$ 590,427
Total operating revenues	5,798,865	5,208,438	590,427
Operating Expenses			
Salaries and wages	3,500,593	3,070,814	429,779
Employee benefits	953,657	849,978	103,679
Postage and office supplies	721,120	735,281	(14,161)
Allocation of City of Cleveland costs	260,281	347,723	(87,442)
Other administrative expenses	624,829	961,299	(336,470)
Total operating expense	6,060,480	5,965,095	95,385
Operating loss	(261,615)	(756,657)	495,042
Interest income	261,615	756,657	(495,042)
Change in net assets	-	-	-
Net assets at beginning of year	-	-	-
Net assets at end of year	$ -	$ -	$ -

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (Continued)

The rise in salaries and wages was due to three factors:

- The addition of eight employees in 2002
- The across the board salary increase for all employees of 3.5 percent
- An additional pay period in 2002

These factors contributed to the 14 percent increase over 2001. These same factors correspondingly raised employee benefit costs by 12.2 percent.

The 25.1 percent decrease in the Allocation of City of Cleveland costs was entirely due to eliminating off-site data processing charges. In 2002, the Division was able to keep nearly all computer related charges in-house, which resulted in a cost savings of over $100,000.

The fluctuation in other administrative expenses was due to accrual expenditures from a prior year period that did not occur in 2001.

Due to steadily declining interest rates, investment income was lower in 2002 by almost $500,000.

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

The operating budget for the Division that was approved by the Cleveland City Council for 2003 provided for an increase in staffing and personnel expenditures by 5 percent. An increase in staffing in the legal section of the Division is intended to improve compliance with tax laws and in turn increase income tax collections. An increase in income tax revenue should have a positive impact on interest income that will correspondingly have a direct effect on reducing the overall costs to the member municipalities.

Due to the fact that the Division owns the Municipal Income Tax Information Systems (MITIS), computer costs will remain relatively constant.

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
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

STATEMENT OF ASSETS AND LIABILITIES - ALL FUND TYPES
For the Years Ended December 31, 2002 and 2001

	2002		2001	
	Proprietary Fund Type	Fiduciary Fund Type	Proprietary Fund Type	Fiduciary Fund Type
	Internal Service	Agency	Internal Service	Agency
ASSETS				
Cash and cash equivalents	$ 3,197,987	$ 8,959,269	$ 1,250,255	$ 12,840,169
Taxes receivable		81,447,294		85,316,896
Due from CCA internal service fund		2,507,784		
Due from the City of Cleveland	9,004		398,258	285,905
Due from member municipalities	9,967	322,581		312,846
TOTAL ASSETS	3,216,958	93,236,928	1,648,513	98,755,816
LIABILITIES				
Accounts payable	106,643		311,370	
Due to CCA agency fund	2,507,784			
Due to the City of Cleveland	27,221	54,535,801	687,746	57,565,330
Due to member municipalities		38,701,127		41,190,486
Due to other governments	2,741			
Accrued wages and benefits	572,569		649,397	
TOTAL LIABILITIES	$ 3,216,958	$ 93,236,928	$ 1,648,513	$ 98,755,816

See notes to financial statements.

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUND
For the Years Ended December 31, 2002 and 2001

	2002	2001
OPERATING REVENUES		
Charges for services	$ 5,798,865	$ 5,208,438
OPERATING EXPENSES		
Salaries and wages	3,500,593	3,070,814
Employee benefits	953,657	849,978
Postage and office supplies	721,120	735,281
Allocation of City of Cleveland costs	260,281	347,723
Other administrative expenses	624,829	961,299
TOTAL OPERATING EXPENSES	6,060,480	5,965,095
OPERATING LOSS	(261,615)	(756,657)
Interest income	261,615	756,657
CHANGE IN NET ASSETS	-	-
NET ASSETS AT BEGINNING OF YEAR	-	-
NET ASSETS AT END OF YEAR	$ -	$ -

See notes to financial statements.

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUND
For the Years Ended December 31, 2002 and 2001

		2002		2001
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from member municipalities	$	8,552,185	$	5,238,747
Cash payments to suppliers of goods and services		(2,337,635)		(2,044,304)
Cash payments for employee services and benefits		(4,528,433)		(3,920,792)
NET CASH PROVIDED BY OPERATING ACTIVITIES		1,686,117		(726,349)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earned on investments		261,615		756,657
NET CASH PROVIDED BY INVESTING ACTIVITIES		261,615		756,657
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,947,732		30,308
Cash and cash equivalents at beginning of year		1,250,255		1,219,947
Cash and cash equivalents at end of year	$	3,197,987	$	1,250,255
RECONCILIATION OF OPERATING LOSS TO NET PROVIDED BY OPERATIONS				
Operating loss	$	(261,615)	$	(756,657)
Adjustments to reconcile operating loss to net cash used in operations:				
Changes in assets and liabilities:				
Decrease (increase) in due from City of Cleveland		389,254		(194,043)
Decrease (increase) in due from member municipalities		(9,967)		
Increase (decrease) in accounts payable		(204,727)		223,921
Increase (decrease) in due to CCA agency fund		2,507,784		
Increase (decrease) in due to City of Cleveland		(660,525)		(53,365)
Increase (decrease) in due to other governments		2,741		
Increase (decrease) in accrued wages and benefits		(76,828)		53,795
Total Adjustments		1,947,732		30,308
Net Cash Provided by Operating Activities	$	1,686,117	$	(726,349)

See notes to financial statements.

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
For the Years Ended December 31, 2002 and 2001

	Balance 1/1/2002	Additions	Deductions	Balance 12/31/2002
ASSETS				
Cash and cash equivalents	$ 12,840,169	$ 414,571,765	$ (418,452,665)	$ 8,959,269
Taxes receivable	85,316,896	81,447,294	(85,316,896)	81,447,294
Due from the CCA internal service fund		2,507,784		2,507,784
Due from the City of Cleveland	285,905		(285,905)	
Due from member municipalities	312,846	322,581	(312,846)	322,581
TOTAL ASSETS	$ 98,755,816	$ 498,849,424	$ (504,368,312)	$ 93,236,928
LIABILITIES				
Due to the City of Cleveland	$ 57,565,330	$ 345,343,100	$ (348,372,629)	$ 54,535,801
Due to member municipalities	41,190,486	153,506,324	(155,995,683)	38,701,127
TOTAL LIABILITIES	$ 98,755,816	$ 498,849,424	$ (504,368,312)	$ 93,236,928

	Balance 1/1/2001	Additions	Deductions	Balance 12/31/2001
ASSETS				
Cash and cash equivalents	$ 19,414,667	$ 430,351,868	$ (436,926,366)	$ 12,840,169
Taxes receivable	51,502,083	85,316,896	(51,502,083)	85,316,896
Due from the City of Cleveland		285,905		285,905
Due from member municipalities	283,898	312,846	(283,898)	312,846
TOTAL ASSETS	$ 71,200,648	$ 516,267,515	$ (488,712,347)	$ 98,755,816
LIABILITIES				
Due to the City of Cleveland	$ 45,686,546	$ 355,323,212	$ (343,444,428)	$ 57,565,330
Due to member municipalities	25,514,102	160,944,303	(145,267,919)	41,190,486
TOTAL LIABILITIES	$ 71,200,648	$ 516,267,515	$ (488,712,347)	$ 98,755,816

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2002 and 2001

NOTE A--DESCRIPTION OF OPERATIONS AND BASIS OF PRESENTATION

The Central Collection Agency, Division of Taxation, City of Cleveland, Ohio (the "Agency") is reported as part of the City of Cleveland's primary government and was created for the purpose of collecting city income taxes and disbursing those funds to the respective member municipalities ("members") after payment of related expenses. Allocations of tax collections to members are based upon information provided by the taxpayers on the returns and supporting data. Such allocations are subject to adjustments in the subsequent year, dependent upon final returns filed by taxpayers and final review by the Agency. Refunds for overpayments are offset against allocated collections as amounts are determined.

<u>Basis of Presentation</u>: The financial statements are presented in accordance with Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification) which requires financial statements by fund type. These financial statements present a columnar total for all fund types included in the statement of assets and liabilities.

The following fund types are used by the Agency:

Proprietary Fund Type--Internal Service Fund: This fund is used to account for the services provided to members on a cost-reimbursement basis.

Fiduciary Fund Type--Agency Fund: This fund is used to account for assets held by the Agency as an agent for others.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Reporting Model:</u> The accounting policies and financial reporting practices of the Agency comply with accounting principles generally accepted in the United States of America applicable to governmental units. Effective January 1, 2002, the Agency changed its financial reporting by implementing the provisions of Statement No. 34 of the Governmental Accounting Standards Board (GASB), Ma*nagement's Discussion and Analysis – for State and Local Governments,* GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus,* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These "Reporting Model" statements affect the way the Agency prepares and presents financial information.

<u>Basis of Accounting</u>: All financial transactions for the Agency Fund are reported on the accrual basis of accounting. Under this accounting method, assets and the related liabilities at the end of the year primarily consist of individual income taxes receivable arising from payroll tax withholdings in December and a receivable for quarterly and annual payments of income taxes pertaining to net profits, self-employment and residents taxes earned in the prior years. For accounting purposes, the agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of operations. Financial transactions for the Internal Service Fund are reported on the accrual basis of accounting; revenues are recognized when earned and measurable, and expenses are recognized as incurred. For accounting purposes, the operations of the Internal Service Fund are similar to a private-sector business enterprise. Accordingly, in accounting for the operating activities, the economic resources measurement focus is used.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

With respect to proprietary activities, the Agency has adopted GASB 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units that Use Proprietary Accounting*. The Agency has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board pronouncements and Accounting Principles Board Opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

<u>Supplies</u>: Supplies are expensed when purchased.

<u>Statement of Cash Flows</u>: The Agency utilizes the direct method of reporting for the statement of cash flows as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* for its Internal Service Fund. 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

For purposes of this statement, cash and cash equivalents include highly liquid investments with a maturity of three months or less when purchased and all of the Agency's share of the City of Cleveland's pooled cash account.

<u>Allocation of Expenses</u>: The Agency allocates all operating expenses, net of interest income, to members based upon the arithmetic mean of the percentage of each municipality's transactions to total transactions and the percentage of each municipality's revenue to total revenue.

<u>Allocation of Interest Income</u>: Excess funds are invested on a daily basis and interest income earned on such investments is allocated to members based on the percentage of each municipality's revenue to total revenue. The City of Cleveland receives collections of tax receipts in advance of the regular monthly distribution date, and accordingly, interest income is allocated exclusively to the other members.

<u>Compensated Absences:</u> The Agency 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 unless written approval for carryover of vacation time is obtained. Sick days not taken may be accumulated until retirement. An employee is paid one-third of accumulated sick leave upon retirement, calculated at current wage rates, with the balance being forfeited.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2002 and 2001

NOTE C--POOLED AND SEGREGATED CASH AND INVESTMENTS

Cash resources of the City of Cleveland are combined to form a pool of cash and investments which is managed by the Treasurer of the City of Cleveland. Investments in the City of Cleveland Pooled Cash Account, in the amount of $3,197,987 at December 31, 2002 and $1,250,255 at December 31, 2001, consist primarily of certificates of deposit, repurchase agreements, U.S. Government securities, the State Treasurer's Asset Reserve Fund (STAROhio) and time deposits and are carried at market value which approximates cost. STAROhio is an investment pool created pursuant to Ohio Statutes and managed by the Treasurer of the State of Ohio. Interest earned on pooled cash and investments is distributed to the appropriate funds utilizing a formula based on weekly average balances of cash and marketable securities of each fund.

Segregated cash amounts of $8,959,269 for 2002 and $12,840,169 for 2001 are monies invested by the City Treasurer on behalf of the Agency and are used in daily operations with excess monies invested daily in STAROhio. These investments are carried at market value which approximates cost. Monies due to member agencies are disbursed from these funds on a monthly basis.

The Agency's investments with STAROhio at December 31, 2002 in the amount of $9,972,669 are not classified by risk categories because these investments do not meet the criteria established by GASB Statement No. 3. At December 31, 2001, the amount was $10,889,055. The GASB Statement No. 3 disclosure for the amount in the City of Cleveland Pooled Cash Account is included in the Comprehensive Annual Financial Report for the City of Cleveland.

NOTE D--DUE TO AND DUE FROM TRANSACTIONS

During the course of normal operations, the Agency has numerous transactions between its own funds and the municipalities which it serves, including transfers of resources to provide services. Such transactions are generally reflected as due to or due from account balances in the accompanying financial statements.

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DEPARTMENT OF FINANCE
DIVISION OF TAXATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2002 and 2001

NOTE D--DUE TO AND DUE FROM TRANSACTIONS (Continued)

Individual fund due to and due from receivables and payables balances as of December 31, 2002 are as follows:

	Internal Service Fund	Agency Fund	Total
Due from CCA internal service fund	$	$ 2,507,784	$ 2,507,784
Due from the City of Cleveland	9,004		9,004
Due from member municipalities	9,967	322,581	332,548
Total Due From	$ 18,971	$ 2,830,365	$ 2,849,336
Due to the CCA agency fund	2,507,784		2,507,784
Due to the City of Cleveland	27,221	54,535,801	54,563,022
Due to other governments	2,741		2,741
Due to member municipalities		38,701,127	38,701,127
Total Due To	$ 2,537,746	$ 93,236,928	$ 95,774,674

Individual fund due to and due from receivables and payables balances as of December 31, 2001 are as follows:

	Internal Service Fund	Agency Fund	Total
Due from the City of Cleveland	$ 398,258	$ 285,905	$ 684,163
Due from member municipalities		312,846	312,846
Total Due From	$ 398,258	$ 598,751	$ 997,009
Due to the City of Cleveland	687,746	57,565,330	58,253,076
Due to member municipalities		41,190,486	41,190,486
Total Due To	$ 687,746	$ 98,755,816	$ 99,443,562

NOTE E--PENSION AND RETIREMENT PLANS

All full-time employees participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board (the "Board"). OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Agency was 13.55 percent of covered payroll. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Agency's required employer contributions to OPERS for the years ending December 31, 2002, 2001 and 2000 were approximately $475,000, $400,000, $390,000 each year, respectively. The required payments due in 2002, 2001 and 2000 have been made.

NOTE F--OTHER POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postemployment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 and 2001 employer contribution rate was 13.55 percent of covered payroll; 5.0 percent in 2002 and 4.30 percent in 2001 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 OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional pay increases. Health care premiums were assumed to increase 4 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 402,041 at December 31, 2001. The Agency's actual contributions for 2002 which were used to fund postemployment benefits were approximately $175,000. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001 (the latest information available) were $11.6 billion. The actuarially accrued liability and the unfunded actuarial liability were $16.4 billion and $4.8 billion, respectively.

NOTE F--OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 under OPERS 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 their allowance toward specific medical expenses, much like a Medical Spending Account.

NOTE G--RELATED PARTY TRANSACTIONS

The Agency is provided various services by the City of Cleveland. Charges are based on actual use or on a reasonable pro rata basis. The more significant of these costs, as reported in the statement of revenues and expenses of the Internal Service Fund for the years ended December 31, 2002 and 2001, were as follows:

	2002	2001
Data processing	$ 3,850	$107,002
City administration	244,190	212,372
Office rent	0	408
Printing services	12,241	27,941
	$260,281	$347,723

NOTE H--DUE FROM MEMBER CITIES

The Agency has recorded certain liabilities in the Internal Service Fund related to compensated absences totaling $322,581 at December 31, 2002 and $312,846 at December 31, 2001. These amounts are recorded as due from member municipalities receivable in the Agency Fund.

NOTE I--CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Agency 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 Agency's financial position, results of operations or cash flows.

NOTE I--CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

Risk Management: The Agency 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 Agency is generally self-insured. No material losses, including incurred but not reported losses, occurred in 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. The City participates in the State of Ohio workers' compensation program to provide workers' compensation benefits to its employees.

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 Agency is immaterial.

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULE OF CASH RECEIPTS AND DISTRIBUTION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

Members	Balance Collected and Due Members January 1,2002	Cash Receipts Net	Total Cash Receipts	Cash Disbursed	Allocation of Net Operating Expenses	Total Disbursements and Expenses	Balance Collected And Due Members December 31,2002
Ada	52,538.73	794,199.14	846,737.87	770,061.15	18,614.33	788,675.48	58,062.39
Andover	54,249.28	620,200.90	674,450.18	624,205.62	10,197.78	634,403.40	40,046.78
Bratenahl	64,077.57	1,016,442.06	1,080,519.63	944,620.30	18,249.61	962,869.91	117,649.72
Burton	31,657.43	354,391.35	386,048.78	338,673.42	12,146.16	350,819.58	35,229.20
Chardon	218,962.80	2,347,943.13	2,566,905.93	2,322,130.27	61,938.59	2,384,068.86	182,837.07
Cleveland	2,977,448.11	282,831,674.29	285,809,122.40	279,828,786.16	3,498,226.10	283,327,012.26	2,482,110.14
Creston	11,698.09	308,172.70	319,870.79	290,433.50	11,417.16	301,850.66	18,020.13
Dunkirk	3,403.43	61,925.72	65,329.15	57,718.63	3,508.96	61,227.59	4,101.56
Euclid	2,079,200.92	24,227,545.67	26,306,746.59	24,108,286.90	363,090.76	24,471,377.66	1,835,368.93
Fairport Harbor	46,464.24	586,108.39	632,572.63	577,680.50	16,665.86	594,346.36	38,226.27
Gates Mills	154,309.54	1,397,480.44	1,551,789.98	1,421,354.19	29,130.72	1,450,484.91	101,305.07
Geneva	57,759.17	1,379,006.12	1,436,765.29	1,290,269.36	36,189.81	1,326,459.17	110,306.12
Geneva-on-the-Lake	3,021.39	89,936.96	92,958.35	85,802.41	5,517.01	91,319.42	1,638.93
Grand Rapids	9,949.29	197,828.16	207,777.45	189,701.46	8,752.43	198,453.89	9,323.56
Grand River	20,319.62	297,671.15	317,990.77	292,271.60	5,526.09	297,797.69	20,193.08
Highland Hills	321,845.59	2,676,999.19	2,998,844.78	2,788,870.52	23,986.59	2,812,857.11	185,987.67
Liberty Center	7,066.57	137,687.69	144,754.26	130,610.20	6,713.88	137,324.08	7,430.18
Linndale	6,921.29	75,722.51	82,643.80	74,707.43	1,152.29	75,859.72	6,784.08
Madison	51,054.36	700,807.62	751,861.98	688,394.87	26,252.08	714,646.95	37,215.03
Marblehead	8,315.18	42,381.45	50,696.63	48,311.83	2,384.81	50,696.64	0.00
Medina	313,248.42	4,624,132.10	4,937,380.52	4,456,555.95	172,704.02	4,629,259.97	308,120.55
Mentor	2,022,822.69	26,398,195.40	28,421,018.09	25,989,153.07	385,719.54	26,374,872.61	2,046,145.48
Mentor-on-the-Lake	45,942.82	693,511.57	739,454.39	669,531.35	25,440.39	694,971.74	44,482.65
Metamora	10,515.32	169,565.39	180,080.71	165,536.00	5,025.52	170,561.52	9,519.19
Middlefield	315,300.67	2,558,640.18	2,873,940.85	2,596,474.58	31,956.40	2,628,430.98	245,509.87
Northfield	58,210.43	662,836.61	721,047.04	650,365.80	21,776.76	672,142.56	48,904.48
North Baltimore	43,285.87	536,256.27	579,542.14	527,666.93	14,431.22	542,098.15	37,443.99
North Perry	53,717.30	857,994.64	911,711.94	846,555.56	10,167.10	856,722.66	54,989.28
North Randall	117,068.46	1,572,034.46	1,689,102.92	1,552,392.69	24,783.11	1,577,175.80	111,927.12
Village of Oakwood	-	17,856.92	17,856.92	11,379.88	261.71	11,641.59	6,215.33
Orwell	49,956.78	651,099.21	701,055.99	570,861.48	9,660.51	580,521.99	120,534.00
Painesville	510,501.17	7,052,563.33	7,563,064.50	6,894,051.72	114,296.65	7,008,348.37	554,716.13
Paulding	25,727.65	415,290.52	441,018.17	402,108.10	17,972.87	420,080.97	20,937.20
Peninsula	15,419.01	254,462.87	269,881.88	245,518.40	7,478.27	252,996.67	16,885.21
Perry	49,587.56	415,702.06	465,289.62	421,474.73	12,513.55	433,988.28	31,301.34
Rock Creek	6,020.58	68,623.92	74,644.50	65,396.43	3,649.07	69,045.50	5,599.00
Rocky River	702,363.68	7,472,886.64	8,175,250.32	7,469,797.29	174,907.60	7,644,704.89	530,545.43
Seville	50,286.63	676,635.34	726,921.97	659,374.56	20,082.15	679,456.71	47,465.26
South Russell	73,216.98	986,131.67	1,059,348.65	951,227.87	29,681.70	980,909.57	78,439.08
Timberlake	5,629.35	72,203.38	77,832.73	70,998.27	4,514.24	75,512.51	2,320.22
Wadsworth	425,317.31	4,888,587.44	5,313,904.75	4,794,451.05	124,011.86	4,918,462.91	395,441.84
Warrensville Heights	632,799.65	9,121,775.87	9,754,575.52	8,906,004.07	130,029.97	9,036,034.04	718,541.48
Willoughby	1,122,305.18	13,955,726.83	15,078,032.01	13,857,614.05	219,766.60	14,077,380.65	1,000,651.36
Willoughby Hills	245,759.43	2,761,244.31	3,007,003.74	2,749,096.40	78,372.90	2,827,469.30	179,534.44
Totals	13,075,265.54	407,028,081.57	420,103,347.11	402,396,476.55	5,798,864.73	408,195,341.28	11,908,005.84

CITY OF CLEVELAND, OHIO
CENTRAL COLLECTION AGENCY
DIVISION OF TAXATION

SCHEDULE OF ALLOCATION OF NET OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2002

Members	Cost Allocation Percent	Interest Allocation Percent	Cost Allocation Before Interest Income	Interest Income of Municipalities Other Than Cleveland	Allocation of Net Operating Expenses
Ada	0.334747%	0.639470%	$ 20,287.28	$ 1,672.95	$ 18,614.33
Andover	0.189824%	0.499371%	11,504.23	1,306.45	10,197.78
Bratenahl	0.336454%	0.818415%	20,390.71	2,141.10	18,249.61
Burton	0.212733%	0.285348%	12,892.67	746.51	12,146.16
Chardon	1.103616%	1.890508%	66,884.45	4,945.86	61,938.59
Cleveland	57.707206%	0.000000%	3,498,226.10	-	3,498,226.10
Creston	0.199098%	0.248133%	12,066.32	649.16	11,417.16
Dunkirk	0.060051%	0.049861%	3,639.40	130.44	3,508.96
Euclid	6.833209%	19.507445%	414,125.28	51,034.52	363,090.76
Fairport Harbor	0.295364%	0.471921%	17,900.48	1,234.62	16,665.86
Gates Mills	0.529240%	1.125218%	32,074.47	2,943.75	29,130.72
Geneva	0.645075%	1.110343%	39,094.64	2,904.83	36,189.81
Geneva-on-the-Lake	0.094159%	0.072415%	5,706.46	189.45	5,517.01
Grand Rapids	0.151294%	0.159287%	9,169.15	416.72	8,752.43
Grand River	0.101529%	0.239678%	6,153.12	627.03	5,526.09
Highland Hills	0.488833%	2.155456%	29,625.60	5,639.01	23,986.59
Liberty Center	0.115567%	0.110863%	7,003.91	290.03	6,713.88
Linndale	0.025589%	0.060970%	1,311.80	159.51	1,152.29
Madison	0.457527%	0.564274%	27,728.31	1,476.23	26,252.08
Marblehead	0.051601%	0.034125%	2,474.09	89.28	2,384.81
Medina	3.010398%	3.723241%	182,444.60	9,740.58	172,704.02
Mentor	7.282038%	21.255201%	441,326.46	55,606.92	385,719.54
Mentor-on-the-Lake	0.443880%	0.558399%	26,901.25	1,460.86	25,440.39
Metamora	0.088817%	0.136530%	5,382.71	357.19	5,025.52
Middlefield	0.616223%	2.060156%	37,346.09	5,389.69	31,956.40
Northfield	0.382362%	0.533700%	23,173.00	1,396.24	21,776.76
North Baltimore	0.256759%	0.431781%	15,560.83	1,129.61	14,431.22
North Perry	0.190620%	0.645203%	11,974.44	1,807.34	10,167.10
North Randall	0.463570%	1.265765%	28,094.55	3,311.44	24,783.11
Village of Oakwood	0.004939%	0.014378%	299.33	37.62	261.71
Orwell	0.182032%	0.524250%	11,032.03	1,371.52	9,660.51
Painesville	2.131063%	5.678557%	129,152.64	14,855.99	114,296.65
Paulding	0.310957%	0.334382%	18,848.53	875.66	17,972.87
Peninsula	0.132238%	0.204887%	8,014.29	536.02	7,478.27
Perry	0.227925%	0.380347%	13,388.35	874.80	12,513.55
Rock Creek	0.062596%	0.055254%	3,793.62	144.55	3,649.07
Rocky River	3.145774%	6.016991%	190,648.99	15,741.39	174,907.60
Seville	0.354880%	0.544811%	21,507.46	1,425.31	20,082.15
South Russell	0.524034%	0.794010%	31,758.95	2,077.25	29,681.70
Timberlake	0.076996%	0.058136%	4,666.33	152.09	4,514.24
Wadsworth	2.216153%	3.936175%	134,309.51	10,297.65	124,011.86
Warrensville Heights	2.462588%	7.344637%	149,244.69	19,214.72	130,029.97
Willoughby	4.111289%	11.236820%	249,163.87	29,397.27	219,766.60
Willoughby Hills	1.389153%	2.223288%	84,189.37	5,816.47	78,372.90
Totals	100.000000%	100.000000%	$ 6,060,480.36	$ 261,615.63	$ 5,798,864.73

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CITY OF CLEVELAND, OHIO
CENTRAL COLLECTIONS AGENCY
DIVISION OF TAXATION

SCHEDULE OF INCOME TAXES RECEIVABLE
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	Income Taxes Receivable Dec. 31, 2002	Income Taxes Receivable Dec. 31, 2001
Ada	181,121.93	193,853.42
Andover	103,559.73	138,811.99
Bratenahl	361,581.40	432,375.28
Burton	102,802.04	106,624.21
Chardon	615,229.12	680,080.61
Cleveland	52,053,691.14	54,189,623.39
Creston	139,993.45	162,155.50
Dunkirk	20,272.74	16,448.35
Euclid	6,144,724.47	7,013,895.83
Fairport Harbor	153,249.14	150,801.69
Gates Mills	610,579.33	619,416.71
Geneva	429,280.33	293,413.98
Geneva-on-the-Lake	49,415.74	57,197.15
Grand Rapids	94,852.27	103,406.63
Grand River	88,654.71	114,701.22
Highland Hills	347,815.75	320,510.22
Liberty Center	134,639.43	20,426.04
Linndale	10,728.97	13,286.13
Madison	265,800.89	285,920.17
Marblehead	187.82	11,902.12
Medina	1,386,559.57	1,441,233.95
Mentor	5,422,382.82	5,890,487.73
Mentor-on-the-Lake	220,375.00	226,624.03
Metamora	40,431.90	45,978.01
Middlefield	434,570.64	380,647.89
Northfield	177,226.09	194,765.74
North Baltimore	136,364.57	126,823.91
North Perry	95,397.76	100,667.87
North Randall	263,566.66	273,563.73
Village of Oakwood	10,247.76	-
Orwell	103,443.10	114,764.63
Painesville	1,300,142.59	1,283,287.75
Paulding	121,459.39	46,046.65
Peninsula	62,272.23	61,622.23
Perry	75,175.40	113,225.44
Rock Creek	21,426.25	27,005.05
Rocky River	2,244,236.72	2,387,298.96
Seville	207,718.43	204,385.52
South Russell	360,694.59	359,432.94
Timberlake	32,718.67	42,672.41
Wadsworth	1,262,753.24	1,304,657.40
Warrensville Heights	1,970,705.40	1,820,703.73
Willoughby	2,752,231.60	3,001,225.95
Willoughby Hills	837,013.85	944,923.93
	81,447,294.63	85,316,896.09

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PARKS, RECREATION & PROPERTIES
DIVISION OF PARKING FACILITIES

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2002 and 2001

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PARKS, RECREATION & PROPERTIES
DIVISION OF PARKING FACILITIES

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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, 2002 and December 31, 2001, as listed in the table of contents. 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 do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2002 and December 31, 2001, 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 Parking Facilities as of December 31, 2002 and December 31, 2001, 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.

Betty Montgomery

Betty Montgomery
Auditor of State

June 26, 2003

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
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CITY OF CLEVELAND, OHIO
DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland’s Department of Parks, Recreation & Properties, Division of Parking Facilities (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, 2002. Please read this information in conjunction with the Division’s financial statements and footnotes that begin on page 10.

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 Division’s operating revenues are derived from charges for parking at its facilities and from parking meter collections. In 2002, the Division's facilities included four parking garages and eight surface lots.

FINANCIAL HIGHLIGHTS

- The assets of the Division exceeded its liabilities at December 31, 2002 by $18,607,000 (net assets). Of this amount, $8,249,000 (unrestricted net assets) may be used to meet the Division’s ongoing obligations to customers and creditors.
- The Division’s total net assets decreased by $172,000 during 2002. This was primarily due to a 7.1 percent decrease in revenues from the prior year, which was the result of a $766,000, or 39.6 percent drop in Gateway Garage parking revenues.
- The Division’s total debt decreased by $1,965,000 (2.6 percent) during the current fiscal year. This amount represents the principal payment made in 2002 on its outstanding revenue bonds.

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 Parking Facilities Fund, in which the City accounts for the activities of off-street parking operations. 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 Parking Facilities 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The basic financial statements of the Division can be found on pages 10 - 15 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 16 - 26 of this report.

CONDENSED BALANCE SHEET INFORMATION

Provided below is condensed balance sheet information for the Division as of December 31, 2002 and 2001:

	2002	2001	Increase/ (Decrease)
		(In thousands)	
Assets:			
Current assets	$ 4,500	$ 3,773	727
Restricted assets	15,519	16,296	(777)
Unamortized bond issuance costs	1,039	1,126	(87)
Capital assets	65,670	67,412	(1,742)
Total assets	86,728	88,607	(1,879)
Net Assets and Liabilities:			
Liabilities:			
Current liabilities	3,608	3,772	(164)
Payable from restricted assets	17	17	
Long term liabilities	64,496	66,039	(1,543)
Total liabilities	68,121	69,828	(1,707)
Net assets:			
Invested in capital assets, net of related debt	(835)	(530)	(305)
Restricted for debt service	11,193	11,883	(690)
Unrestricted	8,249	7,426	823
Total net assets	18,607	18,779	(172)
Total net assets and liabilities	$ 86,728	$ 88,607	$ (1,879)

Assets:

Current and restricted assets: These have remained relatively constant from the prior period with the increase in current assets generally offsetting the decrease in restricted assets.

CONDENSED BALANCE SHEET INFORMATION (Continued)

Capital assets*:* The Division's investment in capital assets as of December 31, 2002 amounted to $65,670,000 (net of accumulated depreciation). The total decrease in the Division's investment in capital assets for the current fiscal year was 2.6 percent and almost entirely the result of depreciation expense for the period. A summary of the activity in the Division's capital assets during the year ended December 31, 2002 is as follows:

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002
		(In thousands)		
Land	$ 12,929	$	$	$ 12,929
Land improvements	1,264			1,264
Buildings, structures and improvements	65,200			65,200
Furniture, fixtures and equipment	793	141	(609)	325
Total	80,186	141	(609)	79,718
Accumulated depreciation	(12,774)	(1,849)	575	(14,048)
Net book value	$ 67,412	$ (1,708)	$ (34)	$ 65,670

There were no major events during the current fiscal year affecting the Division's capital assets.

Additional information on the Division's capital assets can be found in Notes A and E.

Liabilities:

Long-term debt: At the end of the current fiscal year, the Division had total debt outstanding (excluding unamortized discounts, premiums and losses on debt refundings) of $73,555,000. The bonds are backed by the revenues generated by the Division as well as additional pledged revenues, which consist of various non-tax revenues.

The Division's debt was incurred 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 from these facilities, as well as additional pledged revenues, which consist of various non-tax revenues, to meet debt service requirements, if necessary. In 2002 and 2001, no additional pledged revenue was required to meet the debt service on the parking bonds.

CONDENSED BALANCE SHEET INFORMATION (Continued)

The activity in the Division's debt obligation outstanding during the year ended December 31, 2002 is summarized below (excluding unamortized discounts, premiums and losses on debt refundings):

	Balance January 1, 2002	Debt Issued	Debt Refunded	Debt Retired	Balance December 31, 2002
			(In thousands)		
Parking Facility Improvement Revenue Bonds	$ 75,520	$	$	$ (1,965)	$ 73,555

The 2002 bond ratings for the Division's revenue bonds are as follows:

Moody's Investors Service	Standard & Poor's	Fitch Investors Service
Aaa	AAA	AAA

These are insured ratings only. The Division has no ratings on its bonds based solely on its own credit.

Additional information on the Division's long-term debt can be found in Note B on pages 18 - 19.

Net Assets: Net assets serves as a useful indicator of a government's financial position. In the case of the Division, assets exceeded liabilities by $18,607,000 at the close of the most recent fiscal year.

By far, the largest portion of the Division's net assets, $11,193,000 (60 percent), represents resources that are classified as restricted since their use is limited by the bond indentures. In addition, the Division has a net deficit of ($835,000) that reflects its investment in capital assets (e.g., land, buildings, furniture), net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The $8,249,000 balance of unrestricted net assets may be used to meet the Division's ongoing obligations to customers and creditors.

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

The Division's operations decreased net assets by $172,000 during 2002 and increased net assets by $136,000 during 2001. Key elements of these are summarized below:

	2002	2001	Increase/ (Decrease)
		(In thousands)	
Operating revenues	$ 7,444	$ 8,021	$ (577)
Operating expenses	3,603	3,847	(244)
Operating income	3,841	4,174	(333)
Non-operating revenue (expense):			
Investment income	465	762	(297)
Interest expense	(4,416)	(4,784)	368
Amortization of bond issuance costs and discount	(88)	(89)	1
Other revenue		5	(5)
Total non-operating revenue (expense), net	(4,039)	(4,106)	67
Capital and Other Contributions	26	68	(42)
Change in net assets	(172)	136	(308)
Net assets, beginning of year	18,779	18,643	136
Net assets, end of year	$ 18,607	$ 18,779	$ (172)

Operating revenues: Operating revenues decreased $577,000 from 2001 to 2002. Although the Division showed general increases in most operating revenue sources from 2001 to 2002, these increases were offset by a $766,000 or 39.6 percent drop in Gateway Garage parking revenues. This was due to a significant decrease in attendance at professional sporting events at Jacob's Field and Gund Arena.

Operating expenses: Operating expenses generally increased across all categories with the exception of a $347,000 or 49.1 percent decrease in contractual services, which resulted in an overall decrease in operating expenses of $244,000.

The net affect of the decreases in operating revenues and operating expenses was a $333,000 decrease in operating income in 2002 from 2001.

Investment income: Investment income dropped $297,000 from 2001 to 2002 due to substantially lower interest rates.

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

Operating revenues decreased 7.2 percent from 2001. Reduced operating expenses were not sufficient to offset the reduced operating revenue stream resulting in an 8 percent drop in operating income in 2002 from 2001. The Division showed general increases in most operating revenue sources from 2001 to 2002, however, these increases were offset by 39.6 percent drop in Gateway Garage parking revenues which are dependant on attendance at professional sporting events at Jacob's Field and Gund Arena in addition to daily parking fees.

Operating 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. The following events occurred subsequent to December 31, 2002 affecting the Division's operating revenues:

- City Council passed an ordinance, on February 12, 2003, increasing parking fees at the Willard Park Garage, Convention Center Garage, Canal Basin Lot, and North Coast Municipal Parking Lot. These increases are projected to generate $439,000 in additional operating revenues annually.

- The North Mall parking lot was permanently closed on March 31, 2003. This lot generated $377,000 in parking fees in 2002.

If the decline in operating revenues and operating income continues, City Council has the authority to further increase parking fees to assist the Division in meeting operational and debt commitments.

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 PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES
BALANCE SHEETS
December 31, 2002 and 2001

	(*In thousands*) 2002	2001
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,318	$ 3,515
Investments	2,000	
Accounts receivable - net of allowance	23	120
Due from other City of Cleveland departments, divisions or funds	157	120
Inventory of supplies, at cost	2	18
TOTAL CURRENT ASSETS	4,500	3,773
RESTRICTED ASSETS		
Cash and cash equivalents	15,516	16,173
Accrued interest receivable	3	123
TOTAL RESTRICTED ASSETS	15,519	16,296
UNAMORTIZED BOND ISSUANCE COSTS	1,039	1,126
CAPITAL ASSETS		
Land	12,929	12,929
Land improvements	1,264	1,264
Buildings, structures and improvements	65,200	65,200
Furniture, fixtures and equipment	325	793
	79,718	80,186
Less: Accumulated depreciation	(14,048)	(12,774)
CAPITAL ASSETS, NET	65,670	67,412
TOTAL ASSETS	$ 86,728	$ 88,607

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PARKS, RECREATION & PROPERTIES
DIVISION OF PARKING FACILITIES
BALANCE SHEETS
December 31, 2002 and 2001

	(In thousands) 2002	2001
LIABILITIES AND NET ASSETS		
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	$ 2,075	$ 1,965
Accounts payable	32	201
Due to other governments	79	78
Due to other City of Cleveland departments, divisions or funds	118	60
Accrued interest payable	1,197	1,352
Accrued wages and benefits	107	116
TOTAL CURRENT LIABILITIES	3,608	3,772
PAYABLE FROM RESTRICTED ASSETS	17	17
LONG TERM LIABILITIES		
Revenue bonds - excluding amount due within one year	64,438	65,985
Accrued wages and benefits	58	54
TOTAL LONG TERM LIABILITIES	64,496	66,039
TOTAL LIABILITIES	68,121	69,828
NET ASSETS		
Invested in capital assets, net of related debt	(835)	(530)
Restricted for debt service	11,193	11,883
Unrestricted	8,249	7,426
TOTAL NET ASSETS	18,607	18,779
TOTAL LIABILITIES AND NET ASSETS	$ 86,728	$ 88,607

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2002 and 2001

	(In thousands) 2002	2001
OPERATING REVENUES		
Charges for services	$ 7,444	$ 8,021
TOTAL OPERATING REVENUES	7,444	8,021
OPERATING EXPENSES		
Operations	1,799	2,075
Maintenance	70	68
Depreciation	1,734	1,704
TOTAL OPERATING EXPENSES	3,603	3,847
OPERATING INCOME	3,841	4,174
NON-OPERATING REVENUE (EXPENSE)		
Investment income	465	762
Interest expense	(4,416)	(4,784)
Amortization of bond issuance costs and discount	(88)	(89)
Other revenue		5
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET	(4,039)	(4,106)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	(198)	68
Capital and other contributions	26	68
INCREASE (DECREASE) IN NET ASSETS	(172)	136
NET ASSETS, beginning of year	18,779	18,643
NET ASSETS, end of year	$ 18,607	$ 18,779

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2002 and 2001

	(In thousands) 2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 7,902	$ 7,901
Cash payments to suppliers for goods or services	(1,250)	(1,051)
Cash payments to employees for services	(924)	(810)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,728	6,040
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other non-operating revenues		5
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES		5
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term debt	(1,965)	(1,875)
Interest paid on long-term debt	(4,207)	(4,294)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(6,172)	(6,169)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(2,000)	(20,238)
Proceeds from sale and maturity of investment securities		29,884
Interest received on investments	590	1,096
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(1,410)	10,742
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,854)	10,618
CASH AND CASH EQUIVALENTS, beginning of year	19,688	9,070
CASH AND CASH EQUIVALENTS, end of year	$ 17,834	$ 19,688

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PARKS, RECREATION AND PROPERTIES
DIVISION OF PARKING FACILITIES
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2002 and 2001

	(In thousands) 2002	2001
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 3,841	$ 4,174
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,734	1,704
Changes in assets and liabilities:		
Accounts receivable, net	97	(28)
Due from other City of Cleveland departments, divisions or funds	(37)	267
Inventory of supplies	16	(1)
Accounts payable	23	(117)
Due to other governments	1	6
Due to other City of Cleveland departments, divisions or funds	58	48
Accrued wages and benefits	(5)	(13)
TOTAL ADJUSTMENTS	1,887	1,866
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 5,728	$ 6,040

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, 2002 and 2001

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 (the "City") Department of Parks, Recreation and Properties and is a part of the City of Cleveland's (City) primary government. The Division was created for the purpose of providing moderately priced off-street parking facilities to citizens within the City. 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), Ma*nagement's Discussion and Analysis – for State and Local Governments,* GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus,* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These "Reporting Model" statements affect the way the 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 three categories as follows:

- Amount invested in capital assets, net of related debt.
- Amount restricted for debt service.
- 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 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.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2002 and 2001

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 GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In the statement of cash flows, cash receipts and cash payments are classified according to operating, 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.

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. 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 2002 and 2001. 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, 2002 and 2001.

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.

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 fixed 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, and equipment 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:

Land improvements	15 to 20 years
Buildings, structures and improvements	20 to 50 years
Furniture, fixtures and equipment	5 to 20 years

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2002 and 2001

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 unless written approval for carryover of vacation time is obtained. Sick days not taken may be accumulated until retirement. An employee is paid one-third of accumulated sick leave upon retirement, calculated at current wage rates, with the balance being forfeited.

Bond Issuance Costs, Discount and Unamortized Loss on Debt Refunding: Bond issuance costs are initially recorded as deferred expenses and unamortized original issuance discounts are netted against long-term debt. Both are amortized over the lives of the related bonds. Unamortized loss on debt refunding is netted against long-term debt and is amortized over the shorter of the remaining life of the defeased bond or the newly issued bond.

NOTE B - LONG-TERM DEBT

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

	Interest Rate	Original Issuance	2002	2001
			(In thousands)	
Parking Facility Improvement Revenue Bonds due through 2022	4.45%-6.00%	$ 81,105	$ 73,555	$ 75,520
Less:				
Unamortized loss on debt refunding			(6,039)	(6,548)
Unamortized discount			(1,003)	(1,022)
Current portion			(2,075)	(1,965)
Total Long-Term Debt			$ 64,438	$ 65,985

NOTE B - LONG-TERM DEBT (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2002 are as follows:

	Balance January 1, 2002	Increase	Decrease	Balance December 31, 2002	Due Within One Year
			(In thousands)		
Parking Facility Improvement Revenue Bonds due through 2022	$ 75,520	$	$ (1,965)	$ 73,555	$ 2,075

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

	Principal	Interest (In thousands)	Total
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
2007	2,590	3,580	6,170
2008-2012	15,435	15,429	30,864
2013-2017	20,160	10,696	30,856
2018-2022	26,370	4,506	30,876
Total	$ 73,555	$ 49,900	$ 123,455

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 additional pledged revenues which consist of various non-tax revenues, to meet debt service requirements, if necessary. In 2002 and 2001, 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, 2002 and 2001, the Division was in compliance with the terms and requirements of the trust indenture.

NOTE B - LONG-TERM DEBT (Continued)

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, 2002 and 2001 are $0 and $64,085,000, respectively.

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.

In 2002 and 2001, net revenues generated by the two Gateway garages were less than the debt service payments attributed to those garages by $3,005,000 and $2,373,000, respectively. Cumulative debt service payments funded by the City that are due from Gateway totaled $22,217,000 and $19,212,000 at December 31, 2002 and 2001, 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 carrying amount of the Division's deposits at December 31, 2002 and December 31, 2001 totaled $6,578,000 and $13,706,000, respectively, and the Division's bank balances were $6,278,000 and $13,707,000, respectively.

Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, $97,000 and $61,000 of the bank balances at December 31, 2002 and 2001, respectively, were insured or collateralized with securities held by the City or by its agent in the City's name. At December 31, 2002 and 2001, $6,181,000 was invested in Bank Investment Contracts secured by securities held by the pledging institution's trust department, but not in the City's name. The remaining balance of $7,465,000 at December 31, 2001, was deposited into a collective investment pool managed by JPMorgan, as trustee.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2002 and 2001

NOTE D - DEPOSITS AND INVESTMENTS (Continued)

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, 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:

Type of Investment	Risk Category	2002 Fair Value	2002 Cost	2001 Fair Value	2001 Cost
		(In thousands)			
U.S. Agency Obligation	1	$ 2,000	$ 2,000	$	$
STAROhio	n/a	1,937	1,937	3,493	3,493
Investment in Mutual Funds	n/a	3,587	3,587	2,489	2,489
Other	n/a	5,732	5,732		
Total Investments		13,256	13,256	5,982	5,982
Total Deposits		6,578	6,578	13,706	13,706
Total Deposits and Investments		$ 19,834	$ 19,834	$ 19,688	$ 19,688

NOTE D - DEPOSITS AND INVESTMENTS (Continued)

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. Amounts represented by "Other" consist of deposits into a collective pool managed by JPMorgan, as trustee.

NOTE E – CAPITAL ASSETS

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

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002
	(In thousands)			
Capital assets, not being depreciated:				
Land	$ 12,929	$	$	$ 12,929
Total capital assets, not being depreciated	12,929			12,929
Capital assets, being depreciated:				
Land improvements	1,264			1,264
Buildings, structures and improvements	65,200			65,200
Furniture, fixtures and equipment	793	141	(609)	325
Total capital assets, being depreciated	67,257	141	(609)	66,789
Less: Accumulated depreciation	(12,774)	(1,849)	575	(14,048)
Total capital assets being depreciated, net	54,483	(1,708)	(34)	52,741
Capital assets, net	$ 67,412	$ (1,708)	$ (34)	$ 65,670

NOTE F - PENSION AND RETIREMENT PLANS

All full-time employees participate in the Ohio Public Employees Retirement Systems (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board (the “Board"). OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

NOTE F - PENSION AND RETIREMENT PLANS (Continued)

Plan members are required to contribute 8.5 percent of their annual salary to fund pension obligations. The 2002 and 2001 employer contribution rates for the Division were 13.55 percent of covered payroll. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Division's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were $95,000, $83,000, and $81,000, respectively. The required amounts have been contributed for 2002, 2001, and 2000.

NOTE G - OTHER POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides post-retirement 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 Post Employment Benefit 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 based on authority granted by State statute. The 2002 and 2001 employer contribution rate was 13.55 percent of covered payroll; 5.0 percent in 2002 and 4.30 percent in 2001 was the portion that was used to fund health care.

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

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The number of active contributing participants was 402,041 at December 31, 2001. The Division's actual contributions for 2002, which were used to fund post-retirement benefits, was $35,000. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were $11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $16.4 billion and $4.8 billion, respectively.

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 under OPERS 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.

NOTE G - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 their allowance toward specific medical expenses, much like a Medical Spending Account.

NOTE H - 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:

	2002	2001
	(In thousands)	
Division of Convention Center	$ 208	$ 192
Department of Community Development	439	194

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, 2002 and 2001 are as follows:

	2002	2001
	(In thousands)	
Parks Maintenance	$ 105	$ 96
Motor Vehicle Maintenance	21	16

NOTE I - 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 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 I - CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

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 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. The City participates in the State of Ohio workers' compensation program to provide workers' compensation benefits to its employees.

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 J – LEASES

The Division leases the land for various parking facilities to management companies under non-cancelable lease agreements, which expire at various times through the year 2056. Revenues generated from such leases totaled $180,000 in 2002 and 2001. Future minimum rentals on non-cancelable leases are as follows:

	(In thousands)
2003	$ 180
2004	180
2005	180
2006	180
2007	180
Thereafter	6,540
	$ 7,440

NOTE K – SUBSEQUENT EVENTS

In February 2003, the Division entered into an agreement with UBS Paine Webber (UBS) in which UBS paid the Division $3,275,000 for the right to enter into a floating-to-fixed swap on the Parking Facilities Refunding Revenue Bonds, Series 1996, 90 days prior to the bonds' call date (September 15, 2006). If UBS exercises its option, the Division will issue variable rate bonds to refund the outstanding Parking Revenue Bonds. The Division will then pay a fixed rate, initially at the rate of 4.911%, while UBS will pay a floating rate of 67% of one month LIBOR. The Division's synthetic fixed payments created in this transaction are structured to equal the prior debt service on the 1996 Bonds.

The City Council passed an ordinance on February 12, 2003, which increased parking fees at the Willard Park Garage, Cleveland Convention Center Garage, Canal Basin Lot, and North Coast Municipal Parking Lot. The increase is projected to generate $439,000 in parking fees annually for the Division.

The North Mall parking lot was permanently closed on March 31, 2003 to allow for the Mall "C" Park Renovation. This parking lot generated $377,000 in operating revenues for the Division in 2002.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2002 and 2001

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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, 2002 and December 31, 2001, as listed in the table of contents. 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 do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2002 and December 31, 2001, 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 Divisions of Cleveland Hopkins International and Burke Lakefront Airports as of December 31, 2002 and December 31, 2001, 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.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

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, 2002 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.

Betty Montgomery

Betty Montgomery
Auditor of State

June 26, 2003

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND BURKE LAKEFRONT AIRPORTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the "City") Department of Port Control, Divisions of Cleveland Hopkins International and Burke Lakefront Airports (the "Divisions"), we offer readers of the Divisions' financial statements this narrative overview and analysis of the financial activities of the Divisions for the fiscal year ended December 31, 2002. Please read this information in conjunction with the Divisions' basic financial statements and footnotes that begin on page 14.

The Divisions are charged with the administration and control of, among other facilities, the municipally owned airport facilities of the City. The Divisions operate a major public airport and a reliever airport serving not only the City of Cleveland, but also suburban municipalities in Cuyahoga, Medina, Summit and Geauga counties. The Divisions are served by 23 scheduled airlines and 8 cargo airlines. In 2002, there were 110,024 scheduled landings with landed weight amounting to 8,194,081,000 pounds. There were 5,405,000 passengers enplaned at Cleveland Hopkins International Airport during 2002.

FINANCIAL HIGHLIGHTS

- The assets of the Divisions exceeded its liabilities at December 31, 2002 by $374,102,000 (net assets). Of this amount, $74,639,000 (unrestricted net assets) may be used to meet the Divisions' ongoing obligations to customers and creditors.

- The Divisions' total net assets increased by $11,045,000 during 2002. This change is due to an increase in Passenger Facility Charges and a decrease in interest expense. During 2002, the Passenger Facility Charge increased from $3.00 to $4.50 per enplaned passenger.

- During 2002, the Division's expenditures for capital improvements totaling $199,081,000. The principal capital expenditures during the year were for the construction of the new runway.

- The Divisions' total debt decreased by $10,783,000 (1.11%) during the current fiscal year. The key factor in this decrease was payment made on bond principal.

- On December 12, 2002, Cleveland Hopkins International Airport celebrated the completion of phase one of the newly constructed runway designed to improve capacity and safety.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Divisions' basic financial statements. The accompanying financial statements present financial information for the City of Cleveland's Divisions of Cleveland Hopkins International and Burke Lakefront Airports Fund, in which the City accounts for the operations of the Department of Port 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 Divisions are considered an enterprise fund because the operations of the Divisions are similar to a private-sector business enterprise. Accordingly, in accounting for the activities of the Divisions, 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 14-19 of this report.

The notes to the financial statements provide additional information that is essential to gain a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 20-34 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION

Provided below is condensed balance sheet information for the Divisions as of December 31, 2002 and 2001:

	2002	2001	Increase/ (Decrease)
		(In thousands)	
Assets:			
Current assets	$ 58,534	$ 41,286	$ 17,248
Restricted assets	594,659	767,670	(173,011)
Unamortized bond issuance costs	10,000	10,637	(637)
Capital assets	769,636	600,989	168,647
Total assets	1,432,829	1,420,582	12,247
Net Assets and Liabilities:			
Liabilities:			
Current liabilities	110,017	64,798	45,219
Payable from restricted assets	27,536	14,802	12,734
Long-term obligations	921,174	977,925	(56,751)
Total liabilities	1,058,727	1,057,525	1,202
Net assets:			
Invested in capital assets, net of related debt	124,411	102,802	21,609
Restricted for debt service	126,773	148,578	(21,805)
Restricted for Passenger Facility Charges	48,279	51,054	(2,775)
Unrestricted	74,639	60,623	14,016
Total net assets	374,102	363,057	11,045
Total net assets and liabilities	$ 1,432,829	$ 1,420,582	$ 12,247

Assets: The major change in assets is due to a decrease in restricted cash and cash equivalents and a comparable increase in capital assets. This is due primarily to the cost of construction at the airport, which is being financed with bonds issued in 2001.

CONDENSED BALANCE SHEET INFORMATION (Continued)

Capital assets: The Divisions' investment in capital assets as of December 31, 2002 amounted to $769,636,000 (net of accumulated depreciation). This investment in capital assets includes: land; land improvements; buildings, structures and improvements; furniture, fixtures and equipment; and construction in progress. The Divisions' investment in capital assets increased 28% in the current year. A summary of the activity in the Divisions' capital assets during the year ended December 31, 2002 is as follows:

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002
	(In thousands)			
Land	$ 141,577	$ 1,961	$	$ 143,538
Land improvements	196,075	160,229	(3,286)	353,018
Buildings, structures and improvements	367,518	4,545	(125)	371,938
Furniture, fixtures and equipment	25,775	10,987	(1,919)	34,843
	730,945	177,722	(5,330)	903,337
Less: Accumulated depreciation	(234,752)	(27,752)	2,648	(259,856)
	496,193	149,970	(2,682)	643,481
Construction in progress	104,796	199,081	(177,722)	126,155
Capital assets, net	$ 600,989	$ 349,051	$ (180,404)	$ 769,636

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

- On December 12, 2002, Cleveland Hopkins International Airport celebrated the completion of phase one of the newly constructed runway 6L/24R. The runway is designed to handle Group V aircraft and is equipped with a Category III instrument landing system, which will increase capacity and improve safety.

- A redundant electrical system was constructed at Cleveland Hopkins International Airport, which will provide uninterrupted service.

- In November of 2002, Cleveland Hopkins International Airport opened a new employee parking lot with approximately 1,200 parking spaces.

- The Divisions also completed construction of a new centralized deicing facility at Cleveland Hopkins International Airport.

Additional information on the Divisions' capital assets, including commitments made for future capital expenditures, can be found in Notes A and F to the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION (Continued)

Liabilities: The current portion of long-term debt increased significantly, because the Airport Surplus Revenue Note Payable is due in 2003.

Long-term debt: At December 31, 2002, the Divisions had $965,018,000 in total debt outstanding. The Airport System Revenue Bonds are secured by the pledge of all airport revenues, as defined in the revenue bond indenture.

The activity in the Divisions' debt obligations outstanding during the year ended December 31, 2002 is summarized below (excluding unamortized discounts, premiums and losses on debt refundings):

	Balance January 1, 2002	Debt Issued	Debt Refunded	Debt Retired	Balance December 31, 2002
			(In thousands)		
Airport System Revenue Bonds:					
Series 1990	$ 16,136	$	$	$ (3,938)	$ 12,198
Series 1994	77,580			(1,770)	75,810
Series 1997	263,945			(5,075)	258,870
Series 2000	573,190				573,190
Airport Surplus Revenue Notes					
Series 2001	44,950				44,950
Total	$ 975,801	$ -	$ -	$ (10,783)	$ 965,018

The 2002 bond ratings for the Divisions' revenue bonds are as follows:

Moody's Investors Service	Standard & Poor's
A3 with a negative outlook	A

The Divisions' Moodys' bond rating has not changed since 2001. In 2001, Standard & Poor's had placed a negative outlook on the Divisions' bond rating, which was removed in 2002 and the rating of A has been reaffirmed.

CONDENSED BALANCE SHEET INFORMATION (Continued)

The ratio of net revenue available for debt service to debt service requirements (revenue bond coverage) is a useful indicator of the Divisions' debt position to management, customers and creditors. The Divisions' revenue bond coverage for 2002, 2001, and 2000 was 1.33%, 1.44%, and 1.32%, respectively.

Additional information on the Divisions' long-term debt can be found in Note B to the basic financial statements on pages 24-26.

Net Assets: Net Assets serves as a useful indicator of an entity's financial position. In the case of the Divisions, assets exceed liabilities by $374,102,000 at the close of the most recent fiscal year.

A large part of the Divisions' net assets (33%) reflects its investment in capital assets (e.g., land, land improvement, buildings, machinery and equipment), net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The Divisions use these capital assets to provide services to their customers. Consequently, these assets are not available for future spending. Although the Divisions' investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Divisions' net assets (47%) represents resources that are subject to external restrictions. These restricted net assets include proceeds from debt and amounts set aside in various fund accounts for payment of revenue bonds, which are limited by the bond indentures and Passenger Facility Charges imposed and collected at Cleveland Hopkins International Airport based on an approved Federal Aviation Administration application. Passenger Facility Charges are restricted for designated capital projects. The remaining balance of unrestricted net assets, $74,639,000 or (20%), may be used to meet the Divisions' ongoing obligations to customers and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

The Divisions' operations increased its net assets by $11,045,000 in 2002 and $32,675,000 in 2001. Key elements of these changes are summarized below:

	2002	2001	Increase/ (Decrease)
		(In thousands)	
Operating revenues			
Landing fees	$ 28,544	$ 36,172	$ (7,628)
Terminal and concourse rentals	34,163	32,017	2,146
Concessions	17,104	17,944	(840)
Utility sales and other	6,466	6,692	(226)
Total operating revenues	86,277	92,825	(6,548)
Operating expenses	86,777	80,394	6,383
Operating income (loss)	(500)	12,431	(12,931)
Non-operating revenue (expense):			
Passenger facility charges revenue	18,911	15,024	3,887
Non-operating expense	(20,846)	(11,322)	(9,524)
Interest income	9,895	16,141	(6,246)
Interest expense	(22,630)	(28,869)	6,239
Amortization of bond issuance expense, bond discounts and loss on debt refundings	(1,174)	(1,267)	93
Total non-operating revenue (expense), net	(15,844)	(10,293)	(5,551)
Capital and other contributions	27,389	30,537	(3,148)
Increase in net assets	11,045	32,675	(21,630)
Net assets, beginning of year	363,057	330,382	32,675
Net assets, end of year	$ 374,102	$ 363,057	$ 11,045

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

Operating revenues: Due to adverse conditions within the transportation industry, the Divisions suffered decreases in revenues due to a reduction in operations by airlines and decreases in passenger traffic. Additionally, airlines have begun to rely on smaller, more efficient jets to transport passengers. The combination of these factors resulted in a decrease in landed weight of 404,085,000 pounds, or 4.7%, from last year. Of the $86,277,000 in total operating revenue, $27,105,000 or 31% was from signatory landing fees. This represents a 21% decrease from 2001, which is primarily due to lower landed weight. Signatory terminal rentals accounted for $19,544,000 or 23% of total operating revenue. This represents an increase of 18%, which is primarily due to an increase in rates and charges. Parking operations accounted for 13% or $11,378,000 of the total operating revenues. This is a decrease of 6% from 2001, which is due to reduced activity. Rental car revenues, the fourth largest revenue source accounted for 11% of total airport system revenues, this is an increase of 2% over prior year.

Operating expenses: Of the $6,383,000 increase in operating expenses, $4,153,000 or 65% is associated with depreciation expense. This is an 18% increase, which is due to the addition of the new 6L/24R Runway. The remaining $2,230,000 increase in operating expense is due to an increase in materials and supplies and additional charges for local law enforcement officers, which represents a 3% increase from 2001.

CONTRIBUTIONS

Capital and other contributions: The Divisions received $27,389,000 in Federal Airport Improvement Grants. These grants were primarily for the residential sound insulation program and the construction of runway 6L/24R.

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

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

On June 9, 2003, legislation was introduced to City Council for the issuance of an additional series of bonds. The ordinance authorizes the sale of not to exceed $215 million Airport System Revenue Bonds to refund outstanding revenue bonds and to pay costs incurred to acquire property for the Airport System, and not to exceed $80 million Airport System Revenue Bonds to refund outstanding Revenue Bonds under hedge agreements.

ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of the Divisions' 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.

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BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
BALANCE SHEETS
December 31, 2002 and December 2001

	(In thousands) 2002	2001
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 22,717	$ 6,459
Investments	6,504	8,872
Receivables:		
Accounts-net of allowance for doubtful accounts of $104,635 in 2002 and $241,508 in 2001	13,741	5,392
Unbilled revenue	2,736	4,473
Landing fees - due from airlines	6,595	10,903
Accrued interest receivable	248	158
Total receivables	23,320	20,926
Prepaid expenses	399	212
Due from other City of Cleveland departments, divisions or interfund	2,265	942
Due from other government		3
Due from Federal government	3,096	3,648
Materials and supplies-at cost	233	224
TOTAL CURRENT ASSETS	58,534	41,286
RESTRICTED ASSETS		
Cash and cash equivalents	481,946	694,367
Investments	107,696	68,979
Accrued interest receivable	2,310	2,202
Bond retirement reserve	53	53
Accrued passenger facility charges	2,654	2,069
TOTAL RESTRICTED ASSETS	594,659	767,670
DEFERRED BOND ISSUANCE EXPENSE	10,000	10,637
CAPITAL ASSETS		
Land	143,538	141,577
Land improvements	353,018	196,075
Buildings, structures and improvements	371,938	367,518
Furniture, fixtures and equipment	34,843	25,775
	903,337	730,945
Less: Accumulated depreciation	(259,856)	(234,752)
	643,481	496,193
Construction in progress	126,155	104,796
CAPITAL ASSETS, NET	769,636	600,989
TOTAL ASSETS	$ 1,432,829	$ 1,420,582

(Continued)

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
BALANCE SHEETS
December 31, 2002 and December 2001

	(In thousands) 2002	2001
LIABILITIES AND NET ASSETS		
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	$ 55,866	$ 10,783
Current portion of long-term deferred payment obligation, due within one year	1,492	1,381
Accounts payable	1,841	3,324
Due to other City of Cleveland departments, divisions or interfund accounts	2,549	1,096
Current portion of accrued wages and benefits	2,223	2,453
Accrued interest payable	40,299	42,799
Accrued property taxes	5,747	2,962
TOTAL CURRENT LIABILITIES	110,017	64,798
PAYABLE FROM RESTRICTED ASSETS		
Construction fund	14,044	3,784
Other construction accounts	13,492	11,018
TOTAL PAYABLE FROM RESTRICTED ASSETS	27,536	14,802
LONG-TERM OBLIGATIONS - excluding amounts due within one year		
Revenue bonds	896,826	907,205
Notes payable		44,950
Deferred payment obligation	23,659	25,150
Accrued wages and benefits	689	620
TOTAL LONG-TERM OBLIGATIONS	921,174	977,925
TOTAL LIABILITIES	1,058,727	1,057,525
NET ASSETS		
Invested in capital assets, net of related debt	124,411	102,802
Restricted for debt service	126,773	148,578
Restricted for passenger facility charges	48,279	51,054
Unrestricted	74,639	60,623
TOTAL NET ASSETS	374,102	363,057
TOTAL LIABILITIES AND NET ASSETS	$ 1,432,829	$ 1,420,582

See notes to financial statements.

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CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2002 and December 2001

	(In thousands) 2002	2001
OPERATING REVENUES		
Landing fees:		
Scheduled airlines	$ 20,510	$ 23,175
Adjustments of landing fees as provided in airline use agreements	6,595	10,903
Other	1,439	2,094
	28,544	36,172
Terminal and concourse rentals:		
Scheduled airlines	19,544	16,560
Other	14,619	15,457
	34,163	32,017
Concessions	17,104	17,944
Utility sales and other	6,466	6,692
TOTAL OPERATING REVENUES	86,277	92,825
OPERATING EXPENSES		
Operations, maintenance and administrative	59,025	56,795
Depreciation and amortization	27,752	23,599
TOTAL OPERATING EXPENSES	86,777	80,394
OPERATING INCOME (LOSS)	(500)	12,431
NON-OPERATING REVENUE (EXPENSE)		
Passenger facility charges revenue	18,911	15,024
Non-operating expense	(20,846)	(11,322)
Interest income	9,895	16,141
Interest expense	(22,630)	(28,869)
Amortization of bond issuance expense, bond discounts, and loss on debt refundings	(1,174)	(1,267)
TOTAL NON-OPERATING REVENUE (EXPENSE) - NET	(15,844)	(10,293)
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	(16,344)	2,138
Capital and other contributions	27,389	30,537
INCREASE IN NET ASSETS	11,045	32,675
NET ASSETS, BEGINNING OF YEAR	363,057	330,382
NET ASSETS, END OF YEAR	$ 374,102	$ 363,057

See notes to financial statements.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2002 and 2001

	(In thousands) 2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 79,047	$ 74,363
Cash payments to suppliers for goods and services	(33,458)	(36,555)
Cash payments to employees for services	(20,361)	(19,309)
NET CASH PROVIDED BY OPERATING ACTIVITIES	25,228	18,499
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash payments for sound insulation of homes	(15,423)	(10,615)
Cash payments for other non-operating costs	(275)	2,271
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	(15,698)	(8,344)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(169,151)	(81,775)
Cash receipts for passenger facility charges	19,327	14,846
Proceeds from revenue notes, net costs and discount		44,633
Proceeds from revenue bonds, net costs and discount		560,326
Principal paid on long-term debt	(10,783)	(14,315)
Principal paid on long-term notes		(40,000)
Interest paid on long-term debt	(46,581)	(34,107)
Capital grant proceeds	26,175	27,200
NET CASH (PROVIDED BY) USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(181,013)	476,808
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(214,100)	(108,723)
Proceeds from sale and maturity of investment securities	161,332	125,770
Interest received on investments	28,088	31,234
NET CASH (PROVIDED BY)USED IN INVESTING ACTIVITES	(24,680)	48,281
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(196,163)	535,244
Cash and cash equivalents, beginning of year	700,826	165,582
Cash and cash equivalents, end of year	$ 504,663	$ 700,826

(Continued)

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
STATEMENTS OF CASH FLOWS (Reconciliation)
For the Years Ended December 31, 2002 and 2001

	(In thousands) 2002	2001
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERTATING INCOME (LOSS)	$ (500)	$ 12,431
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	27,752	23,599
Non-cash rental income	(3,479)	(3,389)
Loss on disposal of equipment	2,681	
Changes in assets and liabilities:		
Accounts receivable	(8,349)	1,661
Unbilled revenue	1,737	1,039
Landing fees - due from airlines	4,308	(10,903)
Prepaid expenses	(187)	28
Due from other City departments, divisions or funds	(1,323)	462
Due from other governments	3	(3)
Materials and supplies, at cost	(9)	16
Accounts payable	(1,483)	243
Due to other City departments, divisions or funds	1,453	(1,356)
Accrued wages and benefits	(161)	(39)
Accrued property taxes	2,785	849
Landing fee adjustment		(6,139)
TOTAL ADJUSTMENTS	25,728	6,068
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 25,228	$ 18,499

See notes to financial statements.

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 Department of Port Control and are part of the City of Cleveland's (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.

Reporting Model and Basis of Accounting: The accounting policies and financial reporting practices of the Divisions comply with accounting principles generally accepted in the United States of America applicable to governmental units. Effective January 1, 2002, the Divisions changed their 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 affect the way the Divisions prepare and present financial information. As a result of the implementation of these new GASB statements, the amount previously reported as the Divisions' equity is now reported as the Divisions' net assets in the accompanying balance sheets and the net assets are divided into four categories as follows:

- Amount invested in capital assets, net of related debt
- Amount restricted for debt service
- Amount restricted for Passenger Facility Charges
- Remaining unrestricted amount

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

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 when incurred. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Activities*, all Propriety 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 A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Cash Flows: The Divisions utilize the direct method of reporting for the statement of cash flows as defined by the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In the statement of cash flows, cash receipts and cash payments are classified according to operating, 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 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 fair market value is based on quoted market values.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2002 and 2001. 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, 2002 and 2001.

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.

Restricted for Passenger Facility Charges: These assets are for Passenger Facility Charges imposed and collected at Cleveland Hopkins International Airport based on an approved Federal Aviation Administration application. These are restricted for designated capital projects or debt service.

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 fixed 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 and equipment and $10,000 for all other assets. When capital assets are disposed, 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:

Airfield (land improvements)	3 to 75 years
Buildings, structures and improvements	5 to 50 years
Furniture, fixtures and equipment	3 to 35 years

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Divisions' 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 revenue bonds. This statement requires capitalization of interest cost of 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 2002 and 2001, total interest costs incurred amounted to $46,089,000 and $50,120,000, respectively, of which $6,603,000 and $4,245,000, respectively, was capitalized, net of interest income of $16,856,000 in 2002 and $17,006,000 in 2001.

Bond Issuance Costs, Discounts and Unamortized Losses on Debt Refundings: Bond issuance expense is carried on the Divisions' books as a 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 refundings is netted against long-term debt and is amortized over the shorter of the defeased bond or the newly issued bond.

Compensated Absences: The Divisions accrue 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 unless written approval for carryover of vacation time is obtained. Sick days not taken may be accumulated until retirement. An employee is paid one-third of accumulated sick leave upon retirement, calculated at current wage rates, with the balance being forfeited.

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 existing conditions 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 International Airport. The funding for non-operating expenses is non-operating revenue (passenger facility charges, revenue bonds and federal grants).

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund receivables and payables balances at December 31, 2002 and 2001 are as follows:

	2002 Due From	2002 Due To	2001 Due From	2001 Due To
	(In thousands)			
City of Cleveland General Fund	$ 22	$ 711	$ 134	$ 256
Division of Water Pollution Control		65		239
Division of Cleveland Public Power		46		34
Division of Research Planning & Development	60		30	
Special Revenues - Transportation Fee				91
PFC Revenue Transfer from Oper & Maint.	1,621	1,621	321	321
Division of Telephone Exchange		65	457	155
Division of Radio Communication	13	6		
Division of Printing	17	4		
Division of Motor Vehicle Maintenance	75	26		
Division of Information Support Services	457	5		
	$ 2,265	$ 2,549	$ 942	$ 1,096

NOTE B - LONG-TERM DEBT

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

	Interest Rate	Original Issuance	2002	2001
			(In thousands)	
Airport Expansion and Noise Mitigation Airport System Revenue Bonds:				
Series 1990, due through 2006	6.50%-7.30%	$ 66,006	$ 12,198	$ 16,136
Series 1994, due through 2024	4.80%-7.95%	94,495	75,810	77,580
Series 1997, due through 2027	4.25%-7.00%	277,165	258,870	263,945
Series 2000, due through 2031	5.00%-5.50%	573,190	573,190	573,190
Airport Surplus Revenue Notes				
Series 2001, due in 2003	5.55%	44,950	44,950	44,950
		$ 1,055,806	965,018	975,801
Less:				
Unamortized discount			(10,245)	(10,611)
Unamortized loss on debt refunding			(2,081)	(2,252)
Current portion (due within one year)			(55,866)	(10,783)
Total Long-Term Debt excluding the deferred payment obligation			$ 896,826	$ 952,155

Summary: Changes in long-term obligations for the year ended December 31, 2002 are as follows:

	Balance January 1, 2002	Increase	Decrease	Balance December 31, 2002	Due Within One Year
			(In thousands)		
Airport System Revenue Bonds					
Series 1990	$ 16,136	$	$ (3,938)	$ 12,198	$ 3,711
Series 1994	77,580		(1,770)	75,810	1,905
Series 1997	263,945		(5,075)	258,870	5,300
Series 2000	573,190			573,190	
Airport Surplus Revenue Note					
Series 2001	44,950			44,950	44,950
Total revenue bonds & notes	975,801		(10,783)	965,018	55,866
Accrued wages and benefits	3,073		(161)	2,912	2,223
Total	$ 978,874	$	$ (10,944)	$ 967,930	$ 58,089

NOTE B - LONG-TERM DEBT (Continued)

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

	Principal	Interest (In thousands)	Total
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
2007	17,310	45,165	62,475
2008-2012	101,840	210,324	312,164
2013-2017	133,110	179,013	312,123
2018-2022	173,745	138,021	311,766
2023-2027	224,540	86,509	311,049
2028-2032	224,525	23,429	247,954
Total	$ 965,018	$ 890,090	$ 1,855,108

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 Surplus Revenue Notes, which matured on June 15, 2001. The Series 2001 Taxable 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 Series 2000 Bonds will be applied by the City to finance a portion of certain improvements to Cleveland Hopkins International Airport, to pay cost 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 $149,000,0000 were issued as variable rate Non-AMT Bonds with Westdeutsche Landesbank Girozentrnale 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, 2002 and 2001, the Department of Port Control has recorded a liability in the amount of $16,939,000 and $19,413,000, respectively, for compounded interest payable on the Capital Appreciation Bonds.

NOTE B - LONG-TERM DEBT (Continued)

The Airport System Revenue Bonds are secured by the pledge of all airport revenues, as 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, is classified as restricted assets in these financial statements.

As of December 31, 2002, the Department of Port Control 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 the 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; and (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.

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, 2002 and 2001 are as follows:

Bond Issue	2002	2001
	(In thousands)	
Series 1994	$ 7,950	$ 7,950

NOTE C – 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.

NOTE C – SPECIAL FACILITY REVENUE BONDS (Continued)

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.

NOTE D – 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 airport development. Of the $66.5 million purchase price, $36.5 million was paid in cash in 1999. The remaining $30.0 million, including interest at 7.75%, is being deferred by the seller and will be offset by future lease payments owed to the City over the 15 year lease period. The future lease payments are equal to the remaining purchase price plus interest at 7.75%, and as such, no cash will be exchanged between the City and the lessee over the term of the lease. The deferred payment is reported as "Deferred Payment Obligation" in the accompanying 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 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:

	Deferred Payment Obligation			
	Principal	Interest	Total	Future Minimum Rentals
	(In thousands)			
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
2007	2,032	1,357	3,389	3,389
Thereafter	16,393	4,219	20,612	20,612
	$ 25,151	$ 12,406	$ 37,557	$ 37,557

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

NOTE E – DEPOSITS AND INVESTMENTS

Deposits: The Divisions' carrying amount of deposits at December 31, 2002 and 2001 totaled approximately \$4,178,000 and \$29,258,000, respectively, and the Divisions' bank balance was approximately \$5,965,000 and \$44,636,000, respectively. The difference represents outstanding warrants payable and normal reconciling items. Based on the criteria described in the GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, \$5,677,000 and \$218,000 of the bank balances 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 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 of Ohio 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 and are kept at the Federal Reserve Bank in the depository institutions' 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 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.

NOTE E – 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, since they have a maturity of three months or less:

Type of Investment	Risk Category	2002 Fair Value	2002 Cost	2001 Fair Value	2001 Cost
			(In thousands)		
U.S. Agency Obligations	1	$ 131,920	$ 130,828	$ 70,241	$ 69,861
U.S. Treasury Bills	2	7,359	7,324	3,189	3,265
U.S. Treasury Notes	2	1,235	1,245	3,753	3,734
STAROhio	n/a	22,437	22,437	70,748	70,748
Guaranteed Investment Contract	n/a	277,067	277,067	601,488	601,488
Other	n/a	174,667	174,667		
Total Investments		614,685	613,568	749,419	749,096
Total Deposits		4,178	4,178	29,258	29,258
Total Deposits and Investments		$ 618,863	$ 617,746	$ 778,677	$ 778,354

STAROhio investments, guaranteed investment contracts and other investments are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form. Amounts represented by "Other" consist of deposits into a collective pool managed by JPMorgan, as trustee.

NOTE F - CAPITAL ASSETS

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

	January 1, 2002	Additions	Reductions	December 31, 2002
	(In thousands)			
Capital Assets, not being depreciated:				
Land	$ 141,577	$ 1,961	$	$ 143,538
Construction in progress	104,796	199,081	(177,722)	126,155
Total capital assets, not being depreciated	246,373	201,042	(177,722)	269,693
Capital assets, being depreciated:				
Land improvements	196,075	160,229	(3,286)	353,018
Buildings, structures and improvements	367,518	4,545	(125)	371,938
Furniture, fixtures and equipment	25,775	10,987	(1,919)	34,843
Total capital assets, being depreciated	589,368	175,761	(5,330)	759,799
Less: Total accumulated depreciation	(234,752)	(27,752)	2,648	(259,856)
Total capital assets being depreciated, net	354,616	148,009	(2,682)	499,943
Capital assets, net	$ 600,989	$ 349,051	$ (180,404)	$ 769,636

Commitments: As of December 31, 2002 and 2001, the Divisions had capital expenditure purchase commitments outstanding of approximately $148 million and $255 million, respectively.

NOTE G – LEASES AND CONCESSIONS

The Divisions lease specific 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.

Portions of the building costs in the balance sheet are held by the Divisions for the purpose of rental use. The net book value of property held for operating leases as of December 31, 2002 and 2001 is approximately $171,874,000 and $177,830,000, respectively.

NOTE G – LEASES AND CONCESSIONS (Continued)

Minimum future rental on non-cancelable operating leases to be received is as follows:

	(In thousands)
2003	$10,529
2004	9,644
2005	9,547
2006	8,746
2007	7,900
Thereafter	17,409
	$63,775

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

Contingent operating revenues aggregated approximately $17,847,000 and $18,127,0000, respectively, in 2002 and 2001.

NOTE H - CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Divisions 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 Divisions' financial position, results of operations or cash flows.

Risk Management: The Divisions are 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 Divisions carry insurance to cover particular liabilities and property protection. Otherwise, the Divisions are generally self-insured. No material losses, including incurred but not reported losses, occurred in 2002. There was no significant decreases in any insurance coverages in 2002. In addition, there were no insurance settlements in excess of insurance coverage during the past three fiscal years.

The City provides the choice of four separate health insurance plans for its employees. These plans are provided by two different insurers through commercial insurance. Operating funds are charged a monthly rate per employee, by type of coverage. The City participates in the State of Ohio workers' compensation program to provide workers' compensation benefits to its employees.

NOTE H - 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 payable has been included with accounts payable and is considered to be immaterial for the Divisions.

NOTE I - EMPLOYEES RETIREMENT PLAN

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board (the "Board"). OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report, which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2002 and 2001 employer pension contribution rate for the Divisions were 13.55 percent of covered payroll. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Divisions' required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were $2,078,000, $1,972,000 and $1,902,000, respectively. The required payments due in 2002, 2001, and 2000 have been made.

NOTE J - OTHER POST EMPLOYMENT BENEFITS

The OPERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 and 2001 employer contribution rate was 13.55 percent of covered payroll; 5.0 percent in 2002 and 4.30 percent in 2001 was the portion that was used to fund health care.

NOTE J - OTHER POST EMPLOYMENT BENEFITS (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no-change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The number of active contributing participants was 402,041 at December 31, 2001. The Divisions' actual contributions for 2002 which were used to fund postretirement benefits were $767,000. The actual contribution and the actuarially required contribution amounts are the same. OPERS net assets available for payment of benefits at December 31, 2001 (the latest information available) were $11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $16.4 billion and 4.8 billion, respectively.

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 under OPERS 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 their allowance toward specific medical expenses, much like a Medical Spending Account.

NOTE K - RELATED PARTY TRANSACTIONS

The Divisions are 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, 2002 and 2001, were as follows:

	2002	2001
	(In thousands)	
City Central Services, including police	$ 6,877	$ 4,839
Electricity purchased	$ 274	$ 208
Motor vehicle maintenance	$ 234	$ 268

NOTE L– 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 2002 and 2001 was a payable to the airport in the amount of $6,595,000 and $10,903,000, respectively.

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 2002 and 2001.

NOTE M – 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 passengers enplaned 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 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.

NOTE N – MAJOR CUSTOMER

In 2002 and 2001, operating revenues from one airline group for landing fees, rental and other charges amounted to approximately 34% and 30% respectively, of total operating revenue.

NOTE O - SUBSEQUENT EVENTS

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

On June 9, 2003, legislation was introduced to City Council for the issuance of an additional series of bonds. The ordinance authorizes the sale of not to exceed $215 million Airport System Revenue Bonds to refund outstanding revenue bonds and to pay costs incurred to acquire property for the Airport System, and not to exceed $80 million Airport System Revenue Bonds to refund outstanding Revenue Bonds under hedge agreements.

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PORT CONTROL
DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL
AND BURKE LAKEFRONT AIRPORTS
SCHEDULE OF AIRPORT REVENUES AND OPERATING EXPENSES
AS DEFINED IN THE AIRLINE USE AGREEMENTS
For the Year Ended December 31, 2002

	Cleveland Hopkins International	Burke Lakefront	Total
REVENUE			
Airline revenue:			
Landing fees	$ 27,105,021	$	$ 27,105,021
Terminal rental	19,543,981		19,543,981
Other	4,048,271		4,048,271
	50,697,273		50,697,273
Operating revenues from other sources:			
Concessions	16,781,451	322,113	17,103,564
Rentals	13,133,568	247,293	13,380,861
Landing fees	951,532	487,551	1,439,083
Other	3,488,043	167,727	3,655,770
	34,354,594	1,224,684	35,579,278
Non-operating revenue:			
Interest income	1,857,499		1,857,499
TOTAL REVENUE	$ 86,909,366	$ 1,224,684	$ 88,134,050
OPERATING EXPENSES			
Salaries and wages	$ 14,688,534	$ 1,032,361	$ 15,720,895
Employee benefits	4,218,812	280,098	4,498,910
City Central Services, including police	6,435,090	490,945	6,926,035
Materials and supplies	7,032,418	380,002	7,412,420
Contractual services	24,024,172	442,657	24,466,829
TOTAL OPERATING EXPENSES	$ 56,399,026	$ 2,626,063	$ 59,025,089

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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, 2002

Auditor of State
Betty Montgomery

DIVISIONS OF CLEVELAND HOPKINS INTERNATIONAL AND BURKE LAKEFRONT AIRPORTS
DEPARTMENT OF PORT CONTROL
CITY OF CLEVELAND
REPORT ON PASSENGER FACILITY CHARGES
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Auditor of State
Betty Montgomery

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 Divisions) 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, 2002. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Divisions' management. Our responsibility is to express an opinion on the Divisions' 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 Divisions' 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 Divisions' compliance with those requirements.

In our opinion, the Divisions 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, 2002.

Internal Control Over Compliance

The management of the Divisions 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 Divisions' 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.

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**Internal Control Over Compliance
(Continued)**

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 Divisions in a separate letter dated June 26, 2003.

Schedule of Expenditures of Passenger Facility Charges

We have audited the basic financial statements of the City of Cleveland as of and for the year ended December 31, 2002, and have issued our report thereon dated June 26, 2003. Our audit was performed for the purpose of forming an opinion on the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic 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.

Betty Montgomery

Betty Montgomery
Auditor of State

June 26, 2003

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, 2002

	Approved Project Budget	Cumulative Expenditures at 12/31/01	1st Quarter 2002 Expenditures	2nd Quarter 2002 Expenditures	3rd Quarter 2002 Expenditures	4th Quarter 2002 Expenditures	Total 2002 Expenditures	Cumulative Expenditures at 12/31/02
Insulate Residences - full program phase I	16,960,400	16,837,851	7,923	(80,709)	-	-	(72,787)	16,765,064
Extension of Taxiway "Q"	2,500,000	2,155,743	-	-		-	-	2,155,743
Land Acquisition - Resident Relocation	16,883,240	14,419,832	21,498	88,237	204	105,832	215,770	14,635,602
Sewer Construction	5,500,000	5,500,000	-	-	-	-	-	5,500,000
Asbestos Removal in Terminal CHIA	1,000,000	729,842	-	-	-	-	-	729,842
Acquisition of Analex Office Building and Vacant Land	13,025,000	13,025,000	-	-	-	-	-	13,025,000
Waste Water-Glycol Collection System Construction	6,320,642	1,278,477	1,809,120	714,557	1,315,769	110,670	3,950,116	5,228,594
NASA Feasibility and Pre-engineering Study	355,000	355,000	-	-	-	-	-	355,000
Land Acquisition	30,360,000	24,217,216	148,892	12,203	37,178	400,068	598,342	24,815,558
Sound Insulation	8,675,000	7,941,800	(435,046)	391,381	64,232	41,672	62,239	8,004,039
Environmental Assessment/Impact Studies	2,309,570	2,309,570	-	-	-	-	-	2,309,570
Terminal Passenger Flow and Security Study	300,000	-	-	-	-	-	-	-
Railway System/Vehicular Ingress-Egress Study	200,000	-	-	-	-	-	-	-
Runway 5R Extension Engineering	-	-	-	-	-	-	-	-
Runway 5R Extension Design	-	-	-	-	-	-	-	-
Runway 5R Construction	-	-	-	-	-	-	-	-
FIS Facility Construction	-	-	-	-	-	-	-	-
FIS Facility Design	-	-	-	-	-	-	-	-
Brook Park Land Transfer	8,750,000	1,071,995	-	-	1,607,705	-	1,607,705	2,679,700
Analex Demolition	1,229,000	-	-	-	19,892	-	19,892	19,892
Sound Insulation	20,000,000	4,555,622	(35,487)	31,225	46,866	1,986,046	2,028,650	6,584,271
Baggage Claim/Expansion	9,526,087	147,483	73,030	3,136,401	2,388,730	3,455,349	9,053,509	9,200,992
Tug Road Replacement	1,019,000	593,906	5,941	-	-	68,706	74,647	668,553
Interim Commuter Ramp	5,560,338	677,617	-	-	1,022,398	-	1,022,398	1,700,015
Concourse D Ramp/Site Utilities	51,305,804	6,258,871	-	-	9,432,421	-	9,432,421	15,691,292
Burke Runway Overlay 6L/24R	530,286	57,585	-	-	98,979	-	98,979	156,565
Install Instrument Landing System-Burke	2,181,400	-	-	-	456,765	-	456,765	456,765
Runway 6L/23R	82,106,000	-	-	-	-	-	-	-
	286,596,767	102,133,410	1,595,870	4,293,295	16,491,140	6,168,343	28,548,648	130,682,058

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, 2002

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, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2002 and 2001

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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, 2002 and December 31, 2001, as listed in the table of contents. 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 do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2002 and December 31, 2001, 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 Cleveland Public Power as of December 31, 2002 and December 31, 2001, 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.

Betty Montgomery

Betty Montgomery
Auditor of State

June 26, 2003

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CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's Department of Public Utilities, Division of Cleveland Public Power (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, 2002. Please read this information in conjunction with the Division's financial statements and footnotes that begin on page 10.

The Division was created in 1906 and charged with the responsibility of the distribution of electricity and providing related electric service to customers within its service areas. The Division operates a municipal electric system that is the largest in the State of Ohio and the thirty-fifth largest in the United States. Cleveland Public Power serves an area that is bound by the city limits of the City of Cleveland and presently serves over 80,000 customers.

FINANCIAL HIGHLIGHTS

- The assets of the Division exceed its liabilities at December 31, 2002 by $167,034,000 (net assets). Of this amount, $86,037,000 (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 $19,569,000 during 2002, largely due to weather driven increases to demand and kilowatt hour's sales, and revenues from the state electrical excise tax. Kilowatt-hours sales increased by 12.2 percent and all-time monthly demand peaks were reached for seven of the months in 2002. The state electric excise tax is the other major component of the increase, as this amount contributed $7,974,000 to the overall increase.

- During 2002, the Division made expenditures for capital improvements totaling $13,304,000. The principal capital expenditures during the year were for pole replacements, East 185th street improvement, transformers and meters.

- The Division's total debt decreased by $6,620,000 (2.4 percent) during the current fiscal year. The reason for this decrease was payments to bondholders for principal.

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 Cleveland Public Power Fund, in which the City accounts for the operations of the Department of Public Utilities Division of Cleveland Public Power. 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The Division of Cleveland Public Power 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 10 – 15 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 financial statements can be found on pages 16 - 27 of this report.

CONDENSED BALANCE SHEET INFORMATION

Provided below is condensed balance sheet information for the Division as of December 31, 2002 and 2001.

	2002	2001	Increase/ (Decrease)
		(In thousands)	
Assets:			
Capital assets	$ 290,512	$ 292,897	$ (2,385)
Restricted assets	20,708	20,660	48
Unamortized bond issuance costs	2,351	2,787	(436)
Current assets	93,690	74,969	18,721
Total assets	$ 407,261	$ 391,313	$ 15,948
Net Assets and Liabilities:			
Net assets:			
Invested in capital assets, net of related debt	$ 76,938	$ 76,711	$ 227
Restricted for debt service	4,059	3,807	252
Unrestricted	86,037	66,947	19,090
Total net assets	167,034	147,465	19,569
Liabilities:			
Long-term obligations	218,995	223,910	(4,915)
Payable from restricted assets	401	278	123
Current liabilities	20,831	19,660	1,171
Total liabilities	240,227	243,848	(3,621)
Total net assets and liabilities	$ 407,261	$ 391,313	$ 15,948

CONDENSED BALANCE SHEET INFORMATION (Continued)

Current assets:

- Current assets increased in 2002 as a result of a 7.3 percent increase in operating revenues with only a 4.0 percent increase in operating expenditures. The Division received $7,974,000 in electric excise tax (non-operating revenues), which was not received in 2001, and more aggressively collected on delinquent accounts, as the accounts receivable balance was reduced by $2.7 million in 2002.

- Inventory valuations at year-end 2002 increased $3,828,000 from December 31, 2001. Of this amount, $487,000 is initial stocking of the Division's new Eastside Service Center, $22,000 is increased stock at the Division's Meter Lab and $3,319,000 is significant restocking of the Division's West 41st Street Service Center from depleted levels considered insufficient to maintain excellent customer service.

Capital assets: The Division's investment in capital assets as of December 31, 2002, amounted to $290,512,000 (net of accumulated depreciation). The total decrease in the Division's investment in capital assets for the current fiscal year was approximately 1 percent. A summary of the activity in the Division's capital assets during the year ended December 31, 2002 is as follows:

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002
		(In thousands)		
Land	$ 4,863	$	$	$ 4,863
Land improvements	2,304	9		2,313
Utility plant	338,490	12,293		350,783
Buildings, structures and improvements	41,209	127		41,336
Furniture, fixtures and equipment	28,297		(137)	28,160
Construction in progress	15,474	13,244	(12,369)	16,349
Total	430,637	25,673	(12,506)	443,804
Accumulated depreciation	(137,740)	(15,552)		(153,292)
Net book value	$ 292,897	$ 10,121	$ (12,506)	$ 290,512

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

The principal capital expenditures during the year are as follows:

- Pole replacements - $2,109,000
- Transformers and meters - $998,000
- Duct line and other infrastructure improvements on East 185th Street and other streets - $816,000
- Longwood Estates underground electric feed and lighting - $628,000
- Vehicles purchased - $594,000
- Related engineering and overhead expense capitalized - $4,769,000

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

CONDENSED BALANCE SHEET INFORMATION (Continued)

Liabilities:

Long-term debt: At the end of the current fiscal year, the Division had total debt outstanding of $267,630,000. All bonds and notes are backed by the revenues generated by the Division.

The Division issued revenue bonds in the public capital markets in the late 1980's and early 1990's to finance a substantial expansion to its service territory. This debt is being retired in an orderly manner with repayment schedules through 2024. CPP did a $42,000,000 refunding issue in August 2001 that lowered its interest expense over the life of the bonds. At the end of 2002, total bond debt outstanding was $267,630,000.

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

	Balance January 1, 2002	Debt Issued	Debt Refunded	Debt Retired	Balance December 31, 2002
			(In thousands)		
Cleveland Public Power Revenue Bonds:					
Mortgage Revenue Bonds 1994 A	$ 48,335	$	$	$	$ 48,335
Mortgage Revenue Bonds 1994 B	16,850			(5,290)	11,560
Mortgage Revenue Bonds 1996	122,380				122,380
Mortgage Revenue Bonds 1998	44,760				44,760
Mortgage Revenue Bonds 2001	41,925			(1,330)	40,595
Total	$ 274,250	$	$	$ (6,620)	$ 267,630

The bond ratings for the Division's outstanding revenue bonds are as follows:

Moody's Investors Service	Standard & Poor's
A2	A-

The ratio of net revenue available for debt service to debt service requirements (revenue bond coverage) is a useful indicator of the Division's debt position to management, customers and creditors. The Division's revenue bond coverage for 2002, 2001, and 2000 was 220%, 204%, and 167%, respectively.

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

Net Assets: Net assets serves as a useful indicator of a government's financial position. In the case of the Division, assets exceeded liabilities by $167,034,000 at the close of the most recent fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION (Continued)

A large portion of the Division's net assets (46 percent) 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 resources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Division's net assets (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $86,037,000 or (52 percent), may be used to meet the Division's ongoing obligations to customers and creditors.

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

The Division's operations during 2002 and 2001 increased its net assets by $19,569,000 and $7,288,000, respectively. Key elements of these increases are summarized below:

	2002	2001	Increase/ (Decrease)
		(In thousands)	
Operating revenues	$ 141,690	$ 132,095	$ 9,595
Operating expenses	118,735	114,130	4,605
Operating income	22,955	17,965	4,990
Non-Operating Revenue (Expense):			
Investment income	1,693	2,537	(844)
Electric excise tax	7,974		7,974
Interest expense	(11,879)	(12,423)	544
Amortization of bond issuance costs and discount	(2,236)	(2,374)	138
Workers compensation refund	119	617	(498)
Other	943	966	(23)
Total non-operating revenue (expense), net	(3,386)	(10,677)	7,291
Increase in net assets	19,569	7,288	12,281
Net assets, beginning of year	147,465	140,177	7,288
Net assets, end of year	$ 167,034	$ 147,465	$ 19,569

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

Cleveland Public Power recorded income of $7,974,000 in 2002 for the portion of the electric excise tax which was earmarked for accelerated debt reduction or pole replacement.

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

Cleveland Public Power (CPP) is focusing its marketing efforts on those sections of the City that were part of its earlier system expansion to increase the density of customers served. As CPP competes with First Energy in these areas, density is measured as the number of CPP customers on a given street versus the total customers available on that street. Additional customers can be added and serviced with little extra expense.

CPP purchases a large percentage of its power requirements via medium and long-term contracts in the power markets. The actual costs of these power purchases are passed through to its customers via an Energy Adjustment Charge on its bills. As power costs rise, sales revenue will also increase commensurately. This will not impact CPP financially unless actual power costs push CPP's billing rates significantly above those of its competition.

In February 2000, Cleveland City Council authorized a temporary rate increase of about 4% that was implemented through modification of the calculation of the Energy Adjustment Charge. The additional revenue of about $4,000,000 annually may be spent only for accelerated debt reduction or major capital expenditures. This temporary rate increase expires on December 31, 2005.

After the system expansion period in the 1990's, CPP executed several non-standard contracts with new customers that have contributed significantly to incremental revenue but are now at billed rates below current market rates. As these contracts expire, CPP expects to be able to renew them at billing rates that will contribute positively to CPP's operating margins in the future.

As mentioned in Note K to the Financial Statements, CPP will not receive any of the revenue from the electric deregulation kilowatt-hour excise tax in 2003.

The difficult economy is having its impact on CPP in the form of increased bankruptcies within its customer base. In addition to being aggressive, but fair, in its collection of accounts receivable, CPP has raised its allowance for doubtful accounts to 3.5% of revenues billed to non-City accounts from its historical level of about 2.0% of such revenues.

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 CLEVELAND PUBLIC POWER
BALANCE SHEETS
December 31, 2002 and 2001

	(In thousands) 2002	2001
ASSETS		
CAPITAL ASSETS		
Land	$ 4,863	$ 4,863
Land improvements	2,313	2,304
Utility plant	350,783	338,490
Buildings, structures and improvements	41,336	41,209
Furniture, fixtures and equipment	28,160	28,297
	427,455	415,163
Less: Accumulated depreciation	(153,292)	(137,740)
	274,163	277,423
Construction in progress	16,349	15,474
CAPITAL ASSETS, NET	290,512	292,897
RESTRICTED ASSETS		
Cash and cash equivalents	17,571	20,635
Investments	3,121	
Accrued interest receivable	16	25
TOTAL RESTRICTED ASSETS	20,708	20,660
UNAMORTIZED BOND ISSUANCE COSTS	2,351	2,787
CURRENT ASSETS		
Cash and cash equivalents	11,071	39,045
Investments	47,739	
Receivables:		
Accounts receivable - net of allowance for doubtful accounts of $400,000 in 2002 and $2,543,000 in 2001	21,738	24,492
Unbilled revenue	1,551	1,616
Due from other City of Cleveland departments, divisions or funds	4,600	6,836
Accrued interest receivable	183	
Materials and supplies - at average cost, net of allowance for obsolescence of $1,098,000 in 2002 and 2001	6,754	2,926
Prepaid expenses	54	54
TOTAL CURRENT ASSETS	93,690	74,969
TOTAL ASSETS	$ 407,261	$ 391,313

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
BALANCE SHEETS
December 31, 2002 and 2001

	(*In thousands*) 2002	2001
NET ASSETS AND LIABILITIES		
NET ASSETS		
Invested in capital assets, net of related debt	$ 76,938	$ 76,711
Restricted for debt service	4,059	3,807
Unrestricted	86,037	66,947
TOTAL NET ASSETS	167,034	147,465
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year:		
Revenue bonds	218,161	223,102
Accrued wages and benefits	834	808
TOTAL LONG-TERM OBLIGATIONS	218,995	223,910
PAYABLE FROM RESTRICTED ASSETS	401	278
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	7,865	6,620
Accounts payable	6,778	5,969
Due to other City of Cleveland departments, divisions or funds	335	583
Accrued interest payable	1,361	1,953
Current portion of accrued wages and benefits	2,909	3,165
Other accrued expenses	454	444
Customer deposits and other liabilities	1,129	926
TOTAL CURRENT LIABILITIES	20,831	19,660
TOTAL LIABILITIES	240,227	243,848
TOTAL NET ASSETS AND LIABILITIES	$ 407,261	$ 391,313

See notes to financial statements.

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2002 and 2001

	(In thousands) 2002	2001
OPERATING REVENUES		
Charges for services	$ 141,690	$ 132,095
TOTAL OPERATING REVENUES	141,690	132,095
OPERATING EXPENSES		
Purchased power	72,174	65,283
Operations	14,525	16,133
Maintenance	16,351	16,418
Depreciation	15,685	16,296
TOTAL OPERATING EXPENSES	118,735	114,130
OPERATING INCOME	22,955	17,965
NON-OPERATING REVENUE (EXPENSE)		
Investment income	1,693	2,537
Interest expense	(11,879)	(12,423)
Amortization of bond issuance costs and discounts	(2,236)	(2,374)
Workers compensation refund	119	617
Electric excise tax	7,974	
Other	943	966
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	(3,386)	(10,677)
INCREASE IN NET ASSETS	19,569	7,288
NET ASSETS, beginning of year	147,465	140,177
NET ASSETS, end of year	$ 167,034	$ 147,465

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2002 and 2001

	(In thousands) 2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 148,384	$ 124,280
Cash payments to suppliers for goods or services	(12,653)	(13,112)
Cash payments to employees for services	(18,375)	(21,578)
Cash payments for purchased power	(71,461)	(66,366)
Electric excise tax payments to agency fund	(6,049)	
Receipt of customer deposits, net	203	(424)
NET CASH PROVIDED BY OPERATING ACTIVITIES	40,049	22,800
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Electric excise tax	7,974	
Workers compensation refund	54	617
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	8,028	617
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(11,404)	(12,087)
Principal paid on long-term debt	(6,620)	(6,855)
Interest paid on long-term debt	(11,803)	(11,133)
Cash paid to escrow agent for refunding		(43,743)
Proceeds of refunding bonds		43,036
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(29,827)	(30,782)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(90,033)	(14,441)
Proceeds from sale and maturity of investment securities	39,397	40,387
Interest received on investments	1,348	2,837
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(49,288)	28,783
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(31,038)	21,418
CASH AND CASH EQUIVALENTS, beginning of year	59,680	38,262
CASH AND CASH EQUIVALENTS, end of year	$ 28,642	$ 59,680

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2002 and 2001

	(In thousands) 2002	2001
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME	$ 22,955	$ 17,965
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	15,685	16,296
Changes in assets and liabilities:		
Accounts receivable, net	2,754	(2,284)
Unbilled revenue	65	563
Due from other City of Cleveland departments, divisions or funds	2,235	(5,350)
Materials and supplies, net	(3,827)	139
Accounts payable	809	(3,801)
Due to other City of Cleveland departments, divisions or funds	(248)	(72)
Accrued wages and benefits	(592)	(676)
Other accrued expenses	10	(424)
Customer deposits and other liabilities	203	444
TOTAL ADJUSTMENTS	17,094	4,835
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 40,049	$ 22,800

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2002 and 2001

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. 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), Ma*nagement's Discussion and Analysis – for State and Local Governments,* GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus,* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These "Reporting Model" statements affect the way the 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 three categories as follows:

- Amount invested in capital assets, net of related debt.
- Amount restricted for debt service.
- 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 electricity to residential, commercial and industrial customers based upon actual consumption. Electricity 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.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2002 and 2001

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 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 a 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 prices.

The City has invested funds in STAROhio during fiscal year 2002 and 2001. 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, 2002 and 2001.

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.

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 fixed 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, and equipment and $10,000 for all other assets. When capital assets are disposed, 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	10 to 50 years
Land Improvements	42 to 48 years
Buildings, structures and improvements	10 to 47 years
Furniture, fixtures and equipment	5 to 33 years

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division's policy is to capitalize interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of the assets and is depreciated on the straight-line basis over the estimated useful lives of such assets. The division applies Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants,* for its revenue bonds. This statement requires capitalization of interest cost of 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 2002 and 2001, total interest costs incurred amounted to $12,334,000 and $12,460,000 respectively, of which $453,000 and $31,000, respectively, was capitalized, net of interest income of $2,000 in 2002 and $6,000 in 2001.

Bond Issuance Costs, Discounts and Unamortized Losses on Debt Refundings: Bond issuance costs are initially recorded as deferred expenses and unamortized original issuance discounts are netted against long-term debt. Both are amortized over the lives of the related bonds. Unamortized losses on debt refundings are netted against long-term debt and are amortized over the shorter of the remaining life of the defeased bond or the newly issued bond.

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 unless written approval for carryover of vacation time is obtained. Sick days not taken may be accumulated until retirement. An employee is paid one-third of accumulated sick leave upon retirement, calculated at current wage rates, with the balance being forfeited.

NOTE B - LONG-TERM DEBT

Long-term debt outstanding at December 31, 2002 and 2001 is as follows:

	Interest Rate	Original Issuance	2002	2001
			(In thousands)	
Cleveland Public Power Mortgage Revenue Bonds:				
Series 1994, zero coupon bonds due through 2013		$ 179,775	$ 48,335	$ 48,335
Series 1994, due through 2004	7.00%	39,330	11,560	16,850
Series 1996, due through 2024	5.00%-6.00%	123,720	122,380	122,380
Series 1998, due through 2017	4.00%-5.25%	44,840	44,760	44,760
Series 2001, due through 2016	3.55%-5.50%	41,925	40,595	41,925
		$ 429,590	267,630	274,250
Less:				
Unamortized discount-zero coupon bonds			(19,164)	(20,778)
Unamortized discount-current interest bonds			(5,585)	(5,880)
Unamortized loss on debt refunding			(16,855)	(17,870)
Current portion			(7,865)	(6,620)
Total Long-Term Debt			$ 218,161	$ 223,102

Summary: Changes in long-term obligations for the year ended December 31, 2002 are as follows:

	Balance January 1, 2002	Increase	Decrease	Balance December 31, 2002	Due Within One Year
			(In thousands)		
Cleveland Public Power Mortgage Revenue Bonds:					
Series 1994, zero coupon bonds due through 2013	$ 48,335	$	$	$ 48,335	$
Series 1994, due through 2004	16,850		(5,290)	11,560	5,610
Series 1996, due through 2024	122,380			122,380	695
Series 1998, due through 2017	44,760			44,760	
Series 2001, due through 2016	41,925		(1,330)	40,595	1,560
Total revenue bonds	274,250		(6,620)	267,630	7,865
Accrued wages and benefits	3,973		(230)	3,743	2,909
Total	$ 278,223	$	$ (6,850)	$ 271,373	$ 10,774

NOTE B - LONG-TERM DEBT (Continued)

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

	Principal	Interest	Total
		(In thousands)	
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
2007	11,465	9,035	20,500
2008-2012	60,435	41,722	102,157
2013-2017	70,070	32,790	102,860
2018-2022	59,480	16,269	75,749
2023-2027	28,170	2,130	30,300
Total	$ 267,630	$ 142,687	$ 410,317

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 City's financial statements. The aggregate amount of defeased debt outstanding at December 31, 2002 and December 31, 2001 is as follows:

Bond Issue	2002	2001
	(In thousands)	
Series 1994	$ 131,440	$ 131,440

NOTE B - LONG-TERM DEBT (Continued)

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 and due in that year. As of December 31, 2002, 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.

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 and is 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, 2002 and 2001, the Division had $12,456,000 and $14,157,000, 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 - DEPOSITS AND INVESTMENTS

Deposits: At December 31, 2002 and December 31, 2001, the Division's carrying amount of deposits totaled ($38,000) and $121,000, respectively, and the Division's bank balances totaled $835,000 and $555,000, respectively. 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; 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, 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 the 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 it's 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:

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF CLEVELAND PUBLIC POWER

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2002 and 2001

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Type of Investment	Risk Category	2002 Fair Value	2002 Cost	2001 Fair Value	2001 Cost
		(In thousands)			
U.S. Agency Obligations	1	$ 47,723	$ 47,514	$	$
U.S. Treasury Bills	2	3,137	3,122	3,078	3,087
STAROhio	n/a	12,044	12,044	41,329	41,329
Investment in Mutual Funds	n/a	16,636	16,636	15,152	15,152
Total Investments		79,540	79,316	59,559	59,568
Total Deposits		(38)	(38)	121	121
Total Deposits and Investments		$ 79,502	$ 79,278	$ 59,680	$ 59,689

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.

NOTE D – CAPITAL ASSETS

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

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002
	(In thousands)			
Capital assets, not being depreciated:				
Land	$ 4,863	$	$	$ 4,863
Construction in progress	15,474	13,244	(12,369)	16,349
Total capital assets, not being depreciated	20,337	13,244	(12,369)	21,212
Capital assets, being depreciated:				
Land improvements	2,304	9		2,313
Utility plant	338,490	12,293		350,783
Buildings, structures and improvements	41,209	127		41,336
Furniture, fixtures and equipment	28,297		(137)	28,160
Total capital assets, being depreciated	410,300	12,429	(137)	422,592
Less: Accumulated depreciation	(137,740)	(15,552)		(153,292)
Total capital assets being depreciated, net	272,560	(3,123)	(137)	269,300
Capital assets, net	$ 292,897	$ 10,121	$ (12,506)	$ 290,512

NOTE D – CAPITAL ASSETS (Continued)

Commitments: The Division has outstanding commitments at December 31, 2002 for approximately $3,886,000 of future capital expenditures. 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, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board (the "Board"). OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2002 and 2001 employer pension contribution rate for the Division was 13.55 percent of covered payroll. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Division's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were $2,510,000, $2,323,000 and $2,417,000, respectively. The required payments due in 2002, 2001, and 2000 have been made.

NOTE F - OTHER POST EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 and 2001 employer contribution rate was 13.55 percent of covered payroll; 5.0 percent in 2002 and 4.30 percent in 2001 was the portion that was used to fund health care.

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

NOTE F - OTHER POST EMPLOYMENT BENEFITS (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The number of active contributing participants was 402,041 at December 31, 2001. The Division's actual contributions for 2002, which were used to fund postretirement benefits were $926,000. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were $11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $16.4 billion and $4.8 billion, respectively.

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 under OPERS 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 their allowance toward specific medical expenses, much like a Medical Spending Account.

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 carries insurance to cover particular liabilities and property protection. Otherwise, the Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2002. There were no significant decreases in any insurance coverages in 2002. In addition, there were no insurance settlements in excess of insurance coverage during the past three fiscal years.

The City provides the choice of four separate health insurance plans for its employees. These plans are provided by two different insurers through commercial insurance. Operating funds are charged a monthly rate per employee, by type of coverage. The City participates in the State of Ohio workers' compensation program to provide workers' compensation benefits to its employees.

NOTE 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 Cleveland Public Power services to the City of Cleveland, including its various departments and divisions. The usual and customary rates are charged to all City departments and divisions.

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, 2002 and 2001 are as follows:

	2002	2001
	(In thousands)	
Division of Water	$ 493	$ 387
City Administration	1,029	950
Motor Vehicle Maintenance	270	336
Telephone Exchange	590	291
Utilities Administration and Fiscal Control	443	443
Data Processing	21	151

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 $1,397,000 and $1,441,000 for the years ended December 31, 2002 and 2001, respectively.

NOTE J - 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, the plant will remain idle. The Division continued its past practice of depreciating the plant at rates which completed the depreciation of the plant in 1999.

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 $6,077,000 and $3,780,000 for this tax in 2002 and 2001, respectively, of which $13,883 and $8,841 was remitted to the State. Fifteen percent of the difference belongs to the General Fund of the City of Cleveland, with the eighty-five percent balance to be used for accelerated debt reduction and pole replacement by Cleveland Public Power. In October 2002, City Council passed ordinance 1886-02, which allocated the entire difference between the amount collected and the amount remitted to the State, in 2003 only, to the General Fund of the City of Cleveland. This tax is reported as electric excise tax under non-operating revenues on the Statements of Revenue, Expenses and Changes in Net Assets.

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the years ended December 31, 2002 and 2001

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Division of Water
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 Water, Department of Public Utilities, City of Cleveland, Ohio, as of and for the years ended December 31, 2002 and December 31, 2001, as listed in the table of contents. 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 do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2002 and December 31, 2001, 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 as of December 31, 2002 and December 31, 2001, 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.

Betty Montgomery

Betty Montgomery
Auditor of State

June 26, 2003

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
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CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the "City") Department of Public Utilities, Division of Water (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, 2002. Please read this information in conjunction with the Division's financial statements and footnotes that begin on page 10.

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 of Cleveland, but also 70 suburban municipalities in Cuyahoga, Medina, Summit and Geauga counties. The Division is an emergency standby provider for systems in 3 other counties. The present service area covers over 640 square miles and serves over 1.5 million people. In 2002, the aggregate metered consumption of water in the City constituted 34 percent of the total metered consumption in the service area, while consumption in the direct service communities and master meter communities constituted 55 percent and 11 percent, respectively.

FINANCIAL HIGHLIGHTS

- The assets of the Division exceeded its liabilities at December 31, 2002 by $773,866,000 (net assets). Of this amount, $277,896,000 (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 $57,088,000 during 2002. The increase was predominately due to an increase in revenues from the sale of water and associated services.

- During 2002, the Division made expenditures for capital improvements totaling $110,160,000. The principal capital expenditures during the year were for the Morgan Plant Renovation, Baldwin Plant Renovation, Nottingham Plant Renovation, Water Main Rehabilitation, and Plant Enhancement Program Design.

- The Division's total debt increased by $186,783,000 (27 percent) during the current fiscal year. The key factor in this increase was the issuance of 2 new series of bonds in 2002, Series K and Series L.

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 Fund, in which the City accounts for the operations of the Department of Public Utilities Division of Water. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The Division of Water 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 10 - 15 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 financial statements can be found on pages 16 - 29 of this report.

CONDENSED BALANCE SHEET INFORMATION

Provided below is condensed balance sheet information for the Division as of December 31, 2002 and 2001:

	2002	2001	Increase/ (Decrease)
		(In thousands)	
Assets:			
Capital assets	$ 967,187	$ 886,567	$ 80,620
Restricted assets	404,240	253,727	150,513
Unamortized bond issuance costs	7,512	5,964	1,548
Current assets	312,230	285,983	26,247
Total assets	1,691,169	1,432,241	258,928
Net Assets and Liabilities:			
Net assets:			
Invested in capital assets, net of related debt	394,542	349,275	45,267
Restricted for debt service	101,428	110,112	(8,684)
Unrestricted	277,896	257,391	20,505
Total net assets	773,866	716,778	57,088
Liabilities:			
Long-term obligations	841,374	653,209	188,165
Payable from restricted assets	13,318	5,303	8,015
Current liabilities	62,611	56,951	5,660
Total liabilities	917,303	715,463	201,840
Total net assets and liabilities	$ 1,691,169	$ 1,432,241	$ 258,928

CONDENSED BALANCE SHEET INFORMATION (Continued)

Assets: Capital assets increased due to the continuing renovation program. Restricted assets increased due to the issuance of bond Series K and L

Capital assets: The Division's investment in capital assets, as of December 31, 2002, amounted to $967,187,000 (net of accumulated depreciation). The total increase in the Division's investment in capital assets for the current fiscal year was 9 percent. A summary of the activity in the Division's capital assets during the year ended December 31, 2002 is as follows:

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002
		(In thousands)		
Land	$ 5,271	$	$	$ 5,271
Land improvements	12,676	1,440		14,116
Utility plant	813,195	53,885	(218)	866,862
Buildings, structures and improvements	174,729	3,463		178,192
Furniture, fixtures and equipment	65,516	13,603		79,119
Construction in progress	128,005	105,279	(67,510)	165,774
Total	1,199,392	177,670	(67,728)	1,309,334
Less: Accumulated depreciation	(312,825)	(30,400)	1,078	(342,147)
Capital assets, net	$ 886,567	$ 147,270	$ (66,650)	$ 967,187

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

- Construction on Morgan, Baldwin and Nottingham renovations.
- Purchase of vehicles and equipment.
- Water main rehabilitation.

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

Liabilities:

Payables from restricted assets: Payables from restricted assets increased due to an increase in construction in the continuing system renovation program.

Current liabilities: This increase was due mainly to an increase in the current portion of the scheduled payment of bonds.

CONDENSED BALANCE SHEET INFORMATION (Continued)

Long-term debt: At the end of the current fiscal year, the Division had total debt outstanding of $885,921,000. All bonds and notes are backed by the revenues generated by the Division.

The activity in the Division's debt obligations outstanding during the year ended December 31, 2002 is summarized below (excluding unamortized discounts, premiums and losses on debt refundings):

	Balance January 1, 2002	Debt Issued	Debt Refunded	Debt Retired	Balance December 31, 2002
			(In thousands)		
Water Revenue Bonds:					
Series A, 1977	$ 12,905	$	$	$ (12,905)	$
Series D, 1986	15,350		(15,350)		
Series G, 1993	187,440			(6,330)	181,110
Series H, 1996	81,105			(9,030)	72,075
Series I, 1998	303,765			(1,900)	301,865
Series J, 2001	92,595				92,595
Series K, 2002		138,050			138,050
Series L, 2002		90,000			90,000
Ohio Water Development Authority Loan	5,978	4,621		(373)	10,226
Total	$ 699,138	$ 232,671	$ (15,350)	$ (30,538)	$ 885,921

The bond ratings for the Division's outstanding revenue bonds are as follows and remain unchanged since 2001.

Moody's Investors Service	Standard & Poor's
Aa3	AA-

The ratio of net revenue available for debt service to debt service requirements (revenue bond coverage) is a useful indicator of the Division's debt position to management, customers and creditors. The Division's revenue bond coverage for 2002, 2001, and 2000 was 186%, 213%, and 196%, respectively.

Additional information on the Division's long-term debt can be found in Note B on pages 19 - 24.

Net Assets: Net assets serves as a useful indicator of a government's financial position. In the case of the Division, assets exceed liabilities by $773,866,000 at the close of the most recent fiscal year.

CONDENSED BALANCE SHEET INFORMATION (Continued)

By far, the largest portion of the Division's net assets (51 percent) 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 resources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Division's net assets (13 percent) represents resources classified as restricted assets since their use is limited by the bond indentures. The remaining balance of unrestricted net assets, $277,896,000 or (36 percent), may be used to meet the Division's ongoing obligations to customers and creditors.

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

The Division's operations during 2002 and 2001 increased its net assets by $57,088,000 and $63,031,000, respectively. Key elements of these are summarized below:

	2002	2001	Increase/ (Decrease)
		(In thousands)	
Operating revenues	$ 215,688	$ 212,724	$ 2,964
Operating expenses	149,275	146,523	2,752
Operating income	66,413	66,201	212
Non-operating revenue (expense):			
Investment income	10,706	17,103	(6,397)
Interest expense	(20,233)	(19,776)	(457)
Amortization of bond issuance costs and discount	163	(770)	933
Workers' compensation refund	39	2,100	(2,061)
(Loss) on disposal of capital assets		(1,827)	1,827
Total non-operating revenue (expense), net	(9,325)	(3,170)	(6,155)
Increase in net assets	57,088	63,031	(5,943)
Net assets, beginning of year	716,778	653,747	63,031
Net assets, end of year	$ 773,866	$ 716,778	$ 57,088

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

Investment income decreased due to lower interest rates in 2002.

Operating income increased over 2002 due to the January 1, 2002 rate increase of approximately 3.4 percent.

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

A rate increase of approximately 3.4% in 2003, 2004 and 2005 will increase revenue to match expected expenditures.

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
BALANCE SHEETS
December 31, 2002 and 2001

	(In thousands) 2002	2001
ASSETS		
CAPITAL ASSETS		
Land	$ 5,271	$ 5,271
Land improvements	14,116	12,676
Utility plant	866,862	813,195
Buildings, structures and improvements	178,192	174,729
Furniture, fixtures and equipment	79,119	65,516
	1,143,560	1,071,387
Less: Accumulated depreciation	(342,147)	(312,825)
	801,413	758,562
Construction in progress	165,774	128,005
CAPITAL ASSETS, NET	967,187	886,567
RESTRICTED ASSETS		
Cash and cash equivalents	388,662	239,945
Investments	10,999	12,899
Accrued interest receivable	673	883
OWDA loans receivable	3,906	
TOTAL RESTRICTED ASSETS	404,240	253,727
UNAMORTIZED BOND ISSUANCE COSTS	7,512	5,964
CURRENT ASSETS		
Cash and cash equivalents	91,806	111,148
Investments	160,256	118,510
Receivables:		
Accounts receivable - net of allowance for doubtful accounts of $7,258,000 in 2002 and $7,741,000 in 2001	23,602	20,430
Unbilled revenue	25,214	22,750
Due from other City of Cleveland departments, divisions or funds	4,732	5,113
Accrued interest receivable	1,249	1,502
Materials and supplies - at average cost, net of allowance for obsolescence of $600,000 in 2002 and 2001	4,880	5,343
Prepaid expenses	491	1,187
TOTAL CURRENT ASSETS	312,230	285,983
TOTAL ASSETS	$ 1,691,169	$ 1,432,241

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
BALANCE SHEETS
December 31, 2002 and 2001

	(*In thousands*) 2002	2001
NET ASSETS AND LIABILITIES		
NET ASSETS		
Invested in capital assets, net of related debt	$ 394,542	$ 349,275
Restricted for debt service	101,428	110,112
Unrestricted	277,896	257,391
TOTAL NET ASSETS	773,866	716,778
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year:		
Revenue bonds	829,312	645,366
OWDA loan	9,839	5,738
Accrued wages and benefits	2,223	2,105
TOTAL LONG-TERM OBLIGATIONS	841,374	653,209
PAYABLE FROM RESTRICTED ASSETS	13,318	5,303
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	24,377	17,500
Accounts payable	3,208	5,323
Due to other City of Cleveland departments, divisions or funds	5,001	5,534
Accrued interest	17,848	17,018
Current portion of accrued wages and benefits	8,619	8,515
Other accrued expenses	393	430
Customer deposits and other liabilities	3,165	2,631
TOTAL CURRENT LIABILITIES	62,611	56,951
TOTAL LIABILITIES	917,303	715,463
TOTAL NET ASSETS AND LIABILITIES	$ 1,691,169	$ 1,432,241

See notes to financial statements.

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2002 and 2001

	(In thousands) 2002	2001
OPERATING REVENUES		
Charges for services	$ 215,688	$ 212,724
TOTAL OPERATING REVENUES	215,688	212,724
OPERATING EXPENSES		
Operations	91,259	93,299
Maintenance	28,477	23,542
Depreciation	29,539	29,682
TOTAL OPERATING EXPENSES	149,275	146,523
OPERATING INCOME	66,413	66,201
NON-OPERATING REVENUE (EXPENSE)		
Investment income	10,706	17,103
Interest expense	(20,233)	(19,776)
Amortization of bond issuance costs, premiums, and discounts	163	(770)
Workers' compensation refund	39	2,100
Loss on disposal of capital assets		(1,827)
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	(9,325)	(3,170)
INCREASE IN NET ASSETS	57,088	63,031
NET ASSETS, beginning of year	716,778	653,747
NET ASSETS, end of year	$ 773,866	$ 716,778

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2002 and 2001

	(In thousands) 2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 212,910	$ 212,022
Cash payments to suppliers for goods or services	(60,023)	(55,677)
Cash payments to employees for services	(63,559)	(61,748)
Receipt of customer deposits, net	534	55
NET CASH PROVIDED BY OPERATING ACTIVITIES	89,862	94,652
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants	473	
Workers compensation refund	95	2,100
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	568	2,100
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(87,449)	(56,958)
Proceeds of OWDA loan	457	6,208
Principal paid on long-term debt	(30,491)	(20,835)
Interest paid on long-term debt	(34,885)	(38,201)
Cash paid to escrow agent for refunding	(17,307)	(97,680)
Proceeds of new and refunding bonds	234,717	97,711
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	65,042	(109,755)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(206,780)	(184,343)
Proceeds from sale and maturity of investment securities	167,944	279,322
Interest received on investments	12,739	29,280
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(26,097)	124,259
NET INCREASE IN CASH AND CASH EQUIVALENTS	129,375	111,256
CASH AND CASH EQUIVALENTS, beginning of year	351,093	239,837
CASH AND CASH EQUIVALENTS, end of year	$ 480,468	$ 351,093

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2002 and 2001

	(In thousands) 2002	2001
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME	$ 66,413	$ 66,201
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	29,539	29,682
Changes in assets and liabilities:		
Accounts receivable, net	(3,172)	(4,654)
Unbilled revenue	(2,464)	(151)
Due from other City of Cleveland departments, divisions or funds	381	562
Materials and supplies, net	463	(640)
Prepaid expenses	695	(963)
Accounts payable	(2,179)	2,402
Due to other City of Cleveland departments, divisions or funds	(533)	4,474
Accrued wages and benefits	222	(2,446)
Other accrued expenses	(37)	130
Customer deposits and other liabilities	534	55
TOTAL ADJUSTMENTS	23,449	28,451
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 89,862	$ 94,652

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, 2002 and 2001

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.

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), Ma*nagement's Discussion and Analysis – for State and Local Governments,* GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus,* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These "Reporting Model" statements affect the way the 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 three categories as follows:

- Amount invested in capital assets, net of related debt.
- Amount restricted for debt service.
- 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 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.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2002 and 2001

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 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 a 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 prices.

The City has invested funds in STAROhio during 2002 and 2001. 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, 2002 and 2001.

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.

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 fixed 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 and equipment and $10,000 for all other assets. When capital assets are disposed, 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	6 to 100 years
Land improvements	38 to 100 years
Buildings, structures and improvements	20 to 60 years
Furniture, fixtures and equipment	5 to 50 years

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2002 and 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division's policy is to capitalize interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of the assets and is depreciated on the straight-line basis over the estimated useful lives of such assets. The Division applies Statement of Financial Accounting Board Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants,* for its revenue bonds. This statement requires capitalization of interest cost of 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 2002 and 2001, total interest costs incurred amounted $38,007,000 and $38,299,000, respectively, of which $15,199,000 and $10,669,000, respectively, was capitalized, net of interest income of $2,575,000 in 2002 and $7,854,000 in 2001.

Bond Issuance Costs, Discounts and Unamortized Losses on Debt Refundings: Bond issuance costs are recorded as deferred expenses, and unamortized original issuance discounts are netted against long-term debt. Both are amortized over the lives of the related bonds. Unamortized losses on debt refundings are netted against long-term debt and are amortized over the shorter of the remaining life of the defeased bond or the newly issued bond.

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 unless written approval for carryover of vacation time is obtained. Sick days not taken may be accumulated until retirement. An employee is paid one-third of accumulated sick leave upon retirement, calculated at current wage rates, with the balance being forfeited.

NOTE B - LONG-TERM DEBT

Long-term debt outstanding at December 31, 2002 and 2001 is as follows:

	Interest Rate	Original Issuance	2002	2001
			(In thousands)	
Water Revenue Bonds:				
Series A, 1977, due through 2008	6.13%	$ 80,000	$	$ 12,905
Series D, 1986, due through 2015	5.00%-7.00%	119,065		15,350
Series G, 1993, due through 2021	4.60%-5.50%	228,170	181,110	187,440
Series H, 1996, due through 2026	4.20%-5.75%	204,885	72,075	81,105
Series I, 1998, due through 2026	4.00%-5.25%	305,650	301,865	303,765
Series J, 2001, due through 2016	4.00%-5.375%	92,595	92,595	92,595
Series K, 2002, due through 2033	3.50%-5.250%	138,050	138,050	
Series L, 2002, due through 2033	4.00%-Variable	90,000	90,000	
Ohio Water Development Authority Loan payable annually through 2024	3.20%-4.14%		10,226	5,978
		$ 1,258,415	885,921	699,138
Less:				
Unamortized discount and premium			9,085	2,121
Unamortized loss on debt refunding			(31,478)	(32,655)
Current portion			(24,377)	(17,500)
Total Long-Term Debt			$ 839,151	$ 651,104

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2002 and 2001

NOTE B - LONG-TERM DEBT (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2002 are as follows:

	Balance January 1, 2002	Increase	Decrease	Balance December 31, 2002	Due Within One Year
			(In thousands)		
Water Revenue Bonds:					
Series A, 1977, due through 2008	$ 12,905	$	$ (12,905)	$	$
Series D, 1986, due through 2015	15,350		(15,350)		
Series G, 1993, due through 2021	187,440		(6,330)	181,110	8,800
Series H, 1996, due through 2026	81,105		(9,030)	72,075	3,105
Series I, 1998, due through 2026	303,765		(1,900)	301,865	2,175
Series J, 2001, due through 2016	92,595			92,595	9,910
Series K, 2002, due through 2033		138,050		138,050	
Series L, 2002, due through 2033		90,000		90,000	
Ohio Water Development Authority Loan payable annually through 2024	5,978	4,621	(373)	10,226	387
Total revenue bonds/loans	699,138	232,671	(45,888)	885,921	24,377
Accrued wages and benefits	10,620	222		10,842	8,619
Total	$ 709,758	$ 232,893	$ (45,888)	$ 896,763	$ 32,996

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2002 and 2001

NOTE B - LONG-TERM DEBT (Continued)

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

	Principal	Interest (In thousands)	Total
2003	$ 24,377	$ 40,105	$ 64,482
2004	25,746	43,130	68,876
2005	27,340	41,942	69,282
2006	29,551	40,431	69,982
2007	35,362	38,755	74,117
2008-2012	204,974	163,836	368,810
2013-2017	197,274	109,742	307,016
2018-2022	151,551	63,841	215,392
2023-2027	118,435	29,678	148,113
2028-2032	65,800	9,053	74,853
2033	13,380	270	13,650
Total	$ 893,790	$ 580,783	$ 1,474,573

The above schedule of minimum principal and interest payments on long-term debt includes the amortization on three loans provided to the City of Cleveland by the Ohio Water Development Authority (OWDA).

OWDA provided the City with the amount expected to be financed, the interest rate, initial repayment date and other significant items(s) for each of the three loans. From the information received, the City prepared a detailed amortization schedule for each loan based upon the amount expected to be financed. However, the amortization schedule is tentative and will be adjusted if, and when, OWDA revises the amount to be financed.

Further, OWDA requires the City to begin making semi-annual payments for each loan based on the agreed upon initial repayment date, regardless of whether the City has received all loan proceeds or has completed the project(s).

Therefore, at December 31, 2002, the amount financed on these three loan projects, less the principal payments made to date, totaled $18,095,000 and was reflected in the debt service payment schedule. However, the total on the actual loan balances received by the City was $10,226,000 as reflected on the schedules of long-term debt outstanding and changes in long-term debt obligations as of December 31, 2002. The difference of $7,869,000 will be received or accrued in future years(s).

NOTE B - LONG-TERM DEBT (Continued)

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, 2002 and 2001 is as follows:

Bond Issue	**2002**	**2001**
	(In thousands)	
Series F, 1992	$ -	$ 263,010
Series H, 1996	102,340	104,950
Series G, 1993	-	2,040
Series D, 1986	15,350	-

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 indenture.

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

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

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

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 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 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, 2002 and 2001, the Division had $172,731,000 and $184,337,000 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 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.

On November 21, 2002, the Division of Water issued $138,050,000 of Water Revenue Bonds, Series K, 2002 and $90,000,000 Water Revenue Bonds, Series L, 2002. The proceeds of the Series K Bonds will be used to currently refund all of the $15,350,000 outstanding Waterworks Improvement First Mortgage Refunding Revenue Bonds, Series D, 1986, to pay costs of improvement to the Waterworks System and to pay costs of issuance of the Series K Bonds. Net proceeds of $15,733,750 were placed in an escrow account, which was used to pay principal and interest on the refunded bonds on January 1, 2003. As a result, the refunded bonds are considered to be defeased and the liability for these bonds have been removed from long-term debt. The City completed the refunding of the Series D Bonds to reduce its total debt service payments by $1.38 million over the next 14 years and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately $881,000. The Series L Bonds were issued to pay costs of improvements to the Waterworks System and to pay costs of issuance of the Series L Bonds. Series L Bonds were issued as variable rate bonds in a weekly mode with a liquidity facility provided by WestLB, AG, acting through its New York branch.

NOTE B - LONG-TERM DEBT (Continued)

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 increase in OWDA loans in the amount of $4,621,000 during 2002.

NOTE C - DEPOSITS AND INVESTMENTS

Deposits: The carrying amount of the Division's deposits at December 31, 2002 and 2001 totaled $76,059,000 and $15,556,000, respectively, and the Division's bank balances were $77,741,000 and $16,830,000, respectively.

Based on the criteria described in GASB Statement No.3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, $63,174,000 and $1,997,000 of the bank balances at December 31, 2002 and 2001, respectively, were insured or collateralized with securities held by the City or by its agent in the City's name, and $13,509,000 and $10,958,000, respectively, was 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 $1,058,000 and $3,875,000 at December 31, 2002 and 2001, respectively, were uncollateralized as defined by the GASB because they 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, 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 and are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Under City policy, investments are limited to repurchase agreements, U.S. Government securities, certificates of deposit, investments in certain money market mutual funds, and STAROhio. Generally, investments are recorded in segregated accounts by way of book entry through the bank's commercial or trust department and are kept at the Federal Reserve Bank in the depository institution's separate custodial account for the City, apart from the assets of the depository institution. Ohio statute prohibits the use of Reverse Repurchase Agreements.

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:

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2002 and 2001

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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 it's 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:

Type of Investment	Risk Category	2002 Fair Value	2002 Cost	2001 Fair Value	2001 Cost
		(In thousands)			
U.S. Agency Obligations	1	$ 171,256	$ 169,413	$ 136,703	$ 135,870
U.S. Government Bonds	2			12,899	12,899
STAROhio	n/a	20,422	20,422	100,576	100,576
Investment in Mutual Funds	n/a	136,987	136,987	86,255	86,255
Guaranteed Investment Contract	n/a	246,999	246,999	130,513	130,513
Total Investments		575,664	573,821	466,946	466,113
Total Deposits		76,059	76,059	15,556	15,556
Total Deposits and Investments		$ 651,723	$ 649,880	$ 482,502	$ 481,669

STAROhio 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.

NOTE D – CAPITAL ASSETS

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

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002
		(In thousands)		
Capital assets, not being depreciated:				
Land	$ 5,271	$	$	$ 5,271
Construction in progress	128,005	105,279	(67,510)	165,774
Total capital assets, not being depreciated	133,276	105,279	(67,510)	171,045
Capital assets, being depreciated:				
Land improvements	12,676	1,440		14,116
Utility plant	813,195	53,885	(218)	866,862
Buildings, structures and improvements	174,729	3,463		178,192
Furniture, fixtures and equipment	65,516	13,603		79,119
Total capital assets, being depreciated	1,066,116	72,391	(218)	1,138,289
Less: Accumulated depreciation	(312,825)	(30,400)	1,078	(342,147)
Total capital assets being depreciated, net	753,291	41,991	860	796,142
Capital assets, net	$ 886,567	$ 147,270	$ (66,650)	$ 967,187

Commitments: The Division has outstanding commitments at December 31, 2002 for approximately $150,870,000 of future capital expenditures. 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, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board (the "Board"). OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report, which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2002 and 2001 employer pension contribution rate for the Division was 13.55 percent of covered payroll. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Division's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were $6,568,000, $6,071,000, and $6,104,000, respectively. The required payments due in 2002, 2001, and 2000 have been made.

NOTE F - OTHER POST EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 and 2001 employer contribution rate was 13.55 percent of covered payroll; 5.0 percent in 2002 and 4.30 percent in 2001 was the portion that was used to fund health care.

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

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The number of active contributing participants was 402,041 at December 31, 2001. The Division's actual contributions for 2002, which were used to fund postretirement benefits were $2,424,000. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were $11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $16.4 billion and $4.8 billion, respectively.

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 under OPERS 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 their allowance toward specific medical expenses, much like a Medical Spending Account.

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 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. The City participates in the State of Ohio workers' compensation program to provide workers' compensation benefits to its employees.

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 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 $2,239,000 and $2,269,000 in 2002 and 2001, respectively. The Division also provides miscellaneous services to other departments and divisions of the City. Revenue realized from such services was approximately $1,026,000 and $2,138,000 in 2002 and 2001, respectively.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2002 and 2001

NOTE H - RELATED PARTY TRANSACTIONS (Continued)

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:

	2002	2001
	(In thousands)	
Electricity purchases	$ 13,200	$ 8,953
Street construction and maintenance	793	1,522
City administration	1,100	1,600
Motor vehicle maintenance	1,926	2,274
Telephone exchange	677	384
Utilities administration and fiscal control	2,086	1,735
Data processing	68	300

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 $3,582,000 and $3,477,000 for the years ended December 31, 2002 and 2001, respectively.

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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, 2002 and 2001

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 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, 2002 and December 31, 2001, as listed in the table of contents. 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 do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2002 and December 31, 2001, 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 as of December 31, 2002 and December 31, 2001, 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.

Betty Montgomery

Betty Montgomery
Auditor of State

June 26, 2003

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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 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, 2002. Please read this information in conjunction with the Division's basic financial statements and footnotes that begin on page 10.

Embarking with a rudimentary system in the late 1800's, 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 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 the maintenance of 18 pump/lift stations.

FINANCIAL HIGHLIGHTS

- The assets of the Division exceeded its liabilities at December 31, 2002 by $83,109,000 (net assets). Of this amount, $28,043,000 (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 $1,619,000 during 2002. The increase in net assets is due to profit earned during the year. 94 percent of the Divisions revenue is from the sales of sewer service.

- During 2002, the Division made expenditures for capital improvements totaling $5,442,000. The principal capital expenditures during the year were for sewer line replacements and maintenance totaling $3,588,000 and the purchase of a Truck Mounted Video Sewer Inspection System for $256,000.

- The Division's total debt decreased by $619,000 (8.7 percent) during the current fiscal year. The key factor in this decrease was payments made by the Division per the repayment schedule.

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 10 - 15 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 16 – 25 of this report.

CONDENSED BALANCE SHEET INFORMATION

Provided below is condensed balance sheet information for the Division as of December 31, 2002 and 2001:

	2002	2001	Increase/ (Decrease)
		(In thousands)	
Assets:			
Capital assets	$ 61,797	$ 60,351	$ 1,446
Current assets	75,414	76,584	(1,170)
Total assets	137,211	136,935	276
Net Assets and Liabilities:			
Net assets:			
Invested in capital assets, net of related debt	55,066	53,212	1,854
Unrestricted	28,043	28,278	(235)
Total net assets	83,109	81,490	1,619
Liabilities:			
Long-term obligations	6,251	6,754	(503)
Payable from restricted assets	706	100	606
Current liabilities	47,145	48,591	(1,446)
Total liabilities	54,102	55,445	(1,343)
Total net assets and liabilities	$ 137,211	$ 136,935	$ 276

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION (Continued)

Current Assets: The decrease in current assets is attributable to a decrease in accounts receivable held for other governmental entities. This also accounts for the decrease in current liabilities for amounts due for billing on behalf of others. Total cash and investments remained consistent with the prior year.

Capital assets: The Division's investment in capital assets as of December 31, 2002 amounted to $61,797,000 (net of accumulated depreciation). The total increase in the Division's investment in capital assets for the current fiscal year was 2.4 percent. A summary of the activity in the Division's capital assets during the year ended December 31, 2002 is as follows:

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002
	(In thousands)			
Land	$ 297	$	$	$ 297
Utility plant	108,092	3,298	(186)	111,204
Furniture, fixtures and equipment	107			107
Construction in progress	909	5,442	(3,298)	3,053
Total	109,405	8,740	(3,484)	114,661
Accumulated depreciation	(49,054)	(4,192)	382	(52,864)
Net book value	$ 60,351	$ 4,548	$ (3,102)	$ 61,797

During the year, capital expenses were $5,442,000. Major capital projects/expenses for the year included:

- Westpark Road and Lydian Avenue sewer project
- Lee Road sewer rehabilitation and replacement
- East 143rd Street and Velma Avenue sewer replacement
- Melbourne Avenue sewer project
- Eddy Road and Taft Avenue sewer project
- Synder Avenue sewer replacement project
- Purchase of a Pearpoint Truck Mounted Video Sewer Inspection System

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

Liabilities: The Division paid a claim for $900,000 in early 2002 that was accrued for at the end of 2001.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED BALANCE SHEET INFORMATION (Continued)

Long-term debt: At the end of the current fiscal year, the Division had total debt outstanding of $6,520,000 which includes the current portion of $480,000. The loans are payable by revenues generated by the Division.

The activity in the Division's debt obligations outstanding during the year ended December 31, 2002 is summarized below:

	Balance January 1, 2002	Debt Issued	Debt Refunded	Debt Retired	Balance December 31, 2002
			(In thousands)		
Ohio Water Development Authority Loans (OWDA)	$ 6,895	$	$	$ (606)	$ 6,289
Ohio Public Works Commission Loans (OPWC)	244			(13)	231
Total	$ 7,139	$	$	$ (619)	$ 6,520

Additional information on the Division's long-term debt can be found in Note B on pages 18 - 20.

Net Assets: Net assets serves as a useful indicator of a government's financial position. In the case of the Division, assets exceeded liabilities by $83,109,000 at the close of the most recent fiscal year.

By far, the largest portion of the Division's net assets (66 percent) 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 resources since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of net assets, $28,043,000 or (34 percent), are unrestricted and may be used to meet the Division's ongoing obligations to customers and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

The Division's operations during 2002 and 2001 increased its net assets by $1,619,000 and $887,000 respectively. Key elements of these increases are summarized below:

	2002	2001	Increase/ (Decrease)
		(In thousands)	
Operating revenues	$ 19,271	$ 18,893	$ 378
Operating expenses	18,272	17,586	686
Operating income	999	1,307	(308)
Non-operating revenue (expense):			
Investment income	832	1,683	(851)
Interest expense	(260)	(315)	55
Litigation expense		(2,699)	2,699
Gain (loss) on disposal of capital assets	(6)		(6)
Other	54	911	(857)
Total non-operating revenue (expense), net	620	(420)	1,040
Increase in net assets	1,619	887	732
Net assets, beginning of year	81,490	80,603	887
Net assets, end of year	$ 83,109	$ 81,490	$ 1,619

The investment (interest) income in 2002 is 50% lower than 2001 due to lower interest rates.

The increase in net assets in 2002 is 83 percent higher than the 2001 increase which is mainly the result of a $2,699,000 decrease in litigation expense from 2001 to 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

The following sewerage rate increases will have a positive impact on the financial position of the Division:

PER MCF (Thousand cubic feet)		
EFFECTIVE	**REGULAR**	**HOMESTEAD**
January 1, 2002	$7.16	$4.34
January 1, 2003	$7.51	$4.52
January 1, 2004	$7.89	$4.71
January 1, 2005	$8.28	$4.91

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, 2002 and 2001

	(*In thousands*)	
	2002	**2001**
ASSETS		
CAPITAL ASSETS		
Land	$ 297	$ 297
Utility plant	111,204	108,092
Furniture, fixtures and equipment	107	107
	111,608	108,496
Less: Accumulated depreciation	(52,864)	(49,054)
	58,744	59,442
Construction in progress	3,053	909
CAPITAL ASSETS, NET	61,797	60,351
CURRENT ASSETS		
Cash and cash equivalents	15,209	29,109
Investments	18,098	4,053
Receivables:		
Accounts receivable - net of estimated allowance for doubtful accounts of $513,216 in 2002 and $898,258 in 2001	37,280	39,397
Unbilled revenue	1,952	1,918
Due from other City of Cleveland departments, divisions or funds	2,567	1,818
Accrued interest receivable	81	57
Materials and supplies - at average cost	227	232
TOTAL CURRENT ASSETS	75,414	76,584
TOTAL ASSETS	$ 137,211	$ 136,935

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
BALANCE SHEETS
December 31, 2002 and 2001

	(*In thousands*) 2002	2001
NET ASSETS AND LIABILITIES		
NET ASSETS		
Invested in capital assets, net of related debt	$ 55,066	$ 53,212
Unrestricted	28,043	28,278
TOTAL NET ASSETS	83,109	81,490
LIABILITIES		
LONG-TERM OBLIGATIONS-excluding amounts due within one year:		
OWDA loans	5,821	6,317
OPWC loan	219	231
Accrued wages and benefits	211	206
TOTAL LONG-TERM OBLIGATIONS	6,251	6,754
PAYABLE FROM RESTRICTED ASSETS	706	100
CURRENT LIABILITIES		
Current portion of long-term debt, due within one year	480	591
Accounts payable	223	208
Amounts due for billing on behalf of others	42,256	43,472
Due to other City of Cleveland departments, divisions or funds	3,113	2,340
Current portion of accrued wages and benefits	1,008	1,015
Other accrued expenses	65	965
TOTAL CURRENT LIABILITIES	47,145	48,591
TOTAL LIABILITIES	54,102	55,445
TOTAL NET ASSETS AND LIABILITIES	$ 137,211	$ 136,935

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, 2002 and 2001

	(*In thousands*) 2002	2001
OPERATING REVENUES		
Charges for services	$ 19,271	$ 18,893
TOTAL OPERATING REVENUES	19,271	18,893
OPERATING EXPENSES		
Operations	6,897	7,012
Maintenance	7,385	6,715
Depreciation	3,990	3,859
TOTAL OPERATING EXPENSES	18,272	17,586
OPERATING INCOME	999	1,307
NON-OPERATING REVENUE (EXPENSE)		
Investment income	832	1,683
Interest expense	(260)	(315)
Litigation expense		(2,699)
Loss on disposal of capital assets	(6)	
Other	54	911
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	620	(420)
INCREASE IN NET ASSETS	1,619	887
NET ASSETS, beginning of year	81,490	80,603
NET ASSETS, end of year	$ 83,109	$ 81,490

See notes to financial statements.

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2002 and 2001

	2002	2001
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 18,475	$ 18,625
Cash payments to suppliers for goods or services	(6,011)	(6,185)
Cash payments to employees for services	(7,473)	(7,307)
Agency activity on behalf of other sewer authorities	(1,605)	(2,995)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,386	2,138
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Workers compensation refund	23	306
Litigation settlement	(900)	(1,799)
NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES	(877)	(1,493)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(5,001)	(2,129)
Principal paid on long-term debt	(619)	(531)
Interest paid on long-term debt	(260)	(316)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(5,880)	(2,976)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(27,761)	
Proceeds from sale and maturity of investment securities	16,396	15,544
Interest received on investments	836	1,848
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(10,529)	17,392
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,900)	15,061
CASH AND CASH EQUIVALENTS, beginning of year	29,109	14,048
CASH AND CASH EQUIVALENTS, end of year	$ 15,209	$ 29,109

(Continued)

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2002 and 2001

	(In thousands) 2002	2001
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME	$ 999	$ 1,307
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,990	3,859
Changes in assets and liabilities:		
Accounts receivable, net	510	(6,418)
Unbilled revenue	(34)	243
Due from other City of Cleveland departments, divisions or funds	(749)	(861)
Materials and supplies, net	5	1
Accounts payable	15	208
Amounts due for billing on behalf of others	(1,216)	5,040
Due to other City of Cleveland departments, divisions or funds	773	(1,837)
Accrued wages and benefits	(7)	(304)
Other accrued expenses	(900)	900
TOTAL ADJUSTMENTS	2,387	831
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 3,386	$ 2,138

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2002 and 2001

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 (City) 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), Ma*nagement's Discussion and Analysis – for State and Local Governments,* GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus,* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These "Reporting Model" statements affect the way the 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.

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 a 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 2002 and 2001. 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, 2002 and 2001.

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 fixed 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, and equipment 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 and equipment	5 to 10 years

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2002 and 2001

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 unless written approval for carryover of vacation time is obtained. Sick days not taken may be accumulated until retirement. An employee is paid one-third of accumulated sick leave upon retirement, calculated at current wage rates, with the balance being forfeited.

NOTE B - LONG-TERM DEBT

Long-term debt outstanding at December 31, 2002 and 2001 is as follows:

	Interest Rate	Original Issuance	2002	2001
			(In thousands)	
Ohio Water Development Authority:				
Construction loans due in annual installments of $282,000 including interest, through 2003	5.25% - 6.25%	$ 3,803	$ 134	$ 391
Water pollution control loans – due in annual installments of $477,966 to $582,790, including interest through 2017	4.04% - 4.18%	7,897	6,155	6,504
Ohio Public Works Commission Loan payable annually through 2020	0%	257	231	244
		$ 11,957	6,520	7,139
Less:				
Current portion			(480)	(591)
Total Long-Term Debt			$ 6,040	$ 6,548

NOTE B - LONG-TERM DEBT (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2002 are as follows:

	Balance January 1, 2002	Increase	Decrease	Balance December 31, 2002	Due Within One Year
			(In thousands)		
Ohio Water Development Authority:					
Construction loans due in annual installments of $282,000 including interest, through 2003	$ 391	$	$ (257)	$ 134	$ 134
Water pollution control loans – due in annual installments of $477,966 to $582,790, including interest through 2017	6,504		(349)	6,155	334
Ohio Public Works Commission Loan payable annually through 2020	244		(13)	231	12
Total loans	7,139		(619)	6,520	480
Accrued wages and benefits	1,221		(2)	1,219	1,008
Total	$ 8,360	$	$ (621)	$ 7,739	$ 1,488

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

	Principal	Interest	Total
		(In thousands)	
2003	$ 480	$ 257	$ 737
2004	360	236	596
2005	375	221	596
2006	389	206	595
2007	405	191	596
2008-2012	2,284	694	2,978
2013-2017	2,188	206	2,394
2018-2022	39	-	39
Total	$ 6,520	$ 2,011	$ 8,531

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

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 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 seven SRF loan awards related to projects as of December 31, 2002 and 2001. In addition, the Division had one OPWC Loan Award related to a project as of December 31, 2002 and 2001, respectively.

NOTE C - DEPOSITS AND INVESTMENTS

Deposits: The Division's carrying amount of deposits at the years ended December 31, 2002 and December 31, 2001 totaled ($503,000) and $736,000 and the Division’s bank balances were $517,000 and $479,000, respectively. Based on the criteria described in GASB Statement No. 3*, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, $470,000 of the 2002 and the entire 2001 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, apart from the assets of the depository institution. Ohio statute prohibits the use of Reverse Repurchase Agreements.

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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:

Type of Investment	Risk Category	2002 Fair Value	2002 Cost	2001 Fair Value	2001 Cost
		(In thousands)			
U.S. Agency Obligations	1	$ 18,098	$ 18,047	$ 4,054	$ 3,962
STAROhio	n/a	14,676	14,676	28,372	28,372
Investment in Mutual Funds	n/a	1,036	1,036		
Total Investments		33,810	33,759	32,426	32,334
Total Deposits		(503)	(503)	736	736
Total Deposits and Investments		$ 33,307	$ 33,256	$ 33,162	$ 33,070

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.

NOTE D – CAPITAL ASSETS

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

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002
	(In thousands)			
Capital assets, not being depreciated:				
Land	$ 297	$	$	$ 297
Construction in progress	909	5,442	(3,298)	3,053
Total capital assets, not being depreciated	1,206	5,442	(3,298)	3,350
Capital assets, being depreciated:				
Utility plant	108,092	3,298	(186)	111,204
Furniture, fixtures and equipment	107			107
Total capital assets, being depreciated	108,199	3,298	(186)	111,311
Less: Accumulated depreciation	(49,054)	(4,192)	382	(52,864)
Total capital assets being depreciated, net	59,145	(894)	196	58,447
Capital assets, net	$ 60,351	$ 4,548	$ (3,102)	$ 61,797

Commitments: The Division has outstanding commitments at December 31, 2002 for approximately $9,600,000 of future capital expenditures. 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, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board (the "Board"). OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report, which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

NOTE E - EMPLOYEES RETIREMENT PLAN (Continued)

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2002 and 2001 employer pension contribution rate for the Division was 13.55 percent of covered payroll. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Division's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were $765,000, $711,000 and $724,000, respectively. The required payments due in 2002, 2001, and 2000 have been made.

NOTE F - OTHER POST EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 and 2001 employer contribution rate was 13.55 percent of covered payroll; 5.0 percent in 2002 and 4.30 percent in 2001 was the portion that was used to fund health care.

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

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The number of active contributing participants was 402,041 at December 31, 2001. The Division's actual contributions for 2002, which were used to fund postretirement benefits were $282,000. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were $11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $16.4 billion and $4.8 billion, respectively.

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 under OPERS 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.

NOTE F - OTHER POST EMPLOYMENT BENEFITS (Continued)

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 their allowance toward specific medical expenses, much like a Medical Spending Account.

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 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. The City participates in the State of Ohio workers' compensation program to provide workers' compensation benefits to its employees.

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 $2,239,000 and $2,269,000 in 2002 and 2001, respectively.

NOTE H - RELATED PARTY TRANSACTIONS (Continued)

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) 2002	2001
Electricity purchases	$ 187	$ 131
Street construction and maintenance	228	178
City administration	181	224
Motor Vehicle Maintenance	264	305
Utilities Administration and Fiscal Control	218	218
Employee and other services provided by the Division of Water	470	819

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 $13,200 and $14,100 for the years ended December 31, 2002 and 2001, respectively.

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City of Cleveland, Ohio

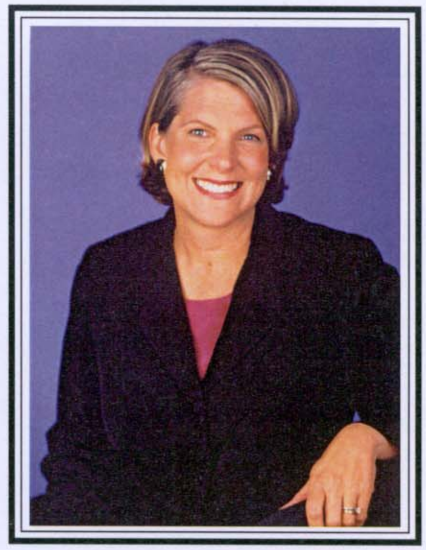
Jane L. Campbell, Mayor

Comprehensive Annual Financial Report

For the Fiscal Year Ended
December 31, 2002

Building an Economically Sound Future

To the Citizens of the City of Cleveland:



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

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

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

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

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

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

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

Sincerely,

Jane Campbell

Jane L. Campbell
Mayor
City of Cleveland

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CITY OF CLEVELAND

Comprehensive Annual Financial Report

For the year ended December 31, 2002

Issued by the
Department of Finance

Robert H. Baker
Director

James Gentile, CPA
City Controller

CITY OF CLEVELAND, OHIO

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FOR THE YEAR ENDED DECEMBER 31, 2002

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City of Cleveland
Jane L. Campbell, Mayor

Department of Finance
Robert H. Baker, Director
601 Lakeside Avenue, Room 104
Cleveland, Ohio 44114-1081
216/664-2536
www.city.cleveland.oh.us

June 26, 2003

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

Introduction

We are pleased to submit the Comprehensive Annual Financial Report of the City of Cleveland (the "City") for the year ended December 31, 2002. This report, prepared by the Department of Finance, includes the basic financial statements that summarize the various operations and cash flows related to the City's 2002 activities. Our intention is to provide a clear, comprehensive, and materially accurate overview of the City's financial position at the close of last year. The enclosed information has been designed to allow the reader to gain an understanding of the City's finances, including financial trends, financial instruments, and fund performances. The City has complete responsibility for all information contained in this report.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Because the cost of internal controls should not outweigh their benefits, this comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by the Auditor of the State of Ohio. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2002, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The Auditor of State concluded, based upon its audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2002 are fairly presented in conformity with GAAP. The Auditor of State's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

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

Structure of this Comprehensive Annual Financial Report

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

- The Introductory Section, which includes this letter of transmittal, contains information pertinent to the City's management and organization.

- The Financial Section contains the Independent Accountants' Report, Management's Discussion and Analysis (MD&A), Basic Financial Statements, and various other statements and schedules pertaining to the City's funds and activities.

- The Statistical Section contains numerous tables of financial and demographic information. Much of this information is shown with comparative data for the ten-year period from 1993 through 2002.

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

Profile of the Government

The City

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

The City is in the Cleveland-Akron, Ohio Consolidated Metropolitan Statistical Area ("CMSA"), comprised of Ashtabula, Cuyahoga, Lake, Lorain, Geauga, Medina, Portage and Summit counties. This CMSA is the 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, the Cleveland Clinic and University Hospitals of Cleveland.

City Government

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

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

Legislative authority is currently vested in a 21-member Council. The terms of Council members are four years. All Council members are elected from wards. The present terms of the Mayor and Council members expire on December 31, 2005. The Council fixes compensation of City officials and employees and enacts ordinances and resolutions relating to City services, tax levies, appropriating and borrowing money, licensing and regulating businesses and trades, and other municipal functions. The presiding officer is the President of Council, elected by the Council members. Frank G. Jackson was elected as President of Council in January 2002. The Clerk of Council is appointed by Council. The Charter establishes certain administrative departments; the Council may establish divisions within departments or additional departments. The Mayor appoints all of the directors of the City's 12 departments.

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

Financial Reporting Entity

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

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

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

Internal Control

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

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

Accounting and Financial Reporting

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

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

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

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

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

Budgeting Procedures

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

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

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is shown on page 51 as part of the basic financial statements. For other governmental funds with appropriated annual budgets, this comparison is presented in the supplementary information subsection of this report along with more detailed information regarding the General Fund, which starts on page 94.

Factors Affecting Financial Condition

Local Economic Indicators

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

While Cleveland, like the rest of the nation, felt the impact of the current recession, the City continued to dedicate resources to the development of both affordable and market rate housing opportunities. The result of our efforts was a dramatic increase in housing stock value in nearly every neighborhood. In a recent report issued by the Office of the Cuyahoga County Auditor, it was demonstrated that Cleveland's appraised housing values increased over 20% between 1997 and the 2000 reappraisal.

Cleveland's economic condition also draws strength and stability from its evolving role as the focal point of a growing, changing and substantial regional economy. The re-emergence of downtown Cleveland as a vibrant center for national and regional entertainment and major cultural activities signals a turning point in the City's overall fortunes and is paving the way for further economic expansion that will be significantly more entrepreneurial in scope.

Another key indicator of the City's continued economic recovery is construction activity, as indicated by the value of building permits issued. The construction value of building permits issued in 2002 was $382,584,866.

Major Industries, Economic Conditions and Employment

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

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

The 2000 census reveals that Cleveland's employment base has become more diversified. What follows is a summary of the percentage of employed Clevelanders by industry type based on 2000 census figures.

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

Current Projects and 2002 Accomplishments

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

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

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

- Secured the relocation of SYSCO Food Services to the Cleveland Business Park that will create 600 new jobs and develop a new 340,000 square-foot $54 million facility in the City

- Awarded $6 million in grants from the Clean Ohio Fund for brownfield remediation projects at Hemisphere Industrial Park and MidTown Technology Center

- Negotiated the relocation of the Job Corps new $28 million complex to East 140th St.-Coit Road creating over 115 jobs and providing a new job training facility

- Attracted the 2002 Gravity Games to the North Coast Harbor area, which 164,000 people attended

- Secured $15 million in workforce development funds to assist Greater Clevelanders in job search and employment efforts

- Coordinated West Nile Virus response and surveillance with other local health districts

- Administered 3,266 childhood immunizations, 5,341 flu shots, and 744 pneumonia shots

- Resurfaced 134 residential streets, completed 17 road and bridge projects, and collected 300,000 tons of waste

Furthermore, the City graduated one police recruitment class on May 14, 2002, increasing police staffing to over 1,905 sworn police officers. The training agreements between the Division of Police and the Greater Cleveland Roundtable continue to address community multi-cultural concerns. Aggressive anti-crime enforcement practices in 2002 by the Division of Police continue to result in decreased violent crime rates from the previous year. In response to the events of September 11, 2001, the Division of Fire developed Urban Search and Rescue (USAR) Teams as outlined by the Federal Emergency Management Agency (FEMA). A Tactical Unit was also put into place in the downtown area for the purpose of specialized rescue operations. The Division of Fire placed 19 new fire apparatuses in service during 2002, with 7 anticipated in 2003. Year 2002 brought about an increase in arrests and convictions by our Fire Investigation Unit. There was also a corresponding decrease in the number of arson fires for the year. The Fire Prevention Bureau exceeded their projected goal of inspections in 2002.

The staffing of Cleveland EMS units was maintained at 21 ambulances, available 24 hours each day, which decreased the average response time of all types of calls below 7 minutes in the year 2002. EMS responded to over 87,000 calls and transported 54,000 residents to area hospitals. A program was initiated to train City personnel, outside of EMS, in the use of automatic external defibrillators for early treatment of critical heart attack patients. An aggressive program of blood pressure evaluations in City Hall and throughout the community commenced. The continuation of cardiopulmonary resuscitation (CPR) training, combined with the new initiatives in public access to early heart attack treatment and blood pressure monitoring, demonstrates the City’s concern for the health and welfare of all of its residents and visitors.

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

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

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

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

Future Economic Outlook

The City has undergone dramatic restructuring in manufacturing and bolstered its services sector base to the point where its service sector now is relatively more important than its manufacturing base. Health care, financial services, and higher education have been sizable contributors to the service sector employment expansion. Leading employers include: the Cleveland Clinic Health System (19,327 employees); KeyCorp (6,980 employees) and Continental Airlines Inc. (2,717 employees).

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

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

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

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

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

We have consistently adhered to prudent fiscal policies during a long period of economic expansion and have been fortunate to reap the benefits. As the long economic expansion has changed into a recession, municipal governments across the country, including Cleveland, have had to adjust accordingly. Current economic conditions will challenge the City during 2003. Operating in the midst of a recession and faced with decreases in its primary revenue sources, including City income and property taxes, the City prepared its 2003 operating budget on the basis of revenue estimated to be less than 2002 coupled with tight expenditure control.

Future Projects for 2003

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

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

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

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

Key programs in the 2003 budget are:

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

Cash Management

Currently, the City's policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, $126,002,000 of bank deposits are either insured by federal depository insurance or collateralized by securities held by the City or by its agent in the City's name. The remaining deposits are uninsured and uncollateralized. Of the $443,307,000 of classified investments, $426,011,000 are classified in the category of lowest collateral risk established by the Governmental Accounting Standards Board. The remaining $17,296,000 represents investments held in the City's name by the counterparty's trust department or agent.

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

- A more streamlined bank account structure

- On-line connection to banks that advise the City of funds available each day for disbursement and investment

- Improved control over the timing of disbursements

- More sophisticated management of the City's investment portfolio

- Reconciliation of investments to the market value of the collateral pledged

- Investments transacted on a delivery versus payment basis

Risk Management

The City has developed a risk management program involving law and finance personnel to further promote its fundamental responsibility and financial capability to provide basic services to the citizens of Cleveland. The risk management program serves to implement qualitative controls, programs and safeguards in the delivery of basic City services for the protection of both the public and City employees. In addition, the program identifies and controls exposures the City may have to financial loss. Periodic review of the City's funding arrangements with respect to general liability and employee benefit costs maintains the City's assumption of risk at a reasonable and affordable level.

Awards and Acknowledgements

The Independent Audit: The City charter requires an annual audit of the financial statements of all accounts of the City by an independent Certified Public Accountant. Accordingly, this year's audit was completed by the Auditor of the State of Ohio. The fiscal year ended December 31, 2002 represents the 22nd consecutive year the City has prepared a Comprehensive Annual Financial Report (CAFR). In addition to the independent auditors, the City maintains its own Internal Audit Division. Along with the duty of assisting the independent auditors, the Internal Audit Division is responsible for strengthening and reviewing the City's internal controls. The Internal Audit Division performs its own independent operational and financial audits of the City's many funds, departments and divisions. We believe that the City's internal control structure adequately safeguards its assets and provides reasonable assurance of proper recording of all financial transactions.

GFOA Certificate of Achievement Award: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cleveland, Ohio for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

Very truly yours,

Robert H. Baker, Director
Department of Finance

James E. Gentile, CPA
City Controller

CITY OF CLEVELAND, OHIO

City Officials

Jane L. Campbell, Mayor

EXECUTIVE STAFF

David McGuirk.......... Chief Operating Officer

Tim Mueller.......... Chief Development Officer

Craig Tame .... Chief Health and Public Safety Officer

Lorna Wisham .... Chief Public Affairs Officer

ADMINISTRATION

Jane Fumich.......... Director, Department of Aging

Henry Guzman.......... Director, Office of Equal Opportunity

Robert H. Baker.......... Director, Department of Finance, Chief Financial Officer

Subodh Chandra .... Director, Department of Law

Jeff Johnson. .... Director, Community Relations Board

James Draper .... Director, Department of Public Safety

Edward Lohn .... Police Chief

Kevin G. Gerrity.......... Fire Chief

Linda M. Hudecek .... Director, Department of Community Development

Natalie Ronayne .... Director (Acting), Department of Parks, Recreation and Properties

Michael Konicek.......... Director, Department of Public Utilities

Kenya Taylor.......... Director, Department of Consumer Affairs

Chris Ronayne .... Director, City Planning Commission

Eduardo Romero.......... Director, Personnel and Human Resources

Mark Ricchiuto.......... Director, Department of Public Service

John Mok.......... Director, Department of Port Control

Steven Sims .... Director, Economic Development

Jonalyn Krupka.......... Secretary, Civil Service Commission

Matthew Carroll.......... Director (Acting), Department of Public Health

Jim Williams.......... Director, Department of Building and Housing

CITY OF CLEVELAND, OHIO

City Council

Frank G. Jackson... President of Council /Ward 5

Valarie J. McCall .... Clerk of Council

Joseph T. Jones .... Ward 1

Robert J. White .... Ward 2

Zachary Reed .... Ward 3

Kenneth L. Johnson .... Ward 4

Patricia J. Britt .... Ward 6

Fannie M. Lewis .... Ward 7

Sabra Pierce Scott .... Ward 8

Kevin Conwell .... Ward 9

Roosevelt Coats .... Ward 10

Michael D. Polensek .... Ward 11

Edward W. Rybka.. Ward 12

Joseph Cimperman... Ward 13

Nelson Cintron, Jr. .... Ward 14

Merle R. Gordon .... Ward 15

Michael C. O'Malley .... Ward 16

Matthew Zone .... Ward 17

Jay Westbrook.. Ward 18

Dona J. Brady... Ward 19

Martin J. Sweeney.. Ward 20

Michael A. Dolan... Ward 21

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cleveland, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2001

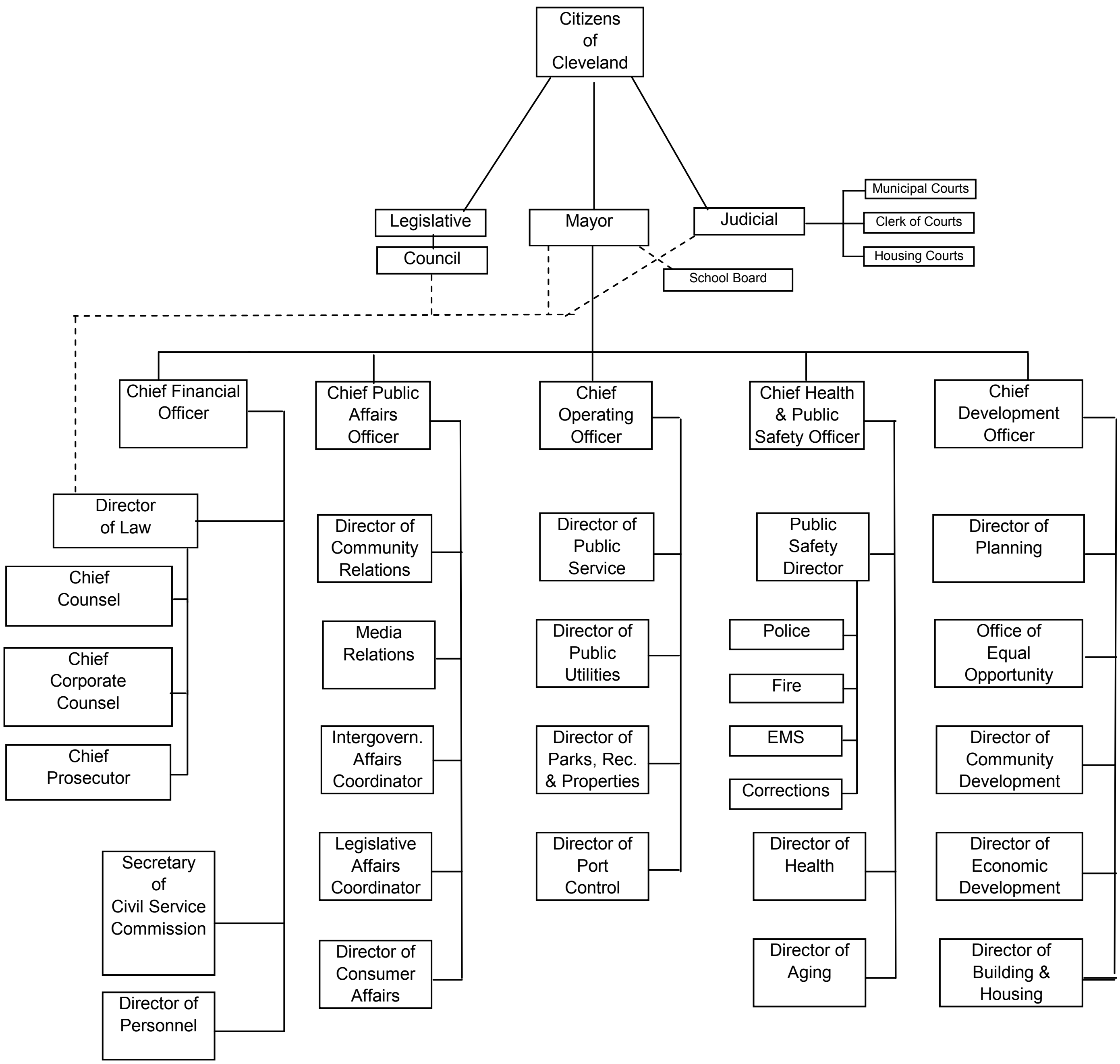
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

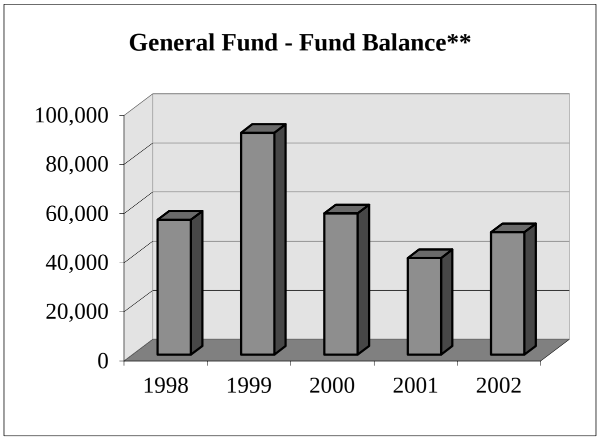
CITY OF CLEVELAND, OHIO

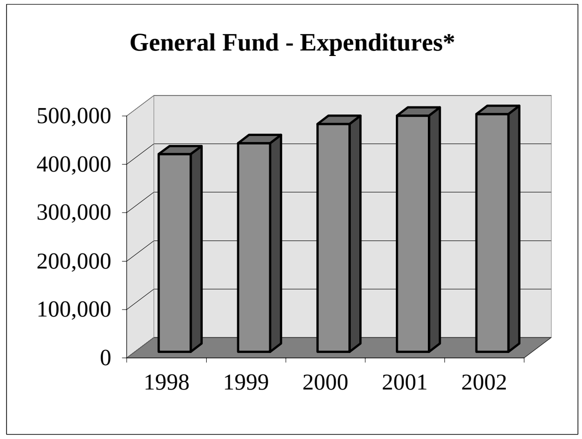
ADMINISTRATIVE ORGANIZATION CHART

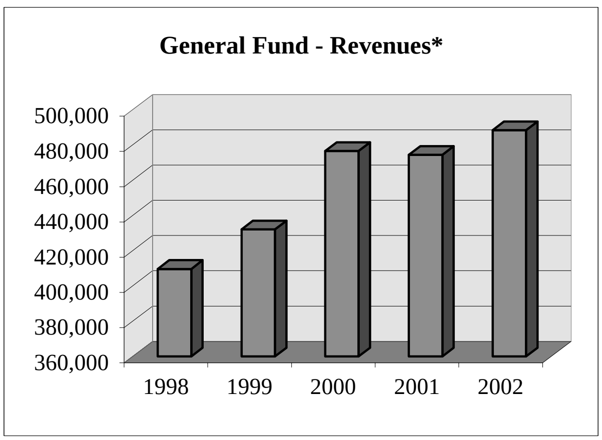


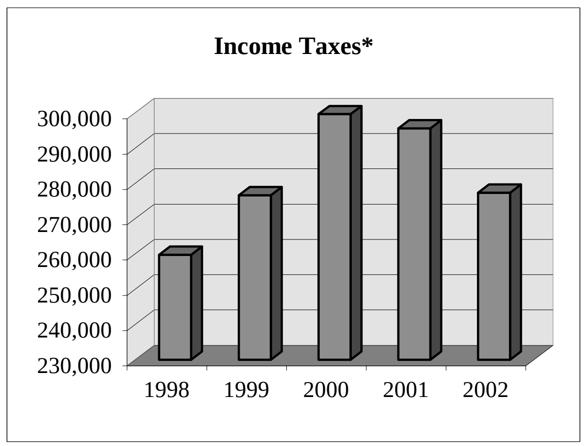
CITY OF CLEVELAND, OHIO

FINANCIAL HIGHLIGHTS
(in thousands of dollars)









For Year Ended***	General Fund Fund Balance**	General Fund Revenues*	General Fund Expenditures*	Income Taxes*
1998	54,843	409,666	408,232	259,721
1999	90,324	432,125	430,956	276,627
2000	57,459	476,608	470,825	299,592
2001	39,250	474,442	488,102	295,559
2002	49,837	488,415	491,258	277,321

* *Budget Basis* - General Fund revenues and expenditures include transfers in and out.
** *GAAP Basis*
*** The 2002 General Fund fund balance includes a restatement - see Note 2.

FINANCIAL SECTION

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Cuyahoga County, Ohio, as of December 31, 2002, and the respective changes in financial position and cash flows thereof, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

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

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

Betty Montgomery

Betty Montgomery
Auditor of State

June 26, 2003

CITY OF CLEVELAND, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Cleveland (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2002. Please read this information in conjunction with the City's financial statements and footnotes that begin on page 46.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at December 31, 2002 by approximately $2 billion (net assets). Of this amount, $470.5 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- Of the approximately $2 billion of net assets, business-type activities account for approximately $1.451 billion of net assets, while governmental activities net assets were approximately $549 million.

- The City's net assets increased by $52.1 million during 2002. The primary reasons for the net increase is as follows:

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

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

- At the end of the current fiscal year, unreserved fund balance for the general fund was $32 million and is available for spending at the City's discretion. The unreserved fund balance equals 6.9 percent of total current year general fund expenditures.

- The City's total debt increased by $183.2 million (7 percent) during the current fiscal year. The increase was primarily attributed to the issuance of $228.1 million in Water Works Improvement Revenue Bonds and the issuance of $50 million in General Obligation Bonds, less current year payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 46 - 47 of this report.

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

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

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

The City maintains 37 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other 36 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 48 - 51 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 52 - 56 of this report.

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 58 - 92 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the first year for the City in implementing Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This statement requires a comparative analysis of government-wide data in the Management's Discussion and Analysis section. Since this is the first year of implementing the new standard, comparative data is not available. In future years, comparative data will be presented. Information regarding the government-wide net assets of the City is provided below:

Summary Statement of Net Assets
as of December 31, 2002

	Governmental Activities	Business-Type Activities (Amounts in 000's)	Total
Assets:			
Current and other assets	$ 691,560	$ 1,597,753	$ 2,289,313
Capital assets	765,570	2,182,607	2,948,177
Total assets	1,457,130	3,780,360	5,237,490
Liabilities:			
Long-term obligations	677,580	2,150,656	2,828,236
Other liabilities	231,333	178,351	409,684
Total liabilities	908,913	2,329,007	3,237,920
Net assets:			
Invested in capital assets, net of related debt	364,042	677,907	1,041,949
Restricted	195,421	291,732	487,153
Unrestricted	(11,246)	481,714	470,468
Total net assets	$ 548,217	$ 1,451,353	$ 1,999,570

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately $2 billion at the close of the most recent fiscal year.

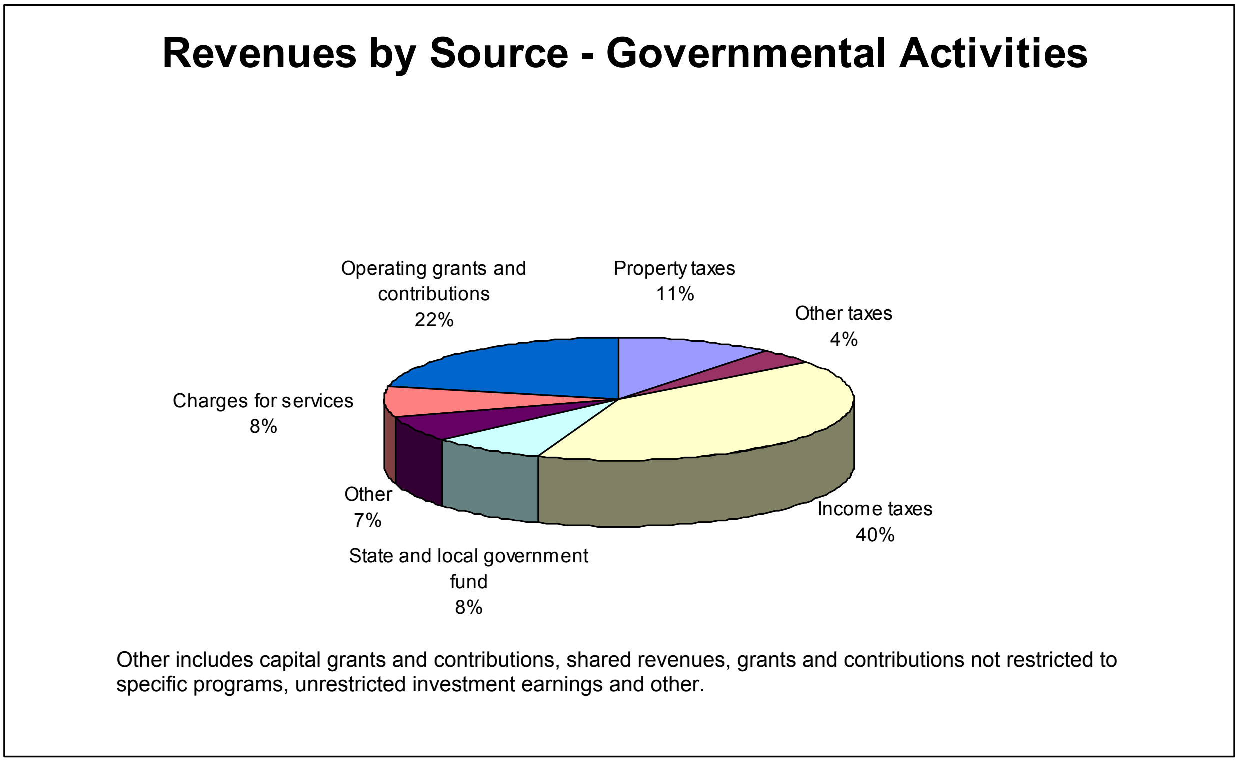
By far the largest portion of the City's net assets (52 percent) reflects its investment in capital assets (e.g., land, land improvements, buildings, utility plant, infrastructure, furniture, fixtures, and equipment), net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

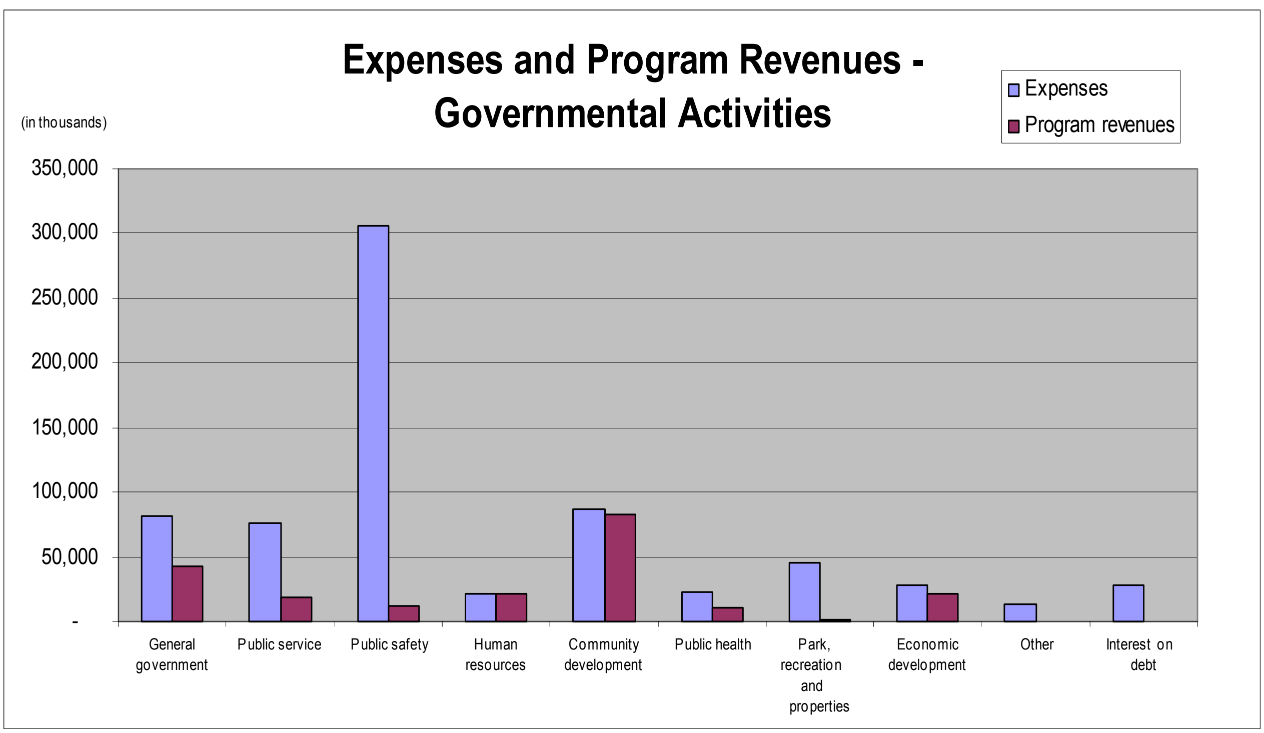
A portion of the City's net assets (24 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of $470.5 million or (24 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

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

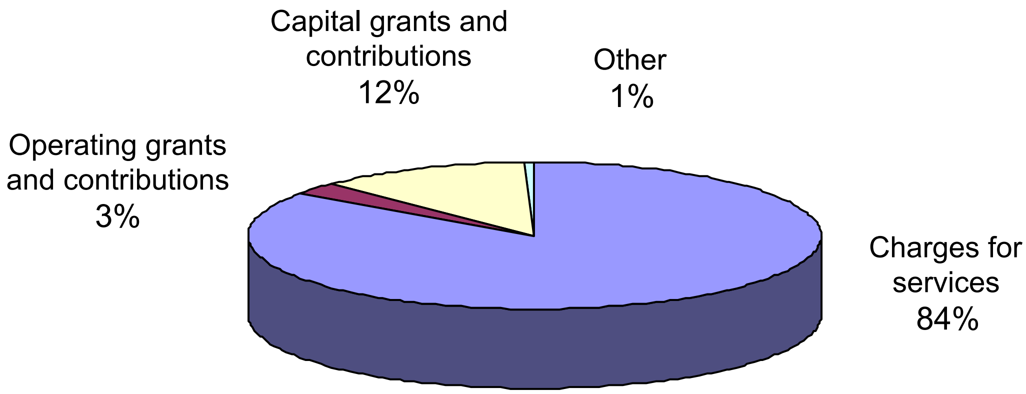
Changes in Net Assets
For Fiscal Year Ended December 31, 2002

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


Revenues by Source - Governmental Activities
Operating grants and contributions 22%
Property taxes 11%
Other taxes 4%
Charges for services 8%
Other 7%
Income taxes 40%
State and local government fund 8%
Other includes capital grants and contributions, shared revenues, grants and contributions not restricted to specific programs, unrestricted investment earnings and other.

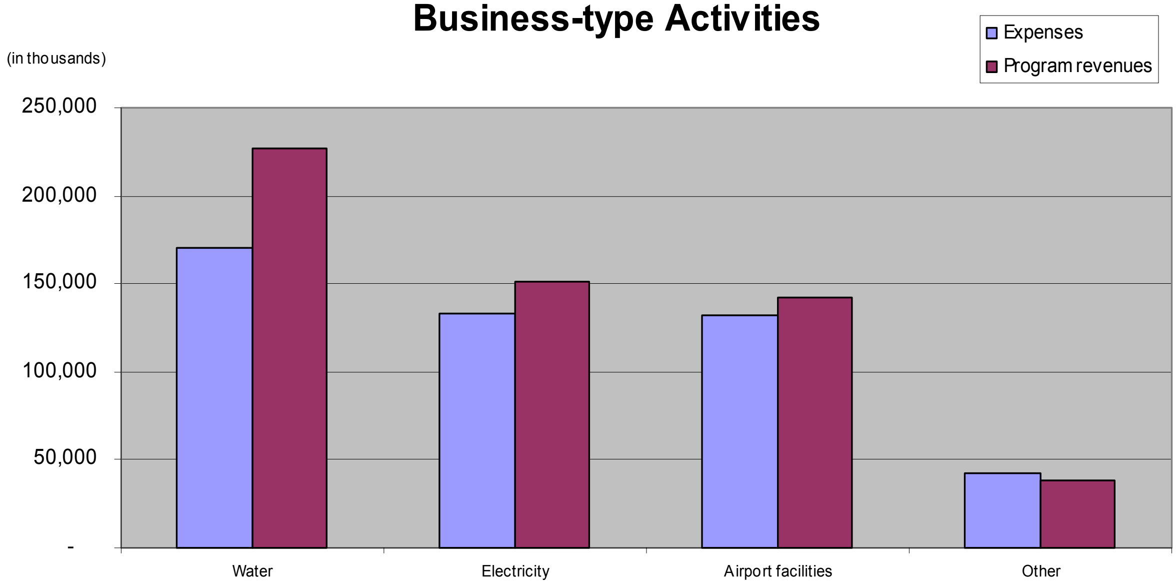

Expenses and Program Revenues - Governmental Activities
Expenses
Program revenues
(in thousands)
350,000
300,000
250,000
200,000
150,000
100,000
50,000
-
General government
Public service
Public safety
Human resources
Community development
Public health
Park, recreation and properties
Economic development
Other
Interest on debt

Revenues by Source - Business-type Activities



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

Expenses and Program Revenues - Business-type Activities



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

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

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

Division of Water: The Division of Water was created in 1853 and charged with the responsibility of collecting, treating, pumping and distributing potable water and providing related water service to customers within its service areas. The Division operates a major public water supply system, the eighth largest in the United States, that serves not only the City, but also 70 suburban municipalities in Cuyahoga, Medina, Summit and Geauga counties. The Division is an emergency standby provider for systems in 3 other counties. The present service area covers over 640 square miles and serves over 1.5 million people. In 2002, the aggregate metered consumption of water in the City constituted 34% of the total metered consumption in the service area, while consumption in the direct service communities and master meter communities constituted 55% and 11%, respectively.

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

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

Cleveland Public Power's 2002 operating revenue increased 7% to \$141.7 million from \$132.1 million in 2001. The number of customers increased 7% while kilowatt hour (kwh) sales increased 12% to 1,592 million kwh. Purchased power expense increased 10% to \$72.1 million in 2002 from \$65.3 million in 2001, primarily due to the increase in kwh sales. Operating expenses, exclusive of depreciation and purchased power, decreased 5% to \$30.9 million compared to \$32.5 million a year ago.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $419 million, a *decrease* of $18.7 million in comparison with the prior year. The unreserved amount of $142.6 million is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period ($94.4 million) to reserve for loans receivable ($159.3 million), 3) to pay debt service ($11.8 million), and 4) for a variety of other restricted purposes ($10.9 million).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was $32 million while the total fund balance was $49.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures plus transfers out. Unreserved fund balance represents 7 percent of total General Fund expenditures, while total fund balance represents approximately 11 percent of that same amount.

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

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance Information – GAAP Basis
2002 and 2001
(Amounts in thousands)

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

Analysis of General Fund Revenues

General Fund revenues and other sources totaled $464.4 million in 2002, an increase of approximately 1.3% from 2001. A discussion of each of the major types of General Fund revenues follows.

Municipal Income Taxes

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

The income tax is also imposed on gross salaries and wages earned in the City by non-residents of the City and on salaries, wages and other compensation of City residents earned within or outside the City. The income tax liability of a City resident employed outside the City is reduced by a credit equal to 50% of the tax paid to the municipality in which the City resident is employed. The tax on business profits is imposed on that part of profits attributable to business conducted within the City. In 2002, approximately 81% of the total income taxes paid to the City were derived from non-residents employed in the City and business profits.

Income tax collections increased approximately $2.1 million in 2002 over the comparable amount in 2001 primarily as a result of taxes on hand at Central Collection Agency being remitted in 2002.

Property Taxes

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

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

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

Tax Collection Year	Real Property	Tangible Personal (Other Than Public Utility)	Public Utility Tangible Personal	Total Assessed Valuation
		(in thousands)		
2001(a)	$4,618,340	$ 988,532	$451,775	$6,058,647
2002	4,673,268	980,928	377,364	6,031,560

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

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

State Local Government Funds and Other Shared Revenues

State Local Government Funds and other shared revenues include taxes levied and collected by the State of Ohio or counties and partially redistributed to the City and other political subdivisions. Other shared revenues include state income, sales, corporate franchise, public utility, estate, and cigarette taxes as well as liquor fees. State Local Government Fund and other shared revenues have declined by approximately 4.2% in 2002 due to the State budget cuts to the State Local Government Funding.

Since 1993, the State Local Government Fund ("LGF") and Local Government Revenue Assistance Fund ("LGRAF") have been the City's largest source of non-tax General Fund revenue. Through these funds, Ohio subdivisions share in a portion of the State's collection of the sales tax, use tax, personal income tax, corporate franchise tax and public utilities excise tax. The percentages of the five taxes supporting these funds have varied over the years. At times, the dollar amount in the funds has been capped at specified levels.

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

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

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

Analysis of General Fund Expenditures

General Fund expenditures and other uses totaled $466.4 million in 2002, a decrease of 2.2% from 2001. The amount of expenditures and other uses by function on a GAAP basis, including the increases (decreases) over the prior year, are shown in the following table:

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

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

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

The unrestricted net assets of the Division of Water, Cleveland Public Power, and Department of Port Control funds amounted to $277.9 million, $86 million and $74.6 million, respectively, at December 31, 2002. The change in net assets for each of the funds totaled $57.1 million, $19.6 million and $11 million, respectively, during 2002. Other factors concerning the finances of the City's proprietary funds have already been addressed in the discussion of the City's business-type activities.

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

Employees and Labor Relations

As of December 31, 2002 and 2001, the City had approximately 8,760 and 8,840 full-time employees, respectively. As of December 31, 2002, approximately 6,680 full-time employees are represented by 28 collective bargaining units. The largest collective bargaining units, together with the approximate number of employees represented by such units, include the American Federation of State, County and Municipal Employees, Local 100-1,479; Cleveland Police Patrolmen's Association-1,608; the Association of Cleveland Firefighters-962; Municipal Foreman and Laborers Union, Local 1099-550; Teamsters, and Local 244-332.

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

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

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

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

Year	**Amount Paid (in thousands)**
2002	$ 437,187
2001	$ 401,838

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

Employee Retirement Benefits

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

These two retirement systems are:

- Ohio Public Employees Retirement System (OPERS), created in 1935, represents state and local government employees not included in one of the other four systems. Management of the fund indicates membership of approximately 402,041 actively employed members. At December 31, 2001, assets of this pension fund approximated $166 billion. More data on this pension fund are shown in Notes 13 and 14 of this report.

- Ohio Police and Fire Pension Fund (OP&F), created in 1966, represents sworn personnel, not civilians, employed in police and fire divisions of Ohio's local governments. Management of the fund indicates membership of approximately 23,413 actively employed members. At December 31, 2001, assets of this pension fund approximated $7.4 billion. All of the City's police and fire officers are members of this pension fund. More data on this pension fund are shown in Notes 13 and 14 of this report.

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

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

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

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

GENERAL FUND BUDGETARY ANALYSIS

The difference between the original and the final amended budget including operating transfers out, (see page 51), was $3.3 million, which represents less than a 1 percent increase in appropriations and can be briefly summarized as follows:

- The City decertified approximately $6 million of prior year encumbrances and pre-encumbrances to fund current year operations

- Public safety budget was increased due to salary overtime costs related to heightened security levels at City facilities including Airport, Water and Public buildings.

- General Government budget, including the Law, Municipal Courts and Finance Departments, decreased to partially offset the needed Safety Department budget increase.

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

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

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

- Cleveland Public Power incurred $13.1 million of capital expenditures related to pole replacement, motor vehicles and computers.

- During 2002, the Division of Water made expenditures for capital improvements totaling $110.2 million. The principal capital expenditures during the year were for Morgan Plant Renovation, Baldwin Plant renovation, Nottingham Plant Renovation, Water Main Rehab and Plant Enhancement Program Design.

- Port Control expenditures for capital improvements totaled approximately $199 million, primarily related to the construction of the new runway.

- Water Pollution Control made approximately $5.4 million of improvements to sewer line replacements and various other upgrades.

- Governmental activities major capital projects included $3.5 million for local resurfacing, $2.8 million Brookpark /Pearl Road project, $2.7 million building improvements to public facilities, $2.0 million W. 117th and Bellaire project, $3.1 million of fire vehicle purchases, $1.6 million E. 55th Street project, and $1.6 million E. 110th Street and St. Clair Avenue.

The primary sources for financing the City's Capital Improvement Projects are general obligation bond proceeds, certificates of participation proceeds, urban renewal bond proceeds, interest earned on funds prior to and during the construction period, restricted income taxes and funds from the State Issue 2 and Local Transportation Improvement Programs. The City has three primary goals relating to its Capital Improvements: 1) preservation and revitalization of Cleveland's neighborhoods; 2) economic development and job creation, and 3) provision of cost-effective, basic City services to Cleveland residents and the business community. Additional information on the City's capital assets, including commitments made for future capital expenditures, can be found in Note 15 starting on page 85.

Long-term debt and other obligations At the end of the current fiscal year, the City had total debt and other obligations outstanding of $2.8 billion. General obligation bonds and notes are typically issued for general governmental activities and are backed by the full faith and credit of the City. Revenue bonds and mortgage revenue bonds are typically recorded in the applicable Enterprise Fund and are supported by the revenues generated by the respective Enterprise Fund. The remainder of the City's debt represents bonds or notes secured solely by specified revenue sources.

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

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

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

Funds used to meet the debt service requirements of the City's general obligation bonds are from certain ad valorem taxes, restricted income taxes and interest earnings. Ad valorem taxes, the primary source of funds, amounted to $24.4 million in 2002 which represents 62% of the debt service requirements on the general obligation bonds. These taxes were derived from a levy of $4.35 per $1,000 of assessed property. The remaining 38% of debt service requirements is retired from a portion of the City's restricted income tax proceeds, interest earnings and other miscellaneous revenue sources generated within the debt service funds.

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

The City's bond ratings for general obligation and revenue bonds and notes are as follows as of December 31, 2002:

	Moody's Investors Service	Standard & Poors	Fitch Ratings
General Obligation Bonds	A1	A+	A+
Waterworks Revenue Bonds	Aa3	AA-	N/A
Cleveland Public Power:			
Revenue Bonds	A2	A-	N/A
Airport System:			
Revenue Bonds	A3	A	N/A
Airport Taxable Surplus Revenue Notes	MIG-1	SP-1+	N/A
Municipal Parking Lots:			
Revenue Bonds (Insured Ratings)	Aaa	AAA	AAA

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

The ratio of net general bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens and investors. Net general bonded debt is total general bonded debt supported by taxes less amounts available in the Debt Service Funds. This data at December 31, 2002 was:

Net General Bonded Debt $316,220,000

Ratio of Net Bonded Debt to Assessed Valuation 5.24%

Net General Bonded Debt Per Capita $660.99

The Ohio Revised Code provides that the net debt of the municipal corporation, whether or not approved by the electors, shall not exceed 10.5 percent of the assessed value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5 percent of total assessed value of property. The City's total debt limit (10.5 percent) is $633,313,800 and unvoted debt limit (5.5 percent) is $331,735,800. At December 31, 2002, the City had the capacity, under the indirect debt limitation calculation per the Ohio Revised Code, to issue $105 million of additional, unvoted debt. These debt limitations are not expected to affect the financing of any currently planned facilities or services.

Additional information on the City's long-term debt can be found in Note 4 on pages 70 - 78.

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

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

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

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

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

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

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

The City is scheduled to issue $9.2 million of tax-increment financing economic development bonds for the purpose of continuing the revitalization of lower Euclid Avenue in the central business district. The bonds are intended to leverage an additional $28 million in private investment. The revitalization of lower Euclid Avenue will include the redevelopment of more than 155,000 square feet of commercial space which will be anchored by the House of Blues. Additionally, a 550 space parking garage capable of supporting 15 stories of residential housing units and over 100 units of new for sale and rental housing along the corridor is a projected part of this project. It is anticipated that the project will create nearly 700 construction jobs and more than 800 permanent jobs upon completion.

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

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

NEED ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2002
(Amounts in 000's)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 236,208	$ 147,514	$ 383,722
Investments	18,158	235,599	253,757
Receivables:			
Taxes	138,957		138,957
Accounts	7,807	111,528	119,335
Loans	191,908		191,908
Unbilled revenue		31,453	31,453
Accrued interest	104	1,762	1,866
Assessments	4,976		4,976
Less: Allowance for doubtful accounts	(6,433)	(8,305)	(14,738)
Receivables, net	337,319	136,438	473,757
Internal balances	242	(242)	
Due from other governments	82,674	3,312	85,986
Inventory of supplies	3,322	12,368	15,690
Prepaid expenses and other assets		944	944
Restricted assets:			
Cash and cash equivalents	12,999	909,487	922,486
Investments		121,816	121,816
Accrued interest receivable		3,002	3,002
Bond retirement reserve		53	53
Accrued passenger facility charge		2,654	2,654
Loans receivable		3,906	3,906
Total restricted assets	12,999	1,040,918	1,053,917
Deferred bond issuance expense	638	20,902	21,540
Capital assets:			
Land and construction in progress	129,398	490,923	620,321
Other capital assets, net of accumulated depreciation	636,172	1,691,684	2,327,856
Total capital assets	765,570	2,182,607	2,948,177
Total assets	1,457,130	3,780,360	5,237,490
LIABILITIES			
Accounts payable	23,060	17,613	40,673
Accrued wages and benefits	32,053	9,526	41,579
Due to other governments	66,475	48,082	114,557
Accrued interest payable	12,193	60,705	72,898
Deferred revenue	91,903		91,903
Other accrued liabilities	1,399	447	1,846
Liabilities payable from restricted assets		41,978	41,978
Notes payable	4,250		4,250
Long-term obligations:			
Due within one year	56,050	98,050	154,100
Due in more than one year	621,530	2,052,606	2,674,136
Total liabilities	908,913	2,329,007	3,237,920
NET ASSETS			
Invested in capital assets, net of related debt	364,042	677,907	1,041,949
Restricted for:			
Debt service	2,023	243,453	245,476
Capital projects	9,660		9,660
Loans	159,289		159,289
Other purposes	24,449	48,279	72,728
Unrestricted	(11,246)	481,714	470,468
Total net assets	$ 548,217	$ 1,451,353	$ 1,999,570

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

CITY OF CLEVELAND, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2002
AMOUNTS IN (000's)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Governmental activities:							
General government	$ 81,356	$ 26,194	$ 1,060	$ 9,369	$ (44,733)	$	$ (44,733)
Public service	76,100	4,259	14,832	2	(57,007)		(57,007)
Public safety	305,289	11,273	7,718		(286,298)		(286,298)
Human resources	21,545		21,545		-		-
Community development	87,478	7,081	75,083		(5,314)		(5,314)
Public health	22,137	2,504	8,323		(11,310)		(11,310)
Parks, recreation and properties	45,365	896	222	543	(43,704)		(43,704)
Economic development	28,468	107	20,629		(7,732)		(7,732)
Other	12,973	590			(12,383)		(12,383)
Interest on debt	28,535				(28,535)		(28,535)
Total governmental activities	709,246	52,904	149,412	9,914	(497,016)		(497,016)
Business-type activities:							
Water	170,009	215,709	10,465	241		56,406	56,406
Electricity	133,182	141,690	1,034	8,633		18,175	18,175
Airport facilities	131,683	86,277	4,200	51,990		10,784	10,784
Other	42,091	33,201	76	4,891		(3,923)	(3,923)
Total business-type activities	476,965	476,877	15,775	65,755		81,442	81,442
Total	$ 1,186,211	$ 529,781	$ 165,187	$ 75,669	(497,016)	81,442	(415,574)
General revenues:							
Income taxes					275,321		275,321
Property taxes					74,229		74,229
Other taxes					25,720		25,720
Shared revenues					7,707		7,707
Grants and contributions not restricted to specific programs					2,501	2,122	4,623
State and local government fund					54,809		54,809
Unrestricted investment earnings					1,207	14	1,221
Other					22,874	1,194	24,068
Transfers					(502)	502	
Total general revenues, special items and transfers					463,866	3,832	467,698
Change in net assets					(33,150)	85,274	52,124
Net assets at beginning of year					581,367	1,366,079	1,947,446
Net assets at end of year					$ 548,217	$ 1,451,353	$ 1,999,570

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

CITY OF CLEVELAND, OHIO

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

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

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and, therefore, are not reported in the funds.	763,667
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	50,075
Long-term liabilities, including bonds and claims payable, are not due and payable in the current period and therefore are not reported in the funds	(687,987)
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets	3,483
Net assets of governmental activities	$ 548,217

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

CITY OF CLEVELAND, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts in 000's)

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

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

CITY OF CLEVELAND, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES OF GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts in 000's)

Amounts reported for governmental activities in the statement of activities (page 47) are different because:	
Net change in fund balances - total governmental funds (page 49)	$ (18,687)
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	14,775
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,927)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of debt issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences, including accrued interest, in the treatment of long-term debt and related items.	(17,275)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(9,817)
The net revenue of certain activities of internal service funds is reported with governmental activities.	781
Change in net assets of governmental activities (page 47)	$ (33,150)

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

CITY OF CLEVELAND, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (BUDGET AND ACTUAL) - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts in 000's)

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

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

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

CITY OF CLEVELAND, OHIO

BALANCE SHEET - PROPRIETARY FUNDS
DECEMBER 31, 2002
(Amounts in 000's)

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

(Continued)

CITY OF CLEVELAND, OHIO

BALANCE SHEET - PROPRIETARY FUNDS
DECEMBER 31, 2002
(Amounts in 000's)

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

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

CITY OF CLEVELAND, OHIO

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

(Amounts in 000's)

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

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

CITY OF CLEVELAND, OHIO

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)

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

(Continued)

CITY OF CLEVELAND, OHIO

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)

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

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

CITY OF CLEVELAND, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2002
(Amounts in 000's)

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

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

NOTE 1 - DESCRIPTION OF CITY OPERATIONS AND REPORTING ENTITY

The City: The City of Cleveland, Ohio (the "City") operates under an elected Mayor/Council (21 members) administrative / legislative form of government. The mayoral election was held in November 2001 and the new mayor took office in January of 2002.

Reporting Entity: The accompanying financial statements as of December 31, 2002 and for the year then ended have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to local governments. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification").

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

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

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Significant Accounting Policies:

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

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

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

Basic Financial Statements:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. The City's General Fund budget to actual statement is presented as part of the basic financial statements.

4. *Notes* to the financial statements provide information that is essential to a user's understanding of the basic financial statements.

B. ***Financial reporting presentation***

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

GOVERNMENTAL FUNDS

1. **General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

2. **Special Revenue Funds** - Special revenue funds are used to account for revenues derived from specific taxes, grants, or other restricted revenue sources. The uses and limitations of each special revenue fund are specified by legal, regulatory or administrative provisions. These funds include most major federal and state grants.

3. **Debt Service Funds -** Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

4. **Capital Projects Funds -** The capital projects funds are used to account for financial resources used for the acquisition or construction of major capital projects (other than those financed by proprietary funds).

5. **Permanent Funds -** Permanent funds are used for the purpose of accounting for resources that are legally restricted to the extent that earnings, and not principal, may be used for purposes that support the reporting government's programs. During 2002, the City did not utilize any permanent funds.

PROPRIETARY FUNDS

1. **Enterprise Funds -** The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

2. **Internal Service Funds -** The internal service funds are used to account for the financing of goods or services provided by one department to other departments or to other governments on a cost-reimbursement basis.

FIDUCIARY FUNDS

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

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

3. **Other Fiduciary Funds -** Other fiduciary funds include pension trust funds and investment trust funds. During 2002, the City did not utilize any such trust funds.

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

C. ***Measurement focus and basis of accounting***

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

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

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

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

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

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

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

D. ***Budgetary Procedures***

The City is required by state law to adopt annual budgets for the General Fund, certain Special Revenue Funds (including the Division of Streets, Restricted Income Tax Reserve, Rainy Day Reserve, Schools Recreation and Cultural Activities and Cleveland Stadium Operations Funds) and Debt Service Funds (except for Urban Renewal and Urban Renewal Reserve Funds). Modifications to the original budget are approved by City Council throughout the year. The City maintains budgetary control by not permitting expenditures to exceed appropriations for personnel costs (including benefits), and other costs (including debt service and capital outlay), within a division of the City, without the approval of City Council. Adjustments to the budget can only be made within a division and then within each category. Further legislation is needed in order to move budget amounts from "personnel" to "other" or vice versa, or between divisions. City Council adopted 5 appropriation amendments for 2002 which increased total appropriations by approximately 4% from the original budget.

Unencumbered appropriations for annually budgeted funds lapse at year end.

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

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

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

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

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

	(In thousands)
Excess of revenues and other financing sources over expenditures and other financing uses (budget basis)	$ (2,843)
Adjustments:	
Revenue accruals	24,017
Expenditure accruals	(13,054)
Encumbrances and pre-encumbrances	(10,159)
Net change in fund balances	$ (2,039)

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

Cash and Cash Equivalents: Cash resources of certain individual funds are combined to form a pool of cash and investments which is managed by the City Treasurer. Investments in the Pooled Cash Account, consisting of certificates of deposit, repurchase agreements, U.S. government securities, StarOhio and time deposits, are carried at fair value (see Note 3) based on quoted market values. Interest earned on pooled cash and investments is distributed to the appropriate funds utilizing a formula based on the month-end balance of cash and investments of each fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Swap Agreements: The City may enter into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expense resulting from these agreements, no amounts are recorded in the financial statements. As further described in Note 4, the City has one swap agreement outstanding at December 31, 2002 for its Subordinated Income Tax Refunding Bonds.

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

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

Encumbrances and Pre-Encumbrances: Encumbrance accounting is employed in the General, certain Special Revenue, and Capital Projects Funds. Purchase orders and requisitions, contracts, and other commitments for expenditures are recorded as encumbrances or pre-encumbrances to reserve the applicable portion of the appropriation. Encumbrances and pre-encumbrances outstanding at year end are reported as a reservation of fund balances in the fund financial statements since they do not constitute expenditures or liabilities and are carried forward to the next fiscal year.

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

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

NOTE 3 - POOLED AND SEGREGATED CASH AND INVESTMENTS

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

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

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

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

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

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

> Category 1: Insured or collateralized with securities held by the entity or by its agent in the entity's name.
>
> Category 2: Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name.
>
> Category 3: Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name).

Monthly, the City determines that the collateral has a market value adequate to cover the deposits and that it has been segregated either physically or in book entry form. At year end, the carrying amount of the City's deposits including certificates of deposit was $134,656,000 and the actual bank balance totaled $153,594,000. The difference represents outstanding warrants payable and normal reconciling items. Based on the criteria described in GASB Statement No. 3, $126,002,000 of the bank balance was insured or collateralized with securities held by the City or by its agent in the City's name. The remaining balance of $27,592,000 was uninsured and uncollateralized, as defined by the GASB, (which includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department but not in the City's name). Of this amount, $19,690,000 was invested in two bank investment contracts ("BIC"). These BICs are secured by securities held by the pledging financial institution's trust department, but not in the City's name. The remaining amount, $7,902,000 was secured by a collateral pool held at the Federal Reserve Bank in the name of the respective depository bank, which pledges a pool of collateral against all public deposits it holds.

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

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

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

> Category 1: includes insured or registered, or securities held by the City or its agent in the City's name;
> Category 2: includes uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and
> Category 3: includes uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the City's name.

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

Type of Investment	**Category**	**Fair Value**	**Cost**
		(Amounts in 000's)	
U.S. Agency Obligations	1	$ 426,011	$ 422,790
U.S. Treasury Bills	2	16,061	15,997
U.S. Treasury Notes	2	1,235	1,245
STAROhio	n/a	138,073	138,073
Investments in Mutual Funds	n/a	273,270	273,270
Guaranteed Investment Contracts	n/a	524,065	524,065
Other	n/a	184,271	184,271
.			
Total Investments		1,562,986	1,559,711
Total Deposits		134,656	134,656
Total Deposits and Investments		$ 1,697,642	$ 1,694,367

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

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

Government-Wide Financial Statements

	(Amounts in 000's)
Unrestricted:	
Cash and cash equivalents	$ 383,722
Investments	253,757
Restricted:	
Cash and cash equivalents	922,486
Investments	121,816
Total	$ 1,681,781

Fund Financial Statements

	(Amounts in 000's)
Balance Sheet – Governmental Funds:	
Unrestricted:	
Cash and cash equivalents	$ 228,979
Investments	18,158
Restricted:	
Cash and cash equivalents	12,999
Balance Sheet – Proprietary Funds:	
Enterprise Funds:	
Unrestricted:	
Cash and cash equivalents	146,517
Investments	235,599
Restricted:	
Cash and cash equivalents	909,487
Investments	121,816
Internal Service Funds:	
Unrestricted:	
Cash and cash equivalents	8,226
Subtotal	1,681,781
Statement of Fiduciary Net Assets:	
Unrestricted:	
Cash and cash equivalents	15,861
Total	$ 1,697,642

NOTE 4 – DEBT AND OTHER LONG-TERM OBLIGATIONS

A summary of the changes in the debt and other long-term obligations of the City during the year ended December 31, 2002 is as follows:

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

Internal service funds predominantly serve the governmental funds, except the Utilities Administration Fund, which serves only business type activity funds. Long-term liabilities for all internal service funds, except the Utilities Administration Fund are included as part of the totals for governmental activities in the government-wide statement of net assets. At December 31, 2002, $1,162,000 of the internal service funds, except for Utilities Administration Fund, compensated absences were included in the governmental activities accrued wages and benefits. Long-term liabilities for the Utilities Administration Fund are included as part of the totals for business-type activities in the government-wide statements. At December 31, 2002, $298,000 of the Utilities Administration Fund compensated absences were included in business-type activities accrued wages and benefits.

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

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

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

Governmental Activities

(Amounts in 000's)

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest	Urban Renewal Bonds Principal	Urban Renewal Bonds Interest	Subordinated Income Tax Refunding Bonds Principal	Subordinated Income Tax Refunding Bonds Interest
2003	$ 26,285	$ 16,474	$ 320	$ 559	$ 1,400	$ 3,426
2004	25,095	15,035	340	539	1,500	3,351
2005	25,990	13,824	360	518	1,600	3,270
2006	25,530	12,586	385	494	1,700	3,184
2007	26,535	11,347	410	467	1,800	3,094
2008-2012	111,270	37,369	2,490	1,878	11,200	13,846
2013-2017	55,360	14,364	3,435	892	15,500	10,415
2018-2022	18,640	3,261	835	28	21,500	5,661
2023-2027	4,380	711			10,700	537
	$ 319,085	$ 124,971	$ 8,575	$ 5,375	$ 66,900	$ 46,784

(Amounts in 000's)

Year Ending December 31	Non-Tax Revenue Bonds Principal	Non-Tax Revenue Bonds Interest	Certificates of Participation Principal	Certificates of Participation Interest	Capital Lease Obligations Principal	Capital Lease Obligations Interest
2003	$	$	$ 4,944	$ 7,141	$ 238	$ 10
2004			2,065	6,925		
2005			2,260	6,824		
2006			2,275	6,712		
2007	1,006	629	5,826	8,372		
2008-2012	4,258	3,917	55,288	39,698		
2013-2017	3,207	4,968	27,721	20,870		
2018-2022	1,529	3,371	24,045	12,084		
2023-2027			31,070	5,060		
	$ 10,000	$ 12,885	$ 155,494	$ 113,686	$ 238	$ 10

(Amounts in 000's)

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

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

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

The schedule of minimum principal and interest payments for construction loans includes the amortization on three loans provided to the Division of Water by the Ohio Water Development Authority (OWDA). This amortization is based upon the full amount expected to be financed, regardless of whether the Division of Water has received all the loan proceeds. Therefore, at December 31, 2002 the amount financed on these three loan projects less the principal payments made to date, which is reflected in the amortization schedule, exceeds the actual loan balances shown on the schedule of long-term debt outstanding and changes in long-term debt obligations by $7,869,085.

General Obligation Bonds and Notes

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

Under the direct debt limitation imposed by the Ohio Revised Code, the City had the capacity to issue $331,735,800 of additional unvoted debt at December 31, 2002.

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

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

Other Governmental Obligations

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

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

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

In 1999, the City entered into an interest rate swap transaction for the purpose of hedging the exposure of the City against interest rate fluctuations arising from the variable rates borne by these bonds. Under the swap agreement, the City will be the fixed rate payor, paying the fixed rate of 4.88% and the counterparty will be the floating rate payor, paying the actual variable rate borne by the Series 1994 Bonds. The stated termination date under the swap agreement is May 15, 2024, the maturity date of the Series 1994 Bonds. The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed by the City to the counterparty, or by the counterparty to the City, depending upon the prevailing economic circumstances at the time of the termination and the City would again be exposed to the variable interest rates of the Series 1994 Bonds. The City would also be exposed to the variable interest rates if the counterparty to the swap defaults on its obligation to pay the variable interest required under the swap agreement. The obligation of the City under the swap agreement to make the periodic fixed rate payments (but not the termination payment) is secured by a subordinate pledge of income tax receipts (subordinate to the pledge of income tax receipts made under the General Bond Ordinance securing the repayment of the bonds). The debt service requirements to maturity for these bonds presented on the schedule within this footnote are based on the fixed rate of 5.18%, which includes remarketing and credit facility fees. The notional amount upon which the swap agreement was based equaled $66,900,000 on December 31, 2002.

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

Certificates of Participation-1992 and 1995: Certificates of Participation were issued to fund the acquisition of certain motor vehicles and communication equipment for lease to the City. For the 1995 Certificates of Participation, the City will make basic lease payments during successive renewal periods of one year or less through July 1, 2003, if the City Council appropriates funds each year for that purpose. The Certificates do not constitute a debt or a pledge of the full faith and credit of the City, and the City is not a party to the Certificates. If the lease for the 1995 Certificates of Participation is renewed through July 1, 2003, and the City makes a purchase payment and complies with certain other conditions, the City will acquire title to the property. The final lease payment on the 1992 Certificates of Participation was made July 1, 2002 and the City acquired title to the property.

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

Capital Lease Arrangements: The City has entered into agreements to lease equipment. Such agreements are treated as lease purchases (capital leases) and are classified as long-term lease obligations in the financial statements. The lease contracts contain annual one-year renewal options that can be exercised by the City if sufficient funds are appropriated by City Council. Upon the exercise of each annual one-year renewal option and satisfaction of the lease obligations related thereto, title to the equipment will pass to the City.

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

	Activities (Amounts in 000's)
Furniture, fixtures and equipment	$ 3,749
Less – accumulated depreciation	(1,875)
Net book value	$ 1,874

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

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

Police and Fire Overtime and Deferred Vacation Pay: Uniformed employees of the Police and Fire Divisions accumulate overtime compensation in accordance with the union contracts and the requirements of the Fair Labor Standards Act. In addition, uniformed employees may defer earned vacation time, with the appropriate approvals, until retirement. The liabilities for overtime and deferred vacation time, at current pay rates including their related fringe benefits and converted to straight time hours, at December 31, 2002, follow:

	Overtime		Deferred Vacation	
Division	**Hours**	**Dollars**	**Hours**	**Dollars**
		(Amounts in 000's)		
Police	2,145	$ 57,387		
Fire	193	5,383	54	$ 1,514
Total	2,338	$ 62,770	54	$ 1,514

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

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

Business-Type (Enterprise Fund) Obligations

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

Of the Airport System Revenue Bonds issued in 1990, $15,276,000 were issued in the form of Capital Appreciation Bonds. Interest on the Capital Appreciation Bonds is payable only as a component of their appreciated principal amount at maturity or redemption. Interest on the Capital Appreciation Bonds is compounded semiannually on each interest payment date beginning July 1990. As of December 31, 2002, the Department of Port Control has recorded a liability in the amount of $16,938,922 for compounded interest payable on the Capital Appreciation Bonds.

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

Waterworks Improvement Revenue Bonds: These bonds are payable from the revenues derived from operations of the waterworks system after the payment of all operating and maintenance expenses (net revenue) and from moneys and investments, on deposit in the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Contingency Fund and the Additions and Improvements Fund.

On November 21, 2002, the Division of Water issued $138,050,000 of Water Revenue Bonds, Series K, 2002 and $90,000,000 of Water Revenue Bonds, Series L, 2002. The proceeds of the Series K Bonds will be used to currently refund all of the $15,350,000 outstanding Waterworks Improvement First Mortgage Refunding Revenue Bonds, Series D, 1986, to pay costs of improvement to the Waterworks System and to pay costs of issuance of the Series K Bonds. Net proceeds of $15,733,750 were placed in an escrow account which was used to pay principal and interest on the refunded bonds on December 31, 2002. As a result, the refunded bonds are considered to be defeased and the liability for these bonds has been removed from long-term debt. The City completed the refunding of the Series D Bonds to reduce its total debt service payments by $1,380,000 over the next 14 years and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately $881,000. The Series L Bonds were issued to pay costs of improvements to the waterworks system and to pay costs of issuance of the Series L Bonds. Series L Bonds were issued as variable note bonds in a weekly mode with a liquidity facility provided by WestLB, AG, acting through its New York branch.

Ohio Water Development Authority Loans: These loans are payable from net revenues derived from the waterworks and water pollution control systems. These obligations do not have a lien on revenues of the Division.

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

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

Defeasance of Debt

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

The aggregate amount of defeased debt outstanding at December 31, 2002 is as follows:

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

Airport Special Facilities Revenue Bonds

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

NOTE 5 - DEFERRED PAYMENT OBLIGATION / I-X CENTER

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

In the event that either a similar facility is developed that exceeds a specified size, or there is an expansion of an existing facility that exceeds a specified size within the municipal boundary of the City of Cleveland, the lessee has the right to terminate the lease. Such termination would require the City to pay the lessee the remaining portion of the deferred purchase price. Subsequent to the agreement, the City of Brook Park (the city in which the I-X Center is located) officially announced its intention to acquire the I-X Center through an eminent domain court case. In connection with the proceedings, the City and other defendants filed various counterclaims against Brook Park, of which all counterclaims have been dismissed by the Probate Court. The Probate Court found that Brook Park's alleged public purpose of economic development and of establishing a municipally owned convention center and exhibition hall are valid and proper public purposes. A preliminary hearing on the Petition for Appropriation began on September 11, 2000, and testimony was concluded on October 2, 2000. The parties submitted proposed Findings of Fact and Conclusions of Law and closing arguments were presented on November 9, 2000.

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

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

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

NOTE 6 - COMPLIANCE AND ACCOUNTABILITY

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

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

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

NOTE 7 - RISK MANAGEMENT

Self Insurance: The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City does not carry commercial insurance for such risks, except for certain proprietary funds and the new football stadium (see Note 8). In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported ("IBNRs"). Claims that meet this criteria are reported as liabilities of either governmental or business-type activities in the government-wide statement of net assets. In the fund financial statements, claims liabilities that relate to enterprise or internal service funds are reported; however, the long-term portion of claims liabilities is not reported for governmental funds.

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

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

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

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

Insurance: Certain proprietary funds carry insurance to cover particular liability risks and property protection. Otherwise, the City is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2002. There was no significant decrease in any insurance coverages in 2002. In addition, there were no insurance settlements in excess of insurance coverage during the past three fiscal years.

The City provides the choice of four separate health insurance plans for its employees. These plans are provided by two different insurers through commercial insurance. Operating funds are charged a monthly rate per employee, by type of coverage. The City participates in the State of Ohio workers' compensation program to provide workers' compensation benefits to its employees.

NOTE 8 - CONTINGENCIES

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

As of December 31, 2002, the amount of claims against the City for which an unfavorable outcome is deemed to be reasonably possible, including condemnation proceedings, aggregated $1,271,250 for governmental funds.

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

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

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

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

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

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

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

NOTE 9 – INTERFUND TRANSACTIONS AND BALANCES

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

(1) Reciprocal interfund services provided and used – Purchases and sales of goods and services between funds for a price approximating their external exchange value.

(2) Nonreciprocal interfund transfers – Flows of assets between funds without equivalent flows of assets in return and without a requirement for repayment. This includes operating transfers to subsidize various funds.

(3) Nonreciprocal interfund reimbursements – Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

For the year ended December 31, 2002, operating transfers consisted of the following:

		Transfers In					
Transfers Out	Total	General Fund	Other Govern-mental Funds	Total Govern-mental Funds	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	(Amounts in 000's)						
Governmental Funds:							
General	$ 22,451	$	$18,142	$ 18,142	$ 502	$ 502	$3,807
Other governmental	77,914	21,578	56,336	77,914			
Total Transfers In	$ 100,365	$ 21,578	$74,478	$ 96,056	$ 502	$ 502	$3,807

Interfund balances: Interfund balances at December 31, 2002 represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting records, and (3) payments between funds are made. All are expected to be paid within one year.

Interfund receivable and payable balances as of December 31, 2002 are as follows:

(Amounts in 000's)

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

NOTE 10 - INCOME TAXES

During 2002, the City income tax rate remained at 2% and the credit provided to City residents for income taxes paid to other municipalities remained at 50%. A portion of the City income tax is restricted in its use to capital expenditures and debt service and is included in the Restricted Income Tax Special Revenue Fund. All other income tax proceeds are included in the General Fund.

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

NOTE 11 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible property (used in business) located in the City. The 2002 levy was based upon an assessed valuation of approximately $6.032 billion. Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Under current procedures, the City’s share is 4.4 mills, of which 4.35 mills is dedicated to debt service and .05 mills is dedicated to the payment of police and fire pension obligations. A revaluation of all property is required to be completed no less than every six years, with a statistical update every third year. Assessed values are established by the Cuyahoga County (County) Auditor. The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City.

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

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

Tangible personal property taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. For the collection year 2002, the percentage used to determine taxable value of personal property and inventory was 25%. Pertinent tangible personal property tax dates are:

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

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

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

NOTE 12 – DEFERRED REVENUE

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

	Unavailable	Eligibility Requirements Not Met	Total
		(Amounts in 000's)	
Governmental Funds:			
General Fund:			
Income taxes receivable	$ 20,006	$	$ 20,006
Property taxes receivable	61,882		61,882
Local government receivable	15,877		15,877
Estate tax receivable	249		249
Total General Fund	98,014		98,014
Other Governmental Funds:			
Income taxes receivable	2,501		2,501
Special assessments receivable	3,849		3,849
Property taxes receivable	32,238		32,238
Advances received under grants		4,845	4,845
Motor vehicle taxes receivable	1,480		1,480
Muni gas tax receivable	1,298		1,298
State gasoline tax receivable	687		687
Total other governmental funds	42,053	4,845	46,898
Total Deferred Revenue	$ 140,067	$ 4,845	$ 144,912

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System: All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System ("OPERS"), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar years 2002, 2001, and 2000 the employer pension contribution rates for the City were 13.55, 13.55, and 10.84 percent of covered payroll, respectively. Contributions are authorized by State statute and the contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were $33,585,503, $30,376,997, and $25,503,358, respectively. The required payments due in 2002, 2001, and 2000 have been made.

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

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

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System: The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution rate was 13.55 of covered payroll; 5 percent was the portion that was used to fund health care for 2002.

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

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

Ohio Police and Fire Pension Fund: The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

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

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

NOTE 15 - CAPITAL ASSETS

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

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

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

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

	(Amounts in 000's)
Governmental Activities:	
General government	$ 7,773
Public service	15,153
Public safety	8,165
Community development	203
Public health	535
Parks, recreation and properties	5,320
Economic development	55
Depreciation expense on capital assets held by the City's internal service funds that is charged to the various functions based on their usage of the assets	211
Total depreciation expense charged to governmental activities	$ 37,415
Business-Type Activities:	
Division of Water	$ 29,539
Cleveland Public Power	15,685
Department of Port Control	27,752
Other business-type activities	8,796
Total depreciation expense charged to business-type activities	$ 81,772

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

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

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

Capital Grant Programs: The City participates in the State Issue 2 program and the Local Transportation Improvement Program. Through these programs, the State of Ohio ("State") provides financial assistance to the City for its various road and bridge improvements and storm water detention facilities. The Ohio Public Works Commission ("OPWC") is the State agency which oversees the allocation of State bond proceeds and tax revenue to selected projects which have met funding requirements. Upon approval of the OPWC, the City and the State create project agreements establishing each entity's financial contribution toward each project. Through December 31, 2002, the State funded $82,649,000 of road and bridge improvement projects and $4,575,000 for storm water detention facilities.

Capitalized Interest: Interest expense incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest income earned on invested debt proceeds. For 2002, interest expense incurred for the Enterprise Funds was $101,106,000 which was net of $22,255,000 of interest expense capitalized. For 2002, total interest income earned by the Enterprise Funds was $23,839,000 which was net of $19,433,000 of interest income capitalized.

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

NOTE 16 – SEGMENT INFORMATION

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

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

Investors in the revenue bonds and notes rely solely on the revenues generated from the specific enterprise activity to which the debt obligations pertain for repayment.

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

Condensed Balance Sheet Information

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

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

	Water Pollution Control	Municipal Parking Lots
	(Amounts in 000's)	
Charges for services (pledged against bonds)	$ 19,271	$ 7,444
Depreciation (expense)	(3,990)	(1,734)
Other operating (expenses)	(14,282)	(1,869)
Operating income (loss)	999	3,841
Nonoperating revenues (expenses):		
Investment income	832	465
Interest expense	(260)	(4,416)
Gain (Loss) on disposal of capital assets	(6)	
Other revenue (expenses)	54	(88)
Capital contributions		26
Change in net assets	1,619	(172)
Net assets at beginning of year	81,490	18,779
Net assets at end of year	$ 83,109	$ 18,607

Condensed Statement of Cash Flows Information

	Water Pollution Control	Municipal Parking Lots
	(Amounts in 000's)	
Net cash provided by (used for):		
Operating activities	$ 3,386	$ 5,728
Noncapital financing activities	(877)	
Capital and related financing activities	(5,880)	(6,172)
Investing activities	(10,529)	(1,410)
Net increase (decrease) in cash and cash equivalents	(13,900)	(1,854)
Beginning cash and cash equivalents	29,109	19,688
Ending cash and cash equivalents	$ 15,209	$ 17,834

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

Purpose	Division of Water	Cleveland Public Power	Department of Port Control	Municipal Parking Lots	Cemeteries
			(Amounts in 000's)		
Construction activities	$ 292,895	$ 13,286	$ 332,618	$ 4,323	$
Debt retirement	101,428	4,059	126,773	11,196	
Accrued passenger facility charges			50,933		
Other	9,917	3,363	84,335		5,792
Total	$ 404,240	$ 20,708	$ 594,659	$ 15,519	$ 5,792

NOTE 17 - GATEWAY ECONOMIC DEVELOPMENT CORPORATION

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

The bonds that were issued to construct the sports facilities described above are not a debt or liability of the City of Cleveland. To enhance the security of the bonds, the City has agreed to pledge annually a percentage of admissions taxes on Cleveland Cavaliers games held at the arena to pay debt service if other revenue sources are not sufficient. Any exempted admissions tax not required for debt service will be reimbursed to the City. The City's current admissions tax rate is 8%. For the year ended December 31, 2002, the City pledged $1,302,000.

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

In accordance with an agreement with Gateway, Gateway is required to reimburse the City for the excess of the debt service requirements of the Parking Facility Improvement Revenue Bonds attributed to the two Gateway garages over the net revenues generated by the two Gateway garages. In 2002, net revenues generated by the two Gateway garages were less than the debt service payments attributed to those garages by $3,005,000. Cumulative debt service payments funded by the City that are due from Gateway totaled $22,217,000 at December 31, 2002. Due to the uncertainty of collecting such amounts, an allowance has been recorded to offset the amounts in full, therefore these amounts do not appear in the accompanying financial statements.

NOTE 18 – SUBSEQUENT EVENTS

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

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

> Series 1994 Subordinated Income Tax Refunding Bonds: JPMorgan Chase Bank purchased the option to enter into an interest rate swap with the City on its outstanding $66,900,000 Subordinated Income Tax Variable Rate Refunding Bonds. In this transaction, JPMorgan paid the City $1.7 million to purchase the option to enter into an interest rate swap with the City at any time during the life of the bonds, under which JPMorgan would pay a fixed rate of 4.88% to the City (the rate currently paid by the City on the bonds under a previous swap transaction) and the City would pay the BMA index to JPMorgan. If JPMorgan exercises the option to enter into the swap, the City would have offsetting swaps and the net effect would be the City paying the naturally floating rate on the bonds.
>
> Parking Facilities Refunding Revenue Bonds, Series 1996: The City entered into a swaption with UBS Paine Webber (UBS) in which UBS paid the City $3,275,000 for the right to enter into a floating-to-fixed swap 90 days prior to the bonds' call date (September 15, 2006). If UBS exercises its option, the City will issue variable rate bonds to refund the outstanding Parking Revenue Bonds. The City will then pay a fixed rate, initially at the rate of 4.911%, while UBS will pay a floating rate of 67% of one month LIBOR. The City's synthetic fixed payments created in this transaction are structured to equal the prior debt service on the 1996 Bonds.
>
> Certificates of Participation, Series 1997 (Cleveland Stadium Project): The City entered into a swaption with UBS Paine Webber in which UBS paid the City $3,400,000 for the right to enter into a floating-to-fixed swap 90 days prior to the bonds' call date (November 15, 2007). If UBS exercises its option, the City will issue variable rate bonds to refund the outstanding Series 1997 Certificates of Participation. The City will then pay a fixed rate, initially at the rate of 4.774%, while UBS will pay a floating rate of 67% of one month LIBOR. The City's synthetic fixed payments created in this transaction are structured to equal the prior debt service on the 1997 Certificates of Participation.

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

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

SUPPLEMENTARY INFORMATION

CITY OF CLEVELAND, OHIO

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

(Amounts in 000's)

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

(Continued)

CITY OF CLEVELAND, OHIO

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

(Amounts in 000's)

	Original Budget	Final Budget	Actual	Variance-Positive (Negative)
Fair campaign finance commission:				
Other	$ 10	$ 10	$	$ 10
Total fair campaign finance commission	10	10		10
Board of zoning appeals:				
Personnel	230	240	235	5
Other	20	23	21	2
Total board of zoning appeals	250	263	256	7
Civil service commission:				
Personnel	711	687	680	7
Other	379	249	197	52
Total civil service commission	1,090	936	877	59
Community relations board:				
Personnel	842	842	833	9
Other	109	85	69	16
Total community relations board	951	927	902	25
City planning commission:				
Personnel	1,227	1,227	1,051	176
Other	112	75	59	16
Total city planning commission	1,339	1,302	1,110	192
Office of equal opportunity:				
Personnel	567	552	515	37
Other	58	48	27	21
Total office of equal opportunity	625	600	542	58
Board of examiners of plumbers and electricians:				
Personnel	102	85	70	15
Other	5	3	2	1
Total board of examiners of plumbers and electricians	107	88	72	16
Municipal court-judicial division:				
Personnel	15,668	15,683	15,645	38
Other	2,255	2,278	2,273	5
Total municipal court-judicial division	17,923	17,961	17,918	43

(Continued)

CITY OF CLEVELAND, OHIO

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

(Amounts in 000's)

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

(Continued)

CITY OF CLEVELAND, OHIO

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

(Amounts in 000's)

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

(Continued)

CITY OF CLEVELAND, OHIO

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

(Amounts in 000's)

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

(Continued)

CITY OF CLEVELAND, OHIO

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

(Amounts in 000's)

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

(Continued)

CITY OF CLEVELAND, OHIO

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

(Amounts in 000's)

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

(Continued)

CITY OF CLEVELAND, OHIO

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

(Amounts in 000's)

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

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CITY OF CLEVELAND, OHIO

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Division of Streets	To account for motor vehicle license tax and gasoline excise tax used for the repair and building of streets.
Restricted Income Tax	To account for one-ninth of the City's income tax collections. Monies are to be used for capital improvement purposes and repayment of debt.
Reserve Fund	To account for revenue which is to be used during significant periods of economic downturn, as permitted by the State of Ohio.
Rainy Day Reserve Fund	To account for revenue which is eligible to be used during significant periods of economic downturn.
Schools Recreation and Cultural Activities Fund	To account for revenue from special taxes earmarked for Cleveland Municipal Schools for recreation and cultural activities.
Cleveland Stadium Operations	To account for the operating activities of Cleveland Browns Stadium.
Community Development Block Grants	To account for revenue from the federal government and expenditures as prescribed under the Community Development Block Grant Program.
Community Development Funds	To account for revenue earmarked for City-wide development.
Urban Development Action Funds	To account for revenue from the federal government under the Urban Development Action Grant Program.
Economic Development Funds	To account for revenue earmarked to revitalize distressed cities by stimulating economic development.
Home Weatherization Grants	To account for revenue from the State of Ohio and expenditures as prescribed under the Home Weatherization Assistance Program.
Job Training Partnership Act (JTPA) Grants	To account for revenue from the State of Ohio and expenditures under the Job Training Partnership Act Program.
Work Force Investment Act (WIA)	To account for revenue and expenditures from the State of Ohio under the Work Force Investment Act.

SPECIAL REVENUE FUNDS (Continued)

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

DEBT SERVICE FUNDS

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

Unvoted Tax-Supported Obligations Fund	To account for the accumulation of resources for the payment of general obligation bonds of the City not requiring a vote of the electors, other than self-supporting obligations, payable from ad valorem property taxes levied within the limitations provided by law.
Stadium Bond Fund	To account for the accumulation of resources for the payment of the stadium certificates of participation from pledged City taxes.
Subordinated Income Tax Fund	To account for the accumulation of resources for the payment of subordinated income tax variable rate refunding bonds payable from pledged income taxes.

DEBT SERVICE FUNDS (Continued)

Subordinated Income Tax Reserve Fund	The account is to be maintained at an amount equal to the maximum bond service charges required to be paid in any subsequent six month period.
Urban Renewal Notes	To account for the funds accumulated for the payment of the debt service charges on Taxable Urban Renewal Notes issued for the purchase of certain properties.
Unvoted Bond and Note Redemption Obligation	An account of the Sinking Fund used for the payment of debt charges and accrued interest on unvoted general obligation bonds and notes issued in anticipation of such bonds.
Urban Renewal Fund	To account for the accumulation of resources for the payment of tax increment urban renewal bonds payable from deposits made in lieu of taxes.
Urban Renewal Reserve Fund	The account is to be maintained at an amount equal to one year's maximum annual debt service on certain Urban Renewal Bonds and can be used to cover any debt insufficiency payable from certain urban renewal bonds.

CAPITAL PROJECT FUNDS

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

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

CITY OF CLEVELAND, OHIO

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

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

Special Revenue Funds - Non-Budgeted							
Community Development Block Grants	Community Development Funds	Urban Development Action Funds	Economic Development Funds	Home Weatherization Grants	Job Training Partnership Act (JTPA) Grants	WIA Grants	General Government Funds
$	$ 4,846	$ 13,499	$ 19,494	$	$ 3,790	$	$ 17,812
			3,507				
			5				
9,416	10,390	108,070	8,130				
4,968							
14,384	10,390	108,070	8,135				
57						742	1,892
	4,581		93	2,969		12,244	675
$ 14,441	$ 19,817	$ 121,569	$ 31,229	$ 2,969	$ 3,790	$ 12,986	$ 20,379
$ 1,151	$ 3,153	$ 3	$ 268	$ 224	$	$ 2,304	$ 697
94			6			171	24
171	3,787		4,815	2,313	3,461		920
1,644	1,265			52			115
1,965	327			380	329	10,511	31
5,025	8,532	3	5,089	2,969	3,790	12,986	1,787
9,416	8,928	108,070	3,394				
	58	13,193	3,289				7,066
		240	1,913				7,523
	2,299	63	17,544				4,003
9,416	11,285	121,566	26,140				18,592
$ 14,441	$ 19,817	$ 121,569	$ 31,229	$ 2,969	$ 3,790	$ 12,986	$ 20,379

(Continued)

CITY OF CLEVELAND, OHIO

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

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

Special Revenue Funds - Non-Budgeted					Debt Service Funds - Budgeted			
Neighborhood Development Investment Fund	**Supplemental Empowerment Zone**	**Rental Car Transportation Fees**	**Total Non-Budgeted Funds**	**Total Special Revenue Funds**	**Unvoted Tax Supported Obligations Fund**	**Stadium Bond Fund**	**Subordinated Income Tax Fund**	**Subordinated Income Tax Reserve Fund**
$ 8,141	$	$ 619	$ 78,864	$ 90,683	$ 2,608	$ 2	$ 1,004	$ 4,976
	8,016		15,026	15,026	255			
				5,768	29,815			
		986	996	1,117				
29,237	26,665		191,908	191,908				
					2		1	3
			4,968	4,968				
29,237	26,665	986	197,872	203,761	29,817		1	3
			3,917	20,832				
	8,909		34,319	39,322	2,423			
				684				
$ 37,378	$ 43,590	$ 1,605	$ 329,998	$ 370,308	$ 35,103	$ 2	$ 1,005	$ 4,979
$ 197	$ 392	$ 879	$ 10,124	$ 11,906	$	$	$	$
	31		575	1,688				
	41,009		63,079	63,279				
			8,686	14,652	32,238			
	1,697		16,049	27,208				
197	43,129	879	98,513	118,733	32,238			
29,237	244		159,289	159,289				
				684				
					2,865	2	1,005	4,979
4,203		1,600	30,589	38,381				
			9,879	18,170				
3,741	217	(874)	31,728	35,051				
37,181	461	726	231,485	251,575	2,865	2	1,005	4,979
$ 37,378	$ 43,590	$ 1,605	$ 329,998	$ 370,308	$ 35,103	$ 2	$ 1,005	$ 4,979

(Continued)

CITY OF CLEVELAND, OHIO

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

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

Capital Projects Funds Non-Budgeted						
Capital/ Urban Renewal Bond Construction	Grant Improvement	Capital Improvement	Certificates of Participation	Cleveland Stadium Construction	Total Capital Projects Funds	Total Nonmajor Governmental Funds
$ 85,879	$	$ 5,158	$	$ 11,386	$ 102,423	$ 201,757
10					10	18,158
						35,583
						1,117
						191,908
73				11	84	104
8					8	4,976
81				11	92	233,688
				424	424	21,256
	4,684				4,684	46,429
						684
			2,127	10,872	12,999	12,999
$ 85,970	$ 4,684	$ 5,158	$ 2,127	$ 22,693	$ 120,632	$ 534,971
$ 1,033	$	$ 4,973	$	$	$ 6,006	$ 17,912
						1,688
130					130	63,409
8					8	46,898
	4,464				4,464	31,672
4,250					4,250	4,250
5,421	4,464	4,973			14,858	165,829
						159,289
						684
						11,793
46,756				1,643	48,399	86,780
8,930			2,127	21,050	32,107	50,277
24,863	220	185			25,268	60,319
80,549	220	185	2,127	22,693	105,774	369,142
$ 85,970	$ 4,684	$ 5,158	$ 2,127	$ 22,693	$ 120,632	$ 534,971

(Concluded)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)

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

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

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)

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

Special Revenue Funds - Non-Budgeted					Debt Service Funds - Budgeted			
Neighborhood Development Investment Fund	Supplemental Empowerment Zone	Rental Car Transportation Fees	Total Non-Budgeted Funds	Total Special Revenue Funds	Unvoted Tax Supported Obligations Fund	Stadium Bond Fund	Subordinated Income Tax Fund	Subordinated Income Tax Reserve Fund
$	$	$	$	$ 31,006	$	$	$	$
					24,363			
			1,638	13,623				
			1,070	2,872				
	80	2,472	2,727	2,982				
			7,761	7,761				
160	112		967	1,649	158		7	46
	15,625		125,321	125,321				
2,536			6,529	6,566	56			1
2,696	15,817	2,472	146,013	191,780	24,577		7	47
		3,031	7,346	9,346				
			165	19,767				
			4,586	4,586				
			21,545	21,545				
			75,855	75,855				
			9,673	9,673				
			218	828				
551	23,195		26,231	26,231				
638			6,674	21,603				
				1,690	24,270		1,300	
				7,094	15,453		3,120	
1,189	23,195	3,031	152,293	198,218	39,723		4,420	
1,507	(7,378)	(559)	(6,280)	(6,438)	(15,146)		(4,413)	47
			1,391	14,948	17,239		4,275	
			(21,008)	(39,138)				
			(19,617)	(24,190)	17,239		4,275	
1,507	(7,378)	(559)	(25,897)	(30,628)	2,093		(138)	47
35,674	7,839	1,285	257,382	282,203	772	2	1,143	4,932
$ 37,181	$ 461	$ 726	$ 231,485	$ 251,575	$ 2,865	$ 2	$ 1,005	$ 4,979

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)

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

Capital Projects Funds Non-Budgeted						
Capital/ Urban Renewal Bond Construction	Grant Improvement	Capital Improvement	Certificates of Participation	Cleveland Stadium Construction	Total Capital Projects Funds	Total Nonmajor Governmental Funds
$	$	$	$	$	$	$ 31,006
						24,363
						13,623
						2,872
						2,982
						7,761
1,554		2	43	71	1,670	3,590
	10,486				10,486	135,807
				2,500	2,500	2,500
				724	724	9,233
1,554	10,486	2	43	3,295	15,380	233,737
4,513					4,513	13,859
						19,767
						4,586
						21,545
						75,855
						9,673
						828
						26,231
31,302	10,266				41,568	63,171
			3,887		3,887	62,347
			345		345	26,748
						922
35,815	10,266		4,232		50,313	325,532
(34,261)	220	2	(4,189)	3,295	(34,933)	(91,795)
			3,130	3,825	6,955	74,478
(33,139)			(1,242)	(4,392)	(38,773)	(77,914)
(740)					(740)	(740)
2,648					2,648	2,648
76,675					76,675	76,675
45,444			1,888	(567)	46,765	75,147
11,183	220	2	(2,301)	2,728	11,832	(16,648)
69,366		183	4,428	19,965	93,942	385,790
$ 80,549	$ 220	$ 185	$ 2,127	$ 22,693	$ 105,774	$ 369,142

(Concluded)

CITY OF CLEVELAND, OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)- BUDGETED SPECIAL REVENUE FUNDS-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts in 000's)

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

Reserve Fund				Rainy Day Reserve Fund				Schools Recreation and Cultural Activities			
Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
$	$	$	$	$	$	$	$	$	$	$	$
		46	46			79	79			10	10
		46	46			79	79			10	10
								2,000	2,000		2,000
								2,000	2,000		2,000
		46	46			79	79	(2,000)	(2,000)	10	2,010
								2,000	2,000		(2,000)
				(6,600)	(6,600)	(6,600)					
				(6,600)	(6,600)	(6,600)		2,000	2,000		(2,000)
		46	46	(6,600)	(6,600)	(6,521)	79			10	10
6,148	6,148	6,148		10,495	10,495	10,495		52	52	52	
$ 6,148	$ 6,148	$ 6,194	$ 46	$ 3,895	$ 3,895	$ 3,974	$ 79	$ 52	$ 52	$ 62	$ 10

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)- BUDGETED SPECIAL REVENUE FUNDS-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts in 000's)

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

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CITY OF CLEVELAND, OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) BUDGETED DEBT SERVICE FUNDS-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts in 000's)

	Unvoted Tax Supported Obligations Fund				Stadium Bond Fund			
	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)	Original Budget	Revised Budget	Actual	Variance-Positive (Negative)
REVENUES:								
Property taxes	$ 24,247	$ 24,247	$ 24,363	$ 116	$	$	$	$
Investment earnings	294	294	157	(137)				
Grants	237	237		(237)				
Miscellaneous	276	521	56	(465)				
Total revenues	25,054	25,299	24,576	(723)				
EXPENDITURES:								
Principal retirement	24,270	24,270	24,270					
Interest	15,708	15,753	15,453	300				
Total expenditures	39,978	40,023	39,723	300				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,924)	(14,724)	(15,147)	(423)				
OTHER FINANCING SOURCES (USES):								
Operating transfers in:								
From other subfunds			2,239	2,239				
Restricted Income Tax Fund	15,000	15,000	15,000					
Total other financing sources	15,000	15,000	17,239	2,239				
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	76	276	2,092	1,816				
DECERTIFICATION OF PRIOR YEAR ENCUMBRANCES AND PRE-ENCUMBRANCES								
FUND BALANCES AT BEGINNING OF YEAR	771	771	771		3	3	3	
FUND BALANCES AT END OF YEAR	$ 847	$ 1,047	$ 2,863	$ 1,816	$ 3	$ 3	$ 3	$

Subordinated Income Tax Fund				Subordinated Income Tax Reserve Fund				Urban Renewal Notes			
Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)	Original Budget	Revised Budget	Actual	Variance- Positive (Negative)
$	$	$	$	$	$	$	$	$	$	$	$
		6	6			49	49				
		1	1			1	1				
		7	7			50	50				
1,300	1,300	1,300						4,200	4,200	4,200	
3,400	3,600	3,557	43					158	158	158	
4,700	4,900	4,857	43					4,358	4,358	4,358	
(4,700)	(4,900)	(4,850)	50			50	50	(4,358)	(4,358)	(4,358)	
4,700	4,700	4,275	(425)					4,358	4,358	4,358	
4,700	4,700	4,275	(425)					4,358	4,358	4,358	
	(200)	(575)	(375)			50	50				
1,579	1,579	1,579		4,926	4,926	4,926					
$ 1,579	$ 1,379	$ 1,004	$ (375)	$ 4,926	$ 4,926	$ 4,976	$ 50	$	$	$	$

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) BUDGETED DEBT SERVICE FUNDS-LEGAL APPROPRIATION LEVEL FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts in 000's)

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

(Concluded)

CITY OF CLEVELAND, OHIO

NONMAJOR ENTERPRISE FUNDS

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

Division of Water Pollution Control	The Division of Water Pollution Control is a segment of the Department of Public Utilities of the City. The Division of Water Pollution Control was created for the purpose of providing sewage services to customers and to maintain the local sewer system of the City.
Convention Center	The Convention Center Division was established to provide facilities for conventions, trade shows, sporting events and fine arts programs.
West Side Market	The West Side Market provides a public market where Cleveland area residents can purchase a variety of quality foods in a centralized location.
East Side Market	The East Side Market provides a public market where Cleveland area residents can purchase a variety of quality foods in a centralized location.
Municipal Parking Lots	The Division of Parking was established to provide municipal parking within the City's limits.
Cemeteries	The Division of Cemeteries was established to provide interment and cremation services for the City and its neighboring communities.
Golf Courses	The Golf Course Division was established to provide the City and neighboring communities with recreational facilities for golfing and cross country skiing.

CITY OF CLEVELAND, OHIO

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

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

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

CITY OF CLEVELAND, OHIO

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

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

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

CITY OF CLEVELAND, OHIO

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

(Amounts in 000's)

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

Municipal Parking Lots	Cemeteries	Golf Courses	Total Nonmajor Enterprise Funds
$ 7,444	$ 1,384	$ 1,931	$ 33,161
7,444	1,384	1,931	33,161
1,799	2,187	2,530	19,670
70	33	82	8,521
1,734	236	174	8,796
3,603	2,456	2,786	36,987
3,841	(1,072)	(855)	(3,826)
465	172	56	1,545
(4,416)			(4,676)
			(53)
(88)			3,452
(4,039)	172	56	268
(198)	(900)	(799)	(3,558)
26	1,552	259	2,122
			502
(172)	652	(540)	(934)
18,779	9,626	4,954	138,779
$ 18,607	$ 10,278	$ 4,414	$ 137,845

CITY OF CLEVELAND, OHIO

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

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

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

(Continued)

CITY OF CLEVELAND, OHIO

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

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

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

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CITY OF CLEVELAND, OHIO

INTERNAL SERVICE FUNDS

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

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

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET - ALL INTERNAL SERVICE FUNDS
DECEMBER 31, 2002
(Amounts in 000's)

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

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

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING BALANCE SHEET - ALL INTERNAL SERVICE FUNDS
DECEMBER 31, 2002
(Amounts in 000's)

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

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

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - ALL INTERNAL SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts in 000's)

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

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

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CASH FLOWS-ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)

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

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

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CITY OF CLEVELAND, OHIO

AGENCY FUNDS

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

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

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)

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

(Continued)

CITY OF CLEVELAND, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)

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

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CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS

CITY OF CLEVELAND, OHIO

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE*
DECEMBER 31, 2002
(Amounts in 000's)

Governmental Funds Capital Assets:	
Land	$ 60,251
Land improvements	82,207
Buildings, structures and improvements	535,567
Furniture, fixtures and equipment	151,695
Infrastructure	259,750
Construction in progress	68,225
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 1,157,695
Investment in Governmental Funds Capital Assets by Source:	
General obligation bonds	$ 487,495
General Fund and other revenues	345,057
Special Revenue Fund revenues:	
Restricted income taxes	131,845
Federal grants	150,207
Certificates of participation	26,023
Gifts	17,068
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 1,157,695

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

CITY OF CLEVELAND, OHIO

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY*
DECEMBER 31, 2002
(Amounts in 000's)

	Total	Land	Land Improvements	Buildings, Structures and Improvements	Furniture, Fixtures and Equipment	Infrastructure	Construction In Progress
General Government:							
General government	$ 317,169	$ 208	$	$ 310,085	$ 6,876	$	$
City Hall	4,417	877		2,598	942		
Justice Center	32,204			28,922	3,282		
Charles V. Carr Municipal Center	654		15	632	7		
Total general government	354,444	1,085	15	342,237	11,107		
Public Service:							
Waste collection	29,332	499		8,102	20,731		
Engineering and construction	162,121		11,323		3,531	129,854	17,413
Streets	190,925	1,800	11,460	13,833	16,677	129,854	17,301
Other	36,083	2,609		27,605	5,779		90
Total public service	418,461	4,908	22,783	49,540	46,718	259,708	34,804
Public Safety:							
Police	85,095	4,805	317	46,129	26,296		7,548
Fire	64,189	1,670		24,353	36,331		1,835
Emergency medical service	16,064			3,666	12,398		
Traffic engineering							
Dog pound	828			650	178		
Total public safety	166,176	6,475	317	74,798	75,203		9,383
Public Health:							
Correction	7,328	287		6,554	487		
Health and environment	11,171	1,112	36	8,106	830		1,087
Total public health	18,499	1,399	36	14,660	1,317		1,087
Parks, Recreation and Properties:							
Park maintenance and properties	82,671	35,042	21,991	7,713	13,468	42	4,415
Research, planning and development	21,939	2,992	7,474	967	330		10,176
Recreation	81,480	976	28,060	44,071	2,045		6,328
Total parks, recreation and properties	186,090	39,010	57,525	52,751	15,843	42	20,919
Community Development:							
Community development	12,921	7,374	1,531	581	1,480		1,955
Total community development	12,921	7,374	1,531	581	1,480		1,955
Economic Development:							
Economic development	1,104			1,000	27		77
Total economic development	1,104			1,000	27		77
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 1,157,695	$ 60,251	$ 82,207	$ 535,567	$ 151,695	$ 259,750	$ 68,225

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

CITY OF CLEVELAND, OHIO

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY*
FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)

	Balance January 1, 2002 (Restated)	Additions	Deductions	Transfers	Balance December 31, 2002
General Government:					
General government	$ 314,344	$ 5,297	$	$ (2,471)	$ 317,170
City Hall	4,389	28			4,417
Justice Center	31,962	242			32,204
Charles V. Carr Municipal Center	654	36		(37)	653
Total general government	351,349	5,603		(2,508)	354,444
Public Service:					
Waste collection	28,463	1,328	(432)	(27)	29,332
Engineering and construction	149,827	20,774		(8,480)	162,121
Streets	175,456	25,073	(250)	(9,354)	190,925
Other	33,782	7,699		(5,398)	36,083
Total public service	387,528	54,874	(682)	(23,259)	418,461
Public Safety:					
Police	82,439	19,347		(16,691)	85,095
Fire	59,204	6,505		(1,520)	64,189
Emergency medical service	15,399	797	(71)	(61)	16,064
Traffic engineering					
Dog pound	859	16		(47)	828
Total public safety	157,901	26,665	(71)	(18,319)	166,176
Public Health:					
Correction	7,311	17			7,328
Health and environment	10,320	876		(25)	11,171
Total public health	17,631	893		(25)	18,499
Parks, Recreation and Properties:					
Park maintenance and properties	79,171	4,657		(1,157)	82,671
Research, planning and development	18,121	5,832		(2,014)	21,939
Recreation	81,335	401		(256)	81,480
Total parks, recreation and properties	178,627	10,890		(3,427)	186,090
Community Development:					
Community development	12,776	170		(25)	12,921
Total community development	12,776	170		(25)	12,921
Economic Development:					
Economic development	1,052	1,077		(1,025)	1,104
Total economic development	1,052	1,077	0	(1,025)	1,104
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 1,106,864	$ 100,172	$ (753)	$ (48,588)	$ 1,157,695

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

STATISTICAL SECTION

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CITY OF CLEVELAND, OHIO

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

(Amounts in 000's)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
REVENUES										
Income taxes	$ 191,005	$ 196,309	$ 209,154	$ 215,876	$ 222,745	$ 230,863	$ 245,844	$ 268,786	$ 262,721	$ 246,519
Property taxes	39,309	38,722	40,145	40,844	40,844	43,026	45,964	45,131	47,842	47,925
State local government funds	40,107	43,431	46,407	48,689	50,762	54,255	56,923	59,488	59,265	56,211
Other shared revenues	9,862	10,147	17,879	24,820	26,122	26,581	31,187	32,871	31,590	31,491
Licenses and permits	5,733	6,488	6,964	8,403	8,886	10,303	8,731	9,339	8,887	7,807
Charges for services	14,394	15,038	12,160	13,191	13,570	14,975	13,671	16,177	16,030	16,359
Fines and forfeits	13,947	13,890	13,360	14,422	15,375	15,914	16,611	17,843	16,768	17,778
Investment earnings	1,006	1,106	2,060	1,384	2,159	4,241	4,435	2,526	1,604	1,072
Workers comp refund	0	0	0	0	0	0	0	0	0	5,142
Grants	0	0	0	0	0	0	0	0	0	4,344
Miscellaneous	21,539	20,653	16,901	19,475	17,315	9,508	8,759	24,447	29,735	25,589
Operating transfers in	0	0	0	0	0	0	0	0	0	28,178
	$ 336,902	$ 345,784	$ 365,030	$ 387,104	$ 397,778	$ 409,666	$ 432,125	$ 476,608	$ 474,442	$ 488,415
EXPENDITURES AND OTHER USES										
General government	$ 36,643	$ 37,445	$ 39,189	$ 41,623	$ 42,352	$ 45,902	$ 49,837	$ 55,922	$ 54,786	$ 58,839
Public service	30,798	29,435	30,357	29,537	30,208	30,669	31,222	33,580	33,550	36,645
Public safety	200,874	207,541	217,825	225,669	234,064	240,717	252,723	261,480	272,436	292,140
Community development	6,366	6,040	6,461	5,920	5,943	6,461	6,581	12,583	16,655	11,142
Public health	10,421	10,545	10,261	10,037	10,274	10,418	11,984	12,465	11,884	11,538
Parks, recreation, and properties	29,310	30,126	31,121	33,263	34,952	34,385	36,150	37,574	39,131	39,116
Economic development	932	1,026	1,017	1,103	1,039	1,067	1,128	1,014	1,098	1,057
Other	12,580	11,876	12,843	14,071	14,575	14,963	16,553	16,742	16,882	18,027
Operating transfers out	9,253	12,125	16,392	26,208	24,776	23,650	24,778	39,465	41,680	22,754
	$ 337,177	$ 346,159	$ 365,466	$ 387,431	$ 398,183	$ 408,232	$ 430,956	$ 470,825	$ 488,102	$ 491,258

CITY OF CLEVELAND, OHIO

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

(Amounts in 000's)

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

Note: Includes all Governmental Fund Types

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

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

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
1992/1993	$ 60,086,819	$ 11,399,652	$ 71,486,471	$ 55,724,076	92.7%	$ 2,164,940	$ 57,889,016	96.3%	$ 12,217,231
1993/1994	61,438,787	12,569,653	74,008,440	56,476,156	91.9%	2,421,817	58,897,973	95.9%	10,772,864
1994/1995	63,537,979	11,399,864	74,937,843	58,758,206	92.5%	2,403,005	61,161,211	96.3%	10,975,479
1995/1996	64,041,017	12,339,642	76,380,659	59,133,403	92.3%	2,850,250	61,983,653	96.8%	12,752,255
1996/1997	65,060,514	14,986,362	80,046,876	59,733,751	91.8%	3,023,595	62,757,346	96.5%	14,222,919
1997/1998	68,518,965	13,796,053	82,315,018	62,883,792	91.8%	2,785,155	65,668,947	95.8%	14,128,110
1998/1999	69,516,994	14,138,999	83,655,993	63,427,067	91.2%	4,219,704	67,646,771	97.3%	13,869,371
1999/2000	69,830,697	14,601,538	84,432,235	62,471,564	89.5%	4,214,775	66,686,339	95.5%	16,484,006
2000/2001	76,121,582	17,631,916	93,753,498	66,447,200	87.3%	4,253,228	70,700,428	92.9%	21,498,001
2001/2002	74,682,276	21,767,423	96,449,699	64,376,023	86.2%	6,680,368	71,056,391	95.1%	21,966,674

Source: Cuyahoga County Auditor's Office

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

CITY OF CLEVELAND, OHIO

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

	Real Property (1)		Personal Property (2)		Public Utilities (3)		Total		
Tax Year/ Collection Year	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Ratio of Total Assessed Value To Total Estimated Actual Value
1992/1993	$ 3,510,905	$ 10,031,157	$ 868,719	$ 3,474,876	$ 519,073	$ 1,038,146	$ 4,898,697	$ 14,544,179	33.7%
1993/1994	3,526,652	10,076,150	862,181	3,448,724	503,658	572,338	4,892,491	14,097,212	34.7%
1994/1995	3,666,719	10,476,340	816,921	3,267,684	517,663	588,253	5,001,303	14,332,277	34.9%
1995/1996	3,700,852	10,573,863	820,959	3,283,836	484,244	550,277	5,006,055	14,407,976	34.7%
1996/1997	3,767,013	10,762,894	856,832	3,427,327	476,677	541,678	5,100,522	14,731,899	34.6%
1997/1998	4,015,815	11,473,757	885,245	3,540,980	474,182	538,843	5,375,242	15,553,580	34.6%
1998/1999	4,085,338	11,672,394	913,154	3,652,616	478,752	544,036	5,477,244	15,869,046	34.5%
1999/2000	4,100,737	11,716,391	952,829	3,811,316	444,315	504,903	5,497,881	16,032,610	34.3%
2000/2001	4,618,340	13,195,257	988,532	3,954,128	451,775	513,380	6,058,647	17,662,765	34.3%
2001/2002	4,673,268	13,352,194	980,928	4,087,202	377,364	428,823	6,031,560	17,868,219	33.8%

Source: Cuyahoga County Auditor's Office

(1) The assessed valuation level for real property in Cuyahoga County is 35% of appraised market value, except for certain agricultural land and public utility property.
(2) The percentage used to determine taxable value of personal property and inventory was 25%.
(3) Electric deregulation took place January 1, 2001. Under prior law, an electric company's taxable production equipment was assessed at 100% of true value, while all of its other taxable property was assessed at 88% of true value. Current legislation provides the assessment rate for the taxable transmission and distribution property of an electric company remains at 88% of true value, but all other taxable property of the electric company is now assessed at 25% of true value.

CITY OF CLEVELAND, OHIO

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

	City of Cleveland							
Tax Year/ Collection Year	General Fund	Bond Retirement	Police Pension	Fire Pension	Total City Rate	County	Library and School	Total
1992/1993	$ 7.75	$ 3.95	$ 0.30	$ 0.30	$ 12.30	$ 16.80	$ 52.70	$ 81.80
1993/1994	7.75	4.35	0.30	0.30	12.70	16.80	51.40	80.90
1994/1995	7.75	4.35	0.30	0.30	12.70	16.80	51.10	80.60
1995/1996	7.75	4.35	0.30	0.30	12.70	16.60	51.10	80.40
1996/1997	7.75	4.35	0.30	0.30	12.70	16.60	64.00	93.30
1997/1998	7.75	4.35	0.30	0.30	12.70	16.60	64.00	93.30
1998/1999	7.75	4.35	0.30	0.30	12.70	15.30	65.00	93.00
1999/2000	7.75	4.35	0.30	0.30	12.70	15.30	64.80	92.80
2000/2001	7.75	4.35	0.30	0.30	12.70	16.20	64.60	93.50
2001/2002	7.75	4.35	0.30	0.30	12.70	16.20	68.80	97.70

Source: Cuyahoga County Auditor's Office

CITY OF CLEVELAND, OHIO

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

Year	Population(1)	Assessed Value (2) (Amounts in 000's)	Gross General Bonded Debt (3)	Less Balance in Debt Service Fund (4)	Net General Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1993	505,616	$ 4,898,697	$ 272,380,000	$ 9,397,000	$ 262,983,000	5.37%	$ 520.12
1994	505,616	4,892,491	296,800,000	9,157,000	287,643,000	5.88%	568.90
1995	505,616	5,001,303	280,650,000	9,729,000	270,921,000	5.42%	535.82
1996	505,616	5,006,055	291,665,000	8,460,000	283,205,000	5.66%	560.12
1997	505,616	5,100,522	299,100,000	5,408,000	293,692,000	5.76%	580.86
1998	505,616	5,375,242	306,165,000	6,083,000	300,082,000	5.58%	593.50
1999	505,616	5,477,244	312,225,000	7,575,000	304,650,000	5.56%	602.53
2000	478,403	5,497,881	316,950,000	6,580,000	310,370,000	5.65%	648.76
2001	478,403	6,058,647	293,380,000	772,000	292,608,000	4.83%	611.63
2002	478,403	6,031,560	319,085,000	2,865,000	316,220,000	5.24%	660.99

(1) Bureau of Census.

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

(3) General Obligation Debt Outstanding December 31.

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

CITY OF CLEVELAND, OHIO

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

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

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

CITY OF CLEVELAND, OHIO

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
December 31, 2002

	Gross Debt	Debt Service Fund		Net Debt	Percent Applicable (1)	City's Share
City of Cleveland	$ 319,085,000	$ 2,865,000	(2)	$ 316,220,000	100.00%	$ 316,220,000
Cleveland School District (3)	131,746,938	127,816,068		3,930,870	97.65%	3,838,495
Shaker Heights School District (3)	15,124,233	7,926,907		7,197,326	0.92%	66,215
Berea School District (3)	11,715,000	1,339,998		10,375,002	1.16%	120,350
Cuyahoga County (3)	200,162,636	64,106,006		136,056,630	20.33%	27,660,313
TOTAL OVERLAPPING DEBT						347,905,373
TOTAL NET DIRECT AND OVERLAPPING DEBT						$ 347,905,373

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

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

(3) Cuyahoga County Budget Commission.

CITY OF CLEVELAND, OHIO

SCHEDULE OF DIRECT DEBT (1)
December 31, 2002

DIRECT DEBT

Long-Term Debt:				
General Obligation Bonds and Notes:				
Various Purpose		$ 319,085,000		
Revenue Bonds:				
Airport		920,068,000		
Waterworks		875,695,000		
Public Power System Improvement		267,630,000		
Parking Facilities		73,555,000		
Urban Renewal Bonds		8,575,000		
Subordinated Income Tax Refunding Bonds		66,900,000		
Non-tax Revenue Bonds		10,000,000		
Ohio Water Development Authority Loans		16,746,000		
Total Long-Term Debt				$ 2,558,254,000
Short Term Debt - Airport Surplus Revenue Notes				44,950,000
Urban Renewal Notes				4,250,000
Gross Direct Debt				2,607,454,000
Deduct:				
General Obligation Debt Service Fund		2,865,000	(2)	
Exempt Tax-Supporting General Obligations:				
General Obligation Bonds Issued after 1980		318,340,000		
Revenue Bonds:				
Airport	$ 920,068,000			
Waterworks Improvement	875,695,000			
Public Power System Improvement	267,630,000			
Parking Facilities	73,555,000			
Total Revenue Bonds		2,136,948,000		
Urban Renewal Bonds and Notes		12,825,000		
Subordinated Income Tax Refunding Bonds		66,900,000		
Non-tax Revenue Bond Anticipation Notes		10,000,000		
Ohio Water Development Authority Loans		16,746,000		
Short Term Debt - Airport Surplus Revenue Notes		44,950,000		
Total Deductions				2,609,574,000
Net Direct Debt				$ 0

(1) Statement of Direct Debt is based on Section 133 of the Uniform Bond Act of the Ohio Revised Code.

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

CITY OF CLEVELAND, OHIO

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

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
1993	$ 32,204,093	$ 5,198,337	$ 337,177,000	9.55%	1.54%
1994	33,182,285	4,576,925	346,159,000	9.59%	1.32%
1995	33,960,155	2,810,246	366,659,000	9.26%	0.77%
1996	34,890,298	2,601,657	387,431,000	9.01%	0.67%
1997	35,157,587	352,168	398,183,000	8.83%	0.09%
1998	35,603,010	0	408,232,000	8.72%	0.00%
1999	36,590,983	0	430,956,000	8.49%	0.00%
2000	38,584,776	0	470,825,000	8.20%	0.00%
2001	39,958,441	0	488,102,000	8.19%	0.00%
2002	39,478,519	0	491,258,000	8.04%	0.00%

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

CITY OF CLEVELAND, OHIO

REVENUE BOND COVERAGE-AIRPORT BONDS
LAST TEN FISCAL YEARS

Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement (3)	Coverage
1993	$ 44,398,000	$ 28,098,000	$ 16,300,000	$ 10,057,216	1.62
1994	54,875,000	28,610,000	26,265,000	10,028,565	2.62
1995	56,876,000	29,992,000	26,884,000	15,626,785	1.72
1996	61,778,000	34,050,000	27,728,000	16,771,815	1.65
1997	56,335,000	31,864,000	24,471,000	16,411,660	1.49
1998	68,259,000	34,263,000	33,996,000	19,133,000	1.78
1999	77,943,000	40,252,000	37,691,000	27,127,792	1.39
2000	90,205,000	47,381,000	42,824,000	32,431,700	1.32
2001	103,498,000	56,795,000	46,703,000	32,534,400	1.44
2002	101,081,000	59,025,000	42,056,000	31,594,000	1.33

(1) Gross revenues include operating revenues plus interest income. Beginning in 2001, a minimum of 40% of passenger facility charges (PFC), revenue is also dedicated to the payment of debt service charges and is included in gross revenues.

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

(3) Annual debt service requirements include principal and interest of both self-supported revenue and self-supported general obligation bonds, but exclude such amounts of principal and interest for which sufficient monies have been irrevocably deposited with the trustee.

CITY OF CLEVELAND, OHIO

REVENUE BOND COVERAGE-WATER BONDS
LAST TEN FISCAL YEARS

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement (3)	Coverage
1993	$ 146,739,000	$ 88,562,000	$ 58,177,000	$ 41,492,806	1.40
1994	158,282,000	93,326,000	64,956,000	38,917,184	1.67
1995	165,654,000	96,719,000	68,935,000	42,606,553	1.62
1996	176,968,000	100,882,000	76,086,000	43,107,346	1.77
1997	187,151,000	100,286,000	86,865,000	50,927,000	1.71
1998	204,021,000	102,462,000	101,559,000	49,796,000	2.04
1999	213,777,000	99,700,000	114,077,000	57,666,000	1.98
2000	225,060,000	109,159,000	115,901,000	59,131,675	1.96
2001	229,827,000	116,841,000	112,986,000	52,998,449	2.13
2002	226,394,000	119,736,000	106,658,000	57,490,816	1.86

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

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

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

CITY OF CLEVELAND, OHIO

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

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement (3)	Coverage
1993	$ 67,788,000	$ 54,128,000	$ 13,660,000	$ 5,912,677	2.31
1994	79,696,000	62,330,000	17,366,000	5,901,327	2.94
1995	92,073,000	71,315,000	20,758,000	17,471,701	1.19
1996	99,881,000	68,566,000	31,315,000	17,033,000	1.84
1997	111,663,000	77,015,000	34,648,000	20,561,000	1.69
1998	121,896,000	87,658,000	34,238,000	20,797,000	1.65
1999	132,651,000	99,436,000	33,215,000	19,240,000	1.73
2000	137,407,000	104,889,000	32,518,000	19,445,000	1.67
2001	134,632,000	97,834,000	36,798,000	18,045,161	2.04
2002	143,383,000	103,050,000	40,333,000	18,313,085	2.20

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

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

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

CITY OF CLEVELAND, OHIO

REVENUE BOND COVERAGE-SEWER AND SEWAGE DISPOSAL BONDS
LAST TEN FISCAL YEARS

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement	Coverage
1993	$ 16,120,000	$ 10,672,000	$ 5,448,000	$ 3,634,158	1.50
1994	17,112,000	11,282,000	5,830,000	3,068,983	1.90
1995	16,844,000	11,071,000	5,773,000	2,251,648	2.56
1996	17,556,000	11,998,000	5,558,000	2,087,048	2.66
1997	18,423,000	13,303,000	5,120,000	906,000	5.65
1998	19,835,000	12,735,000	7,100,000	1,109,000	6.40
1999	20,087,000	12,931,000	7,156,000	850,000	8.42
2000	20,452,000	13,529,000	6,923,000	749,000	9.24
2001	20,576,000	13,727,000	6,849,000	846,000	8.10
2002	20,103,000	14,282,000	5,821,000	879,000	6.62

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

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

CITY OF CLEVELAND, OHIO

PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS

LAST TEN FISCAL YEARS

Year	Total Estimated Actual Value (1)	Bank Deposits at December 31 (2)	Building Permits Issued (3)
1993	$ 14,544,179	$ 21,009,421	5,957
1994	14,097,212	20,885,453	6,666
1995	14,332,277	22,458,573	6,850
1996	14,407,976	27,068,211	8,077
1997	14,731,899	53,941,971	9,728
1998	15,553,580	58,904,596	9,216
1999	15,869,046	57,816,942	8,882
2000	16,032,910	61,943,764	9,194
2001	17,662,765	63,893,769	9,853
2002	17,868,219	95,761,917	10,427

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

(2) United States Commercial Bank Deposits - Cuyahoga County

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

CITY OF CLEVELAND, OHIO

PRINCIPAL PROPERTY TAXPAYERS

For the Year Ended December 31, 2002

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

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

Source: Cuyahoga County Auditor's Office
(1) Includes Public Utilities Real Property

CITY OF CLEVELAND, OHIO

SCHEDULE OF INSURANCE COVERAGE
DECEMBER 31, 2002

Type of Coverage/ Name of Carrier	Policy Number	Policy Period	Annual Premium
AIRPORTS:			
1) COMPREHENSIVE GENERAL LIABILITY INSURANCE -			
A) Old Republic Insurance Co.			
Primary Airport General Liability Insurance	PR174703	10/10/02-10/10/03	$108,126
B) Underwriters at Lloyd's of London			
Excess Airport Liability Insurance	JDDNX09803503	10/10/02-10/10/03	$157,570
2) PROPERTY DAMAGE AND EARNINGS INSURANCE			
A) Arkwright Mutual Insurance Co.	NB707	02/06/02-02/06/03	$288,523
3) VEHICLE LIABILITY INSURANCE			
A) National Indemnity Company	70 APN 21 66 63	08/13/02-08/13/03	$323,289
CLEVELAND PUBLIC POWER:			
1) PROPERTY COVERAGE:			
A) Lloyd's of London			
Property Insurance Coverage	PL092902	12/3/02 - 12/03/03	$400,000
B) Lloyd's of London			
Property Insurance Coverage	PL047001	08/29/01-08/29-02	(included above)

Details of Coverage	Liability Limit
Bodily injury and property damage including airport operations hazard, contractual hazard, non-owned aircraft products-completed operations hazard, products-completed operations hazard, hazard, liquor liability hazard and hazard, liquor liability hazard and hangarkeepers liability	$25 million annual aggregate. Self-insured retention of $100,000.
Excess liability coverage	$170 million annual aggregate, excess to $30 million primary coverage.
Property damage, gross earnings, demolition, and increased cost of construction	$402,721,000
"Certified" Terrorism Risk Coverage	$1 million per occurrence/ $5 million annual aggregate.
Earthquake and flood	$100 million annual aggregate.
Debris removal (greater of)	25% of value or $5 million.
Extra expense, service interruption bodily injury, EDP-media, property damage/bodily injury (automatic coverage or errors and omissions), transit and expediting expense	$1 million with deductibles of $100,000 per occurrence and $500,000 annual aggregate.
Bodily injury and property damage Liability and Comprehensive/Collision Liability and Comprehensive/Collision	$4 million with $25,000 per accident deductible.
Blanket real and personal property special form coverage for insured perils' newly acquired location; fire brigade charges and extinguishing services.	$43,042,755 per occurrence/location; $250,000 deductible for turbines; $100,000 deductible for one location; $5,000 deductible for four locations
Pollutant removal	$100,000 per occurrence.
Comprehensive coverage including production machinery (including breakdown)	$20,000,000 per accident; $250,000 deductible for turbines/generators. $25,000 per occurrence. 20,000 KVA or larger, $10,000 per occurrence for transformer under 20,000 KVA.
Water damage	$100,000 per accident;
Expediting expenses	$100,000 per accident;
Hazardous substance	$100,000 per accident;
Ammonia contamination	$100,000 per accident;

SCHEDULE OF INSURANCE COVERAGE - Continued
DECEMBER 31, 2002

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

Details of Coverage	Liability Limit
Commercial General Liability Coverage, wrap program; products/complete operations coverage; personal & advertising injury coverage	$30,000,000 per occurrence. $30,000,000 aggregate. $10,000 deductible per occurrence. $100,000 aggregate deductible.
Fire damage	$50,000 any one fire.
Medical expense	$5,000 any one person.
Builders' risk property coverage	$280,000,000 limit, $25,000 deductible.
Earthquake coverage, Flood coverage	$5,000,000 limit, $100,000 deductible

CITY OF CLEVELAND, OHIO

DEMOGRAPHIC STATISTICS
December 31, 2002

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

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

AGE DISTRIBUTION (1), (2)

	2000			
	Males		Females	
Age	**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%
Total	226,550	100.0%	251,853	100.0%
Median Age	31.6		34.3	

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

	1999		1999	
Income	**Families**	**Percentage**	**Household**	**Percentage**
Less than 10,000	18,241	16.2 %	40,118	21.0 %
$10,000-14,999	9,112	8.1 %	18,446	9.7 %
$15,000-24,999	19,545	17.3 %	33,725	17.7 %
$25,000-34,999	16,699	14.8 %	28,228	14.8 %
$35,000-49,999	19,400	17.2 %	28,814	15.1 %
$50,000-74,999	18,451	16.3 %	25,592	13.4 %
$75,000-99,999	6,896	6.1 %	9,328	4.9 %
$100,000 to $149,999	3,227	2.9 %	4,336	2.3 %
$150,000 to $199,999	535	0.5 %	820	0.4 %
$200,000 or more	732	0.6 %	1,318	0.7 %
Total	112,838	100.0 %	190,725	100.0 %
Median Family Income (1)	$ 30,286		$ 25,928	

Source: (1) U.S. Census of Population 2000
(2) Northern Ohio Data and Information Service, College of Urban Affairs, Cleveland State University
http://nodis.cusohio.edu/nodis/2000reports

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

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

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

Source: Ohio Bureau of Employment Services, Labor Market Information Division
(1) Office of Research, Assessment, & Accountability, Bureau of Labor Market Information, www.lmi.state.oh.us/CES/LMR.htm
(2) Effective January 1, 1994 the Cleveland PMSA was modified to include Lorain and Ashtabula counties.

DEMOGRAPHIC STATISTICS - Continued
December 31, 2002

Employment

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

	Employed		Unemployed		Unemployment Rate			
Years(1)	County	PMSA	County	PMSA	County	PMSA	Ohio	U.S.
1993	627,900	1,008,500	46,000	75,100	6.8%	6.9%	6.5%	6.9%
1994	636,300	1,023,900	39,400	64,200	5.8%	5.9%	5.5%	6.1%
1995	644,100	1,037,000	31,800	55,400	4.7%	5.1%	4.8%	5.6%
1996	655,700	1,046,100	34,300	57,100	5.0%	5.2%	4.9%	5.4%
1997	651,900	1,061,600	33,000	53,500	4.8%	4.8%	4.6%	4.9%
1998	644,400	1,088,700	30,000	49,400	4.4%	4.3%	4.3%	4.5%
1999	649,900	1,093,400	31,300	49,100	4.6%	4.3%	4.3%	4.2%
2000	646,300	1,070,500	31,100	49,800	4.6%	4.4%	4.1%	4.0%
2001(3)	643,400	1,071,100	30,800	51,700	4.6%	4.6%	4.2%	4.7%
2002(2)	624,900	1,040,300	44,800	72,700	6.7%	6.5%	5.7%	5.8%

Source: Bureau of Labor Market Information

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

(2) Office of Research Assessments & Accountability, Bureau of Labor Market Information, 2002 http://lmi.state.oh.us/ASP/LAUS/vbLAUS.ASP

(3) Revised

DEMOGRAPHIC STATISTICS - Continued
December 31, 2002

Corporate Headquarters

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

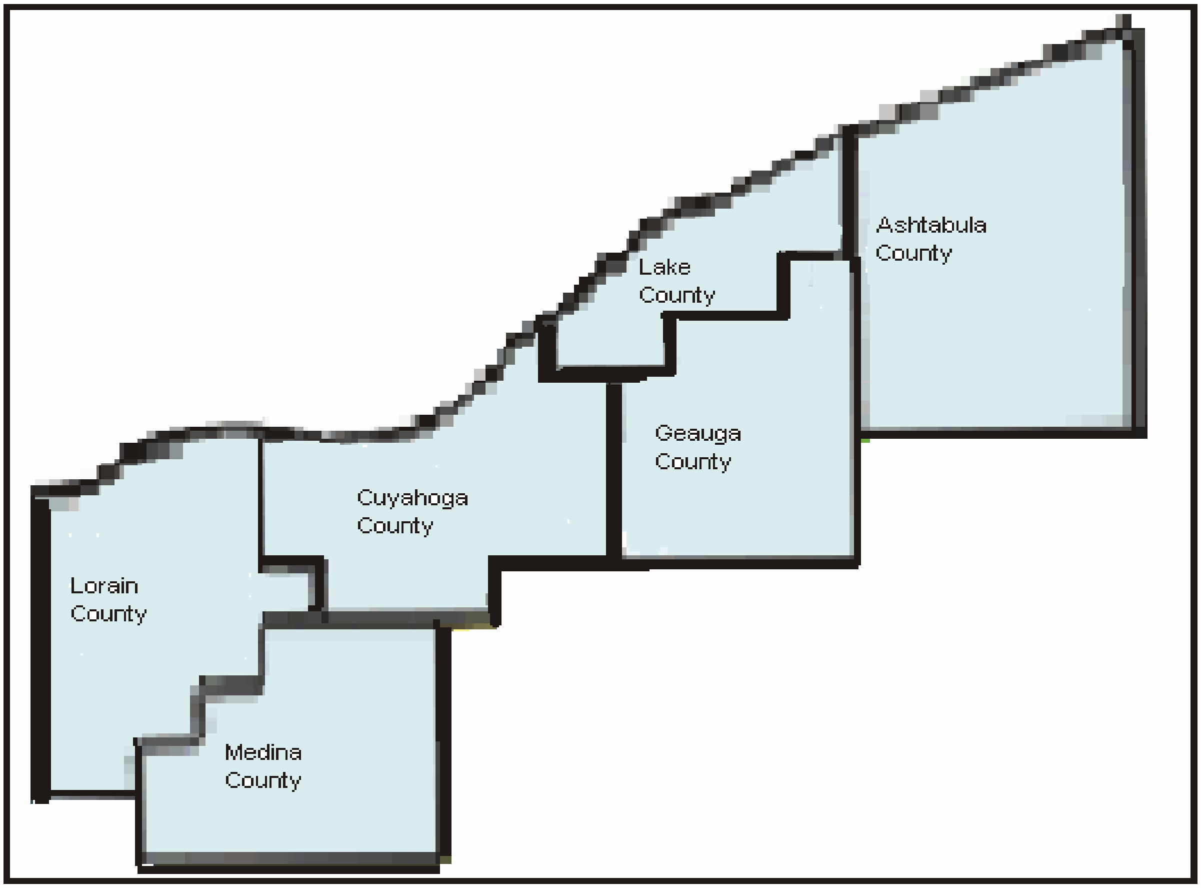
The 500 Largest Industrial and Service Corporations
Ranked by Revenues(A)

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

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

December 31, 2002

METROPOLITAN CLEVELAND[1]



- 2,223,300 people
- 6 counties
- Largest Metropolitan area in Ohio
- 1,040,300 employed labor force [2]

Source: Bureau of Labor Market Information
(1) Effective January 1, 1994 the Cleveland PMSA was modified to include Lorain and Ashtabula Counties.
(2) Office of Research, Assessment & Accountability, Bureau of Labor Market Information, 2002; http://www.lmi.state.oh.us/ASP/LAUS/vbLAUS.ASP

CITY OF CLEVELAND, OHIO

DEMOGRAPHIC STATISTICS – Continued

December 31, 2002

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

ELECTION OF NOVEMBER 2001 (Mayoral)

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

AIRPORTS

Cleveland Hopkins International Airport	
Enplaned Passengers	5,405,497
Total Airport Landing Weight (1,000 lbs)	8,194,081
Number of Scheduled Aircraft Departures per day (Average at Hopkins)	342
Miles from City Hall to Cleveland Hopkins International Airport	13
Miles from City Hall to Burke Lakefront Airport	1/4

WATER SYSTEM

Number of Customer Billings	1,656,024
Daily Average Pumpage-Gallon	251,300,000
Greatest Pumpage for a Single Day…(July 3, 2002)	395,000,000
Maximum-Filtration Plant Capacity	529,000,000
Maximum-Intake Capacity per day	740,000,000
Number of Miles of Watermains Owned by City	1,600
Number of Miles of Watermains Owned by Suburb	3,600
Population Served	1,500,000

FIRE DEPARTMENT

Number of Stations	26
Number of Employees (uniformed)	996

POLICE DEPARTMENT

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

BUILDINGS

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

PARKS AND RECREATION

Number of Parks (district, neighborhood, and urban)	145
Number of Ball Diamonds (at 73 sites)	142
Total Playgrounds	111
Recreation Centers	18
Pools:	
Indoor	17
Outdoor	23
Aquatic Play Areas	4
Golf Courses (2-18 hole courses at each)	2
Ice Rink	1
Roller Rink (indoor)	1
Tennis Courts (at 32 sites)	136
Soccer Fields	11
Cudell Fine Arts Center	1
Rockefeller Park Public Greenhouse	1
Camp George L. Forbes	1
Total Park Acreage (not including golf courses)	1,414

CITY OF CLEVELAND, OHIO

SCHEDULE OF STATISTICS-GENERAL FUND

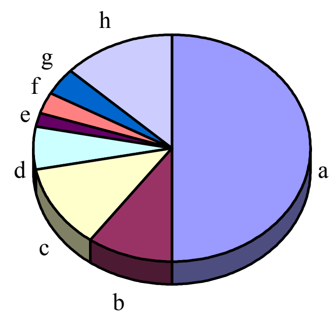
For The Year Ended December 31, 2002

OPERATING RATIOS: GENERAL FUND-BUDGET BASIS

REVENUE DOLLAR BY SOURCE

Where the money came from

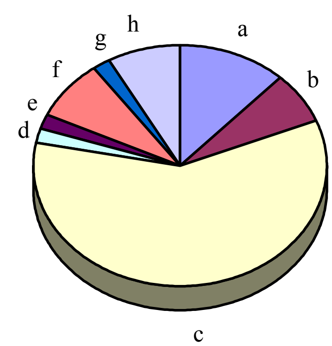
a. Income taxes	$0.50
b. Property taxes	0.10
c. State local government fund	0.12
d. Other shared revenues	0.06
e. Licenses and permits	0.02
f. Charges for services	0.03
g. Fines and forfeits	0.04
h. Miscellaneous	0.13
	$1.00



EXPENDITURE DOLLAR BY FUNCTION

Where the money was spent

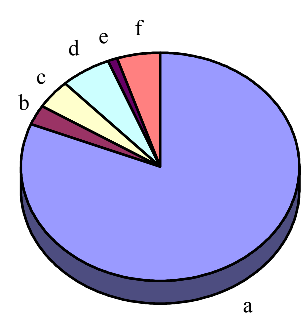
a. General government	$0.12
b. Public service	0.07
c. Public safety	0.59
d. Public health	0.02
e. Parks, recreation and properties	0.02
f. Community development	0.08
g. Other	0.02
h. Operating transfers out	0.08
	$ 1.00



EXPENDITURE DOLLAR BY OBJECT

What the money was spent on

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



SPECIAL THANKS TO:

The Division of Financial Reporting and Control

Accounting and Administrative

Celina Chaves
Greg Cordek
Dave Crowley
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Va'Kedia Stiggers
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CITY OF CLEVELAND

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 2, 2003