

Cuyahoga County, Ohio

*Single Audit Report
for the Year Ended
December 31, 2003*



**Auditor of State
Betty Montgomery**

Board of County Commissioners
Cuyahoga County
1219 Ontario Street
Cleveland, Ohio 44113-1657

We have reviewed the Independent Auditor's Report of Cuyahoga County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Cuyahoga County is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 30, 2004

This Page is Intentionally Left Blank.

CUYAHOGA COUNTY, OHIO

TABLE OF CONTENTS

	Page
TRANSMITTAL LETTER	1
INDEPENDENT AUDITORS' REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-15
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003:	
Statement of Net Assets	16
Statement of Activities	17-18
Balance Sheet—Governmental Funds	19-20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	22
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	23-24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual— All Major Governmental Funds	27-28
Statement of Net Assets—Proprietary Funds	29
Statement of Revenues, Expenses and Changes in Fund Net Assets—Proprietary Funds	30
Statement of Cash Flows—Proprietary Funds	31-32
Statement of Fiduciary Net Assets—Fiduciary Funds	33
Notes to Combined Financial Statements	35-67
SUPPLEMENTAL SCHEDULE FOR THE YEAR ENDED DECEMBER 31, 2003:	
Schedule of Expenditures of Federal Awards	68-75
Notes to the Schedule of Expenditures of Federal Awards	76-78
REPORTS ON COMPLIANCE AND INTERNAL CONTROL:	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on the Audit Performed in Accordance with <i>Government Auditing Standards</i>	79-80
Independent Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Award Program	81-82
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	83
STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL AND LEGAL COMPLIANCE	84
SUMMARY OF OTHER REPORTS	85-89

This Page is Intentionally Left Blank.



FRANK RUSSO
CUYAHOGA COUNTY AUDITOR

June 29, 2004

Dear Users of County's General Purpose Financial Statements:

The accompanying general purpose financial statements of the County as of and for the year ended December 31, 2003 include the financial statements and notes required under accounting principles generally accepted in the United States of America that are essential to fair presentation of the County's financial position and results of operations and of the cash flows of the County's proprietary fund types. Additional information regarding the County's financial activities for 2003 is available in the County's separately issued Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2003. Copies of the CAFR can be obtained by contacting me at:

Cuyahoga County Auditor's Office
1219 Ontario Street, Room 121
Cleveland, Ohio 44113

Telephone: (216) 443-7022

Sincerely,

A handwritten signature in black ink, appearing to read 'Steven C. Letsky'.

Steven C. Letsky, CPA
Director of Accounting

INDEPENDENT AUDITORS' REPORT

The Honorable County Auditor,
County Treasurer and the
Board of County Commissioners
Cuyahoga County, Ohio

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 County of Cuyahoga, Ohio (the "County") as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, MetroHealth System. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, MetroHealth System, is based solely on the report of the other auditors.

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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Human Services Fund, Health and Human Services Levies Fund, Board of Mental Retardation Fund, and Health and Community Services Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the County's management. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of management of the County. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2004 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

June 7, 2004

(This page intentionally left blank.)

Financial Section

PART I

**Independent Auditors' Report
Management's Discussion and Analysis
Basic Financial Statements**



Management's Discussion and Analysis

As management of Cuyahoga County, we offer readers of Cuyahoga County's financial statements this narrative overview and analysis of the financial activities of Cuyahoga County for the fiscal year ended December 31, 2003.

Financial Highlights

- The assets of Cuyahoga County exceeded its liabilities at the close of the most recent fiscal year by \$537.7 million (*net assets*).
- The government's total net assets increased by \$37 million.
- As of the close of the current fiscal year, Cuyahoga County's governmental funds reported a combined ending fund balances of \$226.5 million, a decrease of \$9.5 million in comparison with the prior year. Approximately 72.4% of this total amount, \$164 million, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$141.7 million, or 51.5% of total general fund expenditures.
- Additions to Cuyahoga County's total debt were \$25.7 million during the current fiscal year. Reductions in debt during 2003 amounted to \$68.1 million for a net decrease of \$42.4 million. The County primarily refinanced existing debt. Since the County issued limited new debt, the pay down of existing debt resulted in the reduced net debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Cuyahoga County's basic financial statements. Cuyahoga County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* presents information on all of Cuyahoga County'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 Cuyahoga County is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 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 Cuyahoga County 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 Cuyahoga County include general government, judicial, development, social services, health and safety and public works. The business-type activities of Cuyahoga County include a sanitary sewer authority, an airport, a parking garage and a crime information system.

The government-wide financial statements include not only Cuyahoga County itself (known as the *primary government*), but also a legally separate hospital for which Cuyahoga County is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 16 - 18 of the 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. Cuyahoga County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Cuyahoga County 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 *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 government'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*.

Cuyahoga County maintains ten 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, human services, health and human services levy, county board of mental retardation and health and community services funds which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Cuyahoga County adopts an annual appropriated budget for its general fund and the other major funds as well as the Motor Vehicle Gas Tax and Debt Service funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19 – 28 of this report.

Proprietary funds. Cuyahoga County 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. Cuyahoga County uses enterprise funds to account for its sanitary sewer, airport, parking garage and crime information systems. *Internal service funds* are an accounting device used to

accumulate and allocate costs internally among Cuyahoga County's various functions. Cuyahoga County uses internal services funds to account for its central custodial, maintenance garage, data processing, printing, reproduction and supplies, communications and self-funded workers' compensation services. As these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the governmental-wide financial statements.

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 Sanitary Engineer which is considered to be a major fund of Cuyahoga County. Conversely, the Internal Service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the 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 29 – 32 of this report.

Fiduciary fund. 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 statement because the resources of those funds are not available to support Cuyahoga County's own programs.

The basic fiduciary fund financial statement can be found on page 33 of this report.

Budgetary fund financial statements. The County's budgetary process accounts for certain transactions on a basis other than accounting principles generally accepted in the United States of America (GAAP). The budgetary statements for the General fund and all annually budgeted major Special Revenue funds are presented to demonstrate the County's compliance with annually adopted budgets.

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 35 – 67 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Cuyahoga County, assets exceeded liabilities by \$537.7 million at the close of the most recent fiscal year. This is the second year for Cuyahoga County in implementing the 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 Discussion and Analysis (MD&A) section.

Cuyahoga County's Net Assets (December 31; amounts in 000's)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets.....	\$ 758,688	\$ 711,127	\$ 12,539	\$ 11,542	\$ 771,227	\$ 722,669
Capital assets.....	<u>609,851</u>	<u>602,718</u>	<u>45,071</u>	<u>45,805</u>	<u>654,922</u>	<u>648,523</u>
Total assets.....	1,368,539	1,313,845	57,610	57,347	1,426,149	1,371,192
Long-term liabilities outstanding....	412,393	408,801	16,473	9,926	428,866	418,727
Other liabilities.....	<u>458,316</u>	<u>443,422</u>	<u>1,247</u>	<u>8,307</u>	<u>459,563</u>	<u>451,729</u>
Total liabilities.....	870,709	852,223	17,720	18,233	888,429	870,456
Net assets:						
Invested in capital assets, net of related debt	409,443	382,539	30,505	31,182	439,948	413,721
Restricted	34,255	35,262			34,255	35,262
Unrestricted.....	<u>54,132</u>	<u>43,821</u>	<u>9,385</u>	<u>7,932</u>	<u>63,517</u>	<u>51,753</u>
Total net assets.....	\$ <u>497,830</u>	\$ <u>461,622</u>	\$ <u>39,890</u>	\$ <u>39,114</u>	\$ <u>537,720</u>	\$ <u>500,736</u>

At the end of the current fiscal year, Cuyahoga County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

By far the largest portion of Cuyahoga County's net assets (81.8%) reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. Cuyahoga County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Cuyahoga County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

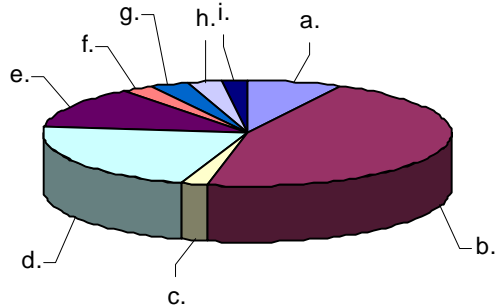
An additional portion of Cuyahoga County's net assets, restricted net assets (6.4%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$63.5 million) may be used to meet the government's ongoing obligations to citizens and creditors.

CUYAHOGA COUNTY'S CHANGES IN NET ASSETS
(Year ended December 31; amounts in 000's)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues:						
Program revenues:						
Charges for Services.....	\$ 90,848	\$ 85,588	\$ 15,364	\$ 14,742	\$ 106,212	\$ 100,330
Operating grants and contributions	551,540	541,488	38	106	551,578	541,594
Capital grants and contributions.....	27,942	30,090			27,942	30,090
General revenues:						
Property taxes	257,640	259,892			257,640	259,892
Sales and other taxes	188,313	186,168			188,313	186,168
Grants and contributions not restricted to specific programs	35,556	34,869			35,556	34,869
Other	<u>60,360</u>	<u>85,755</u>	<u>61</u>	<u>92</u>	<u>60,421</u>	<u>85,847</u>
Total revenues	<u>1,212,199</u>	<u>1,223,850</u>	<u>15,463</u>	<u>14,940</u>	<u>1,227,662</u>	<u>1,238,790</u>
Expenses:						
General Government.....	59,963	78,570			59,963	78,570
Judicial	277,314	299,231			277,314	299,231
Development.....	25,332	30,630			25,332	30,630
Social Services.....	578,700	633,133			578,700	633,133
Health and Safety.....	152,904	156,824			152,904	156,824
Public Works	67,025	69,272			67,025	69,272
Interest	13,813	16,929			13,813	16,929
Sanitary Engineer.....			10,069	11,299	10,069	11,299
Airport			1,617	1,970	1,617	1,970
Huntington Park Garage			1,753	1,890	1,753	1,890
Cuyahoga County Information System....			<u>2,188</u>	<u>2,801</u>	<u>2,188</u>	<u>2,801</u>
Total expenses.....	<u>1,175,051</u>	<u>1,284,589</u>	<u>15,627</u>	<u>17,960</u>	<u>1,190,678</u>	<u>1,302,549</u>
Increase (Decrease) in net assets before transfers	37,148	(60,739)	(164)	(3,020)	36,984	(63,759)
Transfers.....	<u>(940)</u>	<u>(107)</u>	<u>940</u>	<u>107</u>		
Change in net assets	<u>36,208</u>	<u>(60,846)</u>	<u>776</u>	<u>(2,913)</u>	<u>36,984</u>	<u>(63,759)</u>
Net assets – Beginning of year	<u>461,622</u>	<u>522,468</u>	<u>39,114</u>	<u>42,027</u>	<u>500,736</u>	<u>564,495</u>
Net assets – End of year.....	\$ <u>497,830</u>	\$ <u>461,622</u>	\$ <u>39,890</u>	\$ <u>39,114</u>	\$ <u>537,720</u>	\$ <u>500,736</u>

The government's net assets increased by \$37 million during the current fiscal year. The net increase was primarily due to lower expenses. The County maintained the prior year General fund budget cuts of 10% and in addition, the County Commissioners did not appropriate for replacement of employees who participated in the early retirement incentive program (ERIP). The number of employees who participated in ERIP was 1,127 between July 1, 2001 and June 30, 2002. The County's employee full-time equivalent (FTE) numbers were down almost 1,500 at the end of 2003. As a result spending decreased \$111.9 million while revenues declined \$11.1 million. The net impact was a positive change of \$100.8 million from 2002. In May 2003, the County voters passed a 4.9 mill health and human services levy which will generate an additional \$58.8 million annually. The new levy money will be collected in 2004 and will result in some human services programs being restored.

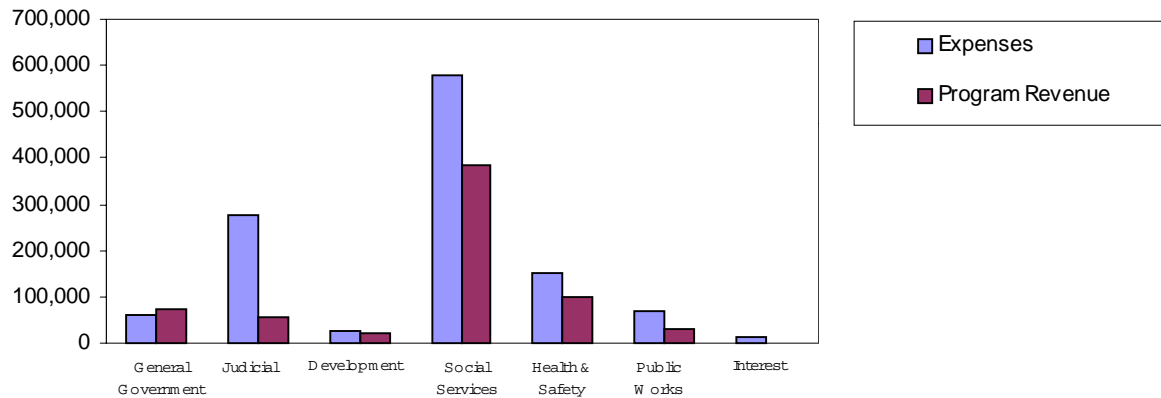
Revenues by Source – Governmental Activities



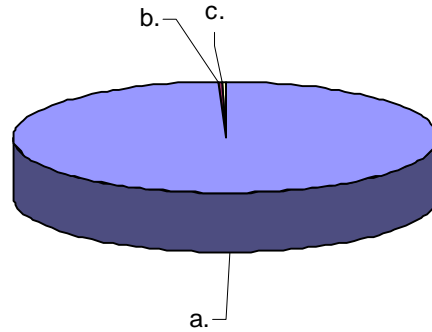
	(Amounts in 000's)	%
a. Charges for Services.....	\$ 90,848	7.5
b. Operating Grants and Contributions.....	551,540	45.5
c. Capital Grants, Contributions and Interest.....	27,942	2.3
d. Property Tax.....	257,640	21.3
e. Sales Tax.....	159,029	13.1
f. Other Tax.....	29,284	2.4
g. State local government.....	37,873	3.1
h. Grants and Contributions not restricted to a specific programs.....	35,556	2.9
i. Other.....	22,487	1.9

Expenses and Program Revenues – Governmental Activities

(Amounts in 000's)



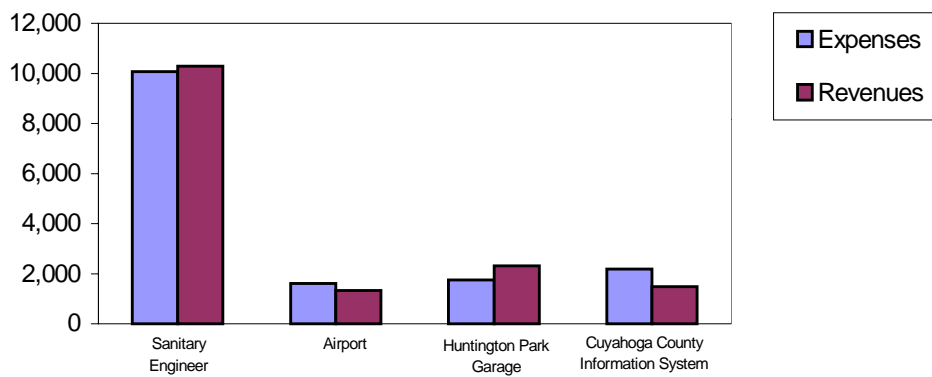
Revenue by Source – Business-type Activities



(Amounts in 000's)	
a. Charges for Services	\$ 15,364
b. Operating Grants and Contributions	38
c. Other.....	61

Expenses and Program Revenues – Business-type Activities

(Amounts in 000's)



Governmental activities. Governmental activities increased Cuyahoga County's net assets by \$36.2 million. Key elements of this increase are as follows:

- The County's ERIP program ended June 30, 2002. During 2002, the County paid out significant dollars for compensated absences due upon retirement, plus the salaries of the employees during 2002 prior to retirement. During 2003 there were no significant payouts of compensated absences and the County Commissioners did not appropriate the 40% originally agreed upon for replacements.
- The County did not restore much of the 2002 budget reductions.

Business-type activities. Business-type activities increased Cuyahoga County's net assets by \$.8 million. Key elements of this increase are as follows.

- The County's ERIP program explained in the government activities disclosure also applied to the business-type activities.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of Cuyahoga County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Cuyahoga County'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, Cuyahoga County's governmental funds reported combined ending fund balances of \$226.5 million, a decrease of \$9.5 million in comparison with the prior year. Approximately \$163.9 million constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed (1) for restricted assets (\$33.6 million), (2) for loans (\$18 million) or (3) to pay debt service (\$11 million).

The general fund is the chief operating fund of Cuyahoga County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$141.7 million, while fund balance reached \$186.4 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. Unreserved fund balance represents 51.5% of total general fund expenditures, while total fund balance represents 67.7% of that same amount.

The fund balance of Cuyahoga County's General fund and County Board of Mental Retardation funds increased by \$21.5 million and \$5 million, respectively. The Health and Community Services fund and Other Governmental funds decreased \$3.1 million and \$32.7 million, respectively, during the current fiscal year. Key factors in this net reduction are as follows:

- The County's ERIP program which expired on June 30, 2002 created personnel cost saving due to the County Commissioners not funding the previously agreed upon 40% replacements.
- The County maintained the 10% reductions in spending imposed in 2002 on General fund and General fund supported agencies.
- The County Board of Mental Retardation's (CBMR) fund balance increased by \$5 million in 2003 but that represented \$3 million less than in 2002. Spending increased \$2 million to cover more supportive administration.

- Health and Community Services spending was down and revenue was up which improved its decrease in fund balances from \$9.3 million in 2002 to \$3.1 million in 2003. The decrease in expenditures were a carryover from the 2002 budget reductions for programs such as board and care services amounting to \$8.4 million as well as the previously described ERIP issue.
- The Capital Projects fund created most of the reduction in fund balance in Other Governmental funds because the debt which will support the ongoing projects has not yet been issued.

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

Unrestricted net assets of the Sanitary Engineer at the end of the year amounted to \$7.1 million and all others amounted to \$2.5 million. The total increase in net assets was \$.8 million. Other factors concerning the finances of these two funds have already been addressed in the discussion of Cuyahoga County's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$8.6 million and can be briefly summarized as follow:

- The board and care of prisoners account amounted to \$4.2 million of the budget increase due to only a portion of the estimated annual costs being budgeted while other cost cutting options were being pursued. It was determined later that the full year would need to be funded.
- The Clerk of Courts upgraded a computer system and required a new maintenance agreement of \$1.3 million.

The County's largest budget variance was in general government of \$7.1 million for reserve contingency. This budget is an annual requirement of the Gateway bond guarantees (See Note F). The increases in budget were funded from available fund balance. The final budgeted fund balance was exceeded by \$17 million in actual fund balance.

Capital Asset and Debt Administration

Capital assets. Cuyahoga County's investment in capital assets for its governmental and business-type activities as of December 31, 2003, amounts to \$654.9 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, utility plant, building structures and improvements, furniture, fixtures and equipment, vehicles, infrastructure and construction in progress. The net increase in Cuyahoga County's investment in capital assets for the current fiscal year was 1% (a 1.2% increase for governmental activities and a 1.6% decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

CUYAHOGA COUNTY'S CAPITAL ASSETS
(December 31; net of depreciation, amounts in 000's)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land.....	\$ 38,034	\$ 32,774	\$ 5,752	\$ 5,802	\$ 43,786	\$ 38,576
Land improvements.....	2,151	2,325	3,006	3,358	5,157	5,683
Utility plant			20,793	20,329	20,793	20,329
Building structure and improvements.....	260,101	255,963	7,418	7,990	267,519	263,953
Furniture, fixtures and equipment	11,474	10,186	296	574	11,770	10,760
Vehicles	3,296	3,771	848	786	4,144	4,557
Infrastructure.....	203,973	210,408			203,973	210,408
Construction in progress	<u>90,822</u>	<u>87,291</u>	<u>6,958</u>	<u>6,966</u>	<u>97,780</u>	<u>94,257</u>
Total	\$ <u>609,851</u>	\$ <u>602,718</u>	\$ <u>45,071</u>	\$ <u>45,805</u>	\$ <u>654,922</u>	\$ <u>648,523</u>

The County was involved in a number of construction projects that resulted in the capitalization of various asset in 2003 including renovations of various county bridges and roads for \$6.3 million and mechanical and HVAC replacement in numerous county buildings amounting to \$2.5 million. The County purchased the Courthouse Square building for \$9.6 million and surrounding land for \$3.7 million for future development. The County Board of Mental Retardation built a new east-side bus garage for \$3.2 million and the County invested in a wide-area network for \$3.3 million.

Some sewer improvements were capitalized in the business type activities including the Chagrin Highlands project for \$1.3 million.

Additional information on Cuyahoga County's capital assets can be found in Note E on pages 48 – 50 of this report.

Long-term debt. At the end of the current fiscal year, Cuyahoga County had total bonded debt outstanding of \$290.7 million. Of this amount, \$172.3 million comprises debt backed by the full faith and credit of the government and \$2.4 million is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of Cuyahoga County's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) and other debt such as notes to be financed by future bonds, loans and an installment purchase agreement financed by non-tax sources.

Cuyahoga County's Outstanding Debt
General Obligation Bonds and Other Long-term Debt
(December 31; amounts in 000's)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
General obligation bonds	\$ 172,250	\$ 189,145	\$	\$	\$ 172,250	\$ 189,145
Special assessment debt with governmental commitment.....			2,440	2,495	2,440	2,495
Revenue bonds	115,975	119,540			115,975	119,540
Bond anticipation notes.....	2,440	2,440	6,110	6,083	8,550	8,523
Loans	3,332	3,610	6,016	6,045	9,348	9,655
Installment purchase agreements .	<u>11,698</u>	<u>13,695</u>			<u>11,698</u>	<u>13,695</u>
Total	\$ <u>305,695</u>	\$ <u>328,430</u>	\$ <u>14,566</u>	\$ <u>14,623</u>	\$ <u>320,261</u>	\$ <u>343,053</u>

Cuyahoga County's total debt decreased by \$22.8 million (6.6%) during the current fiscal year. The County refinanced some bond anticipation notes, general obligation bonds and the installment purchase agreement but issued no new debt.

Cuyahoga County maintained a "AA+" rating from Standard & Poor's, "AAA" from Fitch and a "Aa1" rating from Moody's for general obligation debt. The revenue bonds have been rated "Aa3" by Moody's.

State statutes limit the amount of general obligation debt a governmental entity may issue up to 1% of its total assessed valuation. The current debt limitation (voted and unvoted) for Cuyahoga County is \$613.9 million which is significantly in excess of Cuyahoga County's outstanding general obligation debt.

Additional information on Cuyahoga County's long-term debt can be found in Note F on pages 51 - 57 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Cuyahoga County is currently 6.8%, compared to 6.7% a year ago.
- The percentage of jobs lost between the first quarter 2001 and first quarter 2003 was 15.7% in manufacturing, 6.2% in retail and professional and technical services and 6.4% in state government while finance and insurance, healthcare and social assistance and arts, entertainment and recreation rose 2.4%, 6.5% and 8.4%, respectively.

Each of these factors were considered in preparing Cuyahoga County's budget for the 2003 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased \$23.5 million. The primary factor was the previously discussed ERIP which resulted in additional significant savings due to the County Commissioners not funding the 40% replacement cost which had been previously agreed upon and overall budget reductions imposed in 2002 and maintained in 2003.

In May 2003, the voters of Cuyahoga County approved a 4.9 mill health and human services levy to be collected in 2004 through 2008. The levy is estimated to generate an additional \$58.8 million each year of tax billing which will allow the County Commissioners to restore some human services programs.

Request for Information

This financial report is designed to provide a general overview of Cuyahoga County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Frank Russo, Cuyahoga County Auditor, Cuyahoga County, 1219 Ontario Street, Room 121, Cleveland, Ohio 44113.

**COUNTY OF CUYAHOGA, OHIO
STATEMENT OF NET ASSETS**

**DECEMBER 31, 2003
(Amounts in 000's)**

	Primary Government			Component Unit MetroHealth System
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Equity in pooled cash and investments.....	\$ 169,517	\$ 9,669	\$ 179,186	\$ 255
Cash and investments-segregated accounts.....				233,927
Receivables:				
Taxes (net of allowance for uncollectibles).....	370,555		370,555	
Accounts (net of allowance for uncollectibles).....	6,611	133	6,744	46,763
Special assessments (net of allowance for uncollectibles).....		2,746	2,746	
Accrued interest	1,762		1,762	
Loans (net of allowance for uncollectibles).....	17,974		17,974	
Net receivables.....	396,902	2,879	399,781	46,763
Internal balances.....	257	(257)		
Due from other governments.....	154,508	207	154,715	
Inventory of supplies.....	29	9	38	4,942
Prepaid expenses and other receivables.....				30,357
Other assets.....		32	32	6,154
Restricted assets:				
Cash and investments.....	37,475		37,475	60,309
Capital assets (net of accumulated depreciation):				
Land.....	38,034	5,752	43,786	8,954
Land improvements.....	2,151	3,006	5,157	1,043
Utility plant.....		20,793	20,793	
Buildings, structures and improvements.....	260,101	7,418	267,519	126,476
Furniture, fixtures and equipment.....	11,474	296	11,770	29,961
Vehicles.....	3,296	848	4,144	5,175
Infrastructure.....	203,973		203,973	
Construction in progress.....	90,822	6,958	97,780	62,043
Net capital assets.....	609,851	45,071	654,922	233,652
TOTAL ASSETS	1,368,539	57,610	1,426,149	616,359
LIABILITIES				
Accounts payable.....	61,939	808	62,747	26,769
Deferred revenue.....	350,417		350,417	
Due to other governments.....	20,719		20,719	
Accrued wages and benefits.....	20,234	258	20,492	23,815
Matured bonds payable.....	14		14	
Other liabilities.....	524	181	705	21,271
Short-term notes payable.....	2,440		2,440	
Accrued interest payable.....	2,029		2,029	
Noncurrent liabilities:				
Due within one year.....	44,982	7,161	52,143	42,229
Due in more than one year.....	367,411	9,312	376,723	279,334
TOTAL LIABILITIES	870,709	17,720	888,429	393,418
NET ASSETS				
Invested in capital assets, net of related debt.....	409,443	30,505	439,948	43,422
Restricted for:				
Restricted assets	23,272		23,272	2,581
Debt service.....	10,983		10,983	54,649
Unrestricted.....	54,132	9,385	63,517	122,289
TOTAL NET ASSETS	\$ 497,830	\$ 39,890	\$ 537,720	\$ 222,941

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

This Page is Intentionally Left Blank.

**COUNTY OF CUYAHOGA, OHIO
STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)**

Functions/Programs	Expenses	Charges for Services
Primary Government:		
Governmental activities:		
General government.....	\$ 59,963	\$ 56,734
Judicial.....	277,314	27,992
Development.....	25,332	318
Social services.....	578,700	1,926
Health and safety.....	152,904	1,150
Public works.....	67,025	2,728
Interest on long-term debt.....	13,813	
Total governmental activities.....	<u>1,175,051</u>	<u>90,848</u>
Business-type activities:		
Sanitary Engineer.....	10,069	10,298
Airport.....	1,617	1,283
Huntington Park Garage.....	1,753	2,309
Cuyahoga County Information System.....	2,188	1,474
Total business-type activities.....	<u>15,627</u>	<u>15,364</u>
Total primary government.....	<u>\$ 1,190,678</u>	<u>\$ 106,212</u>
Component unit:		
MetroHealth System.....	<u>\$ 530,756</u>	<u>\$ 468,598</u>

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

Net (Expense) Revenue and Changes in Net Assets					
Program Revenues		Primary Government			Component Unit MetroHealth System
Operating Grants and Contributions	Capital Grants, Contributions and Interest	Governmental Activities	Business- Type Activities	Totals	
\$ 17,157	\$	\$ 13,928	\$	\$ 13,928	\$
29,489		(219,833)		(219,833)	
23,371		(1,643)		(1,643)	
381,781		(194,993)		(194,993)	
99,742		(52,012)		(52,012)	
	27,942	(36,355)		(36,355)	
		(13,813)		(13,813)	
<u>551,540</u>	<u>27,942</u>	<u>(504,721)</u>		<u>(504,721)</u>	
				229	
38				(296)	
				556	
				(714)	
<u>38</u>				<u>(225)</u>	
<u>\$ 551,578</u>	<u>\$ 27,942</u>	<u>(504,721)</u>	<u>(225)</u>	<u>(504,946)</u>	
<u>\$ 25,061</u>	<u>\$ 104</u>				<u>(36,993)</u>
General Revenues:					
Taxes:					
Property.....		257,640		257,640	
Sales and use.....		159,029		159,029	
Other.....		29,284		29,284	
State local government fund.....		37,873		37,873	
Unrestricted investment earnings.....		10,615	14	10,629	2,966
Grants and contributions					
not restricted to specific programs.....		35,556		35,556	
Miscellaneous.....		11,872	47	11,919	25,288
Transfers.....		(940)	940		
Total general revenues, and transfers.....		<u>540,929</u>	<u>1,001</u>	<u>541,930</u>	<u>28,254</u>
Change in net assets.....		36,208	776	36,984	(8,739)
Net assets-beginning of year.....		461,622	39,114	500,736	231,680
Net assets-end of year.....		\$ 497,830	\$ 39,890	\$ 537,720	\$ 222,941

**COUNTY OF CUYAHOGA, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS**

**DECEMBER 31, 2003
(Amounts in 000's)**

	General Fund	Human Services	Health and Human Services Levies	County Board of Mental Retardation
ASSETS				
Equity in pooled cash and investments.....	\$ 11,704	\$	\$	\$ 27,827
Receivables:				
Taxes (net of allowance for uncollectibles).....	63,155		181,415	88,528
Accounts (net of allowance for uncollectibles)	678			
Accrued interest	1,646			4
Loans (net of allowance for uncollectibles).....	1,000			
Net receivables.....	66,479		181,415	88,532
Due from other funds.....	109,912			
Due from other governments.....	26,162	67,946	10,323	5,270
Restricted assets -				
Cash and investments.....	37,475			
TOTAL ASSETS.....	\$ 251,732	\$ 67,946	\$ 191,738	\$ 121,629
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	\$ 3,778	\$ 12,594	\$ 56	\$ 3,615
Deferred revenue.....	51,723		189,813	92,859
Due to other funds.....	1,652	50,632	150	747
Due to other governments.....				
Accrued wages and benefits.....	7,702	4,720		3,709
Short-term notes payable.....				
Matured bonds payable.....				
Other Liabilities.....	524			
TOTAL LIABILITIES.....	65,379	67,946	190,019	100,930
Fund Balances:				
Reserved for:				
Restricted assets.....	33,654			
Loans receivable.....	1,000			
Debt service.....	9,989			
Unreserved, reported in:				
General Fund:				
Designated for self-insurance.....	1,978			
Designated for proprietary funds.....	7,020			
Undesignated.....	132,712			
Special Revenue Funds.....			1,719	20,699
Capital Projects Fund.....				
TOTAL FUND BALANCES	186,353	67,946	1,719	20,699
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 251,732	\$ 67,946	\$ 191,738	\$ 121,629

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

<u>Health and Community Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 27,481	\$ 46,832	\$ 113,844
12,937	24,520	370,555
5,932		6,610
2	110	1,762
	<u>16,974</u>	<u>17,974</u>
<u>18,871</u>	<u>41,604</u>	<u>396,901</u>
27,698	16,850	109,912
		154,249
		<u>37,475</u>
<u>\$ 74,050</u>	<u>\$ 105,286</u>	<u>\$ 812,381</u>

\$ 29,622	\$ 10,147	\$ 59,812
14,684	39,595	388,674
10,500	49,996	113,677
	1,953	1,953
1,757	911	18,799
	2,440	2,440
	14	14
		<u>524</u>
<u>56,563</u>	<u>105,056</u>	<u>585,893</u>

		33,654
	16,974	17,974
	994	10,983
		1,978
		7,020
		132,712
17,487	35,951	75,856
	(53,689)	(53,689)
<u>17,487</u>	<u>230</u>	<u>226,488</u>
<u>\$ 74,050</u>	<u>\$ 105,286</u>	<u>\$ 812,381</u>

(This page intentionally left blank.)

**COUNTY OF CUYAHOGA, OHIO
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

**DECEMBER 31, 2003
(Amounts in 000's)**

Total fund balances for governmental funds.....	\$	226,488
Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and, therefore, are not reported in the funds.....		603,990
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.....		38,257
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.....		33,405
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds		
Accrued interest payable.....	(2,029)	
Long-term debt.....	<u>(402,281)</u>	(404,310)
 TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	 \$	 <u><u>497,830</u></u>

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

**COUNTY OF CUYAHOGA, OHIO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)**

	<u>General Fund</u>	<u>Human Services</u>	<u>Health and Human Services Levies</u>	<u>County Board of Mental Retardation</u>
REVENUES				
Property taxes.....	\$ 19,576	\$	\$ 118,321	\$ 85,288
Sales and use tax.....	158,634			
Other tax.....	9		53	36
State local government fund.....	38,257			
Licenses and permits.....	126			
Charges for services.....	64,659	1,644		
Fines and forfeitures.....	6,161			
Investment earnings.....	8,837			19
Other intergovernmental.....	10,406	266,801	17,045	77,462
Miscellaneous.....	3,066	836		1,329
TOTAL REVENUES.....	309,731	269,281	135,419	164,134
EXPENDITURES				
Current:				
General government.....	43,943			
Judicial.....	213,933			
Development.....	3,216			
Social services.....	5,000	305,731		160,473
Health and safety.....	9,297		12,806	
Public works.....				
Capital outlay.....				
Debt service:				
Principal retirement.....				
Interest.....	25			
TOTAL EXPENDITURES.....	275,414	305,731	12,806	160,473
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	34,317	(36,450)	122,613	3,661
OTHER FINANCING SOURCES (USES)				
Transfers in.....	3,570	36,670		1,386
Transfers out:				
Debt retirement.....	(7,592)			
Other.....	(8,833)	(220)	(122,853)	
Proceeds from debt.....				
TOTAL OTHER FINANCING SOURCES (USES).....	(12,855)	36,450	(122,853)	1,386
NET CHANGE IN FUND BALANCES.....	21,462		(240)	5,047
FUND BALANCES AT BEGINNING OF YEAR.....	164,891		1,959	15,652
FUND BALANCES AT END OF YEAR.....	\$ 186,353	\$ 0	\$ 1,719	\$ 20,699

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

<u>Health and Community Services</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ 12,467	\$ 21,988	\$ 257,640
		158,634
	28,902	29,000
		38,257
1,231		1,357
16,600		82,903
145	284	6,590
538	1,377	10,771
166,879	76,196	614,789
1,195	5,944	12,370
<u>199,055</u>	<u>134,691</u>	<u>1,212,311</u>
15,852	48	59,843
39,836	19,453	273,222
4,374	18,421	26,011
99,532	8,467	579,203
127,171	3,629	152,903
1,660	54,880	56,540
	39,317	39,317
	36,199	36,199
	13,346	13,371
<u>288,425</u>	<u>193,760</u>	<u>1,236,609</u>
(89,370)	(59,069)	(24,298)
90,730	18,657	151,013
		(7,592)
(4,424)	(5,992)	(142,322)
	13,742	13,742
<u>86,306</u>	<u>26,407</u>	<u>14,841</u>
(3,064)	(32,662)	(9,457)
<u>20,551</u>	<u>32,892</u>	<u>235,945</u>
<u>\$ 17,487</u>	<u>\$ 230</u>	<u>\$ 226,488</u>

(This page intentionally left blank.)

**COUNTY OF CUYAHOGA, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)**

Net change in fund balances-total governmental funds.....	\$	(9,457)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets that meet capitalization requirements is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$34,984) exceeded depreciation (\$29,089) in the current period.....		
		5,895
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.....		
		387
Expenses reported as compensated absences and special termination benefits in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.....		
		15,502
Interest is reported as an expenditure when due in the governmental funds, but is reported as incurred in the statement of activities.....		
		(433)
The issuance of long-term debt, (notes, bonds, capital leases, etc.) provides current financial resources to governmental funds and is not reported in the statement of activities.		
		(13,742)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities and is not reported in the statement of activities.		
Capital lease obligations.....		
		1,215
Environmental Protection Agency loan.....		
		28
Ohio Department of Development loan.....		
		250
Installment purchase agreement.....		
		15,739
General obligation and revenue bonds.....		
		20,460
Certain net expenses of the internal service funds are reported with governmental activities in the statement of activities.....		
		364
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	\$	<u>36,208</u>

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

COUNTY OF CUYAHOGA, OHIO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
ALL MAJOR GOVERNMENTAL FUNDS
(NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)

	General Fund			Human Services		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Final		Original	Final	
REVENUES						
Property taxes.....	\$ 19,428	\$ 19,611	\$ 19,611	\$	\$	\$
Sales and use tax.....	160,900	157,125	157,125			
Other tax.....	12	6	9			
State local government fund.....	38,248	38,248	38,248			
Licenses and permits.....	87	115	126			
Charges for services.....	57,004	62,067	64,713	1,766	1,392	1,644
Fines and forfeitures.....	6,693	6,538	5,817			
Investment earnings.....	17,000	17,000	16,895			
Other intergovernmental.....	11,204	10,680	10,971	255,224	310,859	227,931
Miscellaneous.....	9,968	10,224	9,321	2,686	2,728	836
TOTAL REVENUES.....	320,544	321,614	322,836	259,676	314,979	230,411
EXPENDITURES						
Current:						
General government.....	53,230	54,471	45,853			
Judicial.....	208,160	215,746	213,468			
Development.....	1,504	2,044	1,861			
Social services.....	7,661	8,031	5,339	325,215	311,747	303,476
Health and safety.....	9,516	9,649	9,601			
Public works.....						
TOTAL EXPENDITURES.....	280,071	289,941	276,122	325,215	311,747	303,476
EXCESS (DEFICIENCY) OF						
REVENUES OVER EXPENDITURES.....	40,473	31,673	46,714	(65,539)	3,232	(73,065)
OTHER FINANCING SOURCES (USES)						
Transfers in.....		2,800	3,842	66,389	31,678	48,908
Transfers out:						
Debt retirement.....	(7,592)	(7,592)	(7,592)			
Other.....	(38,192)	(36,912)	(35,970)		(220)	(220)
TOTAL OTHER FINANCING SOURCES (USES).....	(45,784)	(41,704)	(39,720)	66,389	31,458	48,688
NET CHANGE IN FUND BALANCES.....	(5,311)	(10,031)	6,994	850	34,690	(24,377)
FUND BALANCES (DEFICITS) AT						
BEGINNING OF YEAR.....	99,900	99,900	99,900	(33,524)	(33,524)	(33,524)
FUND BALANCES (DEFICITS) AT						
END OF YEAR.....	\$ 94,589	\$ 89,869	\$ 106,894	\$ (32,674)	\$ 1,166	\$ (57,901)

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

Health and Human Services Levies			County Board of Mental Retardation			Health and Community Services		
Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
Original	Final		Original	Final		Original	Final	
\$ 121,428	\$ 118,013	\$ 118,013	\$ 86,418	\$ 86,418	\$ 85,518	\$ 12,000	\$ 12,500	\$ 12,490
60	38	53		19	36			
						1,234	1,246	1,231
						17,012	17,968	16,659
						142	183	145
			30	30	19	363	718	598
16,944	17,210	17,045	82,267	82,594	77,115	169,207	170,720	161,369
			2,110	2,478	1,329	4,245	4,772	1,208
<u>138,432</u>	<u>135,261</u>	<u>135,111</u>	<u>170,825</u>	<u>171,539</u>	<u>164,017</u>	<u>204,203</u>	<u>208,107</u>	<u>193,700</u>
						15,346	15,902	15,122
						40,974	41,292	39,871
						3,124	3,873	3,560
			166,343	172,636	161,665	106,572	112,634	112,579
12,750	12,750	12,750				129,774	132,526	130,378
						1,825	1,817	1,565
<u>12,750</u>	<u>12,750</u>	<u>12,750</u>	<u>166,343</u>	<u>172,636</u>	<u>161,665</u>	<u>297,615</u>	<u>308,044</u>	<u>303,075</u>
125,682	122,511	122,361	4,482	(1,097)	2,352	(93,412)	(99,937)	(109,375)
			4,250	4,250	1,386	91,481	104,035	105,928
<u>(125,682)</u>	<u>(122,853)</u>	<u>(122,853)</u>	<u>(4,250)</u>	<u>(1,250)</u>		<u>(4,327)</u>	<u>(4,861)</u>	<u>(4,695)</u>
<u>(125,682)</u>	<u>(122,853)</u>	<u>(122,853)</u>	<u>0</u>	<u>3,000</u>	<u>1,386</u>	<u>87,154</u>	<u>99,174</u>	<u>101,233</u>
	(342)	(492)	4,482	1,903	3,738	(6,258)	(763)	(8,142)
<u>342</u>	<u>342</u>	<u>342</u>	<u>10,685</u>	<u>10,685</u>	<u>10,685</u>	<u>18,311</u>	<u>18,311</u>	<u>18,311</u>
<u>\$ 342</u>	<u>\$ 0</u>	<u>\$ (150)</u>	<u>\$ 15,167</u>	<u>\$ 12,588</u>	<u>\$ 14,423</u>	<u>\$ 12,053</u>	<u>\$ 17,548</u>	<u>\$ 10,169</u>

**COUNTY OF CUYAHOGA, OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

**DECEMBER 31, 2003
(Amounts in 000's)**

	ENTERPRISE FUNDS			Governmental Activities- Internal Service Funds
	Sanitary Engineer	Other Enterprise Funds	Total Enterprise Funds	
ASSETS				
Current assets:				
Equity in pooled cash and investments.....	\$ 6,930	\$ 2,739	\$ 9,669	\$ 55,673
Receivables:				
Accounts (net of allowance for uncollectibles).....	11	122	133	1
Special assessments (net of allowance for uncollectibles).....	243		243	
Net receivables.....	254	122	376	1
Due from other funds.....		31	31	4,533
Due from other governments.....	12	195	207	259
Inventory of supplies.....		9	9	29
Total current assets.....	7,196	3,096	10,292	60,495
Noncurrent assets:				
Special assessments receivable (net of allowance for uncollectibles)....	2,503		2,503	
Other assets.....	32		32	
Capital assets (net of accumulated depreciation):				
Land.....	472	5,280	5,752	
Land improvements.....	532	2,474	3,006	
Utility plant.....	20,793		20,793	
Buildings, structures and improvements.....	2,954	4,464	7,418	
Furniture, fixtures and equipment.....	271	25	296	5,510
Vehicles.....	810	38	848	351
Construction in progress.....	6,831	127	6,958	
Net capital assets.....	32,663	12,408	45,071	5,861
Total noncurrent assets.....	35,198	12,408	47,606	5,861
TOTAL ASSETS.....	42,394	15,504	57,898	66,356
LIABILITIES				
Current liabilities:				
Accounts payable.....	451	357	808	2,127
Due to other funds.....	65	11	76	723
Due to other governments.....				18,766
Accrued wages and benefits.....	485	134	619	3,284
Other liabilities.....	181		181	
Capital lease obligations.....				47
Special termination benefits.....	457	40	497	2,729
Loans payable.....	328		328	
Notes payable.....	6,110		6,110	
Bonds payable.....	190		190	
Total current liabilities.....	8,267	542	8,809	27,676
Noncurrent liabilities:				
Capital lease obligations.....				91
Special termination benefits.....	964	85	1,049	5,396
Loans payable.....	5,688		5,688	
Bonds payable.....	2,250		2,250	
Total noncurrent liabilities.....	8,902	85	8,987	5,487
TOTAL LIABILITIES.....	17,169	627	17,796	33,163
NET ASSETS				
Invested in capital assets, net of related debt.....	18,097	12,408	30,505	5,723
Unrestricted.....	7,128	2,469	9,597	27,470
TOTAL NET ASSETS.....	\$ 25,225	\$ 14,877	\$ 40,102	\$ 33,193
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.....			(212)	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES.....	\$ 25,225	\$ 14,877	\$ 39,890	\$ 33,193

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

**COUNTY OF CUYAHOGA, OHIO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			Governmental Activities- Internal Service Funds
	Sanitary Engineer	Other Enterprise Funds	Total Enterprise Funds	
OPERATING REVENUES				
Charges for services.....	\$ 10,298	\$ 5,066	\$ 15,364	\$ 63,614
Other revenue.....	29	18	47	293
TOTAL OPERATING REVENUES.....	10,327	5,084	15,411	63,907
OPERATING EXPENSES				
Personal services.....	5,408	1,181	6,589	31,288
Contractual services and claims.....	536	952	1,488	8,712
Commodities.....	643	164	807	9,943
Depreciation.....	1,565	809	2,374	2,210
Other expenses.....	1,450	2,565	4,015	9,168
TOTAL OPERATING EXPENSES.....	9,602	5,671	15,273	61,321
OPERATING INCOME (LOSS).....	725	(587)	138	2,586
NONOPERATING REVENUES (EXPENSES)				
Interest income.....	14		14	
Interest expense.....	(236)		(236)	(9)
Grants.....		38	38	
Loss on disposal of capital assets.....	(239)		(239)	(53)
TOTAL NONOPERATING REVENUES (EXPENSES).....	(461)	38	(423)	(62)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS.....	264	(549)	(285)	2,524
Transfers in.....		1,045	1,045	2,800
Transfers out:				
Debt retirement.....		(105)	(105)	
Other.....				(4,839)
CHANGE IN NET ASSETS.....	264	391	655	485
TOTAL NET ASSETS				
BEGINNING OF YEAR.....	24,961	14,486		32,708
TOTAL NET ASSETS				
END OF YEAR.....	\$ 25,225	\$ 14,877		\$ 33,193
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds.....			121	
CHANGE IN NET ASSETS-BUSINESS-TYPE ACTIVITIES.....			\$ 776	

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

**COUNTY OF CUYAHOGA, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			Governmental Activities- Internal Service Funds
	Sanitary Engineer	Other Enterprise Funds	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from customers.....	\$ 10,992	\$ 5,352	\$ 16,344	\$ 292
Other operating cash receipts.....	29	25	54	64,574
Cash payments to suppliers for goods and services.....	(3,627)	(3,632)	(7,259)	(29,287)
Cash payments to employees for services.....	(5,385)	(1,188)	(6,573)	(31,898)
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	<u>2,009</u>	<u>557</u>	<u>2,566</u>	<u>3,681</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in (out) from (to) other funds.....		940	940	(2,039)
Repayment of short-term interfund loan-net.....		(58)	(58)	(3,201)
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES.....		<u>882</u>	<u>882</u>	<u>(5,240)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from long-term debt.....	7,952		7,952	
Receipts from capital grants.....	253	38	291	
Proceeds from sale of capital assets.....				43
Acquisition and construction of capital assets.....	(1,555)	(252)	(1,807)	(3,446)
Principal paid on long-term debt.....	(7,958)		(7,958)	(105)
Interest paid on long-term debt.....	(447)		(447)	(9)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(1,755)</u>	<u>(214)</u>	<u>(1,969)</u>	<u>(3,517)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments.....	16		16	
NET CASH PROVIDED BY INVESTING ACTIVITIES.....	<u>16</u>		<u>16</u>	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	270	1,225	1,495	(5,076)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	6,660	1,514	8,174	60,749
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 6,930</u>	<u>\$ 2,739</u>	<u>\$ 9,669</u>	<u>\$ 55,673</u>

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

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			Governmental Activities- Internal Service Funds
	Sanitary Engineer	Other Enterprise Funds	Total Enterprise Funds	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss).....	\$ 725	\$ (587)	\$ 138	\$ 2,586
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Depreciation.....	1,565	809	2,374	2,210
Changes in assets and liabilities:				
Accounts receivable-net.....	(22)	(24)	(46)	6
Due from other funds.....		(13)	(13)	1,211
Due from other governments.....		487	487	(259)
Inventory of supplies.....				(5)
Accounts payable.....	175	(64)	111	(836)
Due to other funds.....	(11)	(7)	(18)	(67)
Due to other governments.....	(26)		(26)	1,112
Accrued wages and benefits.....	33		33	368
Special termination benefits.....	(430)	(44)	(474)	(2,645)
TOTAL ADJUSTMENTS.....	<u>1,284</u>	<u>1,144</u>	<u>2,428</u>	<u>1,095</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	<u>\$ 2,009</u>	<u>\$ 557</u>	<u>\$ 2,566</u>	<u>\$ 3,681</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Fixed assets acquired through capital lease.....	\$	\$	\$	\$ 94
TOTAL NONCASH TRANSACTIONS.....	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 94</u>

**COUNTY OF CUYAHOGA, OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

**DECEMBER 31, 2003
(Amounts in 000's)**

	<u>Agency Funds</u>
ASSETS	
Equity in pooled cash and investments.....	\$ 206,744
Cash and investments-segregated accounts.....	41,645
Taxes receivable.....	1,185,290
TOTAL ASSETS.....	<u>1,433,679</u>
LIABILITIES	
Due to other governments.....	1,382,471
Other liabilities.....	51,208
TOTAL LIABILITIES.....	<u>1,433,679</u>
NET ASSETS.....	<u>\$ 0</u>

(This page intentionally left blank.)

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

NOTE A - Description of Cuyahoga County and Basis of Presentation

The County: Cuyahoga County (the County) operates as a political subdivision of the State of Ohio. The County was formed by an act of the Ohio General Assembly in 1810. The three member Board of County Commissioners is the legislative and executive body of the County. The County Auditor is the chief fiscal officer. In addition, there are seven other elected administrative officials, each of whom is independent as set forth in Ohio law. These officials are Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Recorder, Sheriff and Treasurer. There are also thirty-four Common Pleas Court Judges, five Domestic Relations Court Judges, six Juvenile Court Judges, two Probate Court Judges and twelve Court of Appeals Judges elected on a County-wide basis to oversee the County's justice system.

Basis of Presentation: The accounts of the County 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 set of self-balancing accounts that comprise its assets, liabilities, fund balance or equity, revenues and expenditures or expenses, as appropriate. The County uses the following fund types:

Governmental Funds:

General Fund: This fund accounts for the general operating revenues and expenditures of the County not recorded elsewhere. The primary revenue sources are sales and use tax, property taxes, state local government fund receipts, investment earnings and various service fees.

Special Revenue Funds: These funds are used to account for specific governmental revenues (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Revenues are derived primarily from property taxes, other taxes, and federal and state grant programs.

Debt Service Fund: This fund is used to account for revenues received and used to pay principal and interest on all long-term bonded debt except those payable from Enterprise funds. Revenues are derived primarily from property taxes.

Capital Projects Fund: This fund is used to account for the acquisition or construction of capital assets (other than those financed by Proprietary funds). Revenues and financing resources are derived from the issuance of debt, transfers from the General and Special Revenue funds and capital grant programs.

Permanent Funds: Permanent funds are 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. The County does not utilize permanent funds at this time.

Proprietary Funds:

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

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

Fiduciary Funds:

Agency Funds: These funds are used to account for assets held by the County as an agent for other governments, other funds and individuals. These assets include property and other taxes as well as other intergovernmental resources that have been collected by the County and will be distributed to other taxing districts located within the County.

Private-purpose Trust Funds: Private-purpose trust funds are used to account for other trust arrangements which benefit individuals, private organizations, or other governments. For accounting measurement purposes, the

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

private-purpose trust funds are accounted for in essentially the same manner as proprietary funds. The County does not utilize private-purpose trust funds at this time.

Other Fiduciary Funds: Other fiduciary funds include pension trust funds and investment trust funds. The County does not utilize any such trust funds.

NOTE B - Summary of Significant Accounting Policies

The accompanying financial statements of the County are prepared in conformity with accounting principles generally accepted in the United States of America for local government units as prescribed in statements and interpretations issued by the GASB.

Reporting Entity: Cuyahoga County is a political subdivision of the State of Ohio. The three member board of County Commissioners is the legislative and executive body of the County. The County Auditor is the chief fiscal officer. In addition, there are seven other elected administrative officials, each of whom is independent as set forth in Ohio Law. The accompanying financial statements present the government and its component units, entities for which Cuyahoga County is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see *Discretely Presented Component Unit* below for description) to emphasize that it is legally separate from the County.

Discretely Presented Component Unit: In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, the MetroHealth System (the Hospital or Component Unit) is included as a discretely presented Component Unit in the County's basic financial statements. The Hospital provides health care and hospitalization to the general public and care for the County's indigents. The County appoints the majority of the Hospital's Board of Trustees. The Hospital's annual operating budget and investment policy are both approved by the County. The Component Unit is included in the County's reporting entity because of the significance of its operational and financial relationships with the County. The financial information of the Hospital is presented in a separate column to emphasize that it is legally separate from the government. Complete financial statements for the Hospital can be requested from the County Auditor.

Basic 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 County is presented as a set of basic financial statements in the following format:

Government-wide Financial Statements: The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internal service fund balances, whether positive or negative, have been eliminated against the expenses and program revenue shown in the statement of activities.

Fund Financial Statements: Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. State and local government fund shared revenues are recognized when the provider government recognizes its liability to the County. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, sales and use taxes, other tax, state local government funds, licenses and permits and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund.

Human Services accounts for revenues from Federal, State and County governments and expenditures used to provide entitlement services, senior and adult programs, children and family services and employment services to eligible county residents.

Health and Human Services Levies accounts for revenues from Health and Human Services Levies. Levies and expenditures are determined by policies of the Board of County Commissioners.

County Board of Mental Retardation accounts for revenues primarily from the State and the special mental retardation levy and expenditures thereof that are used for the benefit of the mentally retarded and developmentally disabled.

Health and Community Services accounts for revenues from Federal, State and County governments and expenditures thereof as prescribed under the various health and community service functions including mental health and alcohol and drug programs.

The County reports the following major proprietary fund:

Sanitary Engineer accounts for the maintenance operations of county sewer lines. The office also enforces compliance of county sanitary regulations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants, contributions and interest including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds and of the County's internal service funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap-in fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Accounting and Control: The County is required by state law to adopt annual budgets for the General fund, certain Special Revenue funds and the Debt Service fund. Major Special Revenue funds which are budgeted annually include Human Services, Health and Human Services Levies, County Board of Mental Retardation and Health and Community Services. The County Administrator prepares the budget, which is approved by the Board of County Commissioners. The Office of Budget and Management prepares a separate budgetary report. The Board of County Commissioners approves amendments to the original budget throughout the year as allowed by State statute. The County maintains budgetary control within an organizational unit and fund by not permitting expenditures/expenses and encumbrances to exceed appropriations for personnel, capital purchases and other costs. Elected officials and managers may amend the budget without approval of the County Commissioners as long as amendments are within legal categories. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances are closed to unreserved fund balance/retained earnings at year-end and are re-encumbered and reappropriated at the start of the following year.

The County's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP basis). The accompanying statement of revenues, expenditures, and changes in fund balances – budget and actual (non-GAAP budgetary basis), comparing budget to actual results of operations for the General fund and all annually budgeted major special revenue funds, is presented to demonstrate the County's compliance with legally adopted budgets and reflects only budget revisions formally adopted by the Board of County Commissioners. The Commissioners and their staff monitor the level of revenues and expenditures throughout the year, and policy decisions are made based on the available current information. Formal revisions to previous budgets may not be processed if actual results are within previously budgeted levels. Consequently, large variances may appear on the budget and actual comparisons in the accompanying statements. The County has chosen not to include the variance column in the Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual.

The budgetary process does not include annual budgeting for certain grants (including Community Development and Other funds) and the Capital Projects fund. Appropriations are made on a multi-year basis with the free balance and encumbrances being reappropriated annually. The administrative control is on a grant/project basis and, therefore, comparisons with annually appropriated funds do not provide meaningful data. The County adopts annual budgets for Proprietary funds, however, there is no legal requirement to report on compliance with such budgets.

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

The major differences between the budgetary basis and the GAAP basis are:

- (1) Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- (2) Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- (3) Encumbrances are recorded as the equivalent of expenditures (budgetary) as opposed to being closed to unreserved fund balance/fund net assets at year-end and are re-encumbered at the beginning of the following year (GAAP).

A reconciliation of the results of operations for the year on the GAAP basis to the budget basis follows:

Net Change in Fund Balances (Amounts in 000's)					
	General Fund	Human Services	Health and Human Services Levies	County Board of Mental Retardation	Health and Community Services
GAAP basis	\$ 21,462	\$	\$ (240)	\$ 5,047	\$ (3,064)
Increase/decrease:					
Accrued receivables at 12/31/03 not recognized in the 2003 budget.....	(202,553)	(67,946)	(191,738)	(93,802)	(46,569)
Accrued receivables at 12/31/02 recognized in the 2003 budget	117,621	29,076	131,237	98,312	37,872
Expenditures accrued as liabilities at 12/31/03 not recognized in the 2003 budget.....	65,379	30,412	189,869	100,930	56,563
Expenditures accrued as liabilities at 12/31/02 recognized in the 2003 budget.....	(70,571)	(19,605)	(129,620)	(101,508)	(48,469)
Encumbrances at 12/31/03 recognized as expenditures in the 2003 budget	(10,028)	(20,367)		(9,319)	(17,312)
Encumbrances at 12/31/02 not recognized as expenditures in the 2003 budget	10,717	24,053		7,693	12,837
Other GAAP adjustments ⁽¹⁾	<u>74,967</u>			<u>(3,615)</u>	
Budget basis.....	\$ <u>6,994</u>	\$ <u>(24,377)</u>	\$ <u>(492)</u>	\$ <u>3,738</u>	\$ <u>(8,142)</u>
(1) Change in the amount of short-term interfund loans by the General fund, unrealized gain on investments, net expenses for the Brownfield project, Gateway debt and agency funds reclassified as cash for financial reporting purposes.					

Statement of Cash Flows: The County utilizes the direct method with respect to the statement of cash flows as defined by the GASB Statement No. 9. For purposes of the statement of cash flows, the County considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

Pooled Cash and Investments: Cash resources of a majority of individual funds are combined to form a pool of cash and investments, which is managed by the County Treasurer. Investments in the pooled cash and investments accounts consist of U.S. Treasury Notes and other Federal Government securities, certificates of deposit, commercial paper, revenue anticipation bonds and the State Treasurer's Investment Pool.

Investments: The County accounts for its investments under the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which established accounting and financial reporting standards for government investments and investment pools, requiring most investments to be recorded at fair value and the recognition of unrealized gains and losses in the financial statements. The County has the ability and intent to hold all investments to maturity. Interest on investments is accrued as earned and distributed to appropriate funds utilizing a formula based on the average month-end balance of cash and cash

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

equivalents of appropriate funds. County policy requires interest earned on investments to be credited to the General fund except where there is a legal requirement such as the Motor Vehicle Gas Tax Special Revenue fund or where there are bond proceeds for capital improvements such as the Capital Projects fund. Fair value is determined by quoted market prices.

Inventory of Supplies: Inventory is valued at the lower of cost (determined using the first-in first-out method) or net realizable value. Costs are expensed when inventory is consumed for Proprietary funds and for the Discretely Presented Component Unit. Costs are recognized as expenditures when inventory is purchased for Governmental funds.

Board Designated Investments: Board designated investments are investments of the Hospital set aside by the board of trustees for future capital improvements and for research and development.

Restricted Assets: The primary government's restricted assets are composed of the unspent proceeds of certain borrowings that are restricted for use in specified economic development activities and capital projects, as well as deposits and investments held at certain financial institutions throughout the County to support the County's Housing Enhancement Loan Program (H.E.L.P.), which allows homeowners in County communities to borrow money from participating financial institutions to repair or remodel their homes or rental property at below market interest rates. Included in the Discretely Presented Component Unit column are restricted assets consisting of investments restricted by donors, assets under the control of the bond trustee that are used for payment of principal and interest on the Hospital's bonds when due and assets administered by a trustee for the Hospital's self-insurance and workers' compensation trust accounts.

Capital Assets: Capital assets, which include land, land improvements, utility plant, buildings, structures and improvements, furniture, fixtures and equipment, vehicles and infrastructure assets (primarily bridges constructed and maintained by the County), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements to the extent the County's capitalization threshold is met. The County defines capital assets as assets with an estimated useful life in excess of 4 years and an individual cost of more than \$9,000. Assets are recorded at historical cost or estimated historical cost if historical cost is not available. Contributed capital assets are recorded at their estimated fair market value at the date contributed.

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.

Cost for maintenance and repairs are expensed when incurred. However, costs for repairs and upgradings that materially add to the value of the life of an asset and meet the above criteria are capitalized.

The County and the Component Unit depreciates capital assets on a straight-line basis using the following estimated useful lives:

Land improvements	5 to 20 years
Utility plant	20 to 50 years
Buildings, structures and improvements	5 to 40 years
Furniture, fixtures and equipment	3 to 22 years
Vehicles	4 to 9 years
Infrastructure	20 to 69 years

Capitalization of Interest: The County's policy is to capitalize interest on construction projects in the proprietary funds until substantial completion of the project. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. During 2003, the County capitalized interest amounting to \$.1 million.

Compensated Absences: The County records accumulated unpaid sick, vacation and overtime pay benefits as accrued wages and benefits payable when earned by employees. For Governmental funds, the portion of the liability, which is not currently due and payable, is not reported. In the government-wide financial statements and for proprietary funds, the entire amount of compensated absences (current and noncurrent) is reported as a liability. The County utilizes the termination payments method to determine the liabilities for compensated absences as defined in GASB Statement No. 16.

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

Ohio law requires that vacation time not be accumulated for more than three years. Normally, all vacation time is to be taken in the year available unless administrative approval for carry-over is obtained. Sick time not taken may be accumulated until retirement. Employees with a minimum of ten years of service are paid one-fourth of accumulated sick time at the employee's current wage rate upon retirement up to a maximum of thirty days. Certain agencies of the County that are not under the control of the Board of County Commissioners may have slightly different policies for compensated absences.

Net Patient Service Revenue: Net patient service revenue of the Hospital is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Hospital's classification of patients under the Medicare and Medicaid programs and the appropriateness of their admission are subject to an independent review by a peer review organization. Differences between the estimated amounts accrued at interim and final settlements are reported in the Statement of Revenues, Expenses and Changes in Net Assets in the year of settlement. The Hospital recorded a favorable adjustment of \$9.4 million in 2003 and a favorable adjustment of \$8.2 million in 2002, due to prior year retroactive adjustments to amounts previously estimated.

Net revenue from the Medicare and Medicaid programs accounted for approximately 24% and 32%, respectively, of the Hospital's net patient service revenue for the year ended December 31, 2003. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. The Hospital believes that an adequate provision has been made in the financial statements for any adjustments that may result from final settlements.

Charity Care: Throughout the admission, billing and collection processes, certain patients are identified by the Hospital as qualifying for charity care. The Hospital provides care to these patients without charge or at amounts less than its established rates. The charges foregone for charity care provided by the Hospital, totaling \$108.2 million, represents 11.2% of gross charges in 2003, and are not reported as revenue. The Hospital accepts certain indigent Ohio residents and all residents from the County regardless of their ability to pay.

Encumbrances: Encumbrance accounting allows for the reservation of appropriations to provide for purchase commitments pertaining to purchase orders, contracts and other commitments. Encumbrances are closed to unreserved fund balance/unrestricted net assets at year-end and are re-encumbered at the beginning of the following year.

Interfund Transactions: During the normal course of operations, the County has numerous transactions between funds including transfers of resources to provide services and construct assets. Interfund transactions are generally classified as transfers in the accompanying financial statements. Transfers out are further categorized as transfers for debt retirement or other purposes. Transfers for debt retirement represent monies transferred to the Debt Service fund. Other transfers represent all other transfers out.

Fund Balance: In the governmental fund financial statements, the County records reservations of portions of fund balances that are legally segregated for specific future uses or do not represent available, spendable resources and, therefore, cannot be appropriated for expenditures. Designations of fund balance represent tentative management plans that are subject to change.

Risk Management: The County has implemented GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. Employees' health insurance is provided through a commercial insurance program. The County pays a premium to the insurance providers without additional risk to the County. The County maintains an Internal Service fund to account for the self-insurance of workers' compensation benefits through a retrospective rating plan with the State of Ohio. The County recognizes a liability for self-insured claims if information prior to the issuance of the general purpose financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. In addition, the County has designated a portion of the fund balance of its General fund, pursuant to Ohio law, to provide for claims and judgements not covered by the various County insurance policies.

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

New Accounting Standards: During May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which clarifies existing accounting guidance and provides greater consistency in accounting for organizations that are closely related to a primary government. The standard, which is effective for fiscal years beginning after June 15, 2003, provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a state or local government. The County has not completed an analysis of the impact of this statement on its reported financial condition and results of operations.

During March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No.3)*. This statement amends GASB Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principal areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. The County and the Component Unit elected the early adoption of this statement in 2003 and the new disclosures are reflected in Note C.

During November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. Under provisions of this statement, a capital asset is considered impaired when its service has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The provisions of this statement are effective for fiscal periods beginning after December 15, 2004. The County has not determined the impact, if any, that this statement will have on its financial statements.

NOTE C - Cash and Investments

Cash and Investments:

Pooled Cash and Investments: Certain monies of the General fund, certain Agency funds and the Hospital are deposited and maintained in individual segregated bank accounts or invested in specifically segregated investments. All other funds of the County are held in a common group of bank accounts and investments. Collectively, these bank accounts and investments represent the Pooled Cash and Investments account. Amounts reported as cash and investments for the segregated funds and the pooled funds principally consist of bank balances, certificates of deposit, United States Treasury Notes, U.S. Agency obligations, municipal obligations of political subdivisions of the State of Ohio and the State Treasurer's Investment Pool.

Certain funds have made disbursements from the pooled cash account in excess of their individual equity in the pooled cash account. These amounts are reported in the balance sheet – governmental funds and the statement of net assets – proprietary funds as "Due to other funds" and are offset against the General fund's equity in pooled cash and investments.

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

A summary of the Pooled Cash and Investments account balance by fund type at December 31, 2003, follows:

Fund Type	(Amounts in 000's)	
	Due To	Equity In
General.....	\$	\$ 99,295
Due From:		
Special Revenue	38,010	
Capital Projects	49,358	
Internal Service	<u>223</u>	<u>(87,591)</u>
Net General		11,704
Other major governmental		55,308
Other governmental		46,832
Major enterprise.....		6,930
Other enterprise.....		2,739
Internal Service.....		<u>55,673</u>
Total government-wide		179,186
Agency.....		<u>206,744</u>
Total Equity in Pooled Cash and Investments		\$ <u>385,930</u>

Amounts due to other funds by Special Revenue funds will be paid from collection of reimbursements under grant programs from the Federal and State governments. Amounts due to other funds by Capital Projects funds will be paid primarily from the issuance of general obligation bonds. Amounts owed by the Internal Service funds will be paid through collection of charges for services.

Deposits and Investments:

Primary Government

Deposits: At year-end, the carrying amount of the County's deposits, including certificates of deposit, was \$106 million and the bank balances were \$135.3 million. Any differences between the account bank balances and investments and the cash and investments recorded in the financial statements are due to normal reconciling items. Of the bank balances, \$2.4 million was covered by federal depository insurance and \$111.7 million was uncollateralized as defined by the GASB. The remaining \$21.2 million in deposits were, however, covered by collateral held by the pledging institution's agent in the name of the depository or the Federal Reserve Bank of Cleveland in pooled securities accounts that were not in the County's name, as permitted under Ohio law. The pooled securities serve as collateral for all public deposits held by the banks, including the County's deposits. The Ohio Revised Code (ORC) requires that the market value of securities held in the pool be at least equal to 105% of the public deposits held by the banks. Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. County policy is to utilize federally insured banks and savings institutions located in the County.

All monies are deposited in the Cuyahoga County banks designated by the Board of County Commissioners. Interim funds not needed for immediate expenditures are invested in interest bearing or non-interest bearing accounts or invested pursuant to the Statement of Investment Policy adopted by the Cuyahoga County Investment Advisory Committee.

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

Custodial risk is the risk that, in the event of bank failure the County's deposits might not be recovered. The County's bank deposits at December 31, 2003 totaled \$135.3 million and were subject to the following categories of custodial risk:

(Amounts in 000's)	
Uncollateralized	\$ 111,658
Collateralized with securities held by the pledging institution's trust department (O.R.C. 135.18) but not in the County's name	<u>21,233</u>
Total amount subject to custodial risk	132,891
Amount insured (FDIC Insurance)	<u>2,410</u>
Total bank balances	\$ <u>135,301</u>

Component Unit

Deposits: All monies are deposited to the Hospital's banks or trust companies designated by the Board of Trustees. Funds not needed for immediate expenditure may be deposited in interest bearing or non-interest bearing accounts or U.S. government obligations. Banks or trust companies shall furnish security for all such deposits, whether interest bearing or non-interest bearing, except that no such security is required for U.S. government obligations.

Custodial risk is the risk that, in the event of bank failure, the Hospital's deposits might not be recovered. The Hospital's bank deposits at December 31, 2003 totaled \$7.7 million and were subject to the following categories of custodial risk:

(Amounts in 000's)	
Uncollateralized	\$ 7,396
Collateralized with securities held by the pledging institution's trust department, but not in the Hospital's name	<u>75</u>
Total amount subject to custodial risk	7,471
Amount insured	<u>200</u>
Total bank balances	\$ <u>7,671</u>

At December 31, 2003, the financial statement carrying amount of the Hospital's deposits was \$7.8 million. The difference from the reported amount represents outstanding checks payable and normal reconciling items.

Primary Government

Investments: The County's Statement of Investment Policy, approved by the County's Investment Advisory Committee, authorizes investment by the County in investments permitted under the ORC. Eligible investments include U.S. Treasury Bills and Notes, backed by the full faith and credit of the U.S. government, obligations of U.S. government agencies, commercial paper, bankers acceptances, obligations of political subdivisions of the State of Ohio, certificates of deposit or savings or deposit accounts in an eligible institution defined in the ORC, State Treasurer's Investment Pool, shares in open-end no-load money market mutual funds registered under the Federal Investment Act of 1940 and repurchase agreements. Ohio statute prohibits the use of reverse repurchase agreements. County investment policy restricts repurchase agreements to durations of 30 days or less and all investments to maturities of not more than 5 years.

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

At December 31, 2003, of the fair value of the Primary Government investments were as follows:

Investment Type	(Amounts in 000's) Fair Value/Carrying Value
Repurchase Agreements	\$ 36,600
U. S. Treasuries.....	6,196
U.S. Government Agencies.....	273,739
Municipal Obligations.....	18,500
Commercial Paper	<u>23,981</u>
Total Primary Government Investments	\$ <u>359,016</u>

Interest Rate Risk. The ORC and the County's Statement of Investment Policy limits the purchase of securities to a stated maturity of no more than 5 years from the date of purchase unless the security is matched to a specific obligation or debt of the County. The purchase of any security with a maturity of greater than 5 years must be approved in advance by the Investment Advisory Committee. Further, the Statement of Investment Policy specifies that the portfolio be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific type of investment. Each investment type is limited to a maximum percentage of the total average portfolio.

Credit Risk. The ORC and the County's Statement of Investment Policy govern the minimum investment rating for each type of eligible investment security. Commercial Paper and Banker's Acceptances must have a minimum rating of "A-1 or "AA".

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has implemented several controls to mitigate custodial risk. All security transactions are executed on a delivery versus payment basis. All securities are delivered to the County's custodian bank before payment is made to the broker dealer for the security. Securities delivered to the custodian are held in the name of the County. If market conditions or liquidity needs require the sale of a security, the County will identify securities for sale that mitigate the amount of market loss. With repurchase agreements, the County requires that the counterparty deliver securities with a market value at least equal to 102% of the purchase price of the securities. If the counterparty fails to repurchase the securities per the terms of the agreement, the County reserves the right to sell the securities in the market.

Component Unit

At December 31, 2003, fair value of the County's Component Unit investments were as follows:

Investment Type	(Amounts in 000's) Fair Value/Carrying Value
Cash and investments	\$ 216,069
U. S. Treasuries.....	9,397
U.S. Governments	1,148
U.S. Government Agencies.....	47,784
Federal National Mortgage Association and Federal Home Loan Mortgage Corporation (Federal Pools)	9,840
Collateralized Mortgage Obligations.....	<u>2,476</u>
Total Hospital Investments	\$ <u>286,714</u>

Interest Rate Risk. The Hospital's investment policies limit investment portfolio to maturities of five years or less. All of the Hospital's investments at December 31, 2003 have effective maturity dates of less than five years.

Credit Risk. All of the Hospital's investments are rated AAA by Standard and Poor's. The Hospital's investment policies are governed by State of Ohio statutes that authorize the Hospital to invest in U.S. government obligations. The Collateralized Mortgage Obligations and Federal Mortgage pools are investments that are grandfathered from previous statutes that allowed such investments. These investments have an effective maturity date of less than one year.

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Hospital's investments, only the repurchase agreements are exposed to custodial risk. Repurchase agreements (included in the Federal Pools) at December 31, 2003 totaling \$8.9 million are uninsured, are not registered in the Hospital's name and are held by the financial institution's trust department.

NOTE D - Interfund Receivables and Payables

Individual interfund receivable and payable balances as of December 31, 2003 follow:

Fund Types	(Amounts in 000's)	
	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 109,912	\$ 1,652
Human Services		50,632
Health and Human Services Levies		150
County Board of Mental Retardation		747
Health and Community Services		10,500
Other governmental funds		<u>49,996</u>
Total Governmental Funds	109,912	113,677
Proprietary Funds:		
Enterprise Funds:		
Sanitary Engineer		65
Other enterprise funds	<u>31</u>	<u>11</u>
Total Enterprise Funds	31	76
Internal Service Funds:	<u>4,533</u>	<u>723</u>
Totals	\$ <u>114,476</u>	\$ <u>114,476</u>

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

A summary of interfund receivables/payables of the General fund follows:

Fund Types	(Amounts in 000's)	
	Receivables	Payables
Major Governmental Funds:		
Human Services	\$ 49,772	\$
Health and Human Services Levies	150	
Health and Community Services	<u>10,083</u>	_____
Total Major Governmental Funds	60,005	
Nonmajor Governmental Funds:		
Community Development	326	
Capital Projects Fund	<u>49,358</u>	_____
Total Nonmajor Governmental Funds	49,684	
Nonmajor Enterprise Funds:		
Cuyahoga County Information System		<u>16</u>
Total Nonmajor Enterprise Funds	—	<u>16</u>
Internal Service Funds:		
Maintenance Garage	223	36
Printing, Reproduction and Supplies		52
Communication		166
Self-Funded Workers' Compensation		<u>1,382</u>
Total Internal Service Funds	<u>223</u>	<u>1,636</u>
Totals	\$ <u>109,912</u>	\$ <u>1,652</u>

A portion of the receivable from the Human Services fund and the entire receivable from the Health and Community Services fund represent the amount by which the General fund subsidies exceed expenditures. The remaining receivable from Human Services and the entire receivable from Health and Human Services Levies, Community Development, Capital Projects and Internal Service funds represent amounts overdrawn from the pooled cash account which are owed to the General fund.

The amount payable to the Cuyahoga County Information System is for computer charges from various General fund agencies. The amounts payable to Internal Service funds represent unpaid charges at December 31, 2003.

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

NOTE E - Capital Assets

A summary of changes in capital assets follows:

	(Amounts in 000's)			Balance December 31, 2003
	Balance January 1, 2003	Additions	Deductions	
Governmental Activities:				
Capital assets, not being depreciated:				
Land.....	\$ 32,774	\$ 5,702	\$ 442	\$ 38,034
Construction in progress.....	87,291	20,420	16,889	90,822
Total capital assets, not being depreciated.....	<u>120,065</u>	<u>26,122</u>	<u>17,331</u>	<u>128,856</u>
Capital assets, being depreciated:				
Land improvements.....	3,361	166	27	3,500
Buildings, structures and improvements.....	466,704	19,112	5,748	480,068
Furniture, fixtures and equipment.....	43,485	4,428	1,888	46,025
Vehicles.....	15,100	756	967	14,889
Infrastructure.....	425,789	6,402		432,191
Total capital assets, being depreciated.....	<u>954,439</u>	<u>30,864</u>	<u>8,630</u>	<u>976,673</u>
Less accumulated depreciation for:				
Land improvements.....	1,036	332	19	1,349
Buildings, structures and improvements.....	210,741	13,856	4,630	219,967
Furniture, fixtures and equipment.....	33,299	3,054	1,802	34,551
Vehicles.....	11,329	1,220	956	11,593
Infrastructure.....	215,381	12,837		228,218
Total accumulated depreciation.....	<u>471,786</u>	<u>31,299</u>	<u>7,407</u>	<u>495,678</u>
Total capital assets, being depreciated, net.....	<u>482,653</u>	<u>(435)</u>	<u>1,223</u>	<u>480,995</u>
Governmental activities capital assets, net.....	<u>\$ 602,718</u>	<u>\$ 25,687</u>	<u>\$ 18,554</u>	<u>\$ 609,851</u>

	(Amounts in 000's)			Balance December 31, 2003
	Balance January 1, 2003	Additions	Deductions	
Business-type Activities:				
Capital assets, not being depreciated:				
Land.....	\$ 5,802	\$	\$ 50	\$ 5,752
Construction in progress.....	6,966	1,249	1,257	6,958
Total capital assets, not being depreciated.....	<u>12,768</u>	<u>1,249</u>	<u>1,307</u>	<u>12,710</u>
Capital assets, being depreciated:				
Land improvements.....	10,850			10,850
Utility plant.....	45,580	1,370	91	46,859
Buildings, structures and improvements.....	14,624	133		14,757
Furniture, fixtures and equipment.....	3,214		737	2,477
Vehicles.....	3,492	383	293	3,582
Total capital assets, being depreciated.....	<u>77,760</u>	<u>1,886</u>	<u>1,121</u>	<u>78,525</u>
Less accumulated depreciation for:				
Land improvements.....	7,492	352		7,844
Utility plant.....	25,251	882	67	26,066
Buildings, structures and improvements.....	6,634	705		7,339
Furniture, fixtures and equipment.....	2,640	114	573	2,181
Vehicles.....	2,706	321	293	2,734
Total accumulated depreciation.....	<u>44,723</u>	<u>2,374</u>	<u>933</u>	<u>46,164</u>
Total capital assets, being depreciated, net.....	<u>33,037</u>	<u>(488)</u>	<u>188</u>	<u>32,361</u>
Business-type activities capital assets, net.....	<u>\$ 45,805</u>	<u>\$ 761</u>	<u>\$ 1,495</u>	<u>\$ 45,071</u>

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

Component Unit:	Amounts in (000's)			Balance December 31, 2003
	Balance January 1, 2003	Additions	Deductions	
Capital assets, not being depreciated:.....				
Land.....	\$ 8,954	\$	\$	\$ 8,954
Construction in progress.....	18,667	46,242	2,866	62,043
Total capital assets, not being depreciated.....	<u>27,621</u>	<u>46,242</u>	<u>2,866</u>	<u>70,997</u>
Capital assets, being depreciated:.....				
Land improvements.....	7,699			7,699
Buildings, structures and improvements.....	372,032	2,157		374,189
Furniture, fixtures and equipment.....	187,380	4,907	456	191,831
Vehicles.....	7,359	23	15	7,367
Total capital assets, being depreciated.....	<u>574,470</u>	<u>7,087</u>	<u>471</u>	<u>581,086</u>
Less accumulated depreciation for:				
Land improvements.....	6,384	272		6,656
Buildings, structures and improvements.....	230,422	17,313	22	247,713
Furniture, fixtures and equipment.....	152,011	10,280	421	161,870
Vehicles.....	1,787	420	15	2,192
Total accumulated depreciation.....	<u>390,604</u>	<u>28,285</u>	<u>458</u>	<u>418,431</u>
Total capital assets, being depreciated, net.....	<u>183,866</u>	<u>(21,198)</u>	<u>13</u>	<u>162,655</u>
Component unit capital assets, net.....	<u>\$ 211,487</u>	<u>\$ 25,044</u>	<u>\$ 2,879</u>	<u>\$ 233,652</u>

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

Governmental Activities:	(Amounts in 000's)
General government.....	\$ 2,369
Judicial.....	7,981
Development.....	3
Social services.....	5,487
Health and safety.....	43
Public works.....	13,206
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets.....	2,210
Total depreciation expenses charged to governmental activities.....	<u>\$ 31,299</u>
Business-type Activities:	
Sanitary Engineer.....	\$ 1,565
County Airport.....	401
Huntington Park Garage.....	407
Cuyahoga County Information System.....	1
Total depreciation expenses charged to business-type activities.....	<u>\$ 2,374</u>

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

A summary of construction commitments for governmental activities at December 31, 2003 follows:

Function	(Amounts in 000's)		
	Authorized Project Amount	Expended as of December 31, 2003	Future Commitments
General government.....	\$ 5,750	\$ 3,631	\$ 2,119
Judicial.....	111,009	71,796	39,213
Social services.....	1,364	966	398
Health and safety.....	6,643	6,511	132
Public works.....	31,094	7,918	23,176
Totals.....	<u>\$ 155,860</u>	<u>\$ 90,822</u>	<u>\$ 65,038</u>

The future construction commitments are expected to be financed primarily through bonded debt.

A summary of construction commitment for business-type activities at December 31, 2003 follows:

Business-type Activity	(Amounts in 000's)		
	Authorized Project Amount	Expended as of December 31, 2003	Future Commitments
Sanitary Engineer.....	\$ 10,422	\$ 6,831	\$ 3,591
Airport.....	551	127	424
Totals.....	<u>\$ 10,973</u>	<u>\$ 6,958</u>	<u>\$ 4,015</u>

The future construction commitments are expected to be financed primarily through special assessments and grants.

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

NOTE F - Debt and Other Obligations

Notes Payable and Long-Term Liabilities:

A summary of the County's notes payable and long-term liabilities at December 31, 2003 is provided below:

(Amounts in 000's)							
Year Issued	County Obligation, (Original Issue Amount)	Interest Rate	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Governmental Activities:							
	Compensated Absences.....		\$ 20,105	\$ 1,277		\$ 21,382	\$ 2,138
	2001 Special Termination Benefits-Due thru 2007.....	7.75%	69,293		16,779	52,514	17,416
Various	Capital Lease Obligations-Due thru 2023.....		26,345		1,215	25,130	1,319
	1999 Installment Purchase Agreement-Due thru 2009, [\$17,665].....	5.26%-5.75%	13,695		13,695		
	2003 Installment Purchase Agreement-Due thru 2010, [\$13,742].....	3.72%-5.75%		13,742	2,044	11,698	1,890
	Total Installment Purchase Payable.....		13,695	13,742	15,739	11,698	1,890
Loans Payable:							
	1989 Environmental Protection Agency-Due thru 2007, [\$494].....	None	110		28	82	28
	1997 Ohio Department of Development Loan						
	- Due thru 2016, [\$5,000].....	None	3,500		250	3,250	250
	Total Loans Payable.....		3,610		278	3,332	278
General Obligation Bonds-Unvoted:							
	1983 Building Improvements-Due thru 2004(1).....	9.375%	1,750		875	875	875
	1983 Health Service Facilities-Due thru 2004(1).....	9.375%	740		370	370	370
	1983 Auditorium-Due thru 2004(1).....	9.375%	350		175	175	175
	1983 Street Improvements-Due thru 2004(1).....	9.375%	100		50	50	50
	1983 Sanitary Improvements-Due thru 2004(1).....	9.375%	400		200	200	200
	1993 Various Purpose Refunding Bonds-Due thru 2012, [\$75,395].....	2.20%-5.25%	31,870		3,285	28,585	3,435
	1993 Rock and Roll Hall of Fame-Due thru 2018, [\$12,000].....	2.75%-5.65%	9,265		375	8,890	395
	1995 Various Purpose Improvements-Due thru 2015, [\$35,145].....	3.75%-5.50%	20,915		2,415	18,500	2,525
	2000 Capital Improvements-Due thru 2020, [\$96,615].....	4.30%-5.75%	90,925		3,275	87,650	3,420
	Total General Obligation Bonds-Unvoted.....		156,315		11,020	145,295	11,445
General Obligation Bonds-Voted:							
	1991 Jail II Series - Due thru 2006, [\$5,086].....	6.95%-7.05%	5,086			5,086	1,570
	1993 Jail Facilities and Various Purpose Refunding Bonds						
	-Due thru 2013, [\$65,254].....	2.20%-5.25%	27,744		5,875	21,869	2,280
	Total General Obligation Bonds-Voted.....		32,830		5,875	26,955	3,850
	Total Tax Supported Bonds.....		189,145		16,895	172,250	15,295
Revenue Bonds:							
	1992 Gateway Economic Development-Due thru 2022, [\$40,000].....	Variable	32,000		1,600	30,400	1,600
	1992 Gateway Economic Development-Due thru 2022, [\$35,000].....	8.625%	35,000			35,000	
	1994 Gateway Economic Development-Due thru 2023, [\$45,000].....	4.45%-7.60%	36,055		1,440	34,615	1,535
	1998 Brownfield Economic Redevelopment						
	-Due thru 2018, [\$15,465].....	5.31%-6.75%	13,640		515	13,125	540
	2000 Shaker Square Redevelopment-Due thru 2030, [\$2,855].....	6.750%	2,845		10	2,835	10
	Total Revenue Bonds.....		119,540		3,565	115,975	3,685
	Total Bonds Payable.....		308,685		20,460	288,225	18,980
Capital Projects Fund:							
Bond Anticipation Notes:							
	2002 Capital Improvement Notes-Due in 2003, [\$2,440].....	1.650%	2,440		2,440		
	2003 Capital Improvement Notes-Due in 2004, [\$2,440].....	2.000%		2,440		2,440	2,440
	Total Capital Projects Fund.....		2,440	2,440	2,440	2,440	2,440
Internal Service Funds:							
	Compensated Absences.....		1,588	261		1,849	185
	2001 Special Termination Benefits-Due thru 2007.....	7.750%	10,769		2,644	8,125	2,729
Various	Capital Lease Obligations-Due thru 2008.....		149	94	105	138	47
	Total Internal Service Funds.....		12,506	355	2,749	10,112	2,961
	Total Governmental Activities.....		\$ 456,679	\$ 17,814	\$ 59,660	\$ 414,833	\$ 47,422

(1) Combined original issue amount \$34,395

(CONTINUED)

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Amounts in 000's)							
Year Issued	County Obligation, [Original Issue Amount]	Interest Rate	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Business-type Activities:							
	Compensated Absences.....		\$ 344	\$ 17		\$ 361	\$ 36
2001	Special Termination Benefits-Due thru 2007.....	7.75%	2,020		474	1,546	497
	Various Loans Payable.....	4.04% - 7.00%	6,045	291	320	6,016	328
Bond Anticipation Notes:							
2002	Capital Improvement -Due in 2003, [\$1,155].....	1.65%	1,155		1,155		
2002	Olmsted Township Water and Sewer, Due in 2003 [\$4,928].....	2.00%	4,928		4,928		
2003	Capital Improvement Notes-Due in 2004, [\$1,082].....	2.00%		1,082		1,082	1,082
2003	Olmsted Township Water and Sewer, Due in 2004 [\$5,028].....	2.00%		5,028		5,028	5,028
	Total Notes Payable.....		6,083	6,110	6,083	6,110	6,110
Self-Supporting Bonds Payable:							
1992	Sewer Improvement-Due thru 2012, [\$2,360].....	3.50%-6.50%	1,520		1,520		
2000	Sewer Improvement-Due thru 2020, [\$1,040].....	4.55%-5.55%	975		35	940	35
2003	Sewer Improvement-Due thru 2012 [\$1,500].....	2.00%-3.55%		1,500		1,500	155
	Total Self-Supporting Bonds Payable.....		2,495	1,500	1,555	2,440	190
	Total Business-type Activities.....		<u>\$ 16,987</u>	<u>\$ 7,918</u>	<u>\$ 8,432</u>	<u>\$ 16,473</u>	<u>\$ 7,161</u>
Component Unit							
	Compensated absences.....		\$ 20,516	\$ 3,908	\$ 1,791	\$ 22,633	\$ 1,862
	Amounts due third party payors (See Note B).....		45,588	(440)	2,604	42,544	9,455
	Claims payable (See Note J).....		36,667	13,419	8,351	41,735	19,954
Capital Lease Obligation:							
Various	Equipment Obligations-Due thru 2007.....	4.958%-4.96%	7,619		3,081	4,538	2,368
2003	General and Professional Liability Note -Due in 2004.....	3.75%		3,400		3,400	3,400
Bonds:							
1997	Hospital Improvement and Refunding Revenue Bonds-Due Thru 2027, [\$70,000].....	3.90%-5.80%	54,839	198	4,195	50,842	4,400
1997	Hospital Refunding Revenue Bonds -Due thru 2019, [\$77,525].....	4.10%-5.50%	68,464	296	240	68,520	255
1999	Hospital Improvement Revenue Bonds -Due thru 2029, [\$56,995].....	6.125%-6.15%	56,798	8		56,806	
2003	Hospital Improvement Revenue Bonds -Due thru 2033, [\$30,545].....	Variable		30,545		30,545	535
	Total Bonds.....		180,101	31,047	4,435	206,713	5,190
	Total Component Unit.....		<u>\$ 290,491</u>	<u>\$ 51,334</u>	<u>\$ 20,262</u>	<u>\$ 321,563</u>	<u>\$ 42,229</u>

Capital Lease Information: The following summarizes future minimum lease payments under the capital leases, and the present values of net minimum lease payments for the Primary Government at December 31, 2003:

(Amounts in 000's)		
Year	Governmental Activities	Internal Service funds
2004.....	\$ 3,543	\$ 55
2005.....	3,499	47
2006.....	3,486	22
2007.....	3,514	22
2008.....	3,554	9
2009-2013.....	15,000	
2014-2018.....	7,338	
2019-2023.....	21	
Total Minimum Lease Payments.....	<u>39,955</u>	<u>155</u>
Amount Representing Interest.....	<u>(14,825)</u>	<u>(17)</u>
Present Value of Net Minimum Lease Payments.....	<u>\$ 25,130</u>	<u>\$ 138</u>

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

The following summarizes future minimum payments and the present values of net minimum lease payments for the Component Unit's equipment capital leases at December 31, 2003:

Year	(Amounts in 000's)	
	Equipment Obligation	
2004.....	\$	2,529
2005.....		780
2006.....		780
2007.....		780
Total Minimum Lease Payments.....		<u>4,869</u>
Amount Representing Interest.....		<u>(331)</u>
Present Value of Net Minimum Lease Payments.....	\$	<u><u>4,538</u></u>

As of December 31, 2003, the net book value of the capital assets recorded as capital leases in the governmental activities funds and Component Unit were \$46.2 million and \$10.8 million, respectively.

Future Debt Service Requirements: A summary of the County's future debt service requirements for its outstanding long-term bonds, notes, installment purchase agreement and loans payable at December 31, 2003 are as follows:

Due In	(Amounts in 000's)				
	Governmental Activities		Business-type Activities		
	Principal	Interest	Principal	Interest	
2004.....	\$ 23,588	\$ 19,996	\$ 6,628	\$ 360	
2005.....	20,335	19,624	527	227	
2006.....	19,470	18,768	546	213	
2007.....	22,016	14,655	555	199	
2008.....	18,108	18,456	575	184	
2009-2013.....	79,958	79,314	2,878	647	
2014-2018.....	70,370	30,736	2,691	364	
2019-2023.....	50,620	8,820	166	13	
2024-2028.....	950	235			
2029-2030.....	280	24			
Totals.....	<u>\$ 305,695</u>	<u>\$ 210,628</u>	<u>\$ 14,566</u>	<u>\$ 2,207</u>	

In May 2003 the County Commissioners authorized by resolution a loan in the amount of \$10 million from the Ohio Department of Transportation (ODOT). The money is provided through the state infrastructure bank fund, which are federal funds, to be used to improve a road and reconstruct a bridge. The loan will carry a 0% interest rate for the first 12 months and a 3% rate thereafter, through 2013. The County pledges its motor vehicle license tax as the source of repayment. The County has not received any of this funding in 2003, therefore, a liability has not been recorded.

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

Due In	(Amounts in 000's) Component Unit Principal and Interest
2004.....	\$ 15,304
2005.....	15,348
2006.....	15,346
2007.....	15,371
2008.....	15,388
2009-2013.....	77,158
2014-2018.....	77,685
2019-2023.....	60,295
2024-2028.....	56,881
2029-2033.....	17,918
Total.....	\$ 366,694
Amount representing interest.....	(150,654)
Unamortized difference between reacquisition price and the net carrying amount of previously defeased debt.....	(7,470)
Unamortized discount.....	(1,857)
Present value of net minimum payments.....	\$ 206,713

Component Unit Swap Agreement: The Component Unit entered into various interest rate swap agreements with a total outstanding notional amount of \$142.5 million. The Hospital pays a rate equal to the Bond Market Association Municipal Index (the BMA SWAP Index), an index of seven-day high-grade tax-exempt variable rate demand obligations or a fixed rate of 1.5% or 3.504%. In return, the Hospital receives a fixed rate of 5.41% or a rate based on the BMA SWAP Index or 75% of the London Interbank Offered Rate (LIBOR). The interest rate swap arrangement with an effective date of March 2003 and a notional amount of \$30.5 million includes an option whereby the counterparty can terminate the transaction. The net interest savings for 2003 was \$1.6 million and is included as a reduction to interest expense. At December 31, 2003, the fair value of the swap agreements based on current settlement prices is \$3.6 million due from the counterparty and is included in other assets. The decrease of \$.8 million in the fair value of the net swap assets during 2003 is recorded as unrestricted investment earnings in the statement of activities. Only the net difference is exchanged with the counterparty and the notional amount is not exchanged.

Long-Term Bonds: All long-term general obligation bonded debt of the Primary Government is retired from the Debt Service fund, except bonds payable from Enterprise funds which will be paid from cash flows generated by these funds. General obligation bonds are secured by the County's ability to levy a voted or unvoted property tax within limitations of Ohio law. Self-supporting bonds, except revenue bonds, are secured by an unvoted property tax levy; however, each bond indenture provides for principal and interest to also be paid from user charges. The revenue bonds are secured by non-tax revenue of the County.

Under the Uniform Bond Act of the Ohio Revised Code, the County has the capacity to issue approximately \$157.8 million of additional unvoted general obligation debt.

Accrued Wages and Benefits: County employees become eligible to receive one-fourth of their accumulated unpaid sick leave upon retirement after a minimum of ten years of service. Certain agencies may have policies that vary with regard to payment of accrued sick leave upon retirement. Termination of employment must be by retirement to receive accumulated unpaid sick leave. Employees with a minimum of one year of service become vested in accumulated unpaid vacation time. Vacation time may not be accumulated for more than three years. Unused vacation time is payable upon termination of employment. In general, employees are eligible to be paid for unpaid overtime and unused compensatory time upon termination of employment. All sick, vacation, compensatory and overtime payments are made at the employee's current wage rate. Balances for compensated absences are kept at various department levels, therefore, the data is only combined annually for reporting purposes. Since data for increases and decreases in compensated absences is not available, only the net change is reported.

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

Payments for compensated absences are made from the following major funds: The General fund, Human Services, County Board of Mental Retardation, Health and Community Services and the following non-major funds: Motor Vehicle Gas Tax, Community Development and Other.

The accumulated unpaid sick, vacation, compensatory and overtime hours for which the \$23.2 million liability recorded in the statement of net assets (Governmental Activities) at December 31, 2003 was based were as follows:

Governmental Activities	Hours	Amount (in 000's)
Sick.....	28,648	\$ 539
Vacation.....	1,122,184	21,092
Overtime.....	85,150	1,600
Total.....	<u>1,235,982</u>	<u>\$ 23,231</u>

The accumulated unpaid sick, vacation, compensatory and overtime hours for which the \$.4 million liability recorded in the statement of net assets (Business-type Activities) at December 31, 2003 was based were as follows:

Business-type Activities	Hours	Amount (in 000's)
Sick.....	515	\$ 9
Vacation.....	18,237	324
Overtime.....	1,562	28
Total.....	<u>20,314</u>	<u>\$ 361</u>

Special Termination Benefits: In May 2001, the Board of County Commissioners authorized the purchase of additional service credit (equal to 20% of accumulated service time up to a maximum of 5 years) under OPERS (see Note G) for certain employees close to retirement as an incentive to retire early. The Early Retirement Incentive Program (ERIP) was approved for participating departments and agencies of the County by agreement with the County Commissioners. Eligible employees had until June 30, 2002 to elect to participate in the program. As of June 30, 2002, 1,127 employees had accepted the program resulting in a total cost of \$101.3 million payable to OPERS. In addition, the County Board of Mental Retardation (CBMR) adopted a plan in 1999 which allows for participation by eligible CBMR employees in OPERS and STRS. Payments for purchased credit were paid in full prior to an employees participation before 2002. In 2002, CBMR chose to make payments on a quarterly basis for OPERS and annual basis for STRS. The activity related to the CBMR ERIP is included with the governmental activities amounting to \$1.2 million. This cost and the related obligation allocated to the County's funds and Governmental Activities are as follows:

(Amounts in 000's)	
Governmental Activities.....	\$ 86,458
Internal Service Funds.....	13,556
Business-type Activities.....	2,496
Total.....	<u>\$ 102,510</u>

Payments for special termination benefits are made from the following major funds: The General fund, Human Services, County Board of Mental Retardation, Health and Community Services and the following non-major funds: Motor Vehicle Gas Tax, and Other.

Payments are made to OPERS in quarterly installments over the life of the purchased service credit. The following summarizes the future payment requirements to fund the cost of the special termination benefits for the employees who had elected to participate in the plan at December 31, 2003:

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

Year	Governmental Activities	Business-type Activities
2004.....	\$ 24,358	\$ 605
2005.....	23,293	592
2006.....	18,274	467
2007.....	2,568	88
Total Termination Benefit Payments.....	<u>68,493</u>	<u>1,752</u>
Amount Representing Interest.....	<u>(7,854)</u>	<u>(206)</u>
Net Amount.....	<u>\$ 60,639</u>	<u>\$ 1,546</u>

Advance Refunding of General Obligation Bonds: On March 19, 1993, the County issued general obligation bonds amounting to \$140.7 million with interest rates ranging from 2.2% to 5.25%. The issues consisted of voted and unvoted refunding debt as well as new voted debt. The unvoted refunding debt amounted to \$75.4 million, the voted refunding debt amounted to \$49.4 million and the additional voted debt amounted to \$15.9 million. The refunding debt proceeds were used to advance refund outstanding debt of \$115.6 million which consisted of \$49.6 million and \$66 million of voted and unvoted debt, respectively. The County advance refunded the bonds to reduce its total debt service payments over the next 20 years by \$1.5 million and \$2.9 million on voted and unvoted debt, respectively, and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1.2 million and \$2.2 million on voted and unvoted debt, respectively. The aggregate amount of the defeased General Obligation Bonds outstanding at December 31, 2003 is \$27.9 million. The remaining proceeds from the issuance were used to fund various capital projects.

Current Refunding of Revenue Bonds: In February of 2004, the outstanding portion of the \$40 million variable rate issue for the Taxable Economic Development Revenue Bonds Series 2004B (Gateway Arena Project) was refunded and replaced with refunding bonds. The original issue was split into two series, a \$10.75 million Series 2004A fixed rate bond and a \$19.2 million Series 2004B variable rate bond. The decision to fix only a portion of the refunded issue was made to provide some diversity to the County's debt portfolio. Leaving a large portion of the issue with a variable rate enabled the county to potentially realize increased interest savings as long-term rates continue to exhibit historically low trends.

The outstanding portion of the Brownfield Economic Development Revenue Bonds was refunded in February 2004 as part of the County's debt refinancing strategy. The original issue was refunded and replaced with a \$12.88 million Series 2004C issue. The average weighted rate of the new Brownfield Refunding issue is expected to be 4.57% over the remaining life of the bonds. Refunding at the lower rate will result in a 30 percent savings in interest costs related to this issue.

Refunding of Installment Purchase Agreement: A portion of the Energy Conservation Measures, House Bill 300, Installment Purchase Agreement was refinanced in April 2003. The interest rate was reduced from 5.41% to 3.72%.

Advance Refunding of Component Unit Bonds: Effective February 1, 1997, the County issued \$70 million of Hospital Improvement and Refunding Revenue Bonds Series 1997. The proceeds of the Series 1997 Bonds were used to advance refund \$20.9 million of Series 1989 Bonds scheduled to mature on February 15, 2007; to advance refund \$2.4 million, \$2.6 million and \$2.7 million of the Series 1989 Bonds stated to mature on February 15, 1999, February 15, 2000 and February 15, 2001, respectively; to finance the construction of various improvements and additions to the MetroHealth Medical Center; and to pay costs of issuance of the Series 1997 Bonds.

Effective November 1, 1997, the County issued \$77.5 million of Hospital Refunding Revenue Bonds, Series 1997A. The proceeds of the Series 1997A Bonds were used to advance refund \$73.7 million of Series 1989 Bonds scheduled to mature on February 15, 2019. The 1997 refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$9.8 million. This unamortized difference (\$7.4 million at December 31, 2003) is reported in the accompanying financial statements as a deduction from long-term debt and is being charged to operations through the year 2019 using the effective interest method.

Effective September 1, 1999, the County issued \$57 million of Hospital Improvement Revenue Bonds, Series 1999 (The MetroHealth System Project) (Series 1999 Bonds). The proceeds of the Series 1999 Bonds are being used to finance the construction of a 150-bed long-term care facility and acquire, construct, renovate, equip and improve operating rooms and other hospital facilities.

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

Effective March 13, 2003, the County issued \$30.5 million of Hospital Improvement Variable Rate Demand Revenue Bonds, Series 2003 (The MetroHealth System Project) (Series 2003 Bonds). The proceeds of the Series 2003 Bonds are being used to pay costs of constructing and equipping an administrative building and the Critical Care Pavilion. The bonds bear interest at a variable rate (not to exceed 10%) determined weekly as established by the Remarketing Agent based on current market values for similar bond offerings and are due at various dates until 2033. The rate at December 31, 2003 was 1.32%.

In connection with the issuance of the Series 2003 Bonds, the Hospital entered into a Reimbursement Agreement with a bank. Under the terms of the Reimbursement Agreement, the Hospital entered into an Irrevocable Letter of Credit (Letter of Credit) issued by a local bank that expires on March 22, 2008. Under the terms of the Letter of Credit, the Trustee will be entitled to draw amounts necessary to make principal and interest payments. The Letter of Credit is subject to various financial covenants.

Other Financial Obligations

Operating Leases: During the year 2003, the County had approximately 78 operating leases for office space and equipment. At December 31, 2003, there were 53 remaining with future obligations. The operating lease agreements range in length from one month to ten years. Total rental payments for 2003 amounted to \$6.4 million, of which \$.9 million was expended from proprietary funds. Rental obligations for the years 2004 through 2008 are \$10.7 million of which \$3.6 million represents the amount to be paid from proprietary funds. Rental payments for the years 2004, 2005, 2006, 2007 and 2008 will be \$4 million, \$2.2 million, \$2 million, \$1.5 million and \$1 million, respectively. Operating lease payments are recorded as an expenditure in the period to which they apply.

The Hospital has entered into operating lease agreements for a parking facility, medical space and office space which expire through 2020. Certain leases contain rent escalation clauses and renewal options for additional periods ranging from two to five years. Rent expense totaled \$1.4 million in 2003. Minimum rental commitments under operating leases extending beyond one year at December 31, 2003 are as follows: 2004 - \$1.5 million; 2005 - \$12.3 million; 2006 - \$1 million; 2007 - \$1 million; 2008 - \$1 million, 2009-2020 - \$6.6 million.

Gateway Loan Guarantees: The County currently guarantees the repayment of \$30.7 million of bonded debt of Gateway. This amount represents the outstanding par amount of bonds of two issues, the original outstanding amount of which was \$38.4 million of Subordinate Excise Tax Revenue Bonds and \$31 million of Stadium Revenue Bonds. As of December 31, 2003, the outstanding balance on these Gateway bond guarantees, including future interest payments, was \$8.2 million on the Subordinate Excise Tax Revenue Bonds (payable through September 1, 2005), and \$33.6 million on the Stadium Revenue Bonds payable through September 15, 2014). The County has not been required to make any payments on behalf of the Gateway bonds. In April 2004, Gateway refinanced the Subordinate Excise Tax Revenue Bonds.

Conduit Debt Obligations: Periodically, the County has issued Industrial Development, Hospital Revenue and Mortgage Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial, commercial and hospital facilities deemed to be in the public interest. These bonds are secured by the property financed and are payable solely from payment received on the underlying mortgage loans. The bonds do not constitute a debt or pledge of the full faith and credit of the County and, therefore, are not reported in the financial statements. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

As of December 31, 2003, the aggregate principal amounts outstanding for the Industrial Development, Hospital Revenue and Mortgage Revenue Bonds were approximately \$146.5 million, \$1.9 billion and \$214.4 million, respectively.

NOTE G - Pension and Retirement Plans and Other Post-employment Benefits

Primary Government

OPERS PLAN DESCRIPTION: All full-time employees of the County, except teachers employed by the County Board of Mental Retardation, participate in the Ohio Public Employees Retirement System (OPERS). Employee retirement benefits are available for substantially all employees under three separate retirement plans administered by the OPERS. The plans are the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

plan; the Member-Directed Plan – a defined contribution pension plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, survivor and post-retirement healthcare benefits, to the Traditional and Combined Plan members however, healthcare benefits are not statutorily guaranteed. Participants in the Member-Directed Plan do not qualify for ancillary benefits. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefits to the OPERS Board of Trustees. OPERS issues a stand-alone financial report. A copy of the report may be obtained by making a written request to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085.

OPERS FUNDING POLICY: The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 8.5% of covered payroll, except for law enforcement employees. In January 2001, House Bill 416 divided the OPERS law enforcement program into two separate divisions with separate employee contribution rates and benefits as follows: (1) The law enforcement classification which consists of sheriffs and deputy sheriffs with an employee contribution rate of 10.1% and (2) all other members of the law enforcement program who were placed in a newly named public safety division and are required to contribute 9%. The employer contribution rate is 13.55% of covered payroll, except for law enforcement which is 16.7%. The total employer contributions from the County to OPERS (excluding amounts paid in 2003, 2002 and 2001 for ERIP – See Note F) for the years 2003, 2002, and 2001 were \$34.4 million, \$47.9 million and \$51.5 million, respectively, equal to the required contributions for each year. In 2003, OPERS offered to change its billing cycle from quarterly to monthly in exchange for a deferral of the 2nd quarter of 2003 employer contributions. The County agreed to participate and deferred paying its April 2003, May 2003 and June 2003 employer charges until December 2004, December 2005 and December 2006, respectively. The deferral amounts to \$3.4 million for April 2003, \$5.2 million for May 2003 and \$3.4 million for June 2003.

OPEB BENEFITS PROVIDED THROUGH OPERS: In addition to the pension benefits described previously, OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The portion of the employer contribution rate used to fund postretirement health care for both 2003 and 2002 was 5% of covered payroll. During 2003 and 2002, \$12.6 million and \$17.6 million, respectively, of the County's total contribution to OPERS was used for postretirement benefits. At December 31, 2003, the County was not responsible for paying premiums, contributions, or claims for OPEB under OPERS for any retirees, terminated employees or other beneficiaries.

The OPEB is advance-funded on an actuarially determined basis through employer contributions and investment earnings thereon. The principal assumptions used for the 2002 actuarial computations (latest available) were as follows:

Funding Method: The entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

Assets Valuation Method: All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

Investment Return: The investment return assumption for 2002 was 8%.

Active Employee Total Payroll: An annual increase of 4%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from .5% to 6.3%.

Health Care: Health care costs were assumed to increase 4% annually.

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

At December 31, 2003, (latest information available), there were 364,881 active participants contributing to the plan. The County's actuarially required OPEB contribution for 2002 equaled the actual amount contributed to OPERS by the County. In addition, at December 31, 2002, the actuarial value of the plan's net assets available for OPEB approximated \$10 billion and the actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial method used, were \$18.7 billion and \$8.7 billion, respectively.

The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. As of January 1, 2003, newly hired employees with no prior service credit accumulated toward health care coverage will be subject to the "Health Care Choices Plan". The Health Care Choices Plan uses a graded scale from 10 to 30 years to calculate a monthly health care benefit.

STRS PLAN DESCRIPTION: Teachers employed by the County Board of Mental Retardation (CBMR) participate in the State Teachers Retirement System Of Ohio (STRS). STRS is a cost-sharing multiple-employer retirement plan. Employee benefits are available under three separate retirement plans administered by STRS. The plans are the defined benefit plan, the defined contribution plan and a combined plan, which allows member contributions to be allocated by members and employer contributions to be used to fund a defined benefit payment. STRS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Chapter 3307 of the Ohio Revised Code assigns the authority to establish and amend benefits to the STRS Board of Trustees. STRS issues a stand-alone financial report. A copy of the report may be obtained by making a written request to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

STRS FUNDING POLICY: The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees were required to contribute 9.3% of covered payroll. Effective July 1, 2003, the employee contribution rate increased to 10% of covered payroll. The employer contribution rate is 14% of annual covered payroll. The employer contributions from the County Board of Mental Retardation to STRS for the years 2003, 2002 and 2001 were \$1.9 million, \$2 million and \$1.9 million, respectively, equal to the required contributions for each year.

OPEB: STRS also provides OPEB to plan members. The qualifications required to receive benefits replicate OPERS. STRS has established a Health Care Reserve fund to accumulate monies for OPEB. The portion of the employer contribution rate allocated to the Health Care Reserve fund was 1% of covered payroll. The County's contributions for OPEB for the years 2003 and 2002 were \$.1 million and \$.4 million, respectively, equal to the required contributions for each year.

The balance in the Health Care Reserve Fund was \$2.8 billion at June 30, 2003 (latest information available). For the year ended June 30, 2003, the net health care costs paid by STRS were \$352.3 million and there were 108,294 eligible recipients.

Component Unit

Retirement and OPEB benefits for Hospital employees are provided through OPERS in the same manner as employees of the County's primary government. The Hospital's total contributions to OPERS for the years 2003, 2002 and 2001 were \$36.4 million, \$34.6 million and \$32.5 million, respectively, equal to the required contributions for each year. The portion of the Hospital's total contribution to OPERS which was used to fund OPEB for the years 2003 and 2002 was \$13.4 million and \$12.8 million, respectively.

NOTE H - Deficit Balances

At December 31, 2003, the Capital Projects, Central Custodial Services and Communications funds had net assets deficits of \$53.7 million, \$6.5 million and \$.5 million, respectively. The deficit in Capital Projects fund will be eliminated by a future debt issue. The Central Custodial Services and Communications funds are Internal Service funds. The deficits will be eliminated through adjustment of the related fee schedules and subsidies as necessary.

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

NOTE I - Fund Equity

Reserves and Designations: The County segregates fund balances using two different account categories; reserved and designated. Two general types of reserved fund balance accounts are used. The first type indicates the portion of fund balance which is legally segregated for a specific future use. The second type indicates the portion of fund balance which does not represent available, spendable resources and is, therefore, not eligible to fund current year expenditures. Designations indicate the portion of the unreserved fund balance which management has earmarked for a specific future use. Designations are not legal segregations.

Reserve accounts used by the County include:

Reserved for Restricted Assets: This account represents the portion of the General fund's equity that includes certificates of deposit that support the County's Housing Enhancement Loan Program (H.E.L.P.) and the unspent proceeds of the County's Brownfield Economic Redevelopment bonds. At December 31, 2003, the balance in this account was \$33.7 million of which \$23.3 million represents the fund equity related to the certificates of deposit and \$10.4 million represents the fund equity related to the Brownfield Redevelopment bond proceeds.

Reserved for Loans Receivable: This account is used to separate the portion of fund equity that pertains to long-term loans receivable and is not available for current expenditure. At December 31, 2003, \$18 million has been reserved for loan repayments.

Reserved for Debt Service: This account is used to separate the portion of fund equity that must be used to fund principal and interest on Gateway Economic Development Revenue Bonds in the succeeding year as well as the equity balance in the Debt Service fund. At December 31, 2003, \$11 million has been reserved for debt service.

Designation accounts used by the County include:

Designated for Self-Insurance: This account is used to designate resources which management has earmarked to fund any claims or judgments against the County which are not covered by insurance. At December 31, 2003, \$2 million has been designated for self-insurance.

Designated for Proprietary Funds: This account is used to designate resources which management has earmarked to retire outstanding Enterprise and Internal Service funds' deficits. At December 31, 2003, \$7 million has been designated for future Internal Service funds' subsidies.

NOTE J - Risk Management and Other Contingencies

Primary Government

Litigation and Claims: There are certain pending and threatened lawsuits and other claims against the County. The County's management, after consultation with the County Prosecutor, is of the opinion that the potential uninsured claims against the County are not material to the County's combined financial statements.

Contingencies Under Grant Programs: The County participates in a number of Federal and State assisted grant programs. These programs are subject to financial and compliance audits by grantors or their representatives. The County believes that disallowed claims, if any, will not have a material adverse effect on the County's financial position.

Self-Insurance: The County has designated \$2 million of the fund balance of the General fund, pursuant to Ohio law, to provide monies for claims and judgements not covered by the various County insurance policies. Settled claims from risks covered by the County's insurance policies have not exceeded the insurance coverage for the past three fiscal years. Actual expenditures for claims and judgements against the County in 2003 and estimates for unsettled claims at December 31, 2003, including those incurred but not reported, were immaterial. The County is also self-insured with respect to unemployment and workers' compensation benefits. Self-insurance expenditures were immaterial for unemployment compensation in 2003. Since 1992, the County has maintained an Internal Service fund for its self-insured workers' compensation benefits administered through a retrospective rating plan with the State of Ohio. Prior to 1992, the County was fully insured for workers' compensation benefits. The County uses a payroll-based rate to charge

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

its various funds for workers' compensation benefits. These charges are contributed into the Self-Funded Workers' Compensation fund and are based on estimates needed to pay current claims and establish a reserve for claims incurred but not reported. Changes to the estimated claims payable recorded in the Self-Funded Workers' Compensation fund during the years ended December 31, 2003 and 2002 were:

Estimated Claims Payable	(Amounts in 000's)	
	2003	2002
Estimated claims payable beginning of year	\$ 17,654	\$ 18,590
Plus: Current year claims and changes in estimates	4,176	2,638
Less: Claim payments	<u>3,064</u>	<u>3,574</u>
Estimated claims payable end of year	\$ <u>18,766</u>	\$ <u>17,654</u>

Component Unit

Self-Insurance: The Hospital is self-insured for professional and patient care third party liability and workers' compensation benefits. For the professional and patient care liability, professional insurance consultants have been retained to determine funding requirements. Amounts funded for professional and patient care have been placed in an irrevocable, self-insurance trust account, which is being administered by a trustee.

Losses from asserted claims and from unasserted claims identified under the Hospital's incident reporting system are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. The reserve for estimated self-insured claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The changes in the reserve were as follows during the years ended December 31, 2003 and 2002:

Estimated Claims Payable	(Amounts in 000's)	
	2003	2002
Estimated claims payable beginning of year	\$ 36,667	\$ 29,471
Plus: Current year claims and changes in estimates	13,419	20,826
Less: Claim payments	<u>8,351</u>	<u>13,630</u>
Estimated claims payable end of year	\$ <u>41,735</u>	\$ <u>36,667</u>
Due within one year	\$ <u>19,954</u>	\$ <u>15,089</u>

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

NOTE K - Encumbrances

Encumbrance accounting is employed in all County funds during the normal course of operations for purchase orders and contract-related expenditures/expenses. Encumbrances outstanding at year-end are closed to unreserved fund balance/retained earnings and are re-encumbered at the beginning of the succeeding year.

At December 31, 2003, encumbrances outstanding in Governmental funds and Proprietary funds which were reappropriated in the 2004 budget were:

Fund Type	(Amounts in 000's)
General fund	\$ 16,257
Human Services fund	24,152
County Board of Mental Retardation fund	11,824
Health and Community Services fund	22,162
Other Governmental funds	89,286
Sanitary Engineer fund	2,103
Other Enterprise funds	1,078
Internal Service funds	<u>7,870</u>
Total	<u>\$ 174,732</u>

On a GAAP basis, a portion of these encumbrances represented liabilities of the County. At December 31, 2003, encumbrances recorded as liabilities were:

Fund Type	(Amounts in 000's)
General fund.....	\$ 1,574
Human Services fund	2,934
County Board of Mental Retardation fund	2,917
Health and Community Services fund	8,739
Other Governmental funds	8,476
Sanitary Engineer fund	125
Other Enterprise funds	181
Internal Service funds	<u>1,316</u>
Total	<u>\$ 26,262</u>

NOTE L - Property Tax Revenues

Property taxes include amounts levied against real, tangible (used in business) and public utility property. The assessed value upon which the 2003 tax collection was based follows:

Property Type	(Amounts in 000's)
Real property	\$ 24,799,145
Personal tangible property.....	2,802,833
Tangible public utility property	<u>943,736</u>
Total assessed value	<u>\$ 28,545,714</u>

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Presently, the County levies 1.45 mills of the first 10 mills of assessed value of which .64 is designated for debt service and the remainder is credited to the County's General fund. In addition to the 1.45 mills, 10.27 voted mills have been levied for debt service, mental retardation, health and human services and health and welfare. A summary of voted millage follows:

Purpose	Voter Authorized Rate ⁽¹⁾	Rates Levied for Current Year Collection ⁽²⁾		Final Collection Year
		Agricultural/ Residential	Commercial/ Industrial	
Debt service.....	\$.27	\$.27	\$.27	2013
Mental retardation.....	3.90	3.47	3.47	2005
Health and human services ⁽³⁾	3.00	1.82	2.18	2004
Health and welfare ⁽⁴⁾	<u>3.10</u>	<u>2.75</u>	<u>2.75</u>	2003
Total voted millage.....	\$ <u>10.27</u>	\$ <u>8.31</u>	\$ <u>8.67</u>	

(1) In mills per \$1,000 of assessed valuation.

(2) Ohio law provides for a credit to certain voted levies to offset inflation in the value of real property. The mental retardation, health and human services and health and welfare levies are subject to this credit.

(3) A three year renewal levy was approved March 2004 to be collected in 2005 through 2007.

(4) A replacement levy of 3.1 mills and an increase of 1.8 mills was approved by voters in May 2003 to be collected in 2004 through 2008.

Real property taxes are levied each December on the assessed values as of the preceding January 1st, the lien date. Assessed values are established the preceding year by the County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was completed in 2003. Public utility property taxes are assessed on tangible personal property, as well as land and land improvements at true value, which is, in general, net book value. Tangible property is assessed at 25% of true value except for inventories which are assessed at 23% of average value. Personal property (other than public utility property) taxes are levied in October of the preceding calendar year based on tax rates determined in the preceding year and 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. Under Ohio law, personal property taxes do not attach as a lien on the personal property. Public utility real and tangible personal property taxes collected in one calendar year are levied in October of the preceding calendar year on assessed values determined as of January 1 of that preceding year, the lien date.

The County Treasurer bills and collects property taxes on behalf of all taxing districts in Cuyahoga County including the County. Taxes are payable semi-annually. The County's practice is to extend the statutory due dates to January and July. Unpaid taxes become delinquent after December 31 of the year they are due. Foreclosure proceedings may be initiated by the County Prosecutor if delinquent taxes are not paid within one year.

The County Auditor periodically remits portions of the taxes collected to all taxing districts. The final settlements of real and public utility property taxes are made in June and November and tangible taxes in July and December for the first and second halves of the year, respectively.

The County accrues property taxes as receivables since they can be measured and recorded when an enforceable legal claim exists. The receivables are also recorded as deferred revenue since they are recorded in advance of the year for which they are levied. Property taxes are recognized as revenue in the year for which they are levied.

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

Property tax revenues were recorded in the following funds in 2003:

Governmental Funds	(Amounts in 000's)
General.....	\$ 19,576
Health and Human Services Levies	118,321
County Board of Mental Retardation	85,288
Health and Community Services	12,467
Other Governmental.....	<u>21,988</u>
Total property tax revenues.....	\$ <u>257,640</u>

Property tax revenues include levies collected from both the current levy and delinquent levies. The cumulative delinquency as of December 31, 2003 for Cuyahoga County was \$35 million.

The delinquent property taxes described above do not include certain receivables that have been sold to a third party. Since 1998, the County has sold, on a nonrecourse basis, certain qualifying, delinquent real estate tax receivables, along with the related liens, to a third party in exchange for cash payments that approximated the face value of the receivables. In connection with the sale of the receivables, the third party obtained the right to foreclose on the related properties, as well as charge interest and certain fees on the delinquent amounts. The cash payments received by the County were credited to the County's Undivided Tax Agency fund and distributed to the various taxing districts within the County (including the County) in the same manner as if the delinquent receivables had been collected directly from the taxpayers.

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

NOTE M – Other Intergovernmental Revenue

A summary of the principal components of other intergovernmental revenue for the year ended December 31, 2003 follows:

Fund Type	(Amounts in 000's)
General fund:	
State Public Defender reimbursement.....	\$ 4,804
State property tax reimbursement	3,313
Other.....	<u>2,289</u>
Total General fund.....	<u>10,406</u>
Special Revenue funds:	
U.S. Department of Housing and Urban Development	19,378
U.S. Department of Justice.....	4,689
U.S. Department of Labor.....	1,147
Federal and State Mental Health and Retardation.....	157,368
Ohio Department of Alcohol and Drug Addiction Services	20,033
Ohio Department of Job and Family Services	339,821
Ohio Department of Rehabilitation and Corrections	3,519
Ohio Department of Transportation	159
Ohio Department of Youth Services	7,053
State property tax reimbursement	17,045
Other.....	<u>5,648</u>
Total Special Revenue funds.....	<u>575,860</u>
Debt Service fund:	
State property tax reimbursement	<u>3,929</u>
Capital Projects fund:	
Ohio Department of Transportation	21,090
Other	<u>3,504</u>
Total Capital Projects fund	<u>24,594</u>
Total Other Intergovernmental.....	\$ <u>614,789</u>

NOTE N - Interfund Transactions

During the normal course of operations, the County has numerous transactions between funds which are classified as transfers. Transfers are interfund transactions that do not represent loans, reimbursements or quasi-external transactions. Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to provide additional resources for current operations or debt service; reclassification or prior year distributed monies, to segregate money for anticipated capital projects; and to return money to the fund from which it was originally provided once a project is completed

Transfers are recorded as other financing sources (uses) in Governmental funds and as nonoperating revenues (expenses) in Proprietary funds.

COUNTY OF CUYAHOGA, OHIO NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

A summary of interfund transfers by fund type follows for the year ended December 31, 2003:

Fund Type	(Amounts in 000's)							Total
	Transfer To							
Transfer From	General	Human Services	County Board of Mental Retardation	Health and Community Services	Other Governmental Funds	Other Enterprise Funds	Internal Service Funds	
Transfers:								
Major Governmental Funds:								
General Fund.....	\$	\$ 926	\$	\$ 2,332	\$ 9,335	\$ 1,032	\$ 2,800	\$ 16,425
Human Services				220				220
Health and Human Service Levies		35,744		87,109				122,853
Health and Community Services	634				3,790			4,424
Other Governmental Funds.....	136		1,386	1,069	3,388	13		5,992
Other Enterprise Funds					105			105
Internal Services Funds	<u>2,800</u>				<u>2,039</u>			<u>4,839</u>
Total Transfers	\$ <u>3,570</u>	\$ <u>36,670</u>	\$ <u>1,386</u>	\$ <u>90,730</u>	\$ <u>18,657</u>	\$ <u>1,045</u>	\$ <u>2,800</u>	\$ <u>154,858</u>

NOTE O - Transactions with Gateway

In 1990, the County, the city of Cleveland and Gateway Economic Development Corporation of Greater Cleveland (Gateway) entered into a three party agreement which authorized Gateway to construct, own and provide for the operation of a sports facility which included a baseball stadium, an arena and a joint development site. Gateway was incorporated on May 31, 1990 and is a not-for-profit corporation legally separate from any other entity.

The County and Gateway also entered into a revolving loan agreement whereby the County agreed to issue bonds and loan the bond proceeds to Gateway to pay arena construction costs. As part of this agreement, the County issued taxable Economic Development Revenue Bonds of \$75 million on September 24, 1992 and \$45 million on February 1, 1994. At December 31, 2003, the County has \$100 million of debt outstanding relating to these bond issues (See Note F).

The amount due from Gateway under the revolving loan agreement is \$189.7 million at December 31, 2003, including unpaid accrued interest. During 2003, Gateway repaid the County over \$4 million and the remaining amount is fully reserved due to the uncertainty of the repayment from Gateway.

The County, Gateway and the Convention and Visitors Bureau of Greater Cleveland (the Bureau) entered into a cooperative agreement on September 15, 1992, which included a provision that allowed a credit to be given to Gateway for the incremental amount the Bureau receives from the County Transient Occupancy Tax to use as payment to the County for the bonds issued. This agreement was amended on December 22, 1998 to redefine the annual incremental credit and to provide for the deposit by the Bureau for the years 1994 through 1998. The County received \$1 million from this agreement during the year ended December 31, 1999. The County will receive \$.2 million during each subsequent year, subject to certain adjustments. The County received \$.2 million for the year ended December 31, 2003.

The County has also guaranteed the repayment of certain bonds issued by Gateway. See Note F for the details of the County's guarantee.

During 2003, Gateway renegotiated its stadium lease with the owners of the Cleveland Indians and the Cleveland Cavaliers. The new 10-year agreement frees the organization from covering minor repairs and routine maintenance. Gateway's \$4.9 million annual expenses will be divided by the teams. Gateway agreed to give up \$1 million annually in naming rights from the Indians until 2016. The Cavaliers will no longer hold Gateway responsible for \$9.5 million of capital repairs which the Cavaliers paid and offset against previous rent payments.

In April 2004, Gateway refinanced the Subordinate Excise Tax Revenue Bonds.

Gateway has experienced significant losses in the last five years and has relied on short and long-term borrowings, as well as nonrecurring revenue, to pay its obligations as they come due. In addition, Gateway has been

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

unable to fund the capital maintenance account required under certain facility leases. Although the County believes that the revenue sources that secure the repayment of the revenue bonds the County has guaranteed will be adequate to provide for the future debt service requirements under the bonds, if Gateway was to become insolvent, the impact on the County's future financial condition and operations cannot presently be determined because of uncertainties regarding the amount of Gateway's future cash needs and the extent (if any) of the County's funding of such needs.

NOTE P – Loans

Loans receivable represent economic development and property rehabilitation loans outstanding under the Federal Community Development Block Grant (CDBG) and various other grant and development programs. The loans are either non-interest bearing or have below market interest rates and are made to qualifying citizens and businesses for rehabilitation of real property within the County. The loans are secured by mortgages against the individual properties and generally have various repayment terms which may extend over several years.

CUYAHOGA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through the Ohio Department of Education:</i>			
Food Distribution	10.550	N/A	\$ 9,056
National School Lunch Program	10.555	IRN66563	129,258
National School Lunch Program	10.555	IRN66563	166,899
National School Lunch Program	10.555	IRN66597	175,885
Total Child Nutrition Cluster			<u>472,042</u>
Total U.S. Department of Agriculture			<u>481,098</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through the Ohio Department of Education:</i>			
CCBMR Title VI-B School Age Grant	84.027	0665636B-SF-02P	436,362
CCBMR Title VI-B School Age Grant	84.027	0665636B-SF-04P	216,353
Total			<u>652,715</u>
CCBMR Title VI-B Preschool Grant	84.173	066563PG-S1-2002P	110,711
CCBMR Title VI-B Preschool Grant	84.173	066563PG-S1-2004P	59,727
Total			<u>170,438</u>
Total Special Education Cluster			823,153
CCBMR Title VI-B Innovative Education	84.298	066563-C2-S1-2000	1,617
Total			<u>824,770</u>
OFFICE FOR REHABILITATIVES SERVICES			
<i>Passed Through the Ohio Department of Rehabilitation Services Commission:</i>			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	Title I	<u>9,437</u>
OFFICE OF ASSISTANT SECRETARY FOR ELEMENTARY EDUCATION			
<i>Passed Through the Ohio Department of Alcohol and Drug Addiction Services:</i>			
Drug Free Schools	84.186	None	<u>360,000</u>
Total U.S. Department of Education			<u>1,194,207</u>
U.S. DEPARTMENT OF ENERGY			
<i>Passed Through the Ohio Department of Development:</i>			
Home Weatherization Assistance Program	81.042	D-01-109	3,836
Home Weatherization Assistance Program	81.042	D-02-109	99,765
Home Weatherization Assistance Program	81.042	D-03-109	218,716
Total			<u>322,317</u>
Total U.S. Department of Energy			<u>322,317</u>

(Continued)

CUYAHOGA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Direct Programs:</i>			
Ryan White HIV / AIDS Grantee / Admin	93.914	5H89HA00045-07	1,610,868
Ryan White HIV Emergency Relief Project 01/02	93.914	2H89HA00045-06	22,216
HIV Emergency Relief P.C. Support 03/04	93.914	5H89HA00045-08	<u>1,853,892</u>
Total			<u>3,486,976</u>
Girls Empowered	93.230	1 H79 TI13505-01	284,384
Strengthening Communities-Youth Project	93.230	6-U79-TI-13322-01-1	22,392
Comprehensive Care Juv Justice 2003	93.230	6U-79-TI-13322-01-1	<u>79,104</u>
Total			<u>385,880</u>
<i>Passed Through the Ohio Department of Alcohol and Addiction Services:</i>			
Ohio Second Chance	93.230	99-06771-00-OSCP-T-02-0269	<u>255,967</u>
Total CFDA #93.230			<u>641,847</u>
Adult Drug Court	93.243	1 H79 TI14109-01	<u>145,996</u>
Total			<u>401,963</u>
<i>Passed Through the Ohio Department of Development:</i>			
Home Energy Assistance Program	93.568	H-01-109	12,527
Home Energy Assistance Program	93.568	H-01-109	239,614
Home Energy Assistance Program	93.568	H-03-109	<u>585,577</u>
Total			<u>837,718</u>
<i>Passed Through the Ohio Department of Alcohol and Drug Addiction Services:</i>			
Health Block Grant	93.959	N/A	6,311,365
UMADOP	93.959	N/A	481,754
Women's 15%	93.959	N/A	1,551,878
Yment	93.959	N/A	77,001
TASC	93.959	N/A	50,000
Community Prevention	93.959	N/A	135,000
Higher Education	93.959	N/A	22,652
Project Safe	93.959	N/A	114,259
Drug Free Community Coalition	93.959	N/A	42,500
Treatment Alternative to Street Crime FY '01	93.959	18-2962-00-TASC-T-01-9196	(23,083)
Treatment Alternative to Street Crime FY '03	93.959	18-02962-00-TASC-T-03-9196	439,042
Treatment Alternative to Street Crime FY '04	93.959	18-02962-00-TASC-T-04-9196	<u>359,897</u>
Total			<u>9,562,265</u>
Medicaid Assistance Program - Title XIX	93.778	N/A	<u>4,277,130</u>
Total			<u>13,839,395</u>

(Continued)

CUYAHOGA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
<i>Passed Through the Ohio Department of Mental Health Services</i>			
Community Mental Health Services Block Grant	93.958	MH12	894,089
SAMI	93.958	N/A	13,875
Total			<u>907,964</u>
Social Services Block Grant - Title XX	93.667	MH12	1,196,192
Medicaid Assistance Program - Title XIX	93.778	N/A	38,220,381
Total			<u>40,324,537</u>
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Social Services Block Grant - Title XX	93.667	MR-18-01	1,486,615
Medicaid Assistance Program - Title XIX	93.778	N/A	15,057,617
Medicaid Assistance Program - Waiver Administration	93.778	N/A	672,114
Total			<u>15,729,731</u>
Total			<u>17,216,346</u>
Total U.S. Department of Health & Human Services			<u>76,492,815</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through the Ohio Department of Public Safety:</i>			
Emergency Management	83.552	34-6000.817	144,382
TCMPA 2002	83.552	J237	12,061
Total			<u>156,443</u>
<i>Passed Through the Ohio Department of Emergency Management Assistance:</i>			
Homeland Security Grant Part II	16.007	2003-MUP-30015	9,341
Domestic Preparedness Program	16.007	2000-TE-CX-0091	474
Domestic Preparedness Prog-Exercise Prog	16.007	2002-TE-CX-0106	1,288
Domestic Preparedness Prog-Equip Purchase	16.007	2002-TE-CX-0049	87
Total			<u>11,190</u>
Community Emergency Response Team Grant	83.562	EMC-2003-GR-7026	5,000
Citizen Corps Grant	83.562	EMC-2003-GR-7027	2,000
FEMA FY02 Planning Grant	83.562	EMC-2003-GR-7026	68,661
Total			<u>75,661</u>
Pre-disaster Mitigation Planning	83.557	EMC-2002-GR-7037	58,974
Total			<u>58,974</u>
Total U.S. Department of Homeland Security			<u>302,268</u>

(Continued)

CUYAHOGA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Direct Programs:</i>			
CDBG - Entitlement	14.218	N/A	5,050,344
Emergency Shelter Grants Program	14.231	N/A	116,986
Supportive Housing Program	14.235	N/A	3,682,457
Shelter Plus Care Program	14.238	N/A	6,392,132
CDBG Home Investment Partnership Program	14.239	N/A	3,686,949
HUD Section 108	14.246	N/A	1,266,298
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	N/A	1,516,492
Lead Safe Cuyahoga Program	(1)	N/A	<u>2,525</u>
Total U.S. Department of Housing and Urban Development			<u>21,714,183</u>
U.S. DEPARTMENT OF JUSTICE			
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION - JUVENILE JUSTICE AND DELINQUENCY PREVENTION - ALLOCATION TO THE STATES			
<i>Passed Through the Office of Criminal Justice Services:</i>			
Female Aftercare Prj 2003	16.523	02-JB-011-A118	20,189
Juvenile Drug Court	16.523	2000-JB-009-A114	42,383
2nd Vertical Prosecution	16.523	2001-JB-045-A107	16,733
Juvenile Accountability Incentive Block Grant - 2001	16.523	2000-JB-RPU-0700	1,435
Juvenile Accountability Incentive Block Grant - 2002	16.523	2001-JB-RPU-0700	680,536
JAIBG Administration II -	16.523	2002-JB-ADM-0324	57,314
Cuyahoga RPU Admin Block 2002	16.523	2001-JB-ADM-0324	25,246
Juvenile Accountability Incentive Block Grant - 2003	16.523	2002-JB-RPU-0700	<u>622,890</u>
Total			1,466,726
Juvenile Justice and Delinquency Prevention:			
JUV Justice & Delinquency Title II	16.540	2002-JJ-RPU-0795	71,786
TASC 95-96	16.540	95-DG-F04-7430	(1,722)
Intensive Aftercare Support 2003	16.540	2002-JJ-DSO	13,188
JJDP Block Grant FY2002	16.540	2002-JJ-RPU-0795	105,850
2002 Cuyahoga JJ Administration	16.540	2002-JJ-ADM-0320	17,988
Respite Program	16.540	2000-JJ-DI 1 0013	<u>378,354</u>
Total			585,444
Internet Crimes	16.542	2000MCCX-K016	<u>186,490</u>
Total			<u>2,238,660</u>

(1) Federal CFDA number could not be identified

(Continued)

CUYAHOGA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
OFFICE OF JUSTICE PROGRAMS - DRUG CONTROL AND SYSTEM IMPROVEMENT ACT			
<i>Passed Through the Office of Criminal Justice Services:</i>			
Edward Byrne Memorial Admin FY2002	16.579	2002-DG-ADM-7431	44,569
CRIS Hardware Replacement & Upgrade	16.579	2001-DG-GOI-7327	34,659
Youth Violence Therapy FY'02	16.579	2002-DG-CO2-7429	31,608
Community Prosecution FY'01	16.579	2000-DG-BO1-7415	3,067
Community Prosecution FY'02	16.579	2001-DG-BO1-7415	6,311
Community Prosecution FY'03	16.579	2002-DG-BO1-7415	35,532
Community Based Prosecution - 2000	16.579	1999-DG-BOI-7415	3,588
Community Based Prosecution - 2002	16.579	2000-PP-CX-0030	140,244
Victim Restitution Prog	16.579	2002-DG-D-B-017	33,191
Forensic Crime Lab	16.579	2001-DG-E-B-008	37,594
Teen & Elders Save Together	16.579	2002-DG-B-B-022	35,243
DV Survivors Project 2001	16.579	2000-DG-D02-7426	42
DV Survivors Project 2002	16.579	2001-DG-RPU-0717	4,378
DV Survivors Project 2003	16.579	2002-DG-DO2-7426	31,472
DV Survivors Project 2000	16.579	1999-DG-DO2-7426	25,070
Psychological Counseling	16.579	2001-DG-D-B-010	(42)
Psychological Counseling	16.579	2002-DG-D-B-010	92,875
Evidence Collection Training	16.579	2001-DG-G-02-7411	52
Evidence Collection Training FY2003	16.579	2002-DG-E01-B005	15,388
Interoperability Homeland Sec FY01	16.579	2001-DG-H01-7640	106,000
Polygraphing Sex Offenders FY'03	16.579	2002-DGC-027432	23,406
Straight Release Overflow Unit FY2002	16.579	2001-DGC	2,566
Straight Release Overflow Unit FY2003	16.579	2002-DG-CB-006	52,630
Narcotics Control Block Grant FY'98	16.579	1998-DG-RPU-0787	(1,642)
FY2001 Narcotics Control Grant	16.579	2001-DG-RPU-0717	145,185
FY2002 Narcotics Control Grant	16.579	2002-DG-RPU-0727	400,562
RSAT Therapeutic Community	16.579	1999-RS-SAT-120	(484)
RSAT Therapeutic Community	16.579	2000-RS-SAT-120	193
2002 Aggression Control Program	16.579	2001-DG-CO2-7467	65,218
Pre-trial Diversion 1998	16.579	1997-DG-E01-7442	18,160
Felony Victim Assistance 98	16.579	1997-DG-DO2-7445	(17)
Felony Victim Assistance 99	16.579	1998-DG-D02-7445	(155)
Trace Evidence Study - FY'02	16.579	2001-DG-GO2-7411	5
Trace Evidence Study - FY'03	16.579	2002-DG-BOR-7411	8,962
FY2001 Cuyahoga Byrne Admin	16.579	2001-DG-ADM-7431	25,851
Juvenile Court Advocate Byrne - 2003	16.579	2002-DG-D-B-007	31,484
Criminal Conduct Aftercare	16.579	2002-DG-C01-B013	8,938
Total			<u>1,461,703</u>

(Continued)

CUYAHOGA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
VAWA Intergovernmental Training 1999	16.588	1998-WF-VA1-6-8677	15,644
VAWA Inter-Jurisdictional 2001	16.588	2000-WF-VA1-8677	17,839
Violence Against Women Act	16.588	1996-WF-VA7-8673	69
Violence Against Women Act 99	16.588	1997-WF-VA1-8677	3,218
FY2002 VAWA Block Grant	16.588	2001-WF-RPU-0718	282,770
FY2001 VAWA Administration	16.588	2001-WF-ADM-8668	11,936
FY2000 VAWA Administration	16.588	2000-WF-ADM-8668	122
Total			<u>331,598</u>
Total			<u>1,793,301</u>
OFFICE OF JUSTICE PROGRAMS - OTHER			
<i>Direct Programs:</i>			
Gang Free Communities	16.544	2001-JD-FX-0002	<u>59,491</u>
Planning and Implementing Strategies in Community Prosecution	16.580	2000-PP-CX-0030	<u>6,734</u>
CLEFS Comprehensive Wellness	16.563	N/A	<u>454</u>
Local Law Enforcement Block Grant FY '00	16.592	2000-LBBX-2459	<u>41,758</u>
RSAT Therapeutic Community 2003	16.593	2001-RS-SAT-120A	139,665
RSAT Therapeutic Community 2004	16.593	2002-RS-SAT-120A	110,949
RSAT Computer Upgrade	16.593	1998-RS-SAT-120A	<u>72,400</u>
Total			<u>323,014</u>
Gun Violence Prosecution	16.609	2003-GP-CX-0033	256,408
Media Outreach Community Engagement	16.609	2003-GP-CX-0010	<u>106,250</u>
Total			<u>362,658</u>
Protection Order Registry	16.590	1997-WE-VX-0101	<u>30,827</u>
Total			<u>824,936</u>
<i>Passed Through the Ohio Department of Rehab and Corrections</i>			
C.O.R.E Going Home	16.202	2002-RE-CX-003	<u>168,592</u>
Total U.S. Department of Justice			<u>5,025,489</u>

(Continued)

CUYAHOGA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
U.S. DEPARTMENT OF LABOR			
<i>Direct Programs:</i>			
A Special Employer Incentive Program	17.802	N/A	5,868
Technology Training Network Program	17.249	AH-11081-01-60	12,368
Incumbent/Dislocated Worker	17.260	AN-11465-01-60	<u>233,016</u>
Total			<u>251,252</u>
<i>Passed Through the Ohio Department of Youth Services:</i>			
Youthful Offender Education Training	17.249	F-7542-9-00-80-60	<u>353,161</u>
<i>Workforce Investment Act of 1998 Passed Through the Ohio Department of Job and Family Services:</i>			
WIA Administration	17.258	N/A	56,703
WIA Adult	17.258	N/A	691,108
WIA Adult - Administrative Allocation	17.258	N/A	<u>10,946</u>
Total			<u>758,757</u>
WIA Administration	17.259	N/A	85,458
WIA Youth	17.259	N/A	736,152
Workforce Training & Development	17.259	N/A	305,431
WIA Youth - Administrative Allocation	17.259	N/A	<u>16,496</u>
Total			<u>1,143,537</u>
WIA Administration	17.260	N/A	55,614
WIA Dislocated Worker	17.260	N/A	677,838
WIA Rapid Response	17.260	N/A	1,610,355
Special Projects - LTV	17.260	N/A	1,414,493
Dislocated Worker-Integrated Systems Tech	17.260	N/A	1,094,062
WIA Dislocated Worker - Administrative Allocation	17.260	N/A	<u>71,024</u>
Total			<u>4,923,386</u>
Total WIA Cluster (17.258, 17.259, 17.260)			<u>7,058,696</u>
Total U.S. Department of Labor			<u>7,430,093</u>

(Continued)

CUYAHOGA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed Through the Ohio Environmental Protection Agency</i>			
Brownfield's Revolving Loan Fund	66.818	BP-98574401-2	3,583
ODOT - LPA/E.93rd & Quincy Site Cleanup	66.818	BP-98574401-2	<u>77,365</u>
Total U.S. Environmental Protection Agency			<u>80,948</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Direct Program:</i>			
County Airport - Airport Improvement Program	20.106	3-39-0021-1201	<u>26,216</u>
<i>Passed Through the Ohio Department of Transportation:</i>			
ODOT - LPA/Crocker-Stearns Wetland	20.205	G010435	61,448
ODOT - Denison-Harvard Bridge #83	20.205	G020428	1,371,569
ODOT - Grant Avenue	20.205	G020471	1,027,467
ODOT - LPA/Hillside Road	20.205	G010717	1,865,246
ODOT - LPA/Miles Road Bridges	20.205	G010671	1,254,357
ODOT - LPA/Lakewood Heights Blvd	20.205	G000194-95	397,580
ODOT - LPA/Lee Road	20.205	G010 (127)	582,961
ODOT - LPA/Monticello Boulevard Bridge	20.205	G020343	940,398
ODOT - LPA/Spafford Rd. Bridge	20.205	G020302	323,864
ODOT - LPA/Stumph Road	20.205	G020105	1,226,083
ODOT - LPA/Smith Road	20.205	G020250	208,684
ODOT - LPA/Turney Road Construction	20.205	G000190	79,865
ODOT - LPA/Warner Road	20.205	G020467	472,084
ODOT - LPA/Warrensville Center Road	20.205	G020098	1,561,098
ODOT - LPA/Wagar Road	20.205	F973 (125)	1,145,710
ODOT - LPA/West 220th Street	20.205	F973 (124)	281,532
ODOT - West 140th Street	20.205	E034351	918,197
ODOT - West 150th Street	20.205	G020315	2,310,264
ODOT - LPA/West 117th Street	20.205	G000015	<u>4,634,230</u>
Total Highway Planning & Construction Cluster			<u>20,662,637</u>
Total U.S. Department of Transportation			<u>20,688,853</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 133,732,271</u>

See notes to Schedule of Expenditures of Federal Awards.

(Concluded)

CUYAHOGA COUNTY, OHIO

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2003

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of the primary government of Cuyahoga County, Ohio, (as defined by GASB Statement No. 14, *The Financial Reporting Entity*) under programs financed by the U.S. government for the year ended December 31, 2003. The Schedule has been prepared using the cash basis of accounting. For purposes of the Schedule, federal awards include the following:

- Direct federal awards
- Pass-through funds received from non-federal organizations made under federally sponsored programs conducted by those organizations.

The information presented in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Catalog of Federal Domestic Assistance ("CFDA") Numbers or Primary Grant Numbers are presented for those programs for which such numbers are available.

The County's basic financial statements include the operations of MetroHealth System, a discretely presented component unit, which expended \$7,399,670 in federal awards during the year ended December 31, 2003. These expenditures are not included in the accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2003 because MetroHealth System had a separate audit performed in accordance with OMB Circular A-133.

2. LOANS RECEIVABLE

As shown in the table below, the County had loans receivable outstanding at December 31, 2003 under the Community Development Block Grant ("CDBG") Entitlement and Home Investment Partnership programs. All of the loans outstanding at December 31, 2003 pertained to federal awards received by the County, or program income associated with these awards, and provided as loans to eligible recipients in prior years. The loan balances detailed below were not included in federal expenditures presented in the accompanying Schedule because the provisions of the grant agreements pertaining to such loans do not require the repayment of the grant monies to the federal government. The loans outstanding at December 31, 2003 under federal grant programs were as follows:

Program Title	Federal CFDA No.	Loan Amounts Outstanding at December 31, 2003
CDBG - Entitlement and (HUD-Administered) Small Cities Cluster	14.218	\$ 10,624,816
CDBG Home Investment Partnership program	14.239	<u>5,123,354</u>
		<u>\$ 15,748,170</u>

3. SUBRECIPIENTS

Certain funds are passed through to subgrantee organizations by the County. Expenditures incurred by the subgrantees and reimbursed by the County are included in the accompanying Schedule.

CUYAHOGA COUNTY, OHIO

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2003

4. MEDICAID ASSISTANCE PROGRAM—TITLE XIX

The total amount expended by the County during 2003 under the Title XIX Medicaid Assistance Program (CFDA No. 93.778) is summarized as follows:

Passed Through From	Amount Expended
Ohio Department of Alcohol and Drug Addiction Services	\$ 4,277,130
Ohio Department of Mental Health Services	38,220,381
Ohio Department of Mental Retardation and Developmental Disabilities	<u>15,729,731</u>
Total	<u>\$ 58,227,242</u>

5. TITLE XX SOCIAL SERVICES BLOCK GRANT

The total amount expended by the County during 2003 under the Title XX Social Services Block Grant (CFDA No. 93.667) is summarized as follows:

Passed Through From	Amount Expended
Ohio Department of Mental Health Services	\$ 1,196,192
Ohio Department of Mental Retardation and Developmental Disabilities	<u>1,486,615</u>
Total	<u>\$ 2,682,807</u>

6. SCHOOL-TO-WORK OPPORTUNITIES GRANT

The total amount expended by the County during 2003 under the School-to-Work Opportunities Grant (CFDA No. 17.249) is summarized as follows:

	Amount Expended
Direct Program	\$ 12,368
Passed through from the Ohio Department of Youth Services	<u>353,161</u>
Total	<u>\$ 365,529</u>

7. WIA DISLOCATED WORKERS GRANT

The total amount expended by the County during 2003 under the WIA Dislocated Workers Grant (CFDA No. 17.260) is summarized as follows:

	Amount Expended
Direct Program	\$ 233,016
Passed through from the Ohio Department of Job and Family Services	<u>4,923,386</u>
Total	<u>\$ 5,156,402</u>

8. U.S. DEPARTMENT OF HOMELAND SECURITY FEDERAL AWARDS

The Federal Homeland Security Act of 2002 established the Department of Homeland Security (the “Department”) to consolidate functions of other Federal agencies related to homeland security. Effective January 24, 2003, the Department began to issue certain Federal awards that Cuyahoga County previously received from other Federal agencies. While the purposes and compliance requirements of these programs has not changed, the CFDA numbers have. In 2003, Cuyahoga County expended awards under the original grants and have reported these amounts under the original CFDA numbers in the accompanying schedule of expenditures of Federal awards. In future years as amounts are expended under the newly issued grants, amounts will be reported under the Department of Homeland Security CDFA numbers. A comparison of the original Federal agencies and CFDA numbers with the newly issued Department’s CFDA numbers follows:

Previous Federal Agency	Original CFDA No.	Homeland Security CFDA No.
Federal Emergency Management Agency	83.552	97.042
Department of Justice	16.007	97.004
Federal Emergency Management Agency	83.562	97.051
Federal Emergency Management Agency	83.557	97.047

* * * * *

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable County Auditor,
County Treasurer and the
Board of County Commissioners
Cuyahoga County, Ohio

We have audited the basic financial statements of Cuyahoga County, Ohio (the "County") as of and for the year ended December 31, 2003, and have issued our report thereon dated June 7, 2004. We did not audit the financial statements of the discretely presented component unit, MetroHealth System. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, MetroHealth System, is based solely on the report of the other auditors. 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 County'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 the management of the County in the accompanying Status of Prior Year Comments on Internal Control and Legal Compliance, Summary of Other Reports, and a separate letter dated June 7, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the County in the accompanying Status of Prior Year Comments on Internal Control and Legal Compliance, Summary of Other Reports and a separate letter dated June 7, 2004.

The comments and conclusions included in this report relate solely to the County's primary government (as defined by Government Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*). We understand that the comments and conclusions of the other auditors pertaining to the County's discretely presented component unit, MetroHealth System, regarding compliance and internal control over financial reporting have been separately communicated to you.

This report is intended for the information and use of the Board of County Commissioners, County Auditor, County Treasurer, management, federal awarding agencies, pass-through entities and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

June 7, 2004

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM

The Honorable County Auditor,
County Treasurer and the
Board of County Commissioners
Cuyahoga County, Ohio

Compliance

We have audited the compliance of Cuyahoga County, Ohio (the "County") 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, 2003. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of MetroHealth System, a discretely presented component unit, which expended \$7,399,670 in federal awards during the year ended December 31, 2003. These expenditures are not included in the County's Schedule of Expenditures of Federal Awards for the year ended December 31, 2003. Our audit, described below, did not include the operations of MetroHealth System because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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; 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County'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 County's compliance with those requirements.

In our opinion, the County, 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, 2003.

Internal Control Over Compliance

The management of the County 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 County'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.

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, 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of County Commissioners, County Auditor, County Treasurer, management, federal awarding agencies, pass-through entities and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

June 7, 2004

CUYAHOGA COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2003

Summary of Auditors' Results

- Type of Report Issued on the Financial Statements as of and for the Year Ended December 31, 2003—Unqualified.
- Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements—N/A (none reported).
- Noncompliance noted that is Material to the Financial Statements—N/A (none reported).
- Reportable Conditions in Internal Control Over Major Federal Award Programs Disclosed by the Audit of the Financial Statements—N/A (none reported).
- Type of Report Issued on Compliance with Requirements Applicable to Major Federal Award Programs—Unqualified.
- The audit disclosed no findings which are required to be reported under Section .510(a) of OMB Circular A-133.
- Major Federal Award Programs Identified for the Year Ended December 31, 2003:
 - CFDA #93.778 Medicaid Assistance Program
 - CFDA #93.959 Block Grants For Prevention & Treatment of Substance Abuse
 - CFDA #14.239 HOME Investment Partnerships Program
- Dollar Threshold Used to Distinguish Between Type A and Type B Programs—\$3,000,000.
- The County was not considered to be a Low Risk Auditee as defined under OMB Circular A-133.

Findings Related to the Financial Statements that are Required to be Reported Under *Government Auditing Standards*:

None

Findings and Questioned Costs Related to Federal Awards that are Required to be Reported Under *Government Auditing Standards*:

None

CUYAHOGA COUNTY, OHIO

STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL AND LEGAL COMPLIANCE

INTERNAL CONTROL AND LEGAL COMPLIANCE

Prior Year Finding (99-1)—Under the Byrne Formula Grant program, the subrecipients of grants provided by the Department of Justice Affairs (“DJA”) were not submitting their monthly reports timely to the department.

Current Year Status—During 2003, the DJA sent letters by certified mail to subrecipients who had not submitted their monthly financial reports to the agency; however, certain subrecipients are still failing to submit monthly reports on a timely basis. Subrecipients that fail to submit their monthly financial reports will not be reimbursed until the monthly financial report is received. The DJA did receive all of the monthly financial reports in the current year; thus, this finding for the DJA has not been repeated in the current year Schedule of Findings and Questioned Costs.

Prior Year Finding (01-1)—The Cuyahoga County Alcohol & Drug Addiction Services Board (“CCADASB”) and the Cuyahoga County Mental Health Board (“CCMHB”) were not receiving certain subrecipient single audit reports within six months after year-end.

Current Year Status—During 2003, the CCADASB increased its efforts to monitor subrecipients through the full implementation of the CCADASB’s Compliance Review Team, requested quarterly financial statements from provider agencies, and issued “reminder memos” 30 and 60 days before the due date of the required audit reports. In addition, the CCADASB communicated that additional funding is contingent on the receipt of a provider’s audit report and has declared an agency in default of the CCADASB’s service contract for failure to provide the requisite audit report. Certain subrecipients continue to submit their single audit reports after six months have lapsed. However, the CCADASB did receive all of the single audit reports in the current year; thus, this finding for the CCADASB has not been repeated in the current year Schedule of Findings and Questioned Costs.

The CCMHB identified the contract agencies that continue to be delinquent in submitting their audit reports by the due date. CCMHB staff implemented a process of providing agencies 30 days before their audit report is due a reminder of the due date and what they are required to submit. They also have established a Quality Improvement and Monitoring Committee (the “Committee”) which receives monthly updates. Contract service providers that are delinquent must come before the Committee to present the reasons for their delinquent submission. Certain subrecipients continue to submit their single audit reports after six months have lapsed. However, the CCMHB did receive all of the single audit reports in the current year, thus this finding for the CCMHB has not been repeated in the current year Schedule of Findings and Questioned Costs.

CUYAHOGA COUNTY, OHIO

SUMMARY OF OTHER REPORTS

CUYAHOGA COUNTY MENTAL HEALTH BOARD PERFORMANCE AUDIT FINDINGS

During October 2002, the Auditor of the State of Ohio issued a report detailing the observations and recommendations resulting from its performance audit of the Cuyahoga County Mental Health Board (“CCMHB”). The principal findings resulting from the performance audit relating to internal control and legal compliance matters that were unresolved as of the 2002 Single Audit Report were as follows:

Development of Budgets/Tracking Expenditures

Observation—CCMHB does not develop budgets and track expenditures by division. As a result, divisions are not held fully accountable for their share of expenditures, which could negatively impact CCMHB’s financial condition. Additionally, CCMHB does not track and monitor actual expenditures by line item that could be partially attributed to its current accounting system. By budgeting by division and tracking expenditures by line item, CCMHB would appropriately control its operational finances and potentially maximize the amount of funding provided to consumers.

Auditor of State’s Recommended Corrective Action—CCMHB should develop budgets by division, and divisions should develop their budgets by adequately planning costs for each unit within the division. Budgets by division and unit should be monitored to ensure all areas at CCMHB are held fully accountable for expenditures. Furthermore, CCMHB should track and monitor actual division expenditures by line item. Doing so would allow CCMHB to adequately control expenditures, and determine how to address expenditures that are not being effectively controlled. Implementing a new accounting system could help the CCMHB develop and monitor budgets and actual expenditures by division and by line item.

Management’s Response—CCMHB is aware that divisional budgets need to be developed and implemented. With the completion of the fiscal year 2005 budget in its entirety CCMHB will begin to formulate the divisional budgets for distribution to the respective Chiefs. The financial accounting system that CCMHB will acquire in the next two months will also allow to set up divisional budgets for the operational budget and monitor them in a more effective manner.

Forecasting Beyond One Year

Observation—CCMHB has tracked annual funding by major source; however, funding is not forecasted beyond one year. Government Finance Officers Association (“GFOA”) recommends that government units at all levels forecast major funding and expenditures. The forecast should extend at least three years beyond the budget period and should be regularly monitored and periodically updated. By developing a forecast, as well as detailed accompanying assumptions, explanatory comments and the methodology used in deriving the financial estimates, CCMHB will provide a more comprehensive understanding of its anticipated financial condition.

Auditor of State’s Recommended Corrective Action—CCMHB should begin forecasting its funding and expenses beyond one year. CCMHB should develop at least a three-year financial forecast to ensure that the budgeting process incorporates CCMHB’s future financial needs and goals. Furthermore, CCMHB should analyze variances in forecasted to actual amounts before beginning the budget process to build on its understanding of why variances occurred and determine how to adjust the current year forecast to account for material variances.

CUYAHOGA COUNTY, OHIO

SUMMARY OF OTHER REPORTS (CONTINUED)

Management's Response—With the onset of the fiscal year 2004 budget cycle CCCMB began the process of completing budget projections of its expenditure levels and determining what if scenarios for this process. Revenues and expenditures are reviewed to determine what the financial picture will look like for the CCMHB in its current year and potential impact for future years out. CCMHB has completed the process for selecting a financial accounting system that will allow it to convert spreadsheets into a system that will enhance budget and forecasting of both revenues and expenses for CCMHB over more than the current year period.

Internal Accounting System

Observation—CCMHB does not have an effective and technologically up-to-date internal accounting system. As a result, CCMHB cannot easily track and monitor expenditures by line item. In addition, the lack of an effective accounting system precludes the Finance Unit from doing many functions easily, such as preparing financial reports and budgets, and analyzing costs. These processes need to be manually entered on various spreadsheet reports and analyzed for information. Manual data entry could lead to errors and to information being reported incorrectly, as well as requiring additional staff time to manually enter all of the required data.

Auditor of State's Recommended Corrective Action—CCMHB should consider purchasing a new internal accounting system. However, prior to purchasing a new accounting system, the Finance Unit should fully evaluate benefits and costs of various systems and ensure that the new system will allow the Finance Unit to easily perform basic functions including tracking and monitoring expenditures by line item and by division. Implementing a new accounting system would allow the Finance Unit to function more efficiently and eliminate potential errors from the present system because data would not be manually transferred to spreadsheets.

Management's Response—In July 2003, CCMHB began the process of assessing its internal needs to respond to this comment. Visits were conducted with both large and midsized boards to review the types of financial programs utilized by the boards. As a result of this process, CCMHB solicited potential financial accounting vendors and viewed demonstrations of systems to determine what best suited the needs of CCMHB, without being cost prohibitive. CCMHB also added the HR/payroll component as a part of the process. As a result, CCMHB will select the vendor and recommend the contract to its CEO and Board of Governors in July/August of 2004. It is anticipated that the program will be functional by October 2004.

CUYAHOGA COUNTY DEPARTMENT OF JUSTICE AFFAIRS FINANCIAL MONITORING AUDIT FINDINGS

During 2003, the U.S. Department of Justice, Office of Justice Programs (“OJP”), issued a report detailing the observations and recommendations resulting from its financial monitoring and technical assistance visit at the Cuyahoga County Department of Justice Affairs (“CCDJA”). The significant findings resulting from the audit relating to internal control and legal compliance matters were as follows:

CUYAHOGA COUNTY, OHIO

SUMMARY OF OTHER REPORTS (CONTINUED)

The Protection Order Registry Project

Observation—The CCDJA expended the entire award amount for Grant 97WEVXO1O1, The Protection Order Registry Project, (\$752,507) on Contractual costs, although only \$509,705 was budgeted for this category. As of the date of the visit, the CCDJA had not obtained approval from the Office on Violence Against Women (“OVW”) for this budget modification. Of the \$242,802 in additional Contractual costs charged, only \$75,251 would be permitted under OJP guidelines. The remaining amount (\$167,551) is unallowable, unless approved by the OVW.

Office of Justice Programs Recommended Corrective Action—The CCDJA should submit a written request to the OVW for approval of this budget modification. If, at the discretion of the OVW, the modification is not approved, the CCDJA should adjust their accounting records to remove the \$157,551 in excess Contractual costs and return the funds for any unapproved Federal costs.

Management’s Response and Current Year Status— The CCDJA submitted and received approval from the OVW for the above mentioned budget modification in 2004.

Observation—The CCDJA obligated and expended grant funds in violation of four restrictive Special Conditions for grant 97WEVXO1O1. These conditions prohibited the obligation, expenditure, and drawdown of grant funds (cumulatively totaling \$547,875) until the conditions had been satisfied and retired by a Grant Adjustment Notice (“GAN”).

Office of Justice Programs Recommended Corrective Action—The CCDJA should submit documentation to the OVW indicating that Special Conditions 19 (original award) and 18 (supplement) have been satisfied in order to receive a GAN to release the withholding of funds. Additionally, the CCDJA should request approval for all amounts expended in violation of these conditions. The CCDJA should also follow up with the OVW and obtain a GAN to release Special Condition 21 (supplement 3). Further, the CCDJA should ensure adherence to all current and future award Special Conditions.

Management’s Response and Current Year Status— The CCDJA requested and received verification in 2004 that Special Conditions 19 and 18 had been satisfied. Grant Adjustment Notices were received from the OVW to release each of these special conditions. All delinquent FSRs were submitted to and received by the DJA. A Grant Adjustment Notice was received to release Special Condition 21 related to the submission of all delinquent FSRs.

Observation—The CCDJA entered into a written agreement under grant 97WEVXO1O1 with the Ohio Domestic Violence Network (“ODVN”) amounting to \$200,000. Based on the terms and conditions of this agreement, the ODVN appears to be a subrecipient of the CCDJA. However, the CCDJA did not maintain any written (or unwritten) subgrantee monitoring procedures as of the date of the visit. Additionally, the Single Audit Report for their fiscal year ended December 31, 2001 disclosed that the CCDJA did not follow up on their subrecipients’ submission of monthly reports.

CUYAHOGA COUNTY, OHIO

SUMMARY OF OTHER REPORTS (CONTINUED)

Office of Justice Programs Recommended Corrective Action—The CCDJA should develop written subrecipient monitoring policies and procedures to ensure that Federal grant funds awarded to subrecipients are properly accounted for and controlled. At a minimum, these procedures should require: 1) the submission and review of both subrecipient financial and program/progress reports; 2) periodic on-site subrecipient monitoring, including reviews of programmatic and financial operations; 3) proper monitoring and review of subrecipient audit reports, including verification that subrecipients submit audit reports when required, and work to timely correct any reported issues or deficiencies; and 4) documentation of the results of each subrecipient monitoring visit, and maintenance of this documentation in the appropriate subrecipient file(s).

Management's Response and Current Year Status—The CCDJA monitors subrecipients on an annual basis by performing a fiscal site visit every year. A copy of the site visit report is kept in the subrecipients file. Further, single audits are required for subrecipients who expend \$300,000 or more annually. This requirement is included in the “Standard Federal Subgrant Conditions” document included in each subrecipient grant agreement. In addition, the CCDJA reviews monthly financial reports submitted by subrecipients. The CCDJA follows up on all delinquent reports and if necessary, de-funding of the subrecipients may occur for non-compliance.

Local Law Enforcement Block Grant Program (Grants 2000LBBX2459)

Observation—The CCDJA awarded a sole source contract to Rudman, Inc., without prior approval from the Bureau of Justice Assistance (“BJA”). This contract which was dated August 4, 2002, was for consulting services totaling \$136,000.

Office of Justice Programs Recommended Corrective Action—According to the OJP’s Financial Guide, prior approval must be obtained for sole source contracts in excess of \$100,000. As such, the CCDJA should submit a written request to the BJA for approval of this sole source procurement. The request should include sufficient detail and justification for the CCDJA’s actions with respect to this procurement. If the procurement is not approved, the CCDJA should adjust their accounting records to remove the disallowed costs. Additionally, the costs should be removed from the cumulative expenditures reported in the revised final FSR. A memorandum or other narrative statement should accompany the revised FSR to explain the reduction of the previously reported expenditures. Additionally since the award period has ended, the CCDJA should return the Federal portion of any disallowed costs to the OJP. In addition, the CCDJA should establish and implement procedures to ensure that future procurements are competitively awarded and adhere to OJP requirements.

Management's Response and Current Year Status—The contract awarded to Rudmann, Inc. was actually an original contract and two amendments. The original contract in the amount of \$132,000 was a sole source award to Rudman, however this was acquired using County General Fund dollars. This sole source agreement was not paid for with grant dollars.

CUYAHOGA COUNTY, OHIO

SUMMARY OF OTHER REPORTS (CONCLUDED)

CUYAHOGA COUNTY PROSECUTOR'S OFFICE FINANCIAL MONITORING AUDIT FINDINGS

During 2003, the U.S. Department of Justice, Office of Justice Programs, issued a report also detailing the observations and recommendations resulting from its financial monitoring and technical assistance visit at the Cuyahoga County Prosecutor's Office. The significant findings resulting from the audit relating to internal control and legal compliance matters were as follows:

Enhancing Strategies In Community Prosecution Project and Gang-Free Schools and Communities Program (Grants 2000PPCX0030 and 2001JDFX0002)

Observation—An analysis of the financial activity for these grants disclosed that the cumulative expenditures recorded in the Cuyahoga County Prosecutor's Office accounting system did not reconcile to the amounts reported on their FSR.

Office of Justice Programs Recommended Corrective Action—The Cuyahoga County Prosecutor's Office should review their accounting records and supporting documentation to determine the actual cumulative expenditures for these grants. Based on the results of this review, the next FSR submitted for each award should be adjusted to reflect the cumulative costs incurred. Additionally, the Prosecutor's Office should submit a copy of their accounting records, which support the amounts reported on their next FSR to the OFP for review.

Management's Response—The Prosecutor's Office reviewed their Financial Status Reports since the second quarter of 2003, noting their reports have been filed timely and are in compliance with the recommendation.

Enhancing Strategies In Community Prosecution Project (Grant 2000PPCX0030)

Observation—Based on a sample review of grant expenditures, OJP noted that the Prosecutor's Office was unable to provide adequate documentation (i.e. payroll registers and timesheets) to support \$41,548 in Salary costs charged to this award.

Office of Justice Programs Recommended Corrective Action—The Prosecutor's Office should provide appropriate supporting documentation for these costs. If adequate documentation cannot be provided, the Prosecutor's Office should adjust their accounting records to remove these unsupported expenditures. Additionally, these costs should be removed from the cumulative expenditures on the next FSR submitted and the Prosecutor's Office should reduce their next drawdown request(s) by the total amount of the unsupported Salary costs.

Management's Response—The discrepancy in the costs charged for Salaries was reconciled by adjusting the expense charged to the actual total payroll expenses. This adjustment was completed on October 23, 2003 and a copy sent to the U.S. Department of Justice. This adjustment did not affect the cumulative expenditures or the drawdown request.

* * * * *

COUNTY OF CUYAHOGA,
OHIO

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2003**



FRANK RUSSO
CUYAHOGA COUNTY AUDITOR

Prepared by:

Steven C. Letsky, CPA
Director of Accounting

Cheryl A. Arslanian, CPA
Manager-Financial Reporting

**COUNTY OF CUYAHOGA, OHIO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED DECEMBER 31, 2003**

TABLE OF CONTENTS

INTRODUCTORY SECTION	PAGE
TITLE PAGE	i
TABLE OF CONTENTS	ii
LETTERS OF TRANSMITTAL	iv
GFOA CERTIFICATE OF ACHIEVEMENT	xiv
ORGANIZATION CHART	xv
LIST OF ELECTED OFFICIALS.....	xvi
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	22
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual- All Major Governmental Funds	26
Statement of Net Assets – Proprietary Funds.....	28
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	29
Statement of Cash Flows – Proprietary Funds	30
Statement of Fiduciary Net Assets – Fiduciary Funds	32
Notes to the Financial Statement	33
Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	70
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
General Fund.....	74
Motor Vehicle Gas Tax Fund	84
Debt Service Fund	85
Combining Statement of Net Assets – Nonmajor Enterprise Funds	88
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Nonmajor Enterprise Funds.	89
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	90
Combining Statement of Net Assets – Internal Services Funds.....	92
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Services Funds.....	94
Combining Statement of Cash Flows – Internal Services Funds	96
Combining Statement of Fiduciary Net Assets – All Agency Funds.....	101
Combining Statement of Changes in Assets and Liability - All Agency Funds.....	102

**COUNTY OF CUYAHOGA, OHIO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED DECEMBER 31, 2003**

TABLE OF CONTENTS

Capital Assets Used in the Operation of Governmental Funds:	
Comparative Schedules by Source.....	106
Schedule by Function and Activity.....	107
Schedule of Changes by Function and Activity.....	108

STATISTICAL SECTION

STATISTICAL SCHEDULES:

Schedule of Statistics - General Fund - (GAAP Basis)	110
General Fund Cash Receipts by Source and Cash Disbursements by Function - Last Ten Years.....	112
General Governmental Revenues by Source and Expenditures by Function - Last Ten Years.....	114
Property Tax Levies and Collections - Real, Utility and Tangible Taxes - Last Ten Years.....	116
Assessed and Estimated Actual Value of Taxable Property - Last Ten Years	118
Property Tax Rates - All Direct and Overlapping Governments - Last Ten Years	120
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita - Last Ten Years.....	121
Computation of Legal Debt Margin	122
Computation of Direct and Overlapping Debt.....	123
Ratio of Annual Debt Service for General Bonded Debt to Total General Expenditures - Last Ten Years.....	124
Revenue Bond Coverage - Hospital Bonds - Last Ten Years	125
Property Values, Construction and Bank Deposits - Last Ten Years	126
Demographic Statistics	127
Schedule of Insurance Coverage.....	130
Principal Taxpayers	131
Miscellaneous Statistics.....	132
Acknowledgements.....	133



FRANK RUSSO
CUYAHOGA COUNTY AUDITOR

June 7, 2004

The Citizens Of The County Of Cuyahoga

We are pleased to present the 2003 Comprehensive Annual Financial Report of the County of Cuyahoga. This report provides a full and complete disclosure of the financial position and operations of the County for the year ended December 31, 2003. My office believes that the data herein is accurate in all respects and that all disclosures necessary to enable the reader to gain a maximum understanding of the County's financial affairs have been included.

Preparation of this report represents a renewed commitment to the prudent financial management of Cuyahoga County. The annual report provides Cuyahoga County's elected officials and managers with accurate and reliable financial information for making the important decisions affecting the quality and level of service provided to residents of the County.

We are proud that Cuyahoga County has received the Certificate of Achievement for Excellence in Financial Reporting 19 times from the Government Finance Officers Association. Attainment of this prestigious award is an annual goal of our office.

I thank Steven C. Letsky, Director of Accounting, and his staff for their efforts in this endeavor.

Respectfully submitted,

Frank Russo
Cuyahoga County Auditor



FRANK RUSSO
CUYAHOGA COUNTY AUDITOR

June 7, 2004

Honorable Frank Russo
Cuyahoga County Auditor

Honorable Jimmy Dimora
Honorable Peter Lawson Jones
Honorable Tim McCormack
Cuyahoga County Commissioners

Honorable James Rokakis
Cuyahoga County Treasurer

We are pleased to present the Comprehensive Annual Financial Report of the County of Cuyahoga for the year ended December 31, 2003. This report contains the financial statements and other financial and statistical data that provide a complete and full disclosure of all material financial aspects of the County. The responsibility for the accuracy of all data presented, its completeness and fairness of presentation rests with the County Auditor's Office (specifically the Financial Reporting Section), the Board of County Commissioners and the County Treasurer's Office.

This is the twenty-first consecutive year that the County has issued a Comprehensive Annual Financial Report (CAFR). This report, which is prepared in accordance with accounting principles generally accepted in the United States of America, is indicative of the commitment by County management to provide quality financial information to the citizens of the County and all other interested parties.

The CAFR is organized in three sections: The Introductory Section, the Financial Section and the Statistical Section. The Introductory Section contains a table of contents, letters of transmittal, the Certificate of Achievement for Excellence in Financial Reporting for 2002, a list of elected officials and an organization chart. The financial section includes the independent auditors' report, the Management's Discussion and Analysis (MD&A), Basic Financial Statements, supplementary information and various other statements and schedules pertaining to the County's funds and activities. The Statistical Section provides selected financial, economic and demographic information, which may be used to indicate trends for comparative fiscal periods.

REPORTING ENTITY

The County of Cuyahoga is a political subdivision of the State of Ohio. It encompasses 59 municipalities, villages and townships, of which Cleveland is the largest. The County includes 459 square miles and has an estimated population of 1,363,888 making it one of the largest counties in the United States. The County provides general governmental services to its citizens which include: Social services including drug and alcohol abuse programs and programs for the mentally retarded, health and community assistance related services, civil and criminal justice system services, road and bridge maintenance and other general administrative support services. The County operates several enterprise activities including a sewer system, an airport, a parking garage and a crime

information system. The County also operates a hospital, which is presented in the financial statements as a Discretely Presented Component Unit.

For financial reporting purposes, the entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the County's Basic Financial Statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either the County's ability to impose its will over the component unit or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the County.

ECONOMIC OUTLOOK

The economic news has not been encouraging but there were some new developments in various stages of completion. Hotels experienced an increase in vacancy rate. The overall hotel occupancy rate was 54.6% in 2003 and 56% in 2002. It is the fourth consecutive year occupancy rates have dropped. However, U.S. Realty Consultants Inc. forecasts the Cleveland lodging market will see mild improvement in 2004. In July 2002, the newest skyscraper in the County was completed. The 24 story \$192.4 million federal courthouse was 20 months late and cost \$22 million more than originally budgeted. The building houses 400 federal employees who previously worked in 5 downtown buildings. The 700,000 square foot building consists of 16 courtrooms for 13 judges and 6 magistrates. Despite the economic downturn, MBNA Corp., the credit card company, began the process to construct a 190,000 square foot building at its current complex. The building will be four stories and house 900 employees. Its current three building complex which employs 2,200 people is nearing capacity. It is estimated the building will cost \$25 million. Zoning variances, necessary to allow the project to proceed, were approved in March 2003.

Recession during the past two years has taken a half-billion dollars out of workers' paychecks. Heavy losses of jobs especially in manufacturing resulted in aggregate pay in Cuyahoga and the six contiguous counties to fall by \$479 million from first quarter 2001 to first quarter 2003. The decrease in quarterly pay from \$12.95 billion to \$12.47 billion translates to a 3.7% decrease. The region lost over 45,000 jobs during the same two-year period. The vacancy rate for office and industrial real estate increased for the third consecutive year although it was slight in 2003. The downtown vacancy rate rose from 20% to 21.93%, however, the suburban vacancy rate only increased from 19% to 19.1%. The combined vacancy rate increased from 19.6% to 20.07%. Industrial construction grew from 462,000 square feet to 2.5 million square feet. Hiring for middle and upper level management positions is projected to increase for the first half 2004 according to Management Recruits International Inc. Growing confidence and the economic recovery were cited as factors.

The Rock and Roll Hall of Fame and Museum, which opened in 1995, is proposing a new library and archives as the centerpiece of an expansion which would connect the Rock Hall to the Great Lakes Science Center. The 40,000 square foot expansion would include public spaces, classrooms, a restaurant and a multipurpose area. The original area slated to house a library was taken over by the special events, marketing and accounting departments. Groundbreaking dates have not been determined nor have costs. The New York based Rock and Roll Hall of Fame Foundation, which oversees the museum in conjunction with the Cleveland Board, has raised unspecified funds for the library and archives. Additional funding is expected to be both private and public with the hall likely to seek state monies. The goal is to not incur additional debt. In order to alleviate pressure on the operating budget, the Cleveland-Cuyahoga County Port Authority is proposing to refinance the remainder of \$39 million in bonds issued in 1993 which helped pay for the construction of the museum. The refinancing will free up at least \$224,000 per year. Proceeds from a 1.5% county bed tax, corporate sponsorships and a 3% admission surcharge were pledged to repay the bonds. If the admission surcharge failed to generate \$224,000 toward repayment of the bonds, the museum was responsible for making up the difference from its operating fund. The bed tax is currently generating

enough money to cover the annual debt service. Also, corporate sponsorship was not heavily pursued because proceeds would be earmarked for the bond reserve fund. The Rock Hall is trying to change its image to become more of a destination and less of a symbol. One change being proposed is for the enshrinement to be held at the Rock Hall at least every 5 years.

The Civic Vision 2000 and Beyond report, a comprehensive plan that will serve as a blueprint for transforming downtown Cleveland in the 21st century, was completed in 1998. The Steering Committee, consisting of over 20 community leaders, met over 15 months starting in December 1996. The report calls for spending upwards of \$2.7 billion in public and private funds over 10 years on 5 initiatives of major importance: Dramatically change the lakefront, develop a new and competitive downtown convention center, restore and beautify Euclid Avenue, double the number of downtown residents and develop attractive and user-friendly systems of connectivity. In addition, the Steering Committee recommended supporting the Greater Cleveland Growth Association task force review of Northeast Ohio's required air service needs, improving the Cleveland public schools and building inter-relationships with adjoining neighborhoods. Most of the Euclid Avenue projects are under construction. Civic Vision's goal is 3,000 new housing units with 1,200 having already been added and 7,000 new downtown hotel rooms with 617 currently in place. The Old Arcade linking Euclid and Superior avenues reopened May 2001 with a new Hyatt Hotel and retail stores. One proposal being considered for the lakefront is the shifting of the shoreway, a main freeway connecting downtown with the east and west side of the County, which runs along Lake Erie. Parts of the shoreway would become a tree-lined boulevard and an eight mile lakefront bike path would be created. It is felt this proposal would facilitate development along the lakeshore. The project could cost over \$1 billion and the funding source has not been identified.

After many years, various proposals and competing sites, the County agreed to place a sales tax and other tax increases on the ballot to help finance the construction of a new convention center. The estimated \$400 million project was to be built on the Cuyahoga River behind Tower City Center. The Center would link Tower City, Gund Arena and the planned Euclid Corridor project. Forest City Enterprises, Inc. owns the land and as part of the proposal would have to agree to build houses across the river from Tower City, expand the shopping mall in Tower City, address what would become of Public Hall if the existing convention center is vacated and commit to expanding existing hotels. In addition to the new convention center, the referendum would include funding for the arts community and development projects which would raise the total project to \$700 million. The project would be funded with a sales tax increase of .25%, a new 2% restaurant tax and an increase to the city and county bed tax for overnight stays at hotels, as well as redirecting some of the current bed tax from the Convention and Visitors Bureau. However in August 2003, Mayor Jane Campbell pulled her support for the tax which forced the County Commissioners to remove it from the ballot. The Mayor cited the slumping economy and a series of recent tax increases at the state and local level for her opposition. There is currently no new proposal for a convention center. Cleveland State University will complete a study in 2004 which will review the status of convention centers in other cities, including size, location and cost. A new convention center authority was appointed by the Board of County Commissioners (4 members), the Mayor of the city of Cleveland (4 members) and the Cuyahoga County Mayors and Managers Association (3 members). The authority will determine location, size, financing and operations of a new convention center.

The expansion of Cleveland Hopkins International Airport has been debated and disputed for over 10 years. The cities of Cleveland and Brook Park have disagreed on the direction of the expansion and whether the I-X Center, an exposition hall, needs to be demolished in order to accommodate future airport runway expansion. In 1999, the city of Cleveland paid \$66.5 million for the I-X Center and Brook Park filed suit in Probate Court to acquire the I-X Center by eminent domain. The cities of Cleveland and Brook Park ended their long dispute concerning the Airport and the I-X Center in February 2001. Under the settlement, the city of Cleveland would receive the I-X Center and 90 acres of neighboring land. The I-X Center would continue to remain open for trade shows until a third runway is needed in 15 years. The city of Brook Park will receive the NASA Glenn Research Center and two tracts of land, one 11 acres and the other 34 acres and will receive one-half of the

revenues of the Emerald Corporate Park, a Cleveland industrial park north of the airport. Cleveland will purchase up to 300 homes in Brook Park to make way for the new runway. While the dispute continued, a second runway was planned with a third to follow later. The City received the necessary permits to begin the second runway in 2001 and it was completed in 2002 at a cost of \$50 million.

Tyco International Ltd. (formerly Scott Technologies Inc. and Figgie International Incorporated) agreed in 1989 to relocate its headquarters from Richmond, Virginia to an area known as Chagrin Highlands on land owned by the city of Cleveland. The development on 650 acres will include a 3.5 million square foot office complex and 250,000 square feet of retail space as well as 1,000 hotel rooms. Developers expect six hotels with one 300 room full service inn and the rest in the 80 to 120 room range to be constructed. The project is expected to take 15 to 20 years to complete and will provide 16,000 to 20,000 permanent jobs when completed, generating \$44 million yearly in income taxes among five communities and \$8 million in income taxes from construction jobs over the project life. Ground was broken in June 1998 on the \$14 million four story 112,000 square foot office building and was completed in Fall 1999. Scott occupies 15,000 square feet of the multi-tenant building which is 83% leased. University Hospitals Health System constructed a 100,000 square foot, 4 story technology advanced outpatient specialty medical center in the Chagrin Highlands at an estimated cost of \$29.2 million which opened in February 2001. The project also includes a four story 114,000 square foot office building, an Extended Stay America hotel and a restaurant. A complex of 3 restaurants with a total of 810 seats has been proposed for the project. A 300 unit Marriott hotel will be the next building to be built in the Chagrin Highlands office and mixed-use development. Construction should begin during 2004 and be completed by summer 2005. The full service hotel will include 14,000 square feet of meeting space, a 7,500 square foot ballroom that will accommodate 700 people and boardrooms.

The Greater Cleveland Regional Transit Authority (RTA) proposed a scaled down version of an earlier rejected transportation system now called the Euclid Corridor Improvement Project. The Euclid Corridor Improvement Project would consist of a dedicated electric trolley bus line between Tower City and University Circle and would relocate 3 stations and renovate 3 others to be completed in 2006. The RTA hoped to obtain \$132 million of the cost of the Euclid Corridor makeover from the Federal government with \$50 million from the State and \$38 million from RTA and the City. However, the Northeast Ohio Regional Planning Agency (NOACA) has agreed to finance \$10 million of the project with \$7 million and \$3 million direct reductions of the Cleveland and RTA commitments, respectively. The RTA switched from wire-guided, trolley-style coaches to a wire-free hybrid system using aerodynamic diesel/electrical powered vehicles which saved \$53 million. Mayor Jane Campbell wants to lower the City's \$17 million previous commitment. The Federal government approved \$13 million to enable RTA to move ahead on the \$168.4 million bus-rapid transit line. RTA is gearing up to acquire the land and easements along the 9.8 mile transit route. RTA estimates it will cost \$10 million and require eight land purchases, 154 permanent easements and 195 construction easements. RTA hopes to obtain almost 50% of the funding from the Federal government. The remainder of the project will be funded by \$50 million from the Ohio Department of Transportation, \$18.2 million from RTA, \$10 million from the Northeast Ohio Area-wide Coordinating Agency and \$8 million from the city of Cleveland. Construction could begin in late 2004.

A downturn in the economy and competition from imported steel led LTV Corporation to shut down its west-side steel making and rolling operations and reduce employment by 900. The steelmaker was forced to operate under Chapter 11 bankruptcy. Management originally decided to shut down operations and liquidate the assets. Through a concerted effort by some employees, elected officials and community leaders, a bankruptcy judge agreed to allow its sale. The plant was sold in 2002 to International Steel Group (ISG) and currently is back in operation. During the first quarter 2003 and for the first time since 1994, 155,000 tons of steel left the port of Cleveland for Europe. ISG has agreed to buy the operations of Weirton Steel Corporation out of U.S. Bankruptcy Court for \$255 million. The judge overseeing the Weirton bankruptcy approved the sale in 2004. The

acquisition gives ISG the most steel making capacity in the United States. Weirton produces approximately 25% of the tin plate produced in the United States. Also, ISG will reopen a Cleveland west-side steel plant previously closed. ISG spent \$10 million to restart the basic oxygen furnace and continuous caster in May 2004 and hire 140 employees. The restart will have a ripple effect on businesses that support the mill such as mechanics and electrical suppliers. It will also mean more business for the port of Cleveland.

In October 2003 Northeast Ohio's first outdoor lifestyle center opened. The shopping center is known as Legacy Village. The center cost \$115 million and took two years to complete. An estimated 2,000 full-time jobs were created. The complex has more than 70 tenants and consists of a mix of upscale home stores, restaurants, clothing stores and specialty shops. The center has a "main street" appearance. In order to adjust to the northeast climate, electrical wiring was placed beneath the pavement and bricks to heat the sidewalks and melt the ice and snow. Legacy Village opened with 92% of its space having been leased.

The largest development in the greater downtown area concerns a baseball stadium, basketball arena and private development of land surrounding the area called the Gateway project. Gateway Economic Development Corp. is a private nonprofit entity formed by an agreement between the city of Cleveland and Cuyahoga County for the purpose of constructing and operating the baseball and arena facilities. The County Commissioners authorized by resolution a public vote on an excise tax on liquor, beer, wine and cigarettes (sin tax). The tax amounts to 16¢ on a gallon of beer, 32¢ on a gallon of wine, \$3 on a gallon of liquor and 4.5¢ on a pack of cigarettes imposed at the wholesale level throughout the County. The tax will remain in existence for a period of 15 years. The citizens passed the tax ordinance in the May 1990 primary election. Upon completion of the facilities, Gateway revealed a cost overrun of \$21.5 million. The cost overruns represented monies owed to contractors. Cuyahoga County agreed to loan Gateway \$11.5 million to pay contractor claims. The \$11.5 million interest free loan was to be repaid with 10 year commitments from the city of Cleveland for \$250,000 per year, the Convention and Visitor's Bureau for \$500,000 per year and Gateway for \$400,000 per year. None of the proposed repayment sources have agreed to their respective contributions except the city of Cleveland which has agreed to repay the County with interest earned on future sin tax monies, if any, supporting debt for the new Cleveland Browns stadium beginning in the year 2006. The remaining \$10 million was loaned to Gateway by a local bank. Repayment was to come from a grant from the State of Ohio capital budget. However, the state legislature agreed to provide a \$10 million interest free loan to be repaid by both the County and the city of Cleveland equally over 20 years from State Local Government monies. During 2003, Gateway renegotiated its stadium leases with the owners of the Cleveland Indians and the Cleveland Cavaliers. The new 10 year agreement frees the organization from covering minor repairs and routine maintenance. Rent payments will no longer be tied to ticket sales. Gateway's \$4.9 million expenses will be divided by the teams annually after its budget is submitted in mid-November. Gateway agreed to give up \$1 million annually in naming rights from the Indians until 2016. The Indians will cover 57% of the budget in 2004. Gateway will only be responsible for items over \$500,000. The Cavaliers had held Gateway responsible for all capital repairs of Gund Arena and deducted the amounts from rent. As part of the agreement, the Cavaliers credit against rent which equaled \$9.5 million is no longer Gateway's responsibility.

In December 1991, a lawsuit was filed in Perry County seeking a determination that the current method of funding public education was unconstitutional. The local court found for the plaintiffs. The trial court ordered the Superintendent of Public Instruction and the State Board of Education to prepare proposals for the General Assembly to eliminate disparities among Ohio's public school districts. The Ohio Attorney General appealed the decision to the Fifth District Court of Appeals. The Court of Appeals reversed the trial court and determined the current system of school funding was constitutional. The decision of the Appeals Court was appealed by the plaintiffs to the Ohio Supreme Court. In March 1997, the Supreme Court ruled for the plaintiffs and overturned the Court of Appeals. While the Supreme Court found the funding system to be unconstitutional, the court gave no specific instructions on remedy. Instead, the court instructed the General Assembly to

enact legislation to correct the funding disparity and submit it to the original trial court judge for approval consistent with the court's decision. Due to the complexity of the issue, a stay of twelve months was granted the General Assembly in order to allow adequate study and drafting of the legislation. The General Assembly placed a 1% sales tax on the ballot to raise over \$1 billion of which approximately \$500 million was to be earmarked for property tax relief and the remaining for public education. The ballot issue was overwhelmingly defeated 80% to 20% in the May 1998 primary. The issue was back in the hands of the trial court judge to determine if the State was in compliance with the court decision and, if not, what the remedies are. The trial court judge ruled the State was not in compliance and required the Superintendent of Public Instruction and the State Board of Education to prepare a report setting forth steps for compliance with previous orders of the court. The proposals were to be presented to the State Legislature after the 1999 session, setting steps to resolve the issue. The Ohio Supreme Court on a vote of 5-4 ordered the State to change the school funding formula to rely less on property taxes. The Court gave the General Assembly until June 2001 to craft a new funding system. In August 2001 the Supreme Court of the State of Ohio agreed that the school funding system approved by the state legislature was constitutional with conditions which include spending more on parity aid to poorer school districts. For the 3rd time in 5 years, the Supreme Court of the State of Ohio ruled by a 4-3 margin in December 2002 that the system for funding schools in the State of Ohio relies too much on local property taxes, creating huge disparities between wealthy and poor school districts. In May 2003, the Supreme Court of the State of Ohio by a vote of 5-2 blocked a court mandated solution. The coalition that brought suit tried to get the lawsuit returned to the original judge in Perry County to determine if the State was complying with the December Supreme Court ruling. The decision restates the earlier rulings that Ohio's education system remains unconstitutional because of its reliance on local property taxes which creates huge disparities. The General Assembly is left to remedy the educational system but the ruling eliminated any way to force legislators to carry out the order.

In Summer 1995, the city of Cleveland passed a council resolution authorizing the imposition and collection of an 8% parking tax on all public parking in Cleveland and a 2% admission tax on all entertainment events for the purpose of funding a football stadium. The County agreed to fund a portion of the cost of the project by extending the excise tax on beer, wine, alcohol and tobacco from the year 2005 through 2015. The sin tax was originally approved to repay bonds used to build the baseball stadium. Its life would have expired in the year 2005, when the sin tax bonds are retired. The County Commissioners placed the 10 year tax extension on the ballot. During the fall campaign to pass the tax, the owner of the Cleveland Browns, Art Modell, announced he was moving the team to Baltimore. The tax passed with 75% of the vote in favor as a show of fan support for keeping the Browns in Cleveland. The City sued Art Modell over a specific performance clause in the stadium lease, which required the Browns to play in the stadium during the life of the lease which expired after the 1998 season. In January 1996, during National Football League (NFL) meetings in Chicago, a compromise was reached whereby Art Modell was allowed to take his team to Baltimore but the team name and colors would remain in Cleveland with a promise from the NFL that a new or existing team would be located in Cleveland by the year 1999, and Modell would be required to pay \$9.3 million in damages. In return, the City agreed to build a new stadium with city and county taxes passed for this purpose. Since the county and city taxes would not support the full cost of a new stadium, the NFL agreed to loan up to \$48 million to the project with repayment to come from the sale of private seat licenses. A 30-year lease between the city of Cleveland and the NFL was negotiated which gave the NFL the right to assign the lease to the new team. Demolition of Municipal Stadium began in fall 1996. Groundbreaking on the new stadium commenced in May 1997 with the project originally estimated to cost \$247 million. The stadium opened in August 1999 but cost overruns increased the price to almost \$300 million. The NFL agreed to provide an additional \$15 million toward any overruns and the City has stated it has sufficient funding to cover the remainder. The County will not begin distributing its sin tax contribution prior to 2005. The County will contribute \$87 million over 10 years for debt service. An additional \$29 million will be earmarked for repair and renovation. Any sin tax collections above \$116 million will remain with the County and be used to reimburse the County for Gateway debt.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The County utilizes an automated accounting system, which provides the capability to prepare financial information based on accounting principles generally accepted in the United States of America (GAAP) for governments. Financial Accounting and Management Information System, known by the acronym FAMIS, is the basis for the County's accounting and budgetary controls. All operations of the County, with the exception of the Hospital, use FAMIS. Adequate internal accounting controls are an integral part of this system and are designed to achieve the fundamental objectives of safeguarding assets and providing reasonable assurance that financial transactions are properly recorded.

The County's day-to-day accounting and budgetary records are maintained on a basis other than GAAP. For financial reporting purposes, the accounting records are converted to the modified accrual basis for all Governmental funds for the governmental fund financial statements and the accrual basis for the government-wide financial statements and the Proprietary and Fiduciary funds. A further discussion of the two bases of accounting and their reconciliation can be found in Note B of the notes to the financial statements.

CASH MANAGEMENT

The Investment Advisory Committee, comprised of three County Commissioners, the Clerk of Courts and the County Treasurer, establishes investment policies and monitors all investment activity. Public Financial Management, Inc. (PFM) provides investment advisory services. Amendments to Ohio Revised Code Section 135 (Senate Bill 81) now restrict the type and length of investments and provide for ongoing investment training for County Treasurers.

The County Treasurer, through a change in State statute, contracted for the sale of delinquent property tax receivables. A portion of the receivables for tax years 1996 and prior were sold at a discount, and the buyer agreed to purchase future delinquencies on the same parcels at full value for tax years 1997-2000 and also purchase new qualified delinquencies on other parcels for the years 1997-1999. The delinquent sale which occurred in 2001 resulted in an additional \$8.6 million of delinquent tax collection. In addition, there was an increase in collections of prior tax delinquencies because taxpayers wished to settle past due taxes with the County rather than deal with a private owner of the receivable. A contract is now being developed which will enable the Treasurer's Office to sell delinquencies for tax year 2002 at a discount. This sale is scheduled for August 2004. The buyer has also continued to purchase subsequent tax liens for delinquencies previously obtained.

The County Treasurer has established a linked deposit loan program for the purpose of enhancing housing in participating cities. The County has entered into agreements with certain eligible lending institutions and local communities to provide loans at below market interest rates to owners of real property located in the contracting community for certain housing repairs and improvements. After a linked deposit loan is made to an eligible borrower, the Treasurer will use monies from the County's portfolio of inactive funds to place a certificate of deposit with the lending institution at below market rates. The contracting community is responsible for inspecting the improvements to ensure their compliance with local building codes. More than 4,900 homeowners have borrowed over \$58.5 million since the program's inception in July 1999. The County feels increases in property values resulting from the loan program will eventually bring additional revenues to the County.

A similar linked deposit program was established in 2002 to provide low interest home improvement loans to owners of older and historic properties. The Preservation Resource Center of the Cleveland Restoration Society provides assistance to property owners and monitors home improvements completed through this program. Since its inception, 129 loans have been issued amounting to \$4.5 million.

It is the policy of the County Treasurer that all deposits be either covered by insurance or collateralized. The collateral is held by the pledging institution's agent in the name of the depository or the Federal Reserve Bank of Cleveland in pooled securities accounts consisting of government securities. The County's investment policy objectives consider safety, liquidity and yield. Before a security is purchased, the cash flow needs of the County and the cash flow forecast is analyzed. Key factors of decision making on the purchase of securities include type, term to maturity, principal value and rate of return.

RISK MANAGEMENT

The County has designated \$2 million of General fund balance to provide reserves for claims and judgements not covered by various County insurance policies. Settled claims from risks covered by the County's insurance policies have not exceeded the insurance coverage for the past three fiscal years. Actual expenditures for claims and judgements against the County and estimates for claims including those incurred but not reported, were immaterial in 2003. The County is also self-insured with respect to the Ohio Unemployment Compensation program. Self-insurance expenditures for unemployment compensation were not material in 2003. The County maintains an Internal Service fund for the self-insurance of workers compensation through a retrospective rating plan with the State of Ohio. All payroll funds in the County contribute to the Self-Funded Workers' Compensation fund based on estimates needed to pay claims and to establish a reserve for claims incurred but not reported.

THE INDEPENDENT AUDIT

Included in this report is an unqualified audit opinion rendered on the County's basic financial statements for the year ended December 31, 2003 by our independent auditors, Deloitte & Touche LLP. County management will continue to subject the financial statements to an annual independent audit as part of the preparation of the CAFR. An annual audit serves to help maintain and strengthen the County's accounting and budgetary controls.

The County participates in the Federal "Single Audit" program, which consists of a single audit of all federal and federal flow-through funded programs administered by the County. As a requirement for continued federal funding eligibility, congressional legislation has made participation in the single audit program mandatory for a majority of local governments including Cuyahoga County.

GAAP requires 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 MD&A and should be read in conjunction with it. The County of Cuyahoga's MD&A can be found immediately following the report of the independent auditors.

GFOA CERTIFICATE OF ACHIEVEMENT

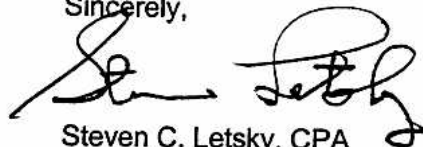
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Cuyahoga, Ohio for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2002. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

Preparation of this report could not have been accomplished without the dedicated work of the entire financial reporting staff of the County Auditor's Office. We would like to express appreciation to each member of the financial reporting staff, the support staff in General Accounting, the staffs of the Budget Commission, the County Treasurer, the Information Services Center and the Office of Budget and Management. We would also like to thank Frank Russo, County Auditor, who has continued the tradition of Auditor's sound fiscal management and the County's other elected officials and managers for their assistance in this project.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven C. Letsky". The signature is fluid and cursive, with a large loop at the end of the last name.

Steven C. Letsky, CPA
Director of Accounting

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Cuyahoga,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

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.

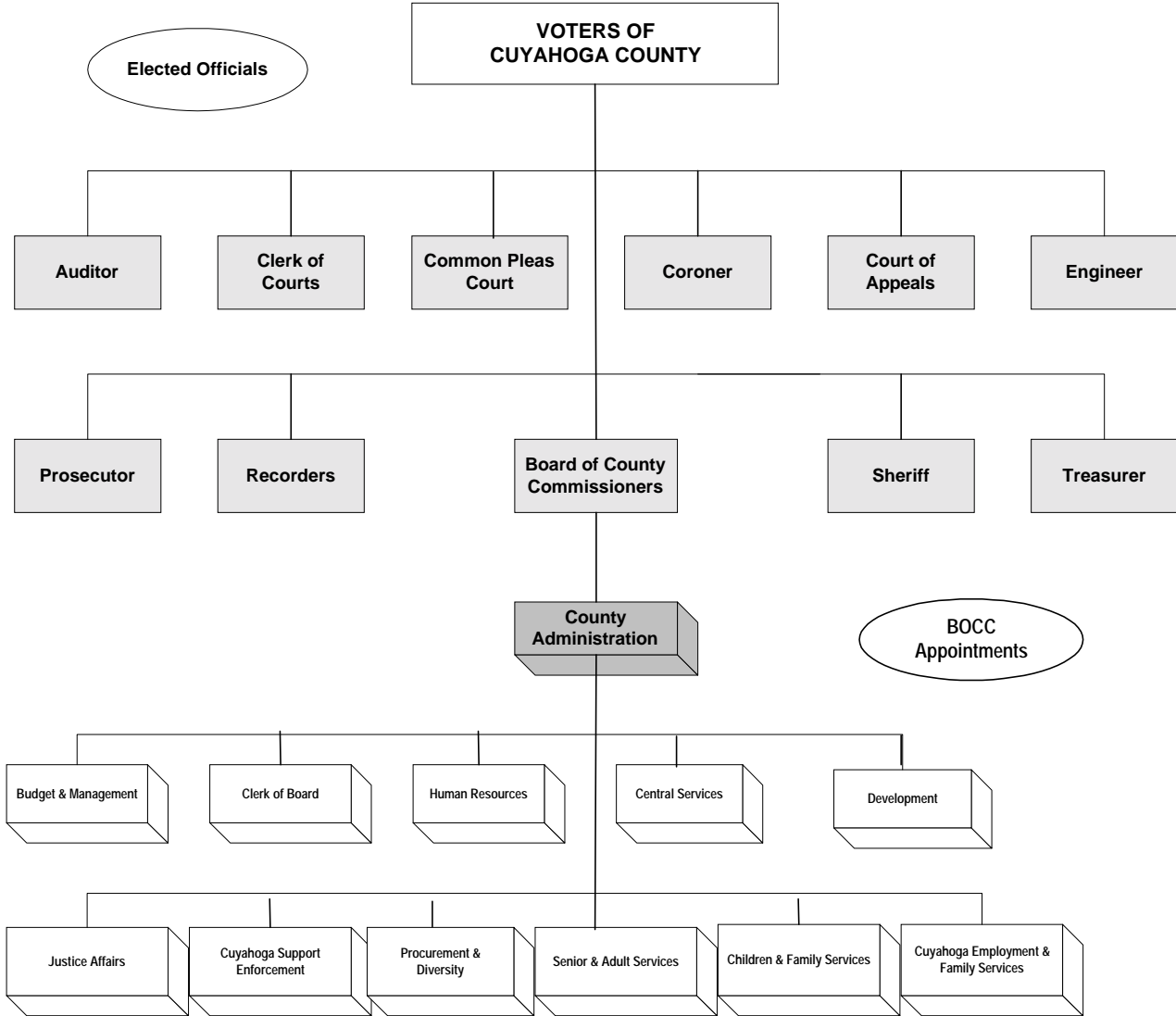


President

Executive Director

COUNTY OF CUYAHOGA, OHIO ORGANIZATION CHART

DECEMBER, 2003



<u>Boards & Commissions</u>		
Alcohol & Drug Addictions Services Board Board of Elections Public Defenders Commission Veterans Service Commission Soldiers & Sailors Monument	Data Processing Board Board of Revision County Records Commission County Budget Commission County Ombudsman Office	MetroHealth System Board of Trustees County Mental Retardation Board Community Mental Health Board County Planning Commission County Solid Waste Planning

**COUNTY OF CUYAHOGA, OHIO
ELECTED OFFICIALS
DECEMBER 31, 2003**

Board of County Commissioners

Tim McCormack, President

Jimmy Dimora

Peter Lawson Jones

Frank Russo
Gerald E. Fuerst
Elizabeth K. Balraj, M.D.
Robert Klaiber Jr.
William D. Mason
Patrick J. O'Malley
Gerald T. McFaul
James Rokakis

Auditor
Clerk of Courts
Coroner
Engineer
Prosecutor
Recorder
Sheriff
Treasurer

Common Pleas Court Judges

General Division

Richard J. McMonagle, Presiding Judge
Christopher A. Boyko
Mary Jane Boyle
Janet R. Burnside
Kenneth R. Callahan
Brian J. Corrigan
William J. Coyne
Carolyn B. Friedland
Stuart A. Friedman
Nancy A. Fuerst
Eileen Gallagher
Daniel Gaul
Robert T. Glickman
Lillian J. Greene
Burt W. Griffin
Peggy Foley Jones
Judith Kilbane Koch

Ann T. Mannen
David T. Matia
Bridget McCafferty
Timothy P. McCormick
Nancy R. McDonnell
Timothy J. McGinty
Christine T. McMonagle
John P. O'Donnell
Thomas J. Pokorny
Joseph D. Russo
Michael J. Russo
Nancy M. Russo
Shirley Strickland-Saffold
Ronald Suster
John D. Sutula
Kathleen Ann Sutula
Jose A. Villanueva

Domestic Relations Division

Timothy M. Flanagan, Administrative Judge
James P. Celebrezze
Cheryl S. Karner

Kathleen O'Malley
Anthony J. Russo

Probate Court Division

John J. Donnelly, Presiding Judge

John E. Corrigan

Juvenile Court Division

Joseph Russo, Administrative Judge
Janet Burney
Patrick F. Corrigan

Alison L. Floyd
John W. Gallagher
Peter M. Sikora

Ohio Court of Appeals Eight District

Kenneth Rocco, Administrative Judge
Patricia Blackmon
Anthony O. Calabrese, Jr.
Frank D. Celebrezze Jr.
Colleen Conway Cooney
Michael J. Corrigan

Ann Dyke
Sean C. Gallagher
Diane Karpinski
Ann L. Kilbane
Timothy McMonagle
James J. Sweeney

Financial Section

PART I

**Independent Auditors' Report
Management's Discussion and Analysis
Basic Financial Statements**



This Page is Intentionally Left Blank.

INDEPENDENT AUDITORS' REPORT

The Honorable County Auditor,
County Treasurer and the
Board of County Commissioners
Cuyahoga County, Ohio

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 County of Cuyahoga, Ohio (the "County") as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, MetroHealth System. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, MetroHealth System, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of December 31, 2003, and the respective changes in financial position and respective cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Human Services Fund, Health and Human Services Levies Fund, Board of Mental Retardation Fund, and Health and Community Services Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the County's management. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of the County's management. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Deloitte & Touche LLP

June 7, 2004

Management's Discussion and Analysis

As management of Cuyahoga County, we offer readers of Cuyahoga County's financial statements this narrative overview and analysis of the financial activities of Cuyahoga County for the fiscal year ended December 31, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letters of transmittal, which can be found on pages iv - xiii of this report.

Financial Highlights

- The assets of Cuyahoga County exceeded its liabilities at the close of the most recent fiscal year by \$537.7 million (*net assets*).
- The government's total net assets increased by \$37 million.
- As of the close of the current fiscal year, Cuyahoga County's governmental funds reported a combined ending fund balances of \$226.5 million, a decrease of \$9.5 million in comparison with the prior year. Approximately 72.4% of this total amount, \$164 million, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$141.7 million, or 51.5% of total general fund expenditures.
- Additions to Cuyahoga County's total debt were \$25.7 million during the current fiscal year. Reductions in debt during 2003 amounted to \$68.1 million for a net decrease of \$42.4 million. The County primarily refinanced existing debt. Since the County issued limited new debt, the pay down of existing debt resulted in the reduced net debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Cuyahoga County's basic financial statements. Cuyahoga County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* presents information on all of Cuyahoga County'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 Cuyahoga County is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 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 Cuyahoga County 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 Cuyahoga County include general government, judicial, development, social services, health and safety and public works. The business-type activities of Cuyahoga County include a sanitary sewer authority, an airport, a parking garage and a crime information system.

The government-wide financial statements include not only Cuyahoga County itself (known as the *primary government*), but also a legally separate hospital for which Cuyahoga County is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15 - 17 of the 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. Cuyahoga County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Cuyahoga County 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 *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 government'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*.

Cuyahoga County maintains ten 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, human services, health and human services levy, county board of mental retardation and health and community services funds which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Cuyahoga County adopts an annual appropriated budget for its general fund and the other major funds as well as the Motor Vehicle Gas Tax and Debt Service funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18 – 27 of this report.

Proprietary funds. Cuyahoga County 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. Cuyahoga County uses enterprise funds to account for its sanitary sewer, airport, parking garage and crime information systems. *Internal service funds* are an accounting device used to

accumulate and allocate costs internally among Cuyahoga County's various functions. Cuyahoga County uses internal services funds to account for its central custodial, maintenance garage, data processing, printing, reproduction and supplies, communications and self-funded workers' compensation services. As these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the governmental-wide financial statements.

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 Sanitary Engineer which is considered to be a major fund of Cuyahoga County. Conversely, the Internal Service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the 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 28 – 31 of this report.

Fiduciary fund. 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 statement because the resources of those funds are not available to support Cuyahoga County's own programs.

The basic fiduciary fund financial statement can be found on page 32 of this report.

Budgetary fund financial statements. The County's budgetary process accounts for certain transactions on a basis other than accounting principles generally accepted in the United States of America (GAAP). The budgetary statements for the General fund and all annually budgeted major Special Revenue funds are presented to demonstrate the County's compliance with annually adopted budgets.

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 33 – 65 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *other supplementary information*. The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented in the other supplementary information. Combining and individual fund statements and schedules can be found on pages 68 – 108 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Cuyahoga County, assets exceeded liabilities by \$537.7 million at the close of the most recent fiscal year. This is the second year for Cuyahoga County in implementing the 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 Discussion and Analysis (MD&A) section.

Cuyahoga County's Net Assets

(December 31; amounts in 000's)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets.....	\$ 758,688	\$ 711,127	\$ 12,539	\$ 11,542	\$ 771,227	\$ 722,669
Capital assets.....	<u>609,851</u>	<u>602,718</u>	<u>45,071</u>	<u>45,805</u>	<u>654,922</u>	<u>648,523</u>
Total assets.....	1,368,539	1,313,845	57,610	57,347	1,426,149	1,371,192
Long-term liabilities outstanding....	412,393	408,801	16,473	9,926	428,866	418,727
Other liabilities.....	<u>458,316</u>	<u>443,422</u>	<u>1,247</u>	<u>8,307</u>	<u>459,563</u>	<u>451,729</u>
Total liabilities.....	870,709	852,223	17,720	18,233	888,429	870,456
Net assets:						
Invested in capital assets, net of related debt	409,443	382,539	30,505	31,182	439,948	413,721
Restricted	34,255	35,262			34,255	35,262
Unrestricted.....	<u>54,132</u>	<u>43,821</u>	<u>9,385</u>	<u>7,932</u>	<u>63,517</u>	<u>51,753</u>
Total net assets.....	\$ <u>497,830</u>	\$ <u>461,622</u>	\$ <u>39,890</u>	\$ <u>39,114</u>	\$ <u>537,720</u>	\$ <u>500,736</u>

At the end of the current fiscal year, Cuyahoga County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

By far the largest portion of Cuyahoga County's net assets (81.8%) reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. Cuyahoga County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Cuyahoga County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

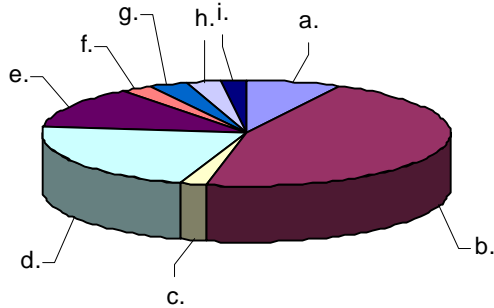
An additional portion of Cuyahoga County's net assets, restricted net assets (6.4%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$63.5 million) may be used to meet the government's ongoing obligations to citizens and creditors.

CUYAHOGA COUNTY'S CHANGES IN NET ASSETS
(Year ended December 31; amounts in 000's)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues:						
Program revenues:						
Charges for Services.....	\$ 90,848	\$ 85,588	\$ 15,364	\$ 14,742	\$ 106,212	\$ 100,330
Operating grants and contributions	551,540	541,488	38	106	551,578	541,594
Capital grants and contributions.....	27,942	30,090			27,942	30,090
General revenues:						
Property taxes	257,640	259,892			257,640	259,892
Sales and other taxes	188,313	186,168			188,313	186,168
Grants and contributions not restricted to specific programs	35,556	34,869			35,556	34,869
Other	<u>60,360</u>	<u>85,755</u>	<u>61</u>	<u>92</u>	<u>60,421</u>	<u>85,847</u>
Total revenues	1,212,199	1,223,850	15,463	14,940	1,227,662	1,238,790
Expenses:						
General Government.....	59,963	78,570			59,963	78,570
Judicial	277,314	299,231			277,314	299,231
Development.....	25,332	30,630			25,332	30,630
Social Services.....	578,700	633,133			578,700	633,133
Health and Safety.....	152,904	156,824			152,904	156,824
Public Works	67,025	69,272			67,025	69,272
Interest	13,813	16,929			13,813	16,929
Sanitary Engineer.....			10,069	11,299	10,069	11,299
Airport			1,617	1,970	1,617	1,970
Huntington Park Garage			1,753	1,890	1,753	1,890
Cuyahoga County Information System....			<u>2,188</u>	<u>2,801</u>	<u>2,188</u>	<u>2,801</u>
Total expenses.....	1,175,051	1,284,589	15,627	17,960	1,190,678	1,302,549
Increase (Decrease) in net assets before transfers	37,148	(60,739)	(164)	(3,020)	36,984	(63,759)
Transfers.....	<u>(940)</u>	<u>(107)</u>	<u>940</u>	<u>107</u>		
Change in net assets	36,208	(60,846)	776	(2,913)	36,984	(63,759)
Net assets – Beginning of year	<u>461,622</u>	<u>522,468</u>	<u>39,114</u>	<u>42,027</u>	<u>500,736</u>	<u>564,495</u>
Net assets – End of year.....	\$ <u>497,830</u>	\$ <u>461,622</u>	\$ <u>39,890</u>	\$ <u>39,114</u>	\$ <u>537,720</u>	\$ <u>500,736</u>

The government's net assets increased by \$37 million during the current fiscal year. The net increase was primarily due to lower expenses. The County maintained the prior year General fund budget cuts of 10% and in addition, the County Commissioners did not appropriate for replacement of employees who participated in the early retirement incentive program (ERIP). The number of employees who participated in ERIP was 1,127 between July 1, 2001 and June 30, 2002. The County's employee full-time equivalent (FTE) numbers were down almost 1,500 at the end of 2003. As a result spending decreased \$111.9 million while revenues declined \$11.1 million. The net impact was a positive change of \$100.8 million from 2002. In May 2003, the County voters passed a 4.9 mill health and human services levy which will generate an additional \$58.8 million annually. The new levy money will be collected in 2004 and will result in some human services programs being restored.

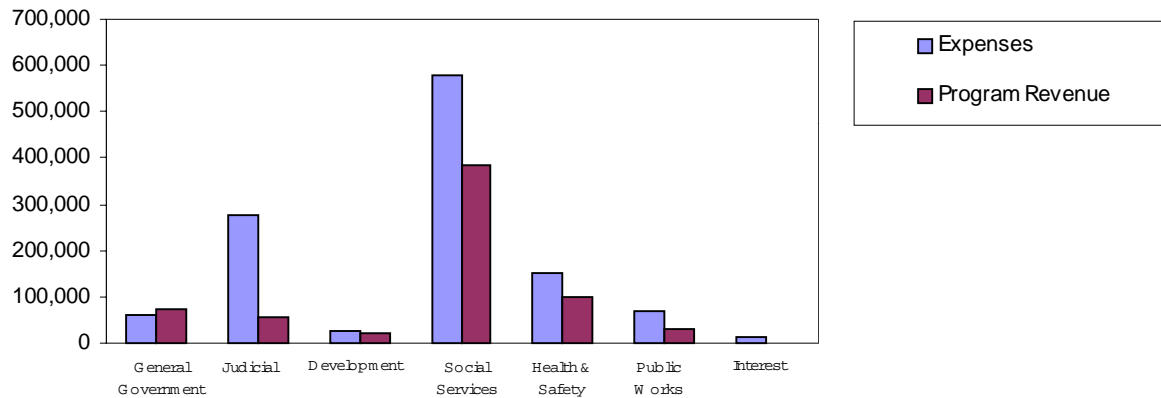
Revenues by Source – Governmental Activities



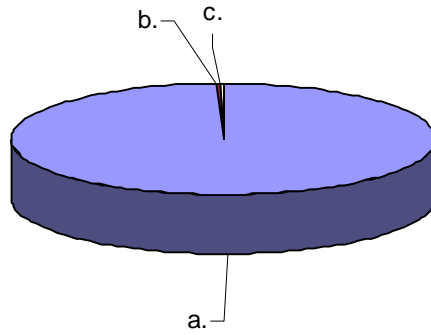
	(Amounts in 000's)	%
a. Charges for Services.....	\$ 90,848	7.5
b. Operating Grants and Contributions.....	551,540	45.5
c. Capital Grants, Contributions and Interest.....	27,942	2.3
d. Property Tax.....	257,640	21.3
e. Sales Tax	159,029	13.1
f. Other Tax	29,284	2.4
g. State local government.....	37,873	3.1
h. Grants and Contributions not restricted to a specific programs.	35,556	2.9
i. Other	22,487	1.9

Expenses and Program Revenues – Governmental Activities

(Amounts in 000's)



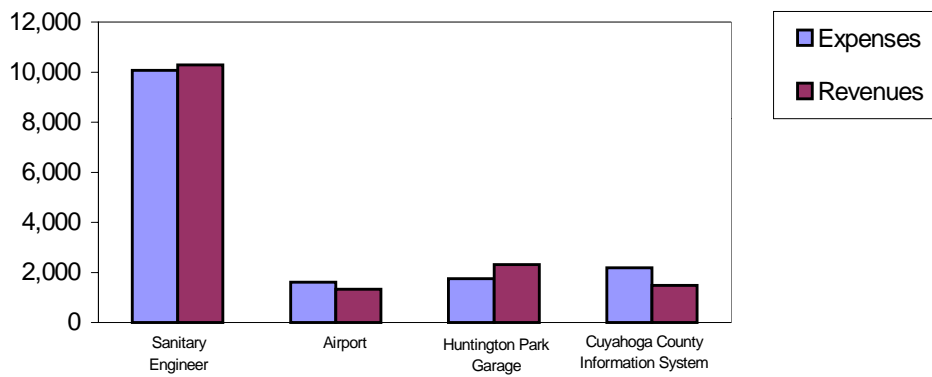
Revenue by Source – Business-type Activities



(Amounts in 000's)	
a. Charges for Services	\$ 15,364
b. Operating Grants and Contributions	38
c. Other.....	61

Expenses and Program Revenues – Business-type Activities

(Amounts in 000's)



Governmental activities. Governmental activities increased Cuyahoga County's net assets by \$36.2 million. Key elements of this increase are as follows:

- The County's ERIP program ended June 30, 2002. During 2002, the County paid out significant dollars for compensated absences due upon retirement, plus the salaries of the employees during 2002 prior to retirement. During 2003 there were no significant payouts of compensated absences and the County Commissioners did not appropriate the 40% originally agreed upon for replacements.
- The County did not restore much of the 2002 budget reductions.

Business-type activities. Business-type activities increased Cuyahoga County's net assets by \$.8 million. Key elements of this increase are as follows.

- The County's ERIP program explained in the government activities disclosure also applied to the business-type activities.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of Cuyahoga County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Cuyahoga County'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, Cuyahoga County's governmental funds reported combined ending fund balances of \$226.5 million, a decrease of \$9.5 million in comparison with the prior year. Approximately \$163.9 million constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed (1) for restricted assets (\$33.6 million), (2) for loans (\$18 million) or (3) to pay debt service (\$11 million).

The general fund is the chief operating fund of Cuyahoga County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$141.7 million, while fund balance reached \$186.4 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. Unreserved fund balance represents 51.5% of total general fund expenditures, while total fund balance represents 67.7% of that same amount.

The fund balance of Cuyahoga County's General fund and County Board of Mental Retardation funds increased by \$21.5 million and \$5 million, respectively. The Health and Community Services fund and Other Governmental funds decreased \$3.1 million and \$32.7 million, respectively, during the current fiscal year. Key factors in this net reduction are as follows:

- The County's ERIP program which expired on June 30, 2002 created personnel cost saving due to the County Commissioners not funding the previously agreed upon 40% replacements.
- The County maintained the 10% reductions in spending imposed in 2002 on General fund and General fund supported agencies.
- The County Board of Mental Retardation's (CBMR) fund balance increased by \$5 million in 2003 but that represented \$3 million less than in 2002. Spending increased \$2 million to cover more supportive administration.

- Health and Community Services spending was down and revenue was up which improved its decrease in fund balances from \$9.3 million in 2002 to \$3.1 million in 2003. The decrease in expenditures were a carryover from the 2002 budget reductions for programs such as board and care services amounting to \$8.4 million as well as the previously described ERIP issue.
- The Capital Projects fund created most of the reduction in fund balance in Other Governmental funds because the debt which will support the ongoing projects has not yet been issued.

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

Unrestricted net assets of the Sanitary Engineer at the end of the year amounted to \$7.1 million and all others amounted to \$2.5 million. The total increase in net assets was \$.8 million. Other factors concerning the finances of these two funds have already been addressed in the discussion of Cuyahoga County's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$8.6 million and can be briefly summarized as follow:

- The board and care of prisoners account amounted to \$4.2 million of the budget increase due to only a portion of the estimated annual costs being budgeted while other cost cutting options were being pursued. It was determined later that the full year would need to be funded.
- The Clerk of Courts upgraded a computer system and required a new maintenance agreement of \$1.3 million.

The County's largest budget variance was in general government of \$7.1 million for reserve contingency. This budget is an annual requirement of the Gateway bond guarantees (See Note F). The increases in budget were funded from available fund balance. The final budgeted fund balance was exceeded by \$17 million in actual fund balance.

Capital Asset and Debt Administration

Capital assets. Cuyahoga County's investment in capital assets for its governmental and business-type activities as of December 31, 2003, amounts to \$654.9 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, utility plant, building structures and improvements, furniture, fixtures and equipment, vehicles, infrastructure and construction in progress. The net increase in Cuyahoga County's investment in capital assets for the current fiscal year was 1% (a 1.2% increase for governmental activities and a 1.6% decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

CUYAHOGA COUNTY'S CAPITAL ASSETS
(December 31; net of depreciation, amounts in 000's)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land.....	\$ 38,034	\$ 32,774	\$ 5,752	\$ 5,802	\$ 43,786	\$ 38,576
Land improvements.....	2,151	2,325	3,006	3,358	5,157	5,683
Utility plant			20,793	20,329	20,793	20,329
Building structure and improvements.....	260,101	255,963	7,418	7,990	267,519	263,953
Furniture, fixtures and equipment	11,474	10,186	296	574	11,770	10,760
Vehicles	3,296	3,771	848	786	4,144	4,557
Infrastructure.....	203,973	210,408			203,973	210,408
Construction in progress	<u>90,822</u>	<u>87,291</u>	<u>6,958</u>	<u>6,966</u>	<u>97,780</u>	<u>94,257</u>
Total	\$ <u>609,851</u>	\$ <u>602,718</u>	\$ <u>45,071</u>	\$ <u>45,805</u>	\$ <u>654,922</u>	\$ <u>648,523</u>

The County was involved in a number of construction projects that resulted in the capitalization of various asset in 2003 including renovations of various county bridges and roads for \$6.3 million and mechanical and HVAC replacement in numerous county buildings amounting to \$2.5 million. The County purchased the Courthouse Square building for \$9.6 million and surrounding land for \$3.7 million for future development. The County Board of Mental Retardation built a new east-side bus garage for \$3.2 million and the County invested in a wide-area network for \$3.3 million.

Some sewer improvements were capitalized in the business type activities including the Chagrin Highlands project for \$1.3 million.

Additional information on Cuyahoga County's capital assets can be found in Note E on pages 46 – 48 of this report.

Long-term debt. At the end of the current fiscal year, Cuyahoga County had total bonded debt outstanding of \$290.7 million. Of this amount, \$172.3 million comprises debt backed by the full faith and credit of the government and \$2.4 million is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of Cuyahoga County's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) and other debt such as notes to be financed by future bonds, loans and an installment purchase agreement financed by non-tax sources.

Cuyahoga County's Outstanding Debt
General Obligation Bonds and Other Long-term Debt
(December 31; amounts in 000's)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
General obligation bonds	\$ 172,250	\$ 189,145	\$	\$	\$ 172,250	\$ 189,145
Special assessment debt with governmental commitment.....			2,440	2,495	2,440	2,495
Revenue bonds	115,975	119,540			115,975	119,540
Bond anticipation notes.....	2,440	2,440	6,110	6,083	8,550	8,523
Loans	3,332	3,610	6,016	6,045	9,348	9,655
Installment purchase agreements .	<u>11,698</u>	<u>13,695</u>			<u>11,698</u>	<u>13,695</u>
Total	\$ <u>305,695</u>	\$ <u>328,430</u>	\$ <u>14,566</u>	\$ <u>14,623</u>	\$ <u>320,261</u>	\$ <u>343,053</u>

Cuyahoga County's total debt decreased by \$22.8 million (6.6%) during the current fiscal year. The County refinanced some bond anticipation notes, general obligation bonds and the installment purchase agreement but issued no new debt.

Cuyahoga County maintained a "AA+" rating from Standard & Poor's, "AAA" from Fitch and a "Aa1" rating from Moody's for general obligation debt. The revenue bonds have been rated "Aa3" by Moody's.

State statutes limit the amount of general obligation debt a governmental entity may issue up to 1% of its total assessed valuation. The current debt limitation (voted and unvoted) for Cuyahoga County is \$613.9 million which is significantly in excess of Cuyahoga County's outstanding general obligation debt.

Additional information on Cuyahoga County's long-term debt can be found in Note F on pages 49 - 55 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Cuyahoga County is currently 6.8%, compared to 6.7% a year ago.
- The percentage of jobs lost between the first quarter 2001 and first quarter 2003 was 15.7% in manufacturing, 6.2% in retail and professional and technical services and 6.4% in state government while finance and insurance, healthcare and social assistance and arts, entertainment and recreation rose 2.4%, 6.5% and 8.4%, respectively.

Each of these factors were considered in preparing Cuyahoga County's budget for the 2003 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased \$23.5 million. The primary factor was the previously discussed ERIP which resulted in additional significant savings due to the County Commissioners not funding the 40% replacement cost which had been previously agreed upon and overall budget reductions imposed in 2002 and maintained in 2003.

In May 2003, the voters of Cuyahoga County approved a 4.9 mill health and human services levy to be collected in 2004 through 2008. The levy is estimated to generate an additional \$58.8 million each year of tax billing which will allow the County Commissioners to restore some human services programs.

Request for Information

This financial report is designed to provide a general overview of Cuyahoga County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Frank Russo, Cuyahoga County Auditor, Cuyahoga County, 1219 Ontario Street, Room 121, Cleveland, Ohio 44113.

**COUNTY OF CUYAHOGA, OHIO
STATEMENT OF NET ASSETS**

**DECEMBER 31, 2003
(Amounts in 000's)**

	Primary Government			Component Unit MetroHealth System
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Equity in pooled cash and investments.....	\$ 169,517	\$ 9,669	\$ 179,186	\$ 255
Cash and investments-segregated accounts.....				233,927
Receivables:				
Taxes (net of allowance for uncollectibles).....	370,555		370,555	
Accounts (net of allowance for uncollectibles).....	6,611	133	6,744	46,763
Special assessments (net of allowance for uncollectibles).....		2,746	2,746	
Accrued interest	1,762		1,762	
Loans (net of allowance for uncollectibles).....	17,974		17,974	
Net receivables.....	396,902	2,879	399,781	46,763
Internal balances.....	257	(257)		
Due from other governments.....	154,508	207	154,715	
Inventory of supplies.....	29	9	38	4,942
Prepaid expenses and other receivables.....				30,357
Other assets.....		32	32	6,154
Restricted assets:				
Cash and investments.....	37,475		37,475	60,309
Capital assets (net of accumulated depreciation):				
Land.....	38,034	5,752	43,786	8,954
Land improvements.....	2,151	3,006	5,157	1,043
Utility plant.....		20,793	20,793	
Buildings, structures and improvements.....	260,101	7,418	267,519	126,476
Furniture, fixtures and equipment.....	11,474	296	11,770	29,961
Vehicles.....	3,296	848	4,144	5,175
Infrastructure.....	203,973		203,973	
Construction in progress.....	90,822	6,958	97,780	62,043
Net capital assets.....	609,851	45,071	654,922	233,652
TOTAL ASSETS	1,368,539	57,610	1,426,149	616,359
LIABILITIES				
Accounts payable.....	61,939	808	62,747	26,769
Deferred revenue.....	350,417		350,417	
Due to other governments.....	20,719		20,719	
Accrued wages and benefits.....	20,234	258	20,492	23,815
Matured bonds payable.....	14		14	
Other liabilities.....	524	181	705	21,271
Short-term notes payable.....	2,440		2,440	
Accrued interest payable.....	2,029		2,029	
Noncurrent liabilities:				
Due within one year.....	44,982	7,161	52,143	42,229
Due in more than one year.....	367,411	9,312	376,723	279,334
TOTAL LIABILITIES	870,709	17,720	888,429	393,418
NET ASSETS				
Invested in capital assets, net of related debt.....	409,443	30,505	439,948	43,422
Restricted for:				
Restricted assets	23,272		23,272	2,581
Debt service.....	10,983		10,983	54,649
Unrestricted.....	54,132	9,385	63,517	122,289
TOTAL NET ASSETS	\$ 497,830	\$ 39,890	\$ 537,720	\$ 222,941

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

**COUNTY OF CUYAHOGA, OHIO
STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)**

Functions/Programs	Expenses	Charges for Services
Primary Government:		
Governmental activities:		
General government.....	\$ 59,963	\$ 56,734
Judicial.....	277,314	27,992
Development.....	25,332	318
Social services.....	578,700	1,926
Health and safety.....	152,904	1,150
Public works.....	67,025	2,728
Interest on long-term debt.....	13,813	
Total governmental activities.....	<u>1,175,051</u>	<u>90,848</u>
Business-type activities:		
Sanitary Engineer.....	10,069	10,298
Airport.....	1,617	1,283
Huntington Park Garage.....	1,753	2,309
Cuyahoga County Information System.....	2,188	1,474
Total business-type activities.....	<u>15,627</u>	<u>15,364</u>
Total primary government.....	<u>\$ 1,190,678</u>	<u>\$ 106,212</u>
Component unit:		
MetroHealth System.....	<u>\$ 530,756</u>	<u>\$ 468,598</u>

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

Net (Expense) Revenue and Changes in Net Assets					
Program Revenues		Primary Government			Component Unit MetroHealth System
Operating Grants and Contributions	Capital Grants, Contributions and Interest	Governmental Activities	Business- Type Activities	Totals	
\$ 17,157	\$	\$ 13,928	\$	\$ 13,928	\$
29,489		(219,833)		(219,833)	
23,371		(1,643)		(1,643)	
381,781		(194,993)		(194,993)	
99,742		(52,012)		(52,012)	
	27,942	(36,355)		(36,355)	
		(13,813)		(13,813)	
<u>551,540</u>	<u>27,942</u>	<u>(504,721)</u>		<u>(504,721)</u>	
				229	
38				(296)	
				556	
				(714)	
<u>38</u>				<u>(225)</u>	
<u>\$ 551,578</u>	<u>\$ 27,942</u>	<u>(504,721)</u>	<u>(225)</u>	<u>(504,946)</u>	
<u>\$ 25,061</u>	<u>\$ 104</u>				<u>(36,993)</u>
General Revenues:					
Taxes:					
Property.....		257,640		257,640	
Sales and use.....		159,029		159,029	
Other.....		29,284		29,284	
State local government fund.....		37,873		37,873	
Unrestricted investment earnings.....		10,615	14	10,629	2,966
Grants and contributions					
not restricted to specific programs.....		35,556		35,556	
Miscellaneous.....		11,872	47	11,919	25,288
Transfers.....		(940)	940		
Total general revenues, and transfers.....		<u>540,929</u>	<u>1,001</u>	<u>541,930</u>	<u>28,254</u>
Change in net assets.....		36,208	776	36,984	(8,739)
Net assets-beginning of year.....		461,622	39,114	500,736	231,680
Net assets-end of year.....		\$ 497,830	\$ 39,890	\$ 537,720	\$ 222,941

**COUNTY OF CUYAHOGA, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS**

**DECEMBER 31, 2003
(Amounts in 000's)**

	<u>General Fund</u>	<u>Human Services</u>	<u>Health and Human Services Levies</u>	<u>County Board of Mental Retardation</u>
ASSETS				
Equity in pooled cash and investments.....	\$ 11,704	\$	\$	\$ 27,827
Receivables:				
Taxes (net of allowance for uncollectibles).....	63,155		181,415	88,528
Accounts (net of allowance for uncollectibles)	678			
Accrued interest	1,646			4
Loans (net of allowance for uncollectibles).....	<u>1,000</u>			
Net receivables.....	66,479		181,415	88,532
Due from other funds.....	109,912			
Due from other governments.....	26,162	67,946	10,323	5,270
Restricted assets -				
Cash and investments.....	<u>37,475</u>			
TOTAL ASSETS.....	<u>\$ 251,732</u>	<u>\$ 67,946</u>	<u>\$ 191,738</u>	<u>\$ 121,629</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	\$ 3,778	\$ 12,594	\$ 56	\$ 3,615
Deferred revenue.....	51,723		189,813	92,859
Due to other funds.....	1,652	50,632	150	747
Due to other governments.....				
Accrued wages and benefits.....	7,702	4,720		3,709
Short-term notes payable.....				
Matured bonds payable.....				
Other Liabilities.....	<u>524</u>			
TOTAL LIABILITIES.....	<u>65,379</u>	<u>67,946</u>	<u>190,019</u>	<u>100,930</u>
Fund Balances:				
Reserved for:				
Restricted assets.....	33,654			
Loans receivable.....	1,000			
Debt service.....	9,989			
Unreserved, reported in:				
General Fund:				
Designated for self-insurance.....	1,978			
Designated for proprietary funds.....	7,020			
Undesignated.....	<u>132,712</u>			
Special Revenue Funds.....			1,719	20,699
Capital Projects Fund.....				
TOTAL FUND BALANCES	<u>186,353</u>	<u>67,946</u>	<u>1,719</u>	<u>20,699</u>
TOTAL LIABILITIES AND FUND BALANCES.....	<u>\$ 251,732</u>	<u>\$ 67,946</u>	<u>\$ 191,738</u>	<u>\$ 121,629</u>

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

<u>Health and Community Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 27,481	\$ 46,832	\$ 113,844
12,937	24,520	370,555
5,932		6,610
2	110	1,762
	<u>16,974</u>	<u>17,974</u>
<u>18,871</u>	<u>41,604</u>	<u>396,901</u>
27,698	16,850	109,912
		154,249
		37,475
<u>\$ 74,050</u>	<u>\$ 105,286</u>	<u>\$ 812,381</u>

\$ 29,622	\$ 10,147	\$ 59,812
14,684	39,595	388,674
10,500	49,996	113,677
	1,953	1,953
1,757	911	18,799
	2,440	2,440
	14	14
		<u>524</u>
<u>56,563</u>	<u>105,056</u>	<u>585,893</u>

		33,654
	16,974	17,974
	994	10,983
		1,978
		7,020
		132,712
17,487	35,951	75,856
	(53,689)	(53,689)
<u>17,487</u>	<u>230</u>	<u>226,488</u>
<u>\$ 74,050</u>	<u>\$ 105,286</u>	<u>\$ 812,381</u>

(This page intentionally left blank.)

**COUNTY OF CUYAHOGA, OHIO
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

**DECEMBER 31, 2003
(Amounts in 000's)**

Total fund balances for governmental funds.....	\$	226,488
Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and, therefore, are not reported in the funds.....		603,990
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.....		38,257
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.....		33,405
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds		
Accrued interest payable.....	(2,029)	
Long-term debt.....	<u>(402,281)</u>	(404,310)
 TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	 \$	 <u><u>497,830</u></u>

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

**COUNTY OF CUYAHOGA, OHIO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)**

	General Fund	Human Services	Health and Human Services Levies	County Board of Mental Retardation
REVENUES				
Property taxes.....	\$ 19,576	\$	\$ 118,321	\$ 85,288
Sales and use tax.....	158,634			
Other tax.....	9		53	36
State local government fund.....	38,257			
Licenses and permits.....	126			
Charges for services.....	64,659	1,644		
Fines and forfeitures.....	6,161			
Investment earnings.....	8,837			19
Other intergovernmental.....	10,406	266,801	17,045	77,462
Miscellaneous.....	3,066	836		1,329
TOTAL REVENUES.....	309,731	269,281	135,419	164,134
EXPENDITURES				
Current:				
General government.....	43,943			
Judicial.....	213,933			
Development.....	3,216			
Social services.....	5,000	305,731		160,473
Health and safety.....	9,297		12,806	
Public works.....				
Capital outlay.....				
Debt service:				
Principal retirement.....				
Interest.....	25			
TOTAL EXPENDITURES.....	275,414	305,731	12,806	160,473
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	34,317	(36,450)	122,613	3,661
OTHER FINANCING SOURCES (USES)				
Transfers in.....	3,570	36,670		1,386
Transfers out:				
Debt retirement.....	(7,592)			
Other.....	(8,833)	(220)	(122,853)	
Proceeds from debt.....				
TOTAL OTHER FINANCING SOURCES (USES).....	(12,855)	36,450	(122,853)	1,386
NET CHANGE IN FUND BALANCES.....	21,462		(240)	5,047
FUND BALANCES AT BEGINNING OF YEAR.....	164,891		1,959	15,652
FUND BALANCES AT END OF YEAR.....	\$ 186,353	\$ 0	\$ 1,719	\$ 20,699

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

<u>Health and Community Services</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ 12,467	\$ 21,988	\$ 257,640
		158,634
	28,902	29,000
		38,257
1,231		1,357
16,600		82,903
145	284	6,590
538	1,377	10,771
166,879	76,196	614,789
1,195	5,944	12,370
<u>199,055</u>	<u>134,691</u>	<u>1,212,311</u>
15,852	48	59,843
39,836	19,453	273,222
4,374	18,421	26,011
99,532	8,467	579,203
127,171	3,629	152,903
1,660	54,880	56,540
	39,317	39,317
	36,199	36,199
	13,346	13,371
<u>288,425</u>	<u>193,760</u>	<u>1,236,609</u>
(89,370)	(59,069)	(24,298)
90,730	18,657	151,013
		(7,592)
(4,424)	(5,992)	(142,322)
	13,742	13,742
<u>86,306</u>	<u>26,407</u>	<u>14,841</u>
(3,064)	(32,662)	(9,457)
<u>20,551</u>	<u>32,892</u>	<u>235,945</u>
<u>\$ 17,487</u>	<u>\$ 230</u>	<u>\$ 226,488</u>

(This page intentionally left blank.)

**COUNTY OF CUYAHOGA, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)**

Net change in fund balances-total governmental funds.....	\$	(9,457)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets that meet capitalization requirements is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$34,984) exceeded depreciation (\$29,089) in the current period.....		
		5,895
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.....		
		387
Expenses reported as compensated absences and special termination benefits in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.....		
		15,502
Interest is reported as an expenditure when due in the governmental funds, but is reported as incurred in the statement of activities.....		
		(433)
The issuance of long-term debt, (notes, bonds, capital leases, etc.) provides current financial resources to governmental funds and is not reported in the statement of activities.		
		(13,742)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities and is not reported in the statement of activities.		
Capital lease obligations.....		
		1,215
Environmental Protection Agency loan.....		
		28
Ohio Department of Development loan.....		
		250
Installment purchase agreement.....		
		15,739
General obligation and revenue bonds.....		
		20,460
Certain net expenses of the internal service funds are reported with governmental activities in the statement of activities.....		
		364
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	\$	<u>36,208</u>

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

**COUNTY OF CUYAHOGA, OHIO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
ALL MAJOR GOVERNMENTAL FUNDS
(NON-GAAP BUDGETARY BASIS)**

**FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)**

	General Fund			Human Services		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Final		Original	Final	
REVENUES						
Property taxes.....	\$ 19,428	\$ 19,611	\$ 19,611	\$	\$	\$
Sales and use tax.....	160,900	157,125	157,125			
Other tax.....	12	6	9			
State local government fund.....	38,248	38,248	38,248			
Licenses and permits.....	87	115	126			
Charges for services.....	57,004	62,067	64,713	1,766	1,392	1,644
Fines and forfeitures.....	6,693	6,538	5,817			
Investment earnings.....	17,000	17,000	16,895			
Other intergovernmental.....	11,204	10,680	10,971	255,224	310,859	227,931
Miscellaneous.....	9,968	10,224	9,321	2,686	2,728	836
TOTAL REVENUES.....	320,544	321,614	322,836	259,676	314,979	230,411
EXPENDITURES						
Current:						
General government.....	53,230	54,471	45,853			
Judicial.....	208,160	215,746	213,468			
Development.....	1,504	2,044	1,861			
Social services.....	7,661	8,031	5,339	325,215	311,747	303,476
Health and safety.....	9,516	9,649	9,601			
Public works.....						
TOTAL EXPENDITURES.....	280,071	289,941	276,122	325,215	311,747	303,476
EXCESS (DEFICIENCY) OF						
REVENUES OVER EXPENDITURES.....	40,473	31,673	46,714	(65,539)	3,232	(73,065)
OTHER FINANCING SOURCES (USES)						
Transfers in.....		2,800	3,842	66,389	31,678	48,908
Transfers out:						
Debt retirement.....	(7,592)	(7,592)	(7,592)			
Other.....	(38,192)	(36,912)	(35,970)		(220)	(220)
TOTAL OTHER FINANCING SOURCES (USES).....	(45,784)	(41,704)	(39,720)	66,389	31,458	48,688
NET CHANGE IN FUND BALANCES.....	(5,311)	(10,031)	6,994	850	34,690	(24,377)
FUND BALANCES (DEFICITS) AT						
BEGINNING OF YEAR.....	99,900	99,900	99,900	(33,524)	(33,524)	(33,524)
FUND BALANCES (DEFICITS) AT						
END OF YEAR.....	\$ 94,589	\$ 89,869	\$ 106,894	\$ (32,674)	\$ 1,166	\$ (57,901)

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

Health and Human Services Levies			County Board of Mental Retardation			Health and Community Services		
Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
Original	Final		Original	Final		Original	Final	
\$ 121,428	\$ 118,013	\$ 118,013	\$ 86,418	\$ 86,418	\$ 85,518	\$ 12,000	\$ 12,500	\$ 12,490
60	38	53		19	36			
						1,234	1,246	1,231
						17,012	17,968	16,659
						142	183	145
			30	30	19	363	718	598
16,944	17,210	17,045	82,267	82,594	77,115	169,207	170,720	161,369
			2,110	2,478	1,329	4,245	4,772	1,208
<u>138,432</u>	<u>135,261</u>	<u>135,111</u>	<u>170,825</u>	<u>171,539</u>	<u>164,017</u>	<u>204,203</u>	<u>208,107</u>	<u>193,700</u>
						15,346	15,902	15,122
						40,974	41,292	39,871
						3,124	3,873	3,560
			166,343	172,636	161,665	106,572	112,634	112,579
12,750	12,750	12,750				129,774	132,526	130,378
						1,825	1,817	1,565
<u>12,750</u>	<u>12,750</u>	<u>12,750</u>	<u>166,343</u>	<u>172,636</u>	<u>161,665</u>	<u>297,615</u>	<u>308,044</u>	<u>303,075</u>
125,682	122,511	122,361	4,482	(1,097)	2,352	(93,412)	(99,937)	(109,375)
			4,250	4,250	1,386	91,481	104,035	105,928
<u>(125,682)</u>	<u>(122,853)</u>	<u>(122,853)</u>	<u>(4,250)</u>	<u>(1,250)</u>		<u>(4,327)</u>	<u>(4,861)</u>	<u>(4,695)</u>
<u>(125,682)</u>	<u>(122,853)</u>	<u>(122,853)</u>	<u>0</u>	<u>3,000</u>	<u>1,386</u>	<u>87,154</u>	<u>99,174</u>	<u>101,233</u>
	(342)	(492)	4,482	1,903	3,738	(6,258)	(763)	(8,142)
<u>342</u>	<u>342</u>	<u>342</u>	<u>10,685</u>	<u>10,685</u>	<u>10,685</u>	<u>18,311</u>	<u>18,311</u>	<u>18,311</u>
<u>\$ 342</u>	<u>\$ 0</u>	<u>\$ (150)</u>	<u>\$ 15,167</u>	<u>\$ 12,588</u>	<u>\$ 14,423</u>	<u>\$ 12,053</u>	<u>\$ 17,548</u>	<u>\$ 10,169</u>

**COUNTY OF CUYAHOGA, OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

**DECEMBER 31, 2003
(Amounts in 000's)**

	BUSINESS-TYPE ACTIVITIES -			
	ENTERPRISE FUNDS			Governmental
	Sanitary Engineer	Other Enterprise Funds	Total Enterprise Funds	Activities- Internal Service Funds
ASSETS				
Current assets:				
Equity in pooled cash and investments.....	\$ 6,930	\$ 2,739	\$ 9,669	\$ 55,673
Receivables:				
Accounts (net of allowance for uncollectibles).....	11	122	133	1
Special assessments (net of allowance for uncollectibles).....	243	243	243	243
Net receivables.....	254	122	376	1
Due from other funds.....		31	31	4,533
Due from other governments.....	12	195	207	259
Inventory of supplies.....		9	9	29
Total current assets.....	7,196	3,096	10,292	60,495
Noncurrent assets:				
Special assessments receivable (net of allowance for uncollectibles)....	2,503		2,503	
Other assets.....	32		32	
Capital assets (net of accumulated depreciation):				
Land.....	472	5,280	5,752	
Land improvements.....	532	2,474	3,006	
Utility plant	20,793		20,793	
Buildings, structures and improvements.....	2,954	4,464	7,418	
Furniture, fixtures and equipment.....	271	25	296	5,510
Vehicles.....	810	38	848	351
Construction in progress.....	6,831	127	6,958	
Net capital assets.....	32,663	12,408	45,071	5,861
Total noncurrent assets.....	35,198	12,408	47,606	5,861
TOTAL ASSETS.....	42,394	15,504	57,898	66,356
LIABILITIES				
Current liabilities:				
Accounts payable.....	451	357	808	2,127
Due to other funds.....	65	11	76	723
Due to other governments.....				18,766
Accrued wages and benefits.....	485	134	619	3,284
Other liabilities.....	181		181	
Capital lease obligations.....				47
Special termination benefits.....	457	40	497	2,729
Loans payable.....	328		328	
Notes payable.....	6,110		6,110	
Bonds payable.....	190		190	
Total current liabilities.....	8,267	542	8,809	27,676
Noncurrent liabilities:				
Capital lease obligations.....				91
Special termination benefits.....	964	85	1,049	5,396
Loans payable.....	5,688		5,688	
Bonds payable.....	2,250		2,250	
Total noncurrent liabilities.....	8,902	85	8,987	5,487
TOTAL LIABILITIES.....	17,169	627	17,796	33,163
NET ASSETS				
Invested in capital assets, net of related debt.....	18,097	12,408	30,505	5,723
Unrestricted.....	7,128	2,469	9,597	27,470
TOTAL NET ASSETS.....	\$ 25,225	\$ 14,877	\$ 33,193	\$ 33,193
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.....				
			(212)	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES.....			\$ 39,890	

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

**COUNTY OF CUYAHOGA, OHIO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			Governmental Activities- Internal Service Funds
	Sanitary Engineer	Other Enterprise Funds	Total Enterprise Funds	
OPERATING REVENUES				
Charges for services.....	\$ 10,298	\$ 5,066	\$ 15,364	\$ 63,614
Other revenue.....	29	18	47	293
TOTAL OPERATING REVENUES.....	10,327	5,084	15,411	63,907
OPERATING EXPENSES				
Personal services.....	5,408	1,181	6,589	31,288
Contractual services and claims.....	536	952	1,488	8,712
Commodities.....	643	164	807	9,943
Depreciation.....	1,565	809	2,374	2,210
Other expenses.....	1,450	2,565	4,015	9,168
TOTAL OPERATING EXPENSES.....	9,602	5,671	15,273	61,321
OPERATING INCOME (LOSS).....	725	(587)	138	2,586
NONOPERATING REVENUES (EXPENSES)				
Interest income.....	14		14	
Interest expense.....	(236)		(236)	(9)
Grants.....		38	38	
Loss on disposal of capital assets.....	(239)		(239)	(53)
TOTAL NONOPERATING REVENUES (EXPENSES).....	(461)	38	(423)	(62)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS.....	264	(549)	(285)	2,524
Transfers in.....		1,045	1,045	2,800
Transfers out:				
Debt retirement.....		(105)	(105)	
Other.....				(4,839)
CHANGE IN NET ASSETS.....	264	391	655	485
TOTAL NET ASSETS				
BEGINNING OF YEAR.....	24,961	14,486		32,708
TOTAL NET ASSETS				
END OF YEAR.....	\$ 25,225	\$ 14,877		\$ 33,193
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds.....			121	
CHANGE IN NET ASSETS-BUSINESS-TYPE ACTIVITIES.....			\$ 776	

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

**COUNTY OF CUYAHOGA, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			Governmental Activities- Internal Service Funds
	Sanitary Engineer	Other Enterprise Funds	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from customers.....	\$ 10,992	\$ 5,352	\$ 16,344	\$ 292
Other operating cash receipts.....	29	25	54	64,574
Cash payments to suppliers for goods and services.....	(3,627)	(3,632)	(7,259)	(29,287)
Cash payments to employees for services.....	(5,385)	(1,188)	(6,573)	(31,898)
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	<u>2,009</u>	<u>557</u>	<u>2,566</u>	<u>3,681</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in (out) from (to) other funds.....		940	940	(2,039)
Repayment of short-term interfund loan-net.....		(58)	(58)	(3,201)
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES.....		<u>882</u>	<u>882</u>	<u>(5,240)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from long-term debt.....	7,952		7,952	
Receipts from capital grants.....	253	38	291	
Proceeds from sale of capital assets.....				43
Acquisition and construction of capital assets.....	(1,555)	(252)	(1,807)	(3,446)
Principal paid on long-term debt.....	(7,958)		(7,958)	(105)
Interest paid on long-term debt.....	(447)		(447)	(9)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(1,755)</u>	<u>(214)</u>	<u>(1,969)</u>	<u>(3,517)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments.....	16		16	
NET CASH PROVIDED BY INVESTING ACTIVITIES.....	<u>16</u>		<u>16</u>	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	270	1,225	1,495	(5,076)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	6,660	1,514	8,174	60,749
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 6,930</u>	<u>\$ 2,739</u>	<u>\$ 9,669</u>	<u>\$ 55,673</u>

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

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			Governmental Activities- Internal Service Funds
	Sanitary Engineer	Other Enterprise Funds	Total Enterprise Funds	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss).....	\$ 725	\$ (587)	\$ 138	\$ 2,586
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Depreciation.....	1,565	809	2,374	2,210
Changes in assets and liabilities:				
Accounts receivable-net.....	(22)	(24)	(46)	6
Due from other funds.....		(13)	(13)	1,211
Due from other governments.....		487	487	(259)
Inventory of supplies.....				(5)
Accounts payable.....	175	(64)	111	(836)
Due to other funds.....	(11)	(7)	(18)	(67)
Due to other governments.....	(26)		(26)	1,112
Accrued wages and benefits.....	33		33	368
Special termination benefits.....	(430)	(44)	(474)	(2,645)
TOTAL ADJUSTMENTS.....	<u>1,284</u>	<u>1,144</u>	<u>2,428</u>	<u>1,095</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	<u>\$ 2,009</u>	<u>\$ 557</u>	<u>\$ 2,566</u>	<u>\$ 3,681</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Fixed assets acquired through capital lease.....	\$	\$	\$	\$ 94
TOTAL NONCASH TRANSACTIONS.....	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 94</u>

**COUNTY OF CUYAHOGA, OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

**DECEMBER 31, 2003
(Amounts in 000's)**

		<u>Agency Funds</u>
ASSETS		
Equity in pooled cash and investments.....	\$	206,744
Cash and investments-segregated accounts.....		41,645
Taxes receivable.....		1,185,290
TOTAL ASSETS.....		<u><u>1,433,679</u></u>
LIABILITIES		
Due to other governments.....		1,382,471
Other liabilities.....		51,208
TOTAL LIABILITIES.....		<u><u>1,433,679</u></u>
NET ASSETS.....	\$	<u><u>0</u></u>

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

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

NOTE A - Description of Cuyahoga County and Basis of Presentation

The County: Cuyahoga County (the County) operates as a political subdivision of the State of Ohio. The County was formed by an act of the Ohio General Assembly in 1810. The three member Board of County Commissioners is the legislative and executive body of the County. The County Auditor is the chief fiscal officer. In addition, there are seven other elected administrative officials, each of whom is independent as set forth in Ohio law. These officials are Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Recorder, Sheriff and Treasurer. There are also thirty-four Common Pleas Court Judges, five Domestic Relations Court Judges, six Juvenile Court Judges, two Probate Court Judges and twelve Court of Appeals Judges elected on a County-wide basis to oversee the County's justice system.

Basis of Presentation: The accounts of the County 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 set of self-balancing accounts that comprise its assets, liabilities, fund balance or equity, revenues and expenditures or expenses, as appropriate. The County uses the following fund types:

Governmental Funds:

General Fund: This fund accounts for the general operating revenues and expenditures of the County not recorded elsewhere. The primary revenue sources are sales and use tax, property taxes, state local government fund receipts, investment earnings and various service fees.

Special Revenue Funds: These funds are used to account for specific governmental revenues (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Revenues are derived primarily from property taxes, other taxes, and federal and state grant programs.

Debt Service Fund: This fund is used to account for revenues received and used to pay principal and interest on all long-term bonded debt except those payable from Enterprise funds. Revenues are derived primarily from property taxes.

Capital Projects Fund: This fund is used to account for the acquisition or construction of capital assets (other than those financed by Proprietary funds). Revenues and financing resources are derived from the issuance of debt, transfers from the General and Special Revenue funds and capital grant programs.

Permanent Funds: Permanent funds are 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. The County does not utilize permanent funds at this time.

Proprietary Funds:

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

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

Fiduciary Funds:

Agency Funds: These funds are used to account for assets held by the County as an agent for other governments, other funds and individuals. These assets include property and other taxes as well as other intergovernmental resources that have been collected by the County and will be distributed to other taxing districts located within the County.

Private-purpose Trust Funds: Private-purpose trust funds are used to account for other trust arrangements which benefit individuals, private organizations, or other governments. For accounting measurement purposes, the

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

private-purpose trust funds are accounted for in essentially the same manner as proprietary funds. The County does not utilize private-purpose trust funds at this time.

Other Fiduciary Funds: Other fiduciary funds include pension trust funds and investment trust funds. The County does not utilize any such trust funds.

NOTE B - Summary of Significant Accounting Policies

The accompanying financial statements of the County are prepared in conformity with accounting principles generally accepted in the United States of America for local government units as prescribed in statements and interpretations issued by the GASB.

Reporting Entity: Cuyahoga County is a political subdivision of the State of Ohio. The three member board of County Commissioners is the legislative and executive body of the County. The County Auditor is the chief fiscal officer. In addition, there are seven other elected administrative officials, each of whom is independent as set forth in Ohio Law. The accompanying financial statements present the government and its component units, entities for which Cuyahoga County is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see *Discretely Presented Component Unit* below for description) to emphasize that it is legally separate from the County.

Discretely Presented Component Unit: In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, the MetroHealth System (the Hospital or Component Unit) is included as a discretely presented Component Unit in the County's basic financial statements. The Hospital provides health care and hospitalization to the general public and care for the County's indigents. The County appoints the majority of the Hospital's Board of Trustees. The Hospital's annual operating budget and investment policy are both approved by the County. The Component Unit is included in the County's reporting entity because of the significance of its operational and financial relationships with the County. The financial information of the Hospital is presented in a separate column to emphasize that it is legally separate from the government. Complete financial statements for the Hospital can be requested from the County Auditor.

Basic 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 County is presented as a set of basic financial statements in the following format:

Government-wide Financial Statements: The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internal service fund balances, whether positive or negative, have been eliminated against the expenses and program revenue shown in the statement of activities.

Fund Financial Statements: Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. State and local government fund shared revenues are recognized when the provider government recognizes its liability to the County. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, sales and use taxes, other tax, state local government funds, licenses and permits and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund.

Human Services accounts for revenues from Federal, State and County governments and expenditures used to provide entitlement services, senior and adult programs, children and family services and employment services to eligible county residents.

Health and Human Services Levies accounts for revenues from Health and Human Services Levies. Levies and expenditures are determined by policies of the Board of County Commissioners.

County Board of Mental Retardation accounts for revenues primarily from the State and the special mental retardation levy and expenditures thereof that are used for the benefit of the mentally retarded and developmentally disabled.

Health and Community Services accounts for revenues from Federal, State and County governments and expenditures thereof as prescribed under the various health and community service functions including mental health and alcohol and drug programs.

The County reports the following major proprietary fund:

Sanitary Engineer accounts for the maintenance operations of county sewer lines. The office also enforces compliance of county sanitary regulations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants, contributions and interest including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds and of the County's internal service funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap-in fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Accounting and Control: The County is required by state law to adopt annual budgets for the General fund, certain Special Revenue funds and the Debt Service fund. Major Special Revenue funds which are budgeted annually include Human Services, Health and Human Services Levies, County Board of Mental Retardation and Health and Community Services. The County Administrator prepares the budget, which is approved by the Board of County Commissioners. The Office of Budget and Management prepares a separate budgetary report. The Board of County Commissioners approves amendments to the original budget throughout the year as allowed by State statute. The County maintains budgetary control within an organizational unit and fund by not permitting expenditures/expenses and encumbrances to exceed appropriations for personnel, capital purchases and other costs. Elected officials and managers may amend the budget without approval of the County Commissioners as long as amendments are within legal categories. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances are closed to unreserved fund balance/retained earnings at year-end and are re-encumbered and reappropriated at the start of the following year.

The County's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP basis). The accompanying statement of revenues, expenditures, and changes in fund balances – budget and actual (non-GAAP budgetary basis), comparing budget to actual results of operations for the General fund and all annually budgeted major special revenue funds, is presented to demonstrate the County's compliance with legally adopted budgets and reflects only budget revisions formally adopted by the Board of County Commissioners. The Commissioners and their staff monitor the level of revenues and expenditures throughout the year, and policy decisions are made based on the available current information. Formal revisions to previous budgets may not be processed if actual results are within previously budgeted levels. Consequently, large variances may appear on the budget and actual comparisons in the accompanying statements. The County has chosen not to include the variance column in the Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual.

The budgetary process does not include annual budgeting for certain grants (including Community Development and Other funds) and the Capital Projects fund. Appropriations are made on a multi-year basis with the free balance and encumbrances being reappropriated annually. The administrative control is on a grant/project basis and, therefore, comparisons with annually appropriated funds do not provide meaningful data. The County adopts annual budgets for Proprietary funds, however, there is no legal requirement to report on compliance with such budgets.

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

The major differences between the budgetary basis and the GAAP basis are:

- (1) Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- (2) Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- (3) Encumbrances are recorded as the equivalent of expenditures (budgetary) as opposed to being closed to unreserved fund balance/fund net assets at year-end and are re-encumbered at the beginning of the following year (GAAP).

A reconciliation of the results of operations for the year on the GAAP basis to the budget basis follows:

Net Change in Fund Balances (Amounts in 000's)					
	General Fund	Human Services	Health and Human Services Levies	County Board of Mental Retardation	Health and Community Services
GAAP basis	\$ 21,462	\$	\$ (240)	\$ 5,047	\$ (3,064)
Increase/decrease:					
Accrued receivables at 12/31/03 not recognized in the 2003 budget	(202,553)	(67,946)	(191,738)	(93,802)	(46,569)
Accrued receivables at 12/31/02 recognized in the 2003 budget	117,621	29,076	131,237	98,312	37,872
Expenditures accrued as liabilities at 12/31/03 not recognized in the 2003 budget	65,379	30,412	189,869	100,930	56,563
Expenditures accrued as liabilities at 12/31/02 recognized in the 2003 budget	(70,571)	(19,605)	(129,620)	(101,508)	(48,469)
Encumbrances at 12/31/03 recognized as expenditures in the 2003 budget	(10,028)	(20,367)		(9,319)	(17,312)
Encumbrances at 12/31/02 not recognized as expenditures in the 2003 budget	10,717	24,053		7,693	12,837
Other GAAP adjustments ⁽¹⁾	<u>74,967</u>			<u>(3,615)</u>	
Budget basis	\$ <u>6,994</u>	\$ <u>(24,377)</u>	\$ <u>(492)</u>	\$ <u>3,738</u>	\$ <u>(8,142)</u>
(1) Change in the amount of short-term interfund loans by the General fund, unrealized gain on investments, net expenses for the Brownfield project, Gateway debt and agency funds reclassified as cash for financial reporting purposes.					

Statement of Cash Flows: The County utilizes the direct method with respect to the statement of cash flows as defined by the GASB Statement No. 9. For purposes of the statement of cash flows, the County considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

Pooled Cash and Investments: Cash resources of a majority of individual funds are combined to form a pool of cash and investments, which is managed by the County Treasurer. Investments in the pooled cash and investments accounts consist of U.S. Treasury Notes and other Federal Government securities, certificates of deposit, commercial paper, revenue anticipation bonds and the State Treasurer's Investment Pool.

Investments: The County accounts for its investments under the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which established accounting and financial reporting standards for government investments and investment pools, requiring most investments to be recorded at fair value and the recognition of unrealized gains and losses in the financial statements. The County has the ability and intent to hold all investments to maturity. Interest on investments is accrued as earned and distributed to appropriate funds utilizing a formula based on the average month-end balance of cash and cash equivalents of appropriate funds. County policy requires interest earned on investments to be credited to the General fund except where there is a legal requirement such as the Motor Vehicle Gas Tax Special

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

Revenue fund or where there are bond proceeds for capital improvements such as the Capital Projects fund. Fair value is determined by quoted market prices.

Inventory of Supplies: Inventory is valued at the lower of cost (determined using the first-in first-out method) or net realizable value. Costs are expensed when inventory is consumed for Proprietary funds and for the Discretely Presented Component Unit. Costs are recognized as expenditures when inventory is purchased for Governmental funds.

Board Designated Investments: Board designated investments are investments of the Hospital set aside by the board of trustees for future capital improvements and for research and development.

Restricted Assets: The primary government's restricted assets are composed of the unspent proceeds of certain borrowings that are restricted for use in specified economic development activities and capital projects, as well as deposits and investments held at certain financial institutions throughout the County to support the County's Housing Enhancement Loan Program (H.E.L.P.), which allows homeowners in County communities to borrow money from participating financial institutions to repair or remodel their homes or rental property at below market interest rates. Included in the Discretely Presented Component Unit column are restricted assets consisting of investments restricted by donors, assets under the control of the bond trustee that are used for payment of principal and interest on the Hospital's bonds when due and assets administered by a trustee for the Hospital's self-insurance and workers' compensation trust accounts.

Capital Assets: Capital assets, which include land, land improvements, utility plant, buildings, structures and improvements, furniture, fixtures and equipment, vehicles and infrastructure assets (primarily bridges constructed and maintained by the County), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements to the extent the County's capitalization threshold is met. The County defines capital assets as assets with an estimated useful life in excess of 4 years and an individual cost of more than \$9,000. Assets are recorded at historical cost or estimated historical cost if historical cost is not available. Contributed capital assets are recorded at their estimated fair market value at the date contributed.

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.

Cost for maintenance and repairs are expensed when incurred. However, costs for repairs and upgrades that materially add to the value of the life of an asset and meet the above criteria are capitalized.

The County and the Component Unit depreciates capital assets on a straight-line basis using the following estimated useful lives:

Land improvements	5 to 20 years
Utility plant	20 to 50 years
Buildings, structures and improvements	5 to 40 years
Furniture, fixtures and equipment	3 to 22 years
Vehicles	4 to 9 years
Infrastructure	20 to 69 years

Capitalization of Interest: The County's policy is to capitalize interest on construction projects in the proprietary funds until substantial completion of the project. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. During 2003, the County capitalized interest amounting to \$.1 million.

Compensated Absences: The County records accumulated unpaid sick, vacation and overtime pay benefits as accrued wages and benefits payable when earned by employees. For Governmental funds, the portion of the liability, which is not currently due and payable, is not reported. In the government-wide financial statements and for proprietary funds, the entire amount of compensated absences (current and noncurrent) is reported as a liability. The County utilizes the termination payments method to determine the liabilities for compensated absences as defined in GASB Statement No. 16.

Ohio law requires that vacation time not be accumulated for more than three years. Normally, all vacation time is to be taken in the year available unless administrative approval for carry-over is obtained. Sick time not taken

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

may be accumulated until retirement. Employees with a minimum of ten years of service are paid one-fourth of accumulated sick time at the employee's current wage rate upon retirement up to a maximum of thirty days. Certain agencies of the County that are not under the control of the Board of County Commissioners may have slightly different policies for compensated absences.

Net Patient Service Revenue: Net patient service revenue of the Hospital is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Hospital's classification of patients under the Medicare and Medicaid programs and the appropriateness of their admission are subject to an independent review by a peer review organization. Differences between the estimated amounts accrued at interim and final settlements are reported in the Statement of Revenues, Expenses and Changes in Net Assets in the year of settlement. The Hospital recorded a favorable adjustment of \$9.4 million in 2003 and a favorable adjustment of \$8.2 million in 2002, due to prior year retroactive adjustments to amounts previously estimated.

Net revenue from the Medicare and Medicaid programs accounted for approximately 24% and 32%, respectively, of the Hospital's net patient service revenue for the year ended December 31, 2003. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. The Hospital believes that an adequate provision has been made in the financial statements for any adjustments that may result from final settlements.

Charity Care: Throughout the admission, billing and collection processes, certain patients are identified by the Hospital as qualifying for charity care. The Hospital provides care to these patients without charge or at amounts less than its established rates. The charges foregone for charity care provided by the Hospital, totaling \$108.2 million, represents 11.2% of gross charges in 2003, and are not reported as revenue. The Hospital accepts certain indigent Ohio residents and all residents from the County regardless of their ability to pay.

Encumbrances: Encumbrance accounting allows for the reservation of appropriations to provide for purchase commitments pertaining to purchase orders, contracts and other commitments. Encumbrances are closed to unreserved fund balance/unrestricted net assets at year-end and are re-encumbered at the beginning of the following year.

Interfund Transactions: During the normal course of operations, the County has numerous transactions between funds including transfers of resources to provide services and construct assets. Interfund transactions are generally classified as transfers in the accompanying financial statements. Transfers out are further categorized as transfers for debt retirement or other purposes. Transfers for debt retirement represent monies transferred to the Debt Service fund. Other transfers represent all other transfers out.

Fund Balance: In the governmental fund financial statements, the County records reservations of portions of fund balances that are legally segregated for specific future uses or do not represent available, spendable resources and, therefore, cannot be appropriated for expenditures. Designations of fund balance represent tentative management plans that are subject to change.

Risk Management: The County has implemented GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. Employees' health insurance is provided through a commercial insurance program. The County pays a premium to the insurance providers without additional risk to the County. The County maintains an Internal Service fund to account for the self-insurance of workers' compensation benefits through a retrospective rating plan with the State of Ohio. The County recognizes a liability for self-insured claims if information prior to the issuance of the general purpose financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. In addition, the County has designated a portion of the fund balance of its General fund, pursuant to Ohio law, to provide for claims and judgements not covered by the various County insurance policies.

New Accounting Standards: During May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which clarifies existing accounting guidance and provides greater

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

consistency in accounting for organizations that are closely related to a primary government. The standard, which is effective for fiscal years beginning after June 15, 2003, provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a state or local government. The County has not completed an analysis of the impact of this statement on its reported financial condition and results of operations.

During March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No.3)*. This statement amends GASB Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principal areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. The County and the Component Unit elected the early adoption of this statement in 2003 and the new disclosures are reflected in Note C.

During November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. Under provisions of this statement, a capital asset is considered impaired when its service has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The provisions of this statement are effective for fiscal periods beginning after December 15, 2004. The County has not determined the impact, if any, that this statement will have on its financial statements.

NOTE C - Cash and Investments

Cash and Investments:

Pooled Cash and Investments: Certain monies of the General fund, certain Agency funds and the Hospital are deposited and maintained in individual segregated bank accounts or invested in specifically segregated investments. All other funds of the County are held in a common group of bank accounts and investments. Collectively, these bank accounts and investments represent the Pooled Cash and Investments account. Amounts reported as cash and investments for the segregated funds and the pooled funds principally consist of bank balances, certificates of deposit, United States Treasury Notes, U.S. Agency obligations, municipal obligations of political subdivisions of the State of Ohio and the State Treasurer's Investment Pool.

Certain funds have made disbursements from the pooled cash account in excess of their individual equity in the pooled cash account. These amounts are reported in the balance sheet – governmental funds and the statement of net assets – proprietary funds as "Due to other funds" and are offset against the General fund's equity in pooled cash and investments.

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

A summary of the Pooled Cash and Investments account balance by fund type at December 31, 2003, follows:

Fund Type	(Amounts in 000's)	
	Due To	Equity In
General	\$	\$ 99,295
Due From:		
Special Revenue	38,010	
Capital Projects	49,358	
Internal Service.....	<u>223</u>	<u>(87,591)</u>
Net General		11,704
Other major governmental		55,308
Other governmental		46,832
Major enterprise.....		6,930
Other enterprise.....		2,739
Internal Service.....		<u>55,673</u>
Total government-wide		179,186
Agency.....		<u>206,744</u>
Total Equity in Pooled Cash and Investments		\$ <u>385,930</u>

Amounts due to other funds by Special Revenue funds will be paid from collection of reimbursements under grant programs from the Federal and State governments. Amounts due to other funds by Capital Projects funds will be paid primarily from the issuance of general obligation bonds. Amounts owed by the Internal Service funds will be paid through collection of charges for services.

Deposits and Investments:

Primary Government

Deposits: At year-end, the carrying amount of the County's deposits, including certificates of deposit, was \$106 million and the bank balances were \$135.3 million. Any differences between the account bank balances and investments and the cash and investments recorded in the financial statements are due to normal reconciling items. Of the bank balances, \$2.4 million was covered by federal depository insurance and \$111.7 million was uncollateralized as defined by the GASB. The remaining \$21.2 million in deposits were, however, covered by collateral held by the pledging institution's agent in the name of the depository or the Federal Reserve Bank of Cleveland in pooled securities accounts that were not in the County's name, as permitted under Ohio law. The pooled securities serve as collateral for all public deposits held by the banks, including the County's deposits. The Ohio Revised Code (ORC) requires that the market value of securities held in the pool be at least equal to 105% of the public deposits held by the banks. Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. County policy is to utilize federally insured banks and savings institutions located in the County.

All monies are deposited in the Cuyahoga County banks designated by the Board of County Commissioners. Interim funds not needed for immediate expenditures are invested in interest bearing or non-interest bearing accounts or invested pursuant to the Statement of Investment Policy adopted by the Cuyahoga County Investment Advisory Committee.

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

Custodial risk is the risk that, in the event of bank failure the County's deposits might not be recovered. The County's bank deposits at December 31, 2003 totaled \$135.3 million and were subject to the following categories of custodial risk:

(Amounts in 000's)	
Uncollateralized	\$ 111,658
Collateralized with securities held by the pledging institution's trust department (O.R.C. 135.18) but not in the County's name	<u>21,233</u>
Total amount subject to custodial risk	132,891
Amount insured (FDIC Insurance)	<u>2,410</u>
Total bank balances	\$ <u>135,301</u>

Component Unit

Deposits: All monies are deposited to the Hospital's banks or trust companies designated by the Board of Trustees. Funds not needed for immediate expenditure may be deposited in interest bearing or non-interest bearing accounts or U.S. government obligations. Banks or trust companies shall furnish security for all such deposits, whether interest bearing or non-interest bearing, except that no such security is required for U.S. government obligations.

Custodial risk is the risk that, in the event of bank failure, the Hospital's deposits might not be recovered. The Hospital's bank deposits at December 31, 2003 totaled \$7.7 million and were subject to the following categories of custodial risk:

(Amounts in 000's)	
Uncollateralized	\$ 7,396
Collateralized with securities held by the pledging institution's trust department, but not in the Hospital's name	<u>75</u>
Total amount subject to custodial risk	7,471
Amount insured	<u>200</u>
Total bank balances	\$ <u>7,671</u>

At December 31, 2003, the financial statement carrying amount of the Hospital's deposits was \$7.8 million. The difference from the reported amount represents outstanding checks payable and normal reconciling items.

Primary Government

Investments: The County's Statement of Investment Policy, approved by the County's Investment Advisory Committee, authorizes investment by the County in investments permitted under the ORC. Eligible investments include U.S. Treasury Bills and Notes, backed by the full faith and credit of the U.S. government, obligations of U.S. government agencies, commercial paper, bankers acceptances, obligations of political subdivisions of the State of Ohio, certificates of deposit or savings or deposit accounts in an eligible institution defined in the ORC, State Treasurer's Investment Pool, shares in open-end no-load money market mutual funds registered under the Federal Investment Act of 1940 and repurchase agreements. Ohio statute prohibits the use of reverse repurchase agreements. County investment policy restricts repurchase agreements to durations of 30 days or less and all investments to maturities of not more than 5 years.

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

At December 31, 2003, of the fair value of the Primary Government investments were as follows:

Investment Type	(Amounts in 000's) Fair Value/Carrying Value
Repurchase Agreements	\$ 36,600
U. S. Treasuries.....	6,196
U.S. Government Agencies.....	273,739
Municipal Obligations.....	18,500
Commercial Paper	<u>23,981</u>
Total Primary Government Investments	\$ <u>359,016</u>

Interest Rate Risk. The ORC and the County's Statement of Investment Policy limits the purchase of securities to a stated maturity of no more than 5 years from the date of purchase unless the security is matched to a specific obligation or debt of the County. The purchase of any security with a maturity of greater than 5 years must be approved in advance by the Investment Advisory Committee. Further, the Statement of Investment Policy specifies that the portfolio be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific type of investment. Each investment type is limited to a maximum percentage of the total average portfolio.

Credit Risk. The ORC and the County's Statement of Investment Policy govern the minimum investment rating for each type of eligible investment security. Commercial Paper and Banker's Acceptances must have a minimum rating of "A-1 or "AA".

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has implemented several controls to mitigate custodial risk. All security transactions are executed on a delivery versus payment basis. All securities are delivered to the County's custodian bank before payment is made to the broker dealer for the security. Securities delivered to the custodian are held in the name of the County. If market conditions or liquidity needs require the sale of a security, the County will identify securities for sale that mitigate the amount of market loss. With repurchase agreements, the County requires that the counterparty deliver securities with a market value at least equal to 102% of the purchase price of the securities. If the counterparty fails to repurchase the securities per the terms of the agreement, the County reserves the right to sell the securities in the market.

Component Unit

At December 31, 2003, fair value of the County's Component Unit investments were as follows:

Investment Type	(Amounts in 000's) Fair Value/Carrying Value
Cash and investments	\$ 216,069
U. S. Treasuries.....	9,397
U.S. Governments	1,148
U.S. Government Agencies.....	47,784
Federal National Mortgage Association and Federal Home Loan Mortgage Corporation (Federal Pools).....	9,840
Collateralized Mortgage Obligations	<u>2,476</u>
Total Hospital Investments.....	\$ <u>286,714</u>

Interest Rate Risk. The Hospital's investment policies limit investment portfolio to maturities of five years or less. All of the Hospital's investments at December 31, 2003 have effective maturity dates of less than five years.

Credit Risk. All of the Hospital's investments are rated AAA by Standard and Poor's. The Hospital's investment policies are governed by State of Ohio statutes that authorize the Hospital to invest in U.S. government obligations. The Collateralized Mortgage Obligations and Federal Mortgage pools are investments that are

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

grandfathered from previous statutes that allowed such investments. These investments have an effective maturity date of less than one year.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Hospital's investments, only the repurchase agreements are exposed to custodial risk. Repurchase agreements (included in the Federal Pools) at December 31, 2003 totaling \$8.9 million are uninsured, are not registered in the Hospital's name and are held by the financial institution's trust department.

NOTE D - Interfund Receivables and Payables

Individual interfund receivable and payable balances as of December 31, 2003 follow:

Fund Types	(Amounts in 000's)	
	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 109,912	\$ 1,652
Human Services		50,632
Health and Human Services Levies.....		150
County Board of Mental Retardation		747
Health and Community Services		10,500
Other governmental funds		<u>49,996</u>
Total Governmental Funds	109,912	113,677
Proprietary Funds:		
Enterprise Funds:		
Sanitary Engineer		65
Other enterprise funds.....	<u>31</u>	<u>11</u>
Total Enterprise Funds.....	31	76
Internal Service Funds:	<u>4,533</u>	<u>723</u>
Totals	\$ <u>114,476</u>	\$ <u>114,476</u>

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

A summary of interfund receivables/payables of the General fund follows:

Fund Types	(Amounts in 000's)	
	Receivables	Payables
Major Governmental Funds:		
Human Services	\$ 49,772	\$
Health and Human Services Levies.....	150	
Health and Community Services	<u>10,083</u>	_____
Total Major Governmental Funds	60,005	
Nonmajor Governmental Funds:		
Community Development	326	
Capital Projects Fund	<u>49,358</u>	_____
Total Nonmajor Governmental Funds	49,684	
Nonmajor Enterprise Funds:		
Cuyahoga County Information System		<u>16</u>
Total Nonmajor Enterprise Funds	—	<u>16</u>
Internal Service Funds:		
Maintenance Garage	223	36
Printing, Reproduction and Supplies		52
Communication.....		166
Self-Funded Workers' Compensation.....		<u>1,382</u>
Total Internal Service Funds	<u>223</u>	<u>1,636</u>
Totals	\$ <u>109,912</u>	\$ <u>1,652</u>

A portion of the receivable from the Human Services fund and the entire receivable from the Health and Community Services fund represent the amount by which the General fund subsidies exceed expenditures. The remaining receivable from Human Services and the entire receivable from Health and Human Services Levies, Community Development, Capital Projects and Internal Service funds represent amounts overdrawn from the pooled cash account which are owed to the General fund.

The amount payable to the Cuyahoga County Information System is for computer charges from various General fund agencies. The amounts payable to Internal Service funds represent unpaid charges at December 31, 2003.

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

NOTE E - Capital Assets

A summary of changes in capital assets follows:

	(Amounts in 000's)			
	Balance January 1, 2003	Additions	Deductions	
Governmental Activities:				
Capital assets, not being depreciated:				
Land.....	\$ 32,774	\$ 5,702	\$ 442	\$ 38,034
Construction in progress.....	87,291	20,420	16,889	90,822
Total capital assets, not being depreciated.....	<u>120,065</u>	<u>26,122</u>	<u>17,331</u>	<u>128,856</u>
Capital assets, being depreciated:				
Land improvements.....	3,361	166	27	3,500
Buildings, structures and improvements.....	466,704	19,112	5,748	480,068
Furniture, fixtures and equipment.....	43,485	4,428	1,888	46,025
Vehicles.....	15,100	756	967	14,889
Infrastructure.....	425,789	6,402		432,191
Total capital assets, being depreciated.....	<u>954,439</u>	<u>30,864</u>	<u>8,630</u>	<u>976,673</u>
Less accumulated depreciation for:				
Land improvements.....	1,036	332	19	1,349
Buildings, structures and improvements.....	210,741	13,856	4,630	219,967
Furniture, fixtures and equipment.....	33,299	3,054	1,802	34,551
Vehicles.....	11,329	1,220	956	11,593
Infrastructure.....	215,381	12,837		228,218
Total accumulated depreciation.....	<u>471,786</u>	<u>31,299</u>	<u>7,407</u>	<u>495,678</u>
Total capital assets, being depreciated, net.....	<u>482,653</u>	<u>(435)</u>	<u>1,223</u>	<u>480,995</u>
Governmental activities capital assets, net.....	<u>\$ 602,718</u>	<u>\$ 25,687</u>	<u>\$ 18,554</u>	<u>\$ 609,851</u>

	(Amounts in 000's)			
	Balance January 1, 2003	Additions	Deductions	
Business-type Activities:				
Capital assets, not being depreciated:				
Land.....	\$ 5,802	\$	\$ 50	\$ 5,752
Construction in progress.....	6,966	1,249	1,257	6,958
Total capital assets, not being depreciated.....	<u>12,768</u>	<u>1,249</u>	<u>1,307</u>	<u>12,710</u>
Capital assets, being depreciated:				
Land improvements.....	10,850			10,850
Utility plant.....	45,580	1,370	91	46,859
Buildings, structures and improvements.....	14,624	133		14,757
Furniture, fixtures and equipment.....	3,214		737	2,477
Vehicles.....	3,492	383	293	3,582
Total capital assets, being depreciated.....	<u>77,760</u>	<u>1,886</u>	<u>1,121</u>	<u>78,525</u>
Less accumulated depreciation for:				
Land improvements.....	7,492	352		7,844
Utility plant.....	25,251	882	67	26,066
Buildings, structures and improvements.....	6,634	705		7,339
Furniture, fixtures and equipment.....	2,640	114	573	2,181
Vehicles.....	2,706	321	293	2,734
Total accumulated depreciation.....	<u>44,723</u>	<u>2,374</u>	<u>933</u>	<u>46,164</u>
Total capital assets, being depreciated, net.....	<u>33,037</u>	<u>(488)</u>	<u>188</u>	<u>32,361</u>
Business-type activities capital assets, net.....	<u>\$ 45,805</u>	<u>\$ 761</u>	<u>\$ 1,495</u>	<u>\$ 45,071</u>

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

Component Unit:	Amounts in (000's)			Balance December 31, 2003
	Balance January 1, 2003	Additions	Deductions	
Capital assets, not being depreciated:				
Land.....	\$ 8,954	\$	\$	\$ 8,954
Construction in progress.....	18,667	46,242	2,866	62,043
Total capital assets, not being depreciated.....	<u>27,621</u>	<u>46,242</u>	<u>2,866</u>	<u>70,997</u>
Capital assets, being depreciated:				
Land improvements.....	7,699			7,699
Buildings, structures and improvements.....	372,032	2,157		374,189
Furniture, fixtures and equipment.....	187,380	4,907	456	191,831
Vehicles.....	7,359	23	15	7,367
Total capital assets, being depreciated.....	<u>574,470</u>	<u>7,087</u>	<u>471</u>	<u>581,086</u>
Less accumulated depreciation for:				
Land improvements.....	6,384	272		6,656
Buildings, structures and improvements.....	230,422	17,313	22	247,713
Furniture, fixtures and equipment.....	152,011	10,280	421	161,870
Vehicles.....	1,787	420	15	2,192
Total accumulated depreciation.....	<u>390,604</u>	<u>28,285</u>	<u>458</u>	<u>418,431</u>
Total capital assets, being depreciated, net.....	<u>183,866</u>	<u>(21,198)</u>	<u>13</u>	<u>162,655</u>
Component unit capital assets, net.....	<u>\$ 211,487</u>	<u>\$ 25,044</u>	<u>\$ 2,879</u>	<u>\$ 233,652</u>

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

Governmental Activities:	(Amounts in 000's)
General government.....	\$ 2,369
Judicial.....	7,981
Development.....	3
Social services.....	5,487
Health and safety.....	43
Public works.....	13,206
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets.....	2,210
Total depreciation expenses charged to governmental activities.....	<u>\$ 31,299</u>
Business-type Activities:	
Sanitary Engineer.....	\$ 1,565
County Airport.....	401
Huntington Park Garage.....	407
Cuyahoga County Information System.....	1
Total depreciation expenses charged to business-type activities.....	<u>\$ 2,374</u>

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

A summary of construction commitments for governmental activities at December 31, 2003 follows:

Function	(Amounts in 000's)		
	Authorized Project Amount	Expended as of December 31, 2003	Future Commitments
General government.....	\$ 5,750	\$ 3,631	\$ 2,119
Judicial.....	111,009	71,796	39,213
Social services.....	1,364	966	398
Health and safety.....	6,643	6,511	132
Public works.....	31,094	7,918	23,176
Totals.....	<u>\$ 155,860</u>	<u>\$ 90,822</u>	<u>\$ 65,038</u>

The future construction commitments are expected to be financed primarily through bonded debt.

A summary of construction commitment for business-type activities at December 31, 2003 follows:

Business-type Activity	(Amounts in 000's)		
	Authorized Project Amount	Expended as of December 31, 2003	Future Commitments
Sanitary Engineer.....	\$ 10,422	\$ 6,831	\$ 3,591
Airport.....	551	127	424
Totals.....	<u>\$ 10,973</u>	<u>\$ 6,958</u>	<u>\$ 4,015</u>

The future construction commitments are expected to be financed primarily through special assessments and grants.

COUNTY OF CUYAHOGA, OHIO NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

NOTE F - Debt and Other Obligations

Notes Payable and Long-Term Liabilities:

A summary of the County's notes payable and long-term liabilities at December 31, 2003 is provided below:

(Amounts in 000's)							
Year Issued	County Obligation, [Original Issue Amount]	Interest Rate	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Governmental Activities:							
	Compensated Absences.....		\$ 20,105	\$ 1,277		\$ 21,382	\$ 2,138
	2001 Special Termination Benefits-Due thru 2007.....	7.75%	69,293		16,779	52,514	17,416
Various	Capital Lease Obligations-Due thru 2023.....		26,345		1,215	25,130	1,319
	1999 Installment Purchase Agreement-Due thru 2009, [\$17,665].....	5.26%-5.75%	13,695		13,695		
	2003 Installment Purchase Agreement-Due thru 2010, [\$13,742].....	3.72%-5.75%		13,742	2,044	11,698	1,890
	Total Installment Purchase Payable.....		13,695	13,742	15,739	11,698	1,890
Loans Payable:							
	1989 Environmental Protection Agency-Due thru 2007, [\$494].....	None	110		28	82	28
	1997 Ohio Department of Development Loan						
	- Due thru 2016, [\$5,000].....	None	3,500		250	3,250	250
	Total Loans Payable.....		3,610		278	3,332	278
General Obligation Bonds-Unvoted:							
	1983 Building Improvements-Due thru 2004(1).....	9.375%	1,750		875	875	875
	1983 Health Service Facilities-Due thru 2004(1).....	9.375%	740		370	370	370
	1983 Auditorium-Due thru 2004(1).....	9.375%	350		175	175	175
	1983 Street Improvements-Due thru 2004(1).....	9.375%	100		50	50	50
	1983 Sanitary Improvements-Due thru 2004(1).....	9.375%	400		200	200	200
	1993 Various Purpose Refunding Bonds-Due thru 2012, [\$75,395].....	2.20%-5.25%	31,870		3,285	28,585	3,435
	1993 Rock and Roll Hall of Fame-Due thru 2018, [\$12,000].....	2.75%-5.65%	9,265		375	8,890	395
	1995 Various Purpose Improvements-Due thru 2015, [\$35,145].....	3.75%-5.50%	20,915		2,415	18,500	2,525
	2000 Capital Improvements-Due thru 2020, [\$96,615].....	4.30%-5.75%	90,925		3,275	87,650	3,420
	Total General Obligation Bonds-Unvoted.....		156,315		11,020	145,295	11,445
General Obligation Bonds-Voted:							
	1991 Jail II Series - Due thru 2006, [\$5,086].....	6.95%-7.05%	5,086			5,086	1,570
	1993 Jail Facilities and Various Purpose Refunding Bonds						
	-Due thru 2013, [\$65,254].....	2.20%-5.25%	27,744		5,875	21,869	2,280
	Total General Obligation Bonds-Voted.....		32,830		5,875	26,955	3,850
	Total Tax Supported Bonds.....		189,145		16,895	172,250	15,295
Revenue Bonds:							
	1992 Gateway Economic Development-Due thru 2022, [\$40,000].....	Variable	32,000		1,600	30,400	1,600
	1992 Gateway Economic Development-Due thru 2022, [\$35,000].....	8.625%	35,000			35,000	
	1994 Gateway Economic Development-Due thru 2023, [\$45,000].....	4.45%-7.60%	36,055		1,440	34,615	1,535
	1998 Brownfield Economic Redevelopment						
	-Due thru 2018, [\$15,465].....	5.31%-6.75%	13,640		515	13,125	540
	2000 Shaker Square Redevelopment-Due thru 2030, [\$2,855].....	6.750%	2,845		10	2,835	10
	Total Revenue Bonds.....		119,540		3,565	115,975	3,685
	Total Bonds Payable.....		308,685		20,460	288,225	18,980
Capital Projects Fund:							
Bond Anticipation Notes:							
	2002 Capital Improvement Notes-Due in 2003, [\$2,440].....	1.650%	2,440		2,440		
	2003 Capital Improvement Notes-Due in 2004, [\$2,440].....	2.000%		2,440		2,440	2,440
	Total Capital Projects Fund.....		2,440	2,440	2,440	2,440	2,440
Internal Service Funds:							
	Compensated Absences.....		1,588	261		1,849	185
	2001 Special Termination Benefits-Due thru 2007.....	7.750%	10,769		2,644	8,125	2,729
Various	Capital Lease Obligations-Due thru 2008.....		149	94	105	138	47
	Total Internal Service Funds.....		12,506	355	2,749	10,112	2,961
	Total Governmental Activities.....		\$ 456,679	\$ 17,814	\$ 59,660	\$ 414,833	\$ 47,422

(1) Combined original issue amount \$34,395

(CONTINUED)

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Amounts in 000's)							
Year Issued	County Obligation, [Original Issue Amount]	Interest Rate	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Business-type Activities:							
	Compensated Absences.....		\$ 344	\$ 17		\$ 361	\$ 36
2001	Special Termination Benefits-Due thru 2007.....	7.75%	2,020		474	1,546	497
	Various Loans Payable.....	4.04% - 7.00%	6,045	291	320	6,016	328
Bond Anticipation Notes:							
	2002 Capital Improvement -Due in 2003, [\$1,155].....	1.65%	1,155		1,155		
	2002 Olmsted Township Water and Sewer, Due in 2003 [\$4,928].....	2.00%	4,928		4,928		
	2003 Capital Improvement Notes-Due in 2004, [\$1,082].....	2.00%		1,082		1,082	1,082
	2003 Olmsted Township Water and Sewer, Due in 2004 [\$5,028].....	2.00%		5,028		5,028	5,028
	Total Notes Payable.....		6,083	6,110	6,083	6,110	6,110
Self-Supporting Bonds Payable:							
	1992 Sewer Improvement-Due thru 2012, [\$2,360].....	3.50%-6.50%	1,520		1,520		
	2000 Sewer Improvement-Due thru 2020, [\$1,040].....	4.55%-5.55%	975		35	940	35
	2003 Sewer Improvement-Due thru 2012 [\$1,500].....	2.00%-3.55%		1,500		1,500	155
	Total Self-Supporting Bonds Payable.....		2,495	1,500	1,555	2,440	190
	Total Business-type Activities.....		\$ 16,987	\$ 7,918	\$ 8,432	\$ 16,473	\$ 7,161
Component Unit							
	Compensated absences.....		\$ 20,516	\$ 3,908	\$ 1,791	\$ 22,633	\$ 1,862
	Amounts due third party payors (See Note B).....		45,588	(440)	2,604	42,544	9,455
	Claims payable (See Note J).....		36,667	13,419	8,351	41,735	19,954
Capital Lease Obligation:							
	Various Equipment Obligations-Due thru 2007.....	4.958%-4.96%	7,619		3,081	4,538	2,368
2003	General and Professional Liability Note -Due in 2004.....	3.75%		3,400		3,400	3,400
Bonds:							
	1997 Hospital Improvement and Refunding Revenue Bonds-Due Thru 2027, [\$70,000].....	3.90%-5.80%	54,839	198	4,195	50,842	4,400
	1997 Hospital Refunding Revenue Bonds -Due thru 2019, [\$77,525].....	4.10%-5.50%	68,464	296	240	68,520	255
	1999 Hospital Improvement Revenue Bonds -Due thru 2029, [\$56,995].....	6.125%-6.15%	56,798	8		56,806	
	2003 Hospital Improvement Revenue Bonds -Due thru 2033, [\$30,545].....	Variable		30,545		30,545	535
	Total Bonds.....		180,101	31,047	4,435	206,713	5,190
	Total Component Unit.....		\$ 290,491	\$ 51,334	\$ 20,262	\$ 321,563	\$ 42,229

Capital Lease Information: The following summarizes future minimum lease payments under the capital leases, and the present values of net minimum lease payments for the Primary Government at December 31, 2003:

(Amounts in 000's)			
Year	Governmental Activities	Internal Service funds	
2004.....	\$ 3,543	\$ 55	
2005.....	3,499	47	
2006.....	3,486	22	
2007.....	3,514	22	
2008.....	3,554	9	
2009-2013.....	15,000		
2014-2018.....	7,338		
2019-2023.....	21		
Total Minimum Lease Payments.....	39,955	155	
Amount Representing Interest.....	(14,825)	(17)	
Present Value of Net Minimum Lease Payments.....	\$ 25,130	\$ 138	

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

The following summarizes future minimum payments and the present values of net minimum lease payments for the Component Unit's equipment capital leases at December 31, 2003:

Year	(Amounts in 000's)	
	Equipment Obligation	
2004.....	\$	2,529
2005.....		780
2006.....		780
2007.....		780
Total Minimum Lease Payments.....		<u>4,869</u>
Amount Representing Interest.....		<u>(331)</u>
Present Value of Net Minimum Lease Payments.....	\$	<u><u>4,538</u></u>

As of December 31, 2003, the net book value of the capital assets recorded as capital leases in the governmental activities funds and Component Unit were \$46.2 million and \$10.8 million, respectively.

Future Debt Service Requirements: A summary of the County's future debt service requirements for its outstanding long-term bonds, notes, installment purchase agreement and loans payable at December 31, 2003 are as follows:

Due In	(Amounts in 000's)				
	Governmental Activities		Business-type Activities		
	Principal	Interest	Principal	Interest	
2004.....	\$ 23,588	\$ 19,996	\$ 6,628	\$ 360	
2005.....	20,335	19,624	527	227	
2006.....	19,470	18,768	546	213	
2007.....	22,016	14,655	555	199	
2008.....	18,108	18,456	575	184	
2009-2013.....	79,958	79,314	2,878	647	
2014-2018.....	70,370	30,736	2,691	364	
2019-2023.....	50,620	8,820	166	13	
2024-2028.....	950	235			
2029-2030.....	280	24			
Totals.....	<u>\$ 305,695</u>	<u>\$ 210,628</u>	<u>\$ 14,566</u>	<u>\$ 2,207</u>	

In May 2003 the County Commissioners authorized by resolution a loan in the amount of \$10 million from the Ohio Department of Transportation (ODOT). The money is provided through the state infrastructure bank fund, which are federal funds, to be used to improve a road and reconstruct a bridge. The loan will carry a 0% interest rate for the first 12 months and a 3% rate thereafter, through 2013. The County pledges its motor vehicle license tax as the source of repayment. The County has not received any of this funding in 2003, therefore, a liability has not been recorded.

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

Due In	(Amounts in 000's) Component Unit Principal and Interest
2004.....	\$ 15,304
2005.....	15,348
2006.....	15,346
2007.....	15,371
2008.....	15,388
2009-2013.....	77,158
2014-2018.....	77,685
2019-2023.....	60,295
2024-2028.....	56,881
2029-2033.....	17,918
Total.....	\$ 366,694
Amount representing interest.....	(150,654)
Unamortized difference between reacquisition price and the net carrying amount of previously defeased debt.....	(7,470)
Unamortized discount.....	(1,857)
Present value of net minimum payments.....	\$ 206,713

Component Unit Swap Agreement: The Component Unit entered into various interest rate swap agreements with a total outstanding notional amount of \$142.5 million. The Hospital pays a rate equal to the Bond Market Association Municipal Index (the BMA SWAP Index), an index of seven-day high-grade tax-exempt variable rate demand obligations or a fixed rate of 1.5% or 3.504%. In return, the Hospital receives a fixed rate of 5.41% or a rate based on the BMA SWAP Index or 75% of the London Interbank Offered Rate (LIBOR). The interest rate swap arrangement with an effective date of March 2003 and a notional amount of \$30.5 million includes an option whereby the counterparty can terminate the transaction. The net interest savings for 2003 was \$1.6 million and is included as a reduction to interest expense. At December 31, 2003, the fair value of the swap agreements based on current settlement prices is \$3.6 million due from the counterparty and is included in other assets. The decrease of \$.8 million in the fair value of the net swap assets during 2003 is recorded as unrestricted investment earnings in the statement of activities. Only the net difference is exchanged with the counterparty and the notional amount is not exchanged.

Long-Term Bonds: All long-term general obligation bonded debt of the Primary Government is retired from the Debt Service fund, except bonds payable from Enterprise funds which will be paid from cash flows generated by these funds. General obligation bonds are secured by the County's ability to levy a voted or unvoted property tax within limitations of Ohio law. Self-supporting bonds, except revenue bonds, are secured by an unvoted property tax levy; however, each bond indenture provides for principal and interest to also be paid from user charges. The revenue bonds are secured by non-tax revenue of the County.

Under the Uniform Bond Act of the Ohio Revised Code, the County has the capacity to issue approximately \$157.8 million of additional unvoted general obligation debt.

Accrued Wages and Benefits: County employees become eligible to receive one-fourth of their accumulated unpaid sick leave upon retirement after a minimum of ten years of service. Certain agencies may have policies that vary with regard to payment of accrued sick leave upon retirement. Termination of employment must be by retirement to receive accumulated unpaid sick leave. Employees with a minimum of one year of service become vested in accumulated unpaid vacation time. Vacation time may not be accumulated for more than three years. Unused vacation time is payable upon termination of employment. In general, employees are eligible to be paid for unpaid overtime and unused compensatory time upon termination of employment. All sick, vacation, compensatory and overtime payments are made at the employee's current wage rate. Balances for compensated absences are kept at various department levels, therefore, the data is only combined annually for reporting purposes. Since data for increases and decreases in compensated absences is not available, only the net change is reported.

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

Payments for compensated absences are made from the following major funds: The General fund, Human Services, County Board of Mental Retardation, Health and Community Services and the following non-major funds: Motor Vehicle Gas Tax, Community Development and Other.

The accumulated unpaid sick, vacation, compensatory and overtime hours for which the \$23.2 million liability recorded in the statement of net assets (Governmental Activities) at December 31, 2003 was based were as follows:

Governmental Activities	Hours	Amount (in 000's)
Sick.....	28,648	\$ 539
Vacation.....	1,122,184	21,092
Overtime.....	85,150	1,600
Total.....	1,235,982	\$ 23,231

The accumulated unpaid sick, vacation, compensatory and overtime hours for which the \$.4 million liability recorded in the statement of net assets (Business-type Activities) at December 31, 2003 was based were as follows:

Business-type Activities	Hours	Amount (in 000's)
Sick.....	515	\$ 9
Vacation.....	18,237	324
Overtime.....	1,562	28
Total.....	20,314	\$ 361

Special Termination Benefits: In May 2001, the Board of County Commissioners authorized the purchase of additional service credit (equal to 20% of accumulated service time up to a maximum of 5 years) under OPERS (see Note G) for certain employees close to retirement as an incentive to retire early. The Early Retirement Incentive Program (ERIP) was approved for participating departments and agencies of the County by agreement with the County Commissioners. Eligible employees had until June 30, 2002 to elect to participate in the program. As of June 30, 2002, 1,127 employees had accepted the program resulting in a total cost of \$101.3 million payable to OPERS. In addition, the County Board of Mental Retardation (CBMR) adopted a plan in 1999 which allows for participation by eligible CBMR employees in OPERS and STRS. Payments for purchased credit were paid in full prior to an employees participation before 2002. In 2002, CBMR chose to make payments on a quarterly basis for OPERS and annual basis for STRS. The activity related to the CBMR ERIP is included with the governmental activities amounting to \$1.2 million. This cost and the related obligation allocated to the County's funds and Governmental Activities are as follows:

(Amounts in 000's)	
Governmental Activities.....	\$ 86,458
Internal Service Funds.....	13,556
Business-type Activities.....	2,496
Total.....	\$ 102,510

Payments for special termination benefits are made from the following major funds: The General fund, Human Services, County Board of Mental Retardation, Health and Community Services and the following non-major funds: Motor Vehicle Gas Tax, and Other.

Payments are made to OPERS in quarterly installments over the life of the purchased service credit. The following summarizes the future payment requirements to fund the cost of the special termination benefits for the employees who had elected to participate in the plan at December 31, 2003:

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

Year	Governmental Activities	Business-type Activities
2004.....	\$ 24,358	\$ 605
2005.....	23,293	592
2006.....	18,274	467
2007.....	2,568	88
Total Termination Benefit Payments.....	68,493	1,752
Amount Representing Interest.....	(7,854)	(206)
Net Amount.....	\$ 60,639	\$ 1,546

Advance Refunding of General Obligation Bonds: On March 19, 1993, the County issued general obligation bonds amounting to \$140.7 million with interest rates ranging from 2.2% to 5.25%. The issues consisted of voted and unvoted refunding debt as well as new voted debt. The unvoted refunding debt amounted to \$75.4 million, the voted refunding debt amounted to \$49.4 million and the additional voted debt amounted to \$15.9 million. The refunding debt proceeds were used to advance refund outstanding debt of \$115.6 million which consisted of \$49.6 million and \$66 million of voted and unvoted debt, respectively. The County advance refunded the bonds to reduce its total debt service payments over the next 20 years by \$1.5 million and \$2.9 million on voted and unvoted debt, respectively, and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1.2 million and \$2.2 million on voted and unvoted debt, respectively. The aggregate amount of the defeased General Obligation Bonds outstanding at December 31, 2003 is \$27.9 million. The remaining proceeds from the issuance were used to fund various capital projects.

Current Refunding of Revenue Bonds: In February of 2004, the outstanding portion of the \$40 million variable rate issue for the Taxable Economic Development Revenue Bonds Series 2004B (Gateway Arena Project) was refunded and replaced with refunding bonds. The original issue was split into two series, a \$10.75 million Series 2004A fixed rate bond and a \$19.2 million Series 2004B variable rate bond. The decision to fix only a portion of the refunded issue was made to provide some diversity to the County's debt portfolio. Leaving a large portion of the issue with a variable rate enabled the county to potentially realize increased interest savings as long-term rates continue to exhibit historically low trends.

The outstanding portion of the Brownfield Economic Development Revenue Bonds was refunded in February 2004 as part of the County's debt refinancing strategy. The original issue was refunded and replaced with a \$12.88 million Series 2004C issue. The average weighted rate of the new Brownfield Refunding issue is expected to be 4.57% over the remaining life of the bonds. Refunding at the lower rate will result in a 30 percent savings in interest costs related to this issue.

Refunding of Installment Purchase Agreement: A portion of the Energy Conservation Measures, House Bill 300, Installment Purchase Agreement was refinanced in April 2003. The interest rate was reduced from 5.41% to 3.72%.

Advance Refunding of Component Unit Bonds: Effective February 1, 1997, the County issued \$70 million of Hospital Improvement and Refunding Revenue Bonds Series 1997. The proceeds of the Series 1997 Bonds were used to advance refund \$20.9 million of Series 1989 Bonds scheduled to mature on February 15, 2007; to advance refund \$2.4 million, \$2.6 million and \$2.7 million of the Series 1989 Bonds stated to mature on February 15, 1999, February 15, 2000 and February 15, 2001, respectively; to finance the construction of various improvements and additions to the MetroHealth Medical Center; and to pay costs of issuance of the Series 1997 Bonds.

Effective November 1, 1997, the County issued \$77.5 million of Hospital Refunding Revenue Bonds, Series 1997A. The proceeds of the Series 1997A Bonds were used to advance refund \$73.7 million of Series 1989 Bonds scheduled to mature on February 15, 2019. The 1997 refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$9.8 million. This unamortized difference (\$7.4 million at December 31, 2003) is reported in the accompanying financial statements as a deduction from long-term debt and is being charged to operations through the year 2019 using the effective interest method.

Effective September 1, 1999, the County issued \$57 million of Hospital Improvement Revenue Bonds, Series 1999 (The MetroHealth System Project) (Series 1999 Bonds). The proceeds of the Series 1999 Bonds are

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

being used to finance the construction of a 150-bed long-term care facility and acquire, construct, renovate, equip and improve operating rooms and other hospital facilities.

Effective March 13, 2003, the County issued \$30.5 million of Hospital Improvement Variable Rate Demand Revenue Bonds, Series 2003 (The MetroHealth System Project) (Series 2003 Bonds). The proceeds of the Series 2003 Bonds are being used to pay costs of constructing and equipping an administrative building and the Critical Care Pavilion. The bonds bear interest at a variable rate (not to exceed 10%) determined weekly as established by the Remarketing Agent based on current market values for similar bond offerings and are due at various dates until 2033. The rate at December 31, 2003 was 1.32%.

In connection with the issuance of the Series 2003 Bonds, the Hospital entered into a Reimbursement Agreement with a bank. Under the terms of the Reimbursement Agreement, the Hospital entered into an Irrevocable Letter of Credit (Letter of Credit) issued by a local bank that expires on March 22, 2008. Under the terms of the Letter of Credit, the Trustee will be entitled to draw amounts necessary to make principal and interest payments. The Letter of Credit is subject to various financial covenants.

Other Financial Obligations

Operating Leases: During the year 2003, the County had approximately 78 operating leases for office space and equipment. At December 31, 2003, there were 53 remaining with future obligations. The operating lease agreements range in length from one month to ten years. Total rental payments for 2003 amounted to \$6.4 million, of which \$.9 million was expended from proprietary funds. Rental obligations for the years 2004 through 2008 are \$10.7 million of which \$3.6 million represents the amount to be paid from proprietary funds. Rental payments for the years 2004, 2005, 2006, 2007 and 2008 will be \$4 million, \$2.2 million, \$2 million, \$1.5 million and \$1 million, respectively. Operating lease payments are recorded as an expenditure in the period to which they apply.

The Hospital has entered into operating lease agreements for a parking facility, medical space and office space which expire through 2020. Certain leases contain rent escalation clauses and renewal options for additional periods ranging from two to five years. Rent expense totaled \$1.4 million in 2003. Minimum rental commitments under operating leases extending beyond one year at December 31, 2003 are as follows: 2004 - \$1.5 million; 2005 - \$12.3 million; 2006 - \$1 million; 2007 - \$1 million; 2008 - \$1 million, 2009-2020 - \$6.6 million.

Gateway Loan Guarantees: The County currently guarantees the repayment of \$30.7 million of bonded debt of Gateway. This amount represents the outstanding par amount of bonds of two issues, the original outstanding amount of which was \$38.4 million of Subordinate Excise Tax Revenue Bonds and \$31 million of Stadium Revenue Bonds. As of December 31, 2003, the outstanding balance on these Gateway bond guarantees, including future interest payments, was \$8.2 million on the Subordinate Excise Tax Revenue Bonds (payable through September 1, 2005), and \$33.6 million on the Stadium Revenue Bonds payable through September 15, 2014). The County has not been required to make any payments on behalf of the Gateway bonds. In April 2004, Gateway refinanced the Subordinate Excise Tax Revenue Bonds.

Conduit Debt Obligations: Periodically, the County has issued Industrial Development, Hospital Revenue and Mortgage Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial, commercial and hospital facilities deemed to be in the public interest. These bonds are secured by the property financed and are payable solely from payment received on the underlying mortgage loans. The bonds do not constitute a debt or pledge of the full faith and credit of the County and, therefore, are not reported in the financial statements. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

As of December 31, 2003, the aggregate principal amounts outstanding for the Industrial Development, Hospital Revenue and Mortgage Revenue Bonds were approximately \$146.5 million, \$1.9 billion and \$214.4 million, respectively.

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

NOTE G - Pension and Retirement Plans and Other Post-employment Benefits

Primary Government

OPERS PLAN DESCRIPTION: All full-time employees of the County, except teachers employed by the County Board of Mental Retardation, participate in the Ohio Public Employees Retirement System (OPERS). Employee retirement benefits are available for substantially all employees under three separate retirement plans administered by the OPERS. The plans are the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution pension plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, survivor and post-retirement healthcare benefits, to the Traditional and Combined Plan members however, healthcare benefits are not statutorily guaranteed. Participants in the Member-Directed Plan do not qualify for ancillary benefits. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefits to the OPERS Board of Trustees. OPERS issues a stand-alone financial report. A copy of the report may be obtained by making a written request to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085.

OPERS FUNDING POLICY: The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 8.5% of covered payroll, except for law enforcement employees. In January 2001, House Bill 416 divided the OPERS law enforcement program into two separate divisions with separate employee contribution rates and benefits as follows: (1) The law enforcement classification which consists of sheriffs and deputy sheriffs with an employee contribution rate of 10.1% and (2) all other members of the law enforcement program who were placed in a newly named public safety division and are required to contribute 9%. The employer contribution rate is 13.55% of covered payroll, except for law enforcement which is 16.7%. The total employer contributions from the County to OPERS (excluding amounts paid in 2003, 2002 and 2001 for ERIP – See Note F) for the years 2003, 2002, and 2001 were \$34.4 million, \$47.9 million and \$51.5 million, respectively, equal to the required contributions for each year. In 2003, OPERS offered to change its billing cycle from quarterly to monthly in exchange for a deferral of the 2nd quarter of 2003 employer contributions. The County agreed to participate and deferred paying its April 2003, May 2003 and June 2003 employer charges until December 2004, December 2005 and December 2006, respectively. The deferral amounts to \$3.4 million for April 2003, \$5.2 million for May 2003 and \$3.4 million for June 2003.

OPEB BENEFITS PROVIDED THROUGH OPERS: In addition to the pension benefits described previously, OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The portion of the employer contribution rate used to fund postretirement health care for both 2003 and 2002 was 5% of covered payroll. During 2003 and 2002, \$12.6 million and \$17.6 million, respectively, of the County's total contribution to OPERS was used for postretirement benefits. At December 31, 2003, the County was not responsible for paying premiums, contributions, or claims for OPEB under OPERS for any retirees, terminated employees or other beneficiaries.

The OPEB is advance-funded on an actuarially determined basis through employer contributions and investment earnings thereon. The principal assumptions used for the 2002 actuarial computations (latest available) were as follows:

Funding Method: The entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

Assets Valuation Method: All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

Investment Return: The investment return assumption for 2002 was 8%.

Active Employee Total Payroll: An annual increase of 4%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from .5% to 6.3%.

Health Care: Health care costs were assumed to increase 4% annually.

At December 31, 2003, (latest information available), there were 364,881 active participants contributing to the plan. The County's actuarially required OPEB contribution for 2002 equaled the actual amount contributed to OPERS by the County. In addition, at December 31, 2002, the actuarial value of the plan's net assets available for OPEB approximated \$10 billion and the actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial method used, were \$18.7 billion and \$8.7 billion, respectively.

The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. As of January 1, 2003, newly hired employees with no prior service credit accumulated toward health care coverage will be subject to the "Health Care Choices Plan". The Health Care Choices Plan uses a graded scale from 10 to 30 years to calculate a monthly health care benefit.

STRS PLAN DESCRIPTION: Teachers employed by the County Board of Mental Retardation (CBMR) participate in the State Teachers Retirement System Of Ohio (STRS). STRS is a cost-sharing multiple-employer retirement plan. Employee benefits are available under three separate retirement plans administered by STRS. The plans are the defined benefit plan, the defined contribution plan and a combined plan, which allows member contributions to be allocated by members and employer contributions to be used to fund a defined benefit payment. STRS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Chapter 3307 of the Ohio Revised Code assigns the authority to establish and amend benefits to the STRS Board of Trustees. STRS issues a stand-alone financial report. A copy of the report may be obtained by making a written request to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

STRS FUNDING POLICY: The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees were required to contribute 9.3% of covered payroll. Effective July 1, 2003, the employee contribution rate increased to 10% of covered payroll. The employer contribution rate is 14% of annual covered payroll. The employer contributions from the County Board of Mental Retardation to STRS for the years 2003, 2002 and 2001 were \$1.9 million, \$2 million and \$1.9 million, respectively, equal to the required contributions for each year.

OPEB: STRS also provides OPEB to plan members. The qualifications required to receive benefits replicate OPERS. STRS has established a Health Care Reserve fund to accumulate monies for OPEB. The portion of the employer contribution rate allocated to the Health Care Reserve fund was 1% of covered payroll. The County's contributions for OPEB for the years 2003 and 2002 were \$.1 million and \$.4 million, respectively, equal to the required contributions for each year.

The balance in the Health Care Reserve Fund was \$2.8 billion at June 30, 2003 (latest information available). For the year ended June 30, 2003, the net health care costs paid by STRS were \$352.3 million and there were 108,294 eligible recipients.

Component Unit

Retirement and OPEB benefits for Hospital employees are provided through OPERS in the same manner as employees of the County's primary government. The Hospital's total contributions to OPERS for the years 2003, 2002 and 2001 were \$36.4 million, \$34.6 million and \$32.5 million, respectively, equal to the required contributions for each year. The portion of the Hospital's total contribution to OPERS which was used to fund OPEB for the years 2003 and 2002 was \$13.4 million and \$12.8 million, respectively.

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

NOTE H - Deficit Balances

At December 31, 2003, the Capital Projects, Central Custodial Services and Communications funds had net assets deficits of \$53.7 million, \$6.5 million and \$.5 million, respectively. The deficit in Capital Projects fund will be eliminated by a future debt issue. The Central Custodial Services and Communications funds are Internal Service funds. The deficits will be eliminated through adjustment of the related fee schedules and subsidies as necessary.

NOTE I - Fund Equity

Reserves and Designations: The County segregates fund balances using two different account categories; reserved and designated. Two general types of reserved fund balance accounts are used. The first type indicates the portion of fund balance which is legally segregated for a specific future use. The second type indicates the portion of fund balance which does not represent available, spendable resources and is, therefore, not eligible to fund current year expenditures. Designations indicate the portion of the unreserved fund balance which management has earmarked for a specific future use. Designations are not legal segregations.

Reserve accounts used by the County include:

Reserved for Restricted Assets: This account represents the portion of the General fund's equity that includes certificates of deposit that support the County's Housing Enhancement Loan Program (H.E.L.P.) and the unspent proceeds of the County's Brownfield Economic Redevelopment bonds. At December 31, 2003, the balance in this account was \$33.7 million of which \$23.3 million represents the fund equity related to the certificates of deposit and \$10.4 million represents the fund equity related to the Brownfield Redevelopment bond proceeds.

Reserved for Loans Receivable: This account is used to separate the portion of fund equity that pertains to long-term loans receivable and is not available for current expenditure. At December 31, 2003, \$18 million has been reserved for loan repayments.

Reserved for Debt Service: This account is used to separate the portion of fund equity that must be used to fund principal and interest on Gateway Economic Development Revenue Bonds in the succeeding year as well as the equity balance in the Debt Service fund. At December 31, 2003, \$11 million has been reserved for debt service.

Designation accounts used by the County include:

Designated for Self-Insurance: This account is used to designate resources which management has earmarked to fund any claims or judgments against the County which are not covered by insurance. At December 31, 2003, \$2 million has been designated for self-insurance.

Designated for Proprietary Funds: This account is used to designate resources which management has earmarked to retire outstanding Enterprise and Internal Service funds' deficits. At December 31, 2003, \$7 million has been designated for future Internal Service funds' subsidies.

NOTE J - Risk Management and Other Contingencies

Primary Government

Litigation and Claims: There are certain pending and threatened lawsuits and other claims against the County. The County's management, after consultation with the County Prosecutor, is of the opinion that the potential uninsured claims against the County are not material to the County's combined financial statements.

Contingencies Under Grant Programs: The County participates in a number of Federal and State assisted grant programs. These programs are subject to financial and compliance audits by grantors or their representatives. The County believes that disallowed claims, if any, will not have a material adverse effect on the County's financial position.

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

Self-Insurance: The County has designated \$2 million of the fund balance of the General fund, pursuant to Ohio law, to provide monies for claims and judgements not covered by the various County insurance policies. Settled claims from risks covered by the County's insurance policies have not exceeded the insurance coverage for the past three fiscal years. Actual expenditures for claims and judgements against the County in 2003 and estimates for unsettled claims at December 31, 2003, including those incurred but not reported, were immaterial. The County is also self-insured with respect to unemployment and workers' compensation benefits. Self-insurance expenditures were immaterial for unemployment compensation in 2003. Since 1992, the County has maintained an Internal Service fund for its self-insured workers' compensation benefits administered through a retrospective rating plan with the State of Ohio. Prior to 1992, the County was fully insured for workers' compensation benefits. The County uses a payroll-based rate to charge its various funds for workers' compensation benefits. These charges are contributed into the Self-Funded Workers' Compensation fund and are based on estimates needed to pay current claims and establish a reserve for claims incurred but not reported. Changes to the estimated claims payable recorded in the Self-Funded Workers' Compensation fund during the years ended December 31, 2003 and 2002 were:

(Amounts in 000's)		
Estimated Claims Payable	2003	2002
Estimated claims payable beginning of year.....	\$ 17,654	\$ 18,590
Plus: Current year claims and changes in estimates	4,176	2,638
Less: Claim payments	<u>3,064</u>	<u>3,574</u>
Estimated claims payable end of year	<u>\$ 18,766</u>	<u>\$ 17,654</u>

Component Unit

Self-Insurance: The Hospital is self-insured for professional and patient care third party liability and workers' compensation benefits. For the professional and patient care liability, professional insurance consultants have been retained to determine funding requirements. Amounts funded for professional and patient care have been placed in an irrevocable, self-insurance trust account, which is being administered by a trustee.

Losses from asserted claims and from unasserted claims identified under the Hospital's incident reporting system are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. The reserve for estimated self-insured claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The changes in the reserve were as follows during the years ended December 31, 2003 and 2002:

(Amounts in 000's)		
Estimated Claims Payable	2003	2002
Estimated claims payable beginning of year.....	\$ 36,667	\$ 29,471
Plus: Current year claims and changes in estimates	13,419	20,826
Less: Claim payments	8,351	13,630
Estimated claims payable end of year	<u>\$ 41,735</u>	<u>\$36,667</u>
Due within one year.....	<u>\$ 19,954</u>	<u>\$ 15,089</u>

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

NOTE K - Encumbrances

Encumbrance accounting is employed in all County funds during the normal course of operations for purchase orders and contract-related expenditures/expenses. Encumbrances outstanding at year-end are closed to unreserved fund balance/retained earnings and are re-encumbered at the beginning of the succeeding year.

At December 31, 2003, encumbrances outstanding in Governmental funds and Proprietary funds which were reappropriated in the 2004 budget were:

Fund Type	(Amounts in 000's)
General fund	\$ 16,257
Human Services fund	24,152
County Board of Mental Retardation fund	11,824
Health and Community Services fund	22,162
Other Governmental funds	89,286
Sanitary Engineer fund	2,103
Other Enterprise funds	1,078
Internal Service funds	<u>7,870</u>
Total	<u>\$ 174,732</u>

On a GAAP basis, a portion of these encumbrances represented liabilities of the County. At December 31, 2003, encumbrances recorded as liabilities were:

Fund Type	(Amounts in 000's)
General fund.....	\$ 1,574
Human Services fund	2,934
County Board of Mental Retardation fund	2,917
Health and Community Services fund	8,739
Other Governmental funds	8,476
Sanitary Engineer fund	125
Other Enterprise funds	181
Internal Service funds.....	<u>1,316</u>
Total	<u>\$ 26,262</u>

NOTE L - Property Tax Revenues

Property taxes include amounts levied against real, tangible (used in business) and public utility property. The assessed value upon which the 2003 tax collection was based follows:

Property Type	(Amounts in 000's)
Real property	\$ 24,799,145
Personal tangible property.....	2,802,833
Tangible public utility property	<u>943,736</u>
Total assessed value	<u>\$ 28,545,714</u>

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Presently, the County levies 1.45 mills of the first 10 mills of assessed value of which .64 is designated for debt service and the remainder is credited to the County's General fund. In addition to the 1.45 mills, 10.27 voted mills have been levied for debt service, mental retardation, health and human services and health and welfare. A summary of voted millage follows:

Purpose	Voter Authorized Rate ⁽¹⁾	Rates Levied for Current Year Collection ⁽²⁾		Final Collection Year
		Agricultural/ Residential	Commercial/ Industrial	
Debt service	\$.27	\$.27	\$.27	2013
Mental retardation	3.90	3.47	3.47	2005
Health and human services ⁽³⁾	3.00	1.82	2.18	2004
Health and welfare ⁽⁴⁾	<u>3.10</u>	<u>2.75</u>	<u>2.75</u>	2003
Total voted millage.....	\$ <u>10.27</u>	\$ <u>8.31</u>	\$ <u>8.67</u>	

(1) In mills per \$1,000 of assessed valuation.
(2) Ohio law provides for a credit to certain voted levies to offset inflation in the value of real property. The mental retardation, health and human services and health and welfare levies are subject to this credit.
(3) A three year renewal levy was approved March 2004 to be collected in 2005 through 2007.
(4) A replacement levy of 3.1 mills and an increase of 1.8 mills was approved by voters in May 2003 to be collected in 2004 through 2008.

Real property taxes are levied each December on the assessed values as of the preceding January 1st, the lien date. Assessed values are established the preceding year by the County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was completed in 2003. Public utility property taxes are assessed on tangible personal property, as well as land and land improvements at true value, which is, in general, net book value. Tangible property is assessed at 25% of true value except for inventories which are assessed at 23% of average value. Personal property (other than public utility property) taxes are levied in October of the preceding calendar year based on tax rates determined in the preceding year and 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. Under Ohio law, personal property taxes do not attach as a lien on the personal property. Public utility real and tangible personal property taxes collected in one calendar year are levied in October of the preceding calendar year on assessed values determined as of January 1 of that preceding year, the lien date.

The County Treasurer bills and collects property taxes on behalf of all taxing districts in Cuyahoga County including the County. Taxes are payable semi-annually. The County's practice is to extend the statutory due dates to January and July. Unpaid taxes become delinquent after December 31 of the year they are due. Foreclosure proceedings may be initiated by the County Prosecutor if delinquent taxes are not paid within one year.

The County Auditor periodically remits portions of the taxes collected to all taxing districts. The final settlements of real and public utility property taxes are made in June and November and tangible taxes in July and December for the first and second halves of the year, respectively.

The County accrues property taxes as receivables since they can be measured and recorded when an enforceable legal claim exists. The receivables are also recorded as deferred revenue since they are recorded in advance of the year for which they are levied. Property taxes are recognized as revenue in the year for which they are levied.

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

Property tax revenues were recorded in the following funds in 2003:

Governmental Funds	(Amounts in 000's)
General.....	\$ 19,576
Health and Human Services Levies.....	118,321
County Board of Mental Retardation	85,288
Health and Community Services	12,467
Other Governmental	<u>21,988</u>
Total property tax revenues.....	\$ <u>257,640</u>

Property tax revenues include levies collected from both the current levy and delinquent levies. The cumulative delinquency as of December 31, 2003 for Cuyahoga County was \$35 million.

The delinquent property taxes described above do not include certain receivables that have been sold to a third party. Since 1998, the County has sold, on a nonrecourse basis, certain qualifying, delinquent real estate tax receivables, along with the related liens, to a third party in exchange for cash payments that approximated the face value of the receivables. In connection with the sale of the receivables, the third party obtained the right to foreclose on the related properties, as well as charge interest and certain fees on the delinquent amounts. The cash payments received by the County were credited to the County's Undivided Tax Agency fund and distributed to the various taxing districts within the County (including the County) in the same manner as if the delinquent receivables had been collected directly from the taxpayers.

**COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2003

NOTE M – Other Intergovernmental Revenue

A summary of the principal components of other intergovernmental revenue for the year ended December 31, 2003 follows:

Fund Type	(Amounts in 000's)
General fund:	
State Public Defender reimbursement	\$ 4,804
State property tax reimbursement.....	3,313
Other.....	<u>2,289</u>
Total General fund.....	<u>10,406</u>
Special Revenue funds:	
U.S. Department of Housing and Urban Development	19,378
U.S. Department of Justice	4,689
U.S. Department of Labor	1,147
Federal and State Mental Health and Retardation.....	157,368
Ohio Department of Alcohol and Drug Addiction Services	20,033
Ohio Department of Job and Family Services.....	339,821
Ohio Department of Rehabilitation and Corrections.....	3,519
Ohio Department of Transportation	159
Ohio Department of Youth Services	7,053
State property tax reimbursement.....	17,045
Other.....	<u>5,648</u>
Total Special Revenue funds.....	<u>575,860</u>
Debt Service fund:	
State property tax reimbursement.....	<u>3,929</u>
Capital Projects fund:	
Ohio Department of Transportation	21,090
Other	<u>3,504</u>
Total Capital Projects fund	<u>24,594</u>
Total Other Intergovernmental.....	\$ <u>614,789</u>

NOTE N - Interfund Transactions

During the normal course of operations, the County has numerous transactions between funds which are classified as transfers. Transfers are interfund transactions that do not represent loans, reimbursements or quasi-external transactions. Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to provide additional resources for current operations or debt service; reclassification or prior year distributed monies, to segregate money for anticipated capital projects; and to return money to the fund from which it was originally provided once a project is completed

Transfers are recorded as other financing sources (uses) in Governmental funds and as nonoperating revenues (expenses) in Proprietary funds.

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

A summary of interfund transfers by fund type follows for the year ended December 31, 2003:

Fund Type	(Amounts in 000's)							Total
	Transfer To							
Transfer From	General	Human Services	County Board of Mental Retardation	Health and Community Services	Other Governmental Funds	Other Enterprise Funds	Internal Service Funds	
Transfers:								
Major Governmental Funds:								
General Fund	\$	\$ 926	\$	\$ 2,332	\$ 9,335	\$ 1,032	\$ 2,800	\$ 16,425
Human Services.....				220				220
Health and Human Service Levies		35,744		87,109				122,853
Health and Community Services	634				3,790			4,424
Other Governmental Funds.....	136		1,386	1,069	3,388	13		5,992
Other Enterprise Funds					105			105
Internal Services Funds.....	<u>2,800</u>				<u>2,039</u>			<u>4,839</u>
Total Transfers.....	\$ <u>3,570</u>	\$ <u>36,670</u>	\$ <u>1,386</u>	\$ <u>90,730</u>	\$ <u>18,657</u>	\$ <u>1,045</u>	\$ <u>2,800</u>	\$ <u>154,858</u>

NOTE O - Transactions with Gateway

In 1990, the County, the city of Cleveland and Gateway Economic Development Corporation of Greater Cleveland (Gateway) entered into a three party agreement which authorized Gateway to construct, own and provide for the operation of a sports facility which included a baseball stadium, an arena and a joint development site. Gateway was incorporated on May 31, 1990 and is a not-for-profit corporation legally separate from any other entity.

The County and Gateway also entered into a revolving loan agreement whereby the County agreed to issue bonds and loan the bond proceeds to Gateway to pay arena construction costs. As part of this agreement, the County issued taxable Economic Development Revenue Bonds of \$75 million on September 24, 1992 and \$45 million on February 1, 1994. At December 31, 2003, the County has \$100 million of debt outstanding relating to these bond issues (See Note F).

The amount due from Gateway under the revolving loan agreement is \$189.7 million at December 31, 2003, including unpaid accrued interest. During 2003, Gateway repaid the County over \$4 million and the remaining amount is fully reserved due to the uncertainty of the repayment from Gateway.

The County, Gateway and the Convention and Visitors Bureau of Greater Cleveland (the Bureau) entered into a cooperative agreement on September 15, 1992, which included a provision that allowed a credit to be given to Gateway for the incremental amount the Bureau receives from the County Transient Occupancy Tax to use as payment to the County for the bonds issued. This agreement was amended on December 22, 1998 to redefine the annual incremental credit and to provide for the deposit by the Bureau for the years 1994 through 1998. The County received \$1 million from this agreement during the year ended December 31, 1999. The County will receive \$.2 million during each subsequent year, subject to certain adjustments. The County received \$.2 million for the year ended December 31, 2003.

The County has also guaranteed the repayment of certain bonds issued by Gateway. See Note F for the details of the County's guarantee.

During 2003, Gateway renegotiated its stadium lease with the owners of the Cleveland Indians and the Cleveland Cavaliers. The new 10-year agreement frees the organization from covering minor repairs and routine maintenance. Gateway's \$4.9 million annual expenses will be divided by the teams. Gateway agreed to give up \$1 million annually in naming rights from the Indians until 2016. The Cavaliers will no longer hold Gateway responsible for \$9.5 million of capital repairs which the Cavaliers paid and offset against previous rent payments.

In April 2004, Gateway refinanced the Subordinate Excise Tax Revenue Bonds.

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

Gateway has experienced significant losses in the last five years and has relied on short and long-term borrowings, as well as nonrecurring revenue, to pay its obligations as they come due. In addition, Gateway has been unable to fund the capital maintenance account required under certain facility leases. Although the County believes that the revenue sources that secure the repayment of the revenue bonds the County has guaranteed will be adequate to provide for the future debt service requirements under the bonds, if Gateway was to become insolvent, the impact on the County's future financial condition and operations cannot presently be determined because of uncertainties regarding the amount of Gateway's future cash needs and the extent (if any) of the County's funding of such needs.

NOTE P – Loans

Loans receivable represent economic development and property rehabilitation loans outstanding under the Federal Community Development Block Grant (CDBG) and various other grant and development programs. The loans are either non-interest bearing or have below market interest rates and are made to qualifying citizens and businesses for rehabilitation of real property within the County. The loans are secured by mortgages against the individual properties and generally have various repayment terms which may extend over several years.

(This page intentionally left blank.)

Financial Section

Part II

Combining and Individual Fund Statements and Schedules



**COUNTY OF CUYAHOGA, OHIO
NONMAJOR GOVERNMENTAL FUNDS**

NONMAJOR GOVERNMENTAL FUNDS ARE USED TO ACCOUNT FOR SPECIFIC GOVERNMENTAL REVENUES (OTHER THAN MAJOR CAPITAL PROJECTS) REQUIRING SEPARATE ACCOUNTING BECAUSE OF LEGAL OR REGULATORY PROVISIONS OR ADMINISTRATIVE ACTION AND EXPENDITURES FOR SPECIFIED PURPOSES.

Motor Vehicle Gas Tax	To account for Motor Vehicle Gas Tax federal and state revenues which are distributed to various municipalities and townships for repair and building of streets and bridges.
Community Development	To account for revenue from the Federal government and expenditures as prescribed under the Community Development Block Grant Program and Housing and Urban Development Programs (HUD).
Other	To account for miscellaneous special revenue grants received by the county. Health and Community Services Grants have been combined with this special revenue fund.
Debt Service	To account for revenues received and used to pay principal and interest on all long-term bonded debt except those payable from Enterprise funds. Revenues are derived primarily from property taxes.
Capital Projects	To account for financial resources to be used for the acquisition or construction of all county land and buildings, major improvements and road improvements. (Other than those financed by proprietary funds).

**COUNTY OF CUYAHOGA, OHIO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

**DECEMBER 31, 2003
(Amounts in 000's)**

	Special Revenue			
	Motor Vehicle Gas Tax	Community Development	Other	Total
ASSETS				
Equity in pooled cash and investments.....	\$ 33,119	\$ 3,649	\$ 9,316	\$ 46,084
Receivables:				
Taxes (net of allowance for uncollectibles).....				
Accrued interest.....	98			98
Loans (net of allowance for uncollectibles).....		16,974		16,974
Net receivables.....	98	16,974		17,072
Due from other governments.....	11,483	1,610		13,093
TOTAL ASSETS.....	\$ 44,700	\$ 22,233	\$ 9,316	\$ 76,249
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	\$ 1,339	\$ 1,771	\$ 2,873	\$ 5,983
Deferred revenue.....	8,129		5,714	13,843
Due to other funds.....	252	334	48	634
Due to other governments.....		1,953		1,953
Accrued wages and benefits.....	579	69	263	911
Short-term notes payable.....				
Matured bonds payable.....				
TOTAL LIABILITIES.....	10,299	4,127	8,898	23,324
Fund Balances				
Reserved for:				
Loans receivable.....		16,974		16,974
Debt service.....				
Unreserved, Undesignated.....	34,401	1,132	418	35,951
TOTAL FUND BALANCES (DEFICITS).....	34,401	18,106	418	52,925
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 44,700	\$ 22,233	\$ 9,316	\$ 76,249

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 748	\$	\$ 46,832
24,520		24,520
	12	110
		<u>16,974</u>
<u>24,520</u>	<u>12</u>	<u>41,604</u>
1,492	2,265	16,850
<u>\$ 26,760</u>	<u>\$ 2,277</u>	<u>\$ 105,286</u>

\$	\$ 4,164	\$ 10,147
25,752		39,595
	49,362	49,996
		1,953
		911
	2,440	2,440
<u>14</u>		<u>14</u>
25,766	55,966	105,056

		16,974
994		994
	(53,689)	(17,738)
<u>994</u>	<u>(53,689)</u>	<u>230</u>
<u>\$ 26,760</u>	<u>\$ 2,277</u>	<u>\$ 105,286</u>

**COUNTY OF CUYAHOGA, OHIO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2003
 (Amounts in 000's)**

	Special Revenue			
	Motor Vehicle Gas Tax	Community Development	Other	Total
REVENUES				
Property taxes.....	\$	\$	\$	\$
Other tax.....	28,893			28,893
Fines and forfeitures.....	284			284
Investment earnings.....	1,221			1,221
Other intergovernmental.....	3,191	19,378	25,104	47,673
Miscellaneous.....	38	4	5,527	5,569
TOTAL REVENUES.....	33,627	19,382	30,631	83,640
EXPENDITURES				
Current:				
General government.....				
Judicial.....			19,453	19,453
Development.....		18,327	94	18,421
Social services.....			8,467	8,467
Health and safety.....			3,629	3,629
Public works.....	30,698		128	30,826
Capital outlay.....				
Debt service:				
Principal retirement.....				
Interest.....				
TOTAL EXPENDITURES.....	30,698	18,327	31,771	80,796
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	2,929	1,055	(1,140)	2,844
OTHER FINANCING SOURCES (USES)				
Transfers in.....	776	300	4,259	5,335
Transfers out:				
Other.....	(2,938)		(2,919)	(5,857)
Proceeds from debt.....				
TOTAL OTHER FINANCING SOURCES (USES).....	(2,162)	300	1,340	(522)
NET CHANGE IN FUND BALANCES.....	767	1,355	200	2,322
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR.....	33,634	16,751	218	50,603
FUND BALANCES (DEFICITS) AT END OF YEAR.....	\$ 34,401	\$ 18,106	\$ 418	\$ 52,925

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental</u>
\$ 21,988	\$	\$ 21,988
9		28,902
		284
	156	1,377
3,929	24,594	76,196
	375	5,944
<u>25,926</u>	<u>25,125</u>	<u>134,691</u>
	48	48
		19,453
		18,421
		8,467
		3,629
	24,054	54,880
	39,317	39,317
20,460	15,739	36,199
<u>13,044</u>	<u>302</u>	<u>13,346</u>
<u>33,504</u>	<u>79,460</u>	<u>193,760</u>
(7,578)	(54,335)	(59,069)
7,697	5,625	18,657
	(135)	(5,992)
	<u>13,742</u>	<u>13,742</u>
<u>7,697</u>	<u>19,232</u>	<u>26,407</u>
119	(35,103)	(32,662)
<u>875</u>	<u>(18,586)</u>	<u>32,892</u>
<u>\$ 994</u>	<u>\$ (53,689)</u>	<u>\$ 230</u>

(This page intentionally left blank.)

**COUNTY OF CUYAHOGA, OHIO
INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE/FUND EQUITY
- BUDGET (NON GAAP) AND ACTUAL**

**COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)**

FOR THE YEAR ENDED DECEMBER 31, 2003

(Amounts in 000's)

	General Fund		
	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Property taxes.....	\$ 19,428	\$ 19,611	\$ 19,611
Sales and use tax.....	160,900	157,125	157,125
Other tax.....	12	6	9
State local government fund.....	38,248	38,248	38,248
Licenses and permits.....	87	115	126
Charges for services.....	57,004	62,067	64,713
Fines and forfeitures.....	6,693	6,538	5,817
Investment earnings.....	17,000	17,000	16,895
Other intergovernmental.....	11,204	10,680	10,971
Miscellaneous.....	9,968	10,224	9,321
TOTAL REVENUES.....	320,544	321,614	322,836
EXPENDITURES			
Current:			
GENERAL GOVERNMENT			
Vital Statistics			
Other.....	24	24	20
Total Vital Statistics.....	24	24	20
Bureau of Inspection			
Other.....	474	474	352
Total Bureau of Inspection.....	474	474	352
Auditor			
Personnel.....	4,980	5,005	5,002
Other.....	3,830	3,504	3,157
Capital.....	17	17	6
Total Auditor.....	8,827	8,526	8,165
Board of Elections			
Personnel.....	5,384	5,595	5,553
Other.....	4,249	5,196	5,086
Capital.....	25	35	35
Total Board of Elections.....	9,658	10,826	10,674
Board of Revision			
Personnel.....	449	439	436
Other.....	112	139	128
Capital.....	2	2	2
Total Board of Revision.....	563	578	564

(Continued)

**COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)**

FOR THE YEAR ENDED DECEMBER 31, 2003

(Amounts in 000's)

General Fund

	Budgeted Amounts		Actual Amounts
	Original	Final	
County Commissioners			
Personnel.....	1,006	1,034	1,029
Other.....	272	268	264
Capital.....	4		
Total County Commissioners.....	1,282	1,302	1,293
County Administrator			
Personnel.....	753	785	785
Other.....	516	255	232
Capital.....	2	2	
Total County Administrator.....	1,271	1,042	1,017
Human Resources			
Personnel	1,584	1,640	1,637
Other.....	1,101	1,089	1,085
Capital.....	5	2	
Total Human Resources.....	2,690	2,731	2,722
Employment Relations			
Personnel.....	684	702	702
Other.....	267	289	258
Capital.....	2		
Total Employment Relations.....	953	991	960
Benefits			
Personnel.....	415	430	430
Other.....	187	230	216
Capital.....	1		
Total Benefits.....	603	660	646
Labor Relations			
Personnel.....	364	364	312
Other.....	30	20	20
Capital.....	1	1	
Total Labor Relations.....	395	385	332
Office of Budget and Management			
Personnel.....	862	905	905
Other.....	522	348	138
Capital.....		2	2
Total Office of Budget and Management.....	1,384	1,255	1,045
Clerk of the Board			
Personnel.....	447	393	353
Other.....	71	71	64
Capital.....	1	1	
Total Clerk of the Board	519	465	417

(Continued)

**COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)**

FOR THE YEAR ENDED DECEMBER 31, 2003

(Amounts in 000's)

	General Fund		
	Budgeted Amounts		Actual Amounts
	Original	Final	
Procurement and Diversity			
Personnel.....	760	760	737
Other.....	266	300	272
Capital.....	3	3	
Total Procurement and Diversity.....	1,029	1,063	1,009
Risk and Property Management			
Personnel.....	509	509	494
Other.....	2,313	2,612	2,559
Capital.....	2	2	
Total Risk and Property Management.....	2,824	3,123	3,053
Archives			
Personnel.....	142	142	141
Other.....	566	510	485
Capital.....	1	43	30
Total Archives.....	709	695	656
Recorder			
Personnel.....	3,887	4,013	4,001
Other.....	1,407	1,573	1,626
Capital.....	13	201	192
Total Recorder.....	5,307	5,787	5,819
Treasurer			
Personnel.....	3,123	3,128	3,103
Other.....	1,523	1,478	1,311
Capital.....	10	10	5
Total Treasurer.....	4,656	4,616	4,419
Reserve/Contingencies			
Other.....	7,083	7,083	
Total Reserve/Contingencies.....	7,083	7,083	
Agricultural Society			
Other.....	3	3	3
Total Agricultural Society.....	3	3	3
Memorial Day Allowances			
Other.....	61	66	65
Total Memorial Day Allowances.....	61	66	65
Soldiers and Sailors Monument			
Personnel.....	70	74	73
Other.....	4	36	36
Total Soldiers and Sailors Monument.....	74	110	109

(Continued)

**COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)**

FOR THE YEAR ENDED DECEMBER 31, 2003

(Amounts in 000's)

	General Fund		
	Budgeted Amounts		Actual Amounts
	Original	Final	
Cuyahoga County School District			
Other.....	98	98	97
Total Cuyahoga County School District.....	98	98	97
Self-Insurance			
Other.....	1,139	1,390	1,315
Total Self-Insurance.....	1,139	1,390	1,315
Miscellaneous			
Personnel.....		(206)	(206)
Other.....	690	896	843
Total Miscellaneous.....	690	690	637
Data Systems Development			
Other.....	450	24	
Total Data Systems Development.....	450	24	
Capital Improvement G/F Subsidy			
Other.....	464	464	464
Total Capital Improvement G/F Subsidy.....	464	464	464
TOTAL GENERAL GOVERNMENT.....	53,230	54,471	45,853
JUDICIAL			
Board & Care of Prisoners			
Other.....	992	5,164	5,138
Total Board & Care of Prisoners.....	992	5,164	5,138
Court of Appeals			
Personnel.....	1,254	1,254	1,244
Other.....	1,179	676	619
Capital.....	10	13	10
Total Court of Appeals.....	2,443	1,943	1,873
Clerk of Courts			
Personnel.....	5,970	5,970	5,932
Other.....	2,774	3,773	3,659
Capital.....	21	11	11
Total Clerk of Courts.....	8,765	9,754	9,602
Court of Common Pleas - Law Library			
Personnel.....	194	193	176
Capital.....	1	1	
Total Court of Common Pleas - Law Library.....	195	194	176

(Continued)

**COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)**

FOR THE YEAR ENDED DECEMBER 31, 2003

(Amounts in 000's)

	General Fund		
	Budgeted Amounts		Actual Amounts
	Original	Final	
Common Pleas Legal Research			
Other.....	102	103	97
Total Common Pleas Legal Research.....	102	103	97
Common Pleas-Judicial Administration			
Personnel.....	5,928	6,019	5,995
Other.....	14,362	14,904	14,816
Capital.....	22	21	20
Total Common Pleas-Judicial Administration.....	20,312	20,944	20,831
Common Pleas-Referees			
Personnel.....	694	708	703
Other.....	180	234	216
Capital.....	3	3	3
Total Common Pleas-Referees.....	877	945	922
Common Pleas-Court Services			
Personnel.....	5,989	5,872	5,844
Other.....	662	727	699
Capital.....	22	22	21
Total Common Pleas-Court Services.....	6,673	6,621	6,564
Common Pleas-Probation/Psychiatric			
Personnel.....	7,225	7,316	7,269
Other.....	1,930	1,661	1,615
Capital.....	26	21	21
Total Common Pleas-Probation/Psychiatric.....	9,181	8,998	8,905
Coroner			
Personnel.....	4,387	4,387	4,308
Other.....	1,472	1,703	1,695
Capital.....	16	16	16
Total Coroner.....	5,875	6,106	6,019
Domestic Relations Court			
Personnel.....	2,482	2,482	2,387
Other.....	1,023	843	832
Capital.....	9	9	9
Total Domestic Relations Court.....	3,514	3,334	3,228
Domestic Relations-Bureau of Support			
Personnel.....	2,688	2,688	2,687
Other.....	660	310	310
Capital.....	10	10	10
Total Domestic Relations-Bureau of Support.....	3,358	3,008	3,007

(Continued)

**COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)**

FOR THE YEAR ENDED DECEMBER 31, 2003

(Amounts in 000's)

	General Fund		
	Budgeted Amounts		Actual Amounts
	Original	Final	
Justice Affairs Administration			
Personnel.....	487	457	451
Other.....	348	508	489
Capital.....	1	2	1
Total Justice Affairs Administration.....	836	967	941
Justice Affairs-Criminal Justice			
Personnel.....	441	441	319
Other.....	327	153	108
Capital.....	2	2	1
Total Justice Affairs-Criminal Justice.....	770	596	428
Witness Victim Services			
Personnel.....	405	441	439
Other.....	262	171	171
Capital.....	1		
Total Witness Victim Services.....	668	612	610
Criminal Justice Intervention Services			
Personnel.....	33	34	34
Other.....	86	208	201
Capital.....		2	
Total Criminal Justice Intervention Services.....	119	244	235
Domestic Violence One-Stop Program			
Other.....			(2)
Total Domestic Violence One-Stop Program.....			(2)
Juvenile Court-Administration			
Personnel.....	2,154	1,917	1,916
Other.....	5,799	6,722	6,623
Capital.....	10	5	2
Total Juvenile Court-Administration.....	7,963	8,644	8,541
Juvenile Court-Legal			
Personnel.....	6,039	5,910	5,906
Other.....	4,758	4,630	4,666
Capital.....	20	233	233
Total Juvenile Court-Legal.....	10,817	10,773	10,805
Juvenile Court-Probation			
Personnel.....	5,645	5,426	5,426
Other.....	4,240	5,032	4,902
Capital.....	10	1	1
Total Juvenile Court-Probation.....	9,895	10,459	10,329

(Continued)

**COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)**

FOR THE YEAR ENDED DECEMBER 31, 2003

(Amounts in 000's)

	General Fund		
	Budgeted Amounts		Actual
	Original	Final	Amounts
Juvenile Court-Child Support			
Personnel.....	2,716	3,068	3,065
Other.....	426	378	350
Capital.....	5	2	1
Total Juvenile Court-Child Support.....	3,147	3,448	3,416
Juvenile Court-Detention Home			
Personnel.....	7,921	7,821	7,821
Other.....	3,534	3,449	3,431
Capital.....	50	50	50
Total Juvenile Court-Detention Home.....	11,505	11,320	11,302
Municipal Judicial Costs			
Personnel.....	2,420	2,550	2,511
Other.....	585	575	553
Total Municipal Judicial Costs.....	3,005	3,125	3,064
Village and Township Costs			
Other.....		5	5
Total Village and Township Costs.....		5	5
Probate Court			
Personnel.....	4,790	4,790	4,533
Other.....	1,420	1,130	1,117
Capital.....	17	25	19
Total Probate Court.....	6,227	5,945	5,669
Public Defender			
Personnel.....	4,855	4,931	4,798
Other.....	2,442	2,432	2,386
Capital.....	17	10	10
Total Public Defender.....	7,314	7,373	7,194
Prosecutor-General Office			
Personnel.....	12,083	11,974	11,952
Other.....	1,546	1,651	1,572
Capital.....	42	2	2
Total Prosecutor-General Office.....	13,671	13,627	13,526
Prosecutor-Child Support			
Personnel.....	2,082	2,152	2,128
Other.....	99	214	185
Capital.....	7	7	7
Total Prosecutor-Child Support.....	2,188	2,373	2,320

(Continued)

COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2003

(Amounts in 000's)

	General Fund		
	Budgeted Amounts		Actual Amounts
	Original	Final	
Prosecutor-Children and Family Services			
Personnel.....	2,201	2,232	2,200
Other.....	56	111	99
Capital.....	8	8	7
Total Prosecutor-Children and Family Services.....	2,265	2,351	2,306
Sheriff			
Personnel.....	49,222	50,387	50,364
Other.....	10,363	10,361	10,099
Capital.....	165	47	14
Total Sheriff.....	59,750	60,795	60,477
Sheriff-Inmate Services			
Personnel.....	3,021	3,104	3,100
Other.....	2,701	2,858	2,827
Capital.....	11	13	13
Total Sheriff-Inmate Services.....	5,733	5,975	5,940
TOTAL JUDICIAL.....	208,160	215,746	213,468
DEVELOPMENT			
Development-Administration			
Personnel.....	108	108	
Total Development-Administration.....	108	108	
Economic Development			
Personnel.....	493	493	446
Other.....	662	1,202	1,174
Total Economic Development.....	1,155	1,695	1,620
NOACA			
Other.....	176	176	176
Total NOACA.....	176	176	176
Soil Conservation			
Other.....	65	65	65
Total Soil Conservation.....	65	65	65
TOTAL DEVELOPMENT.....	1,504	2,044	1,861
SOCIAL SERVICES			
Cooperative Extension			
Other.....	311	311	311
Total Cooperative Extension.....	311	311	311

(Continued)

**COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)**

FOR THE YEAR ENDED DECEMBER 31, 2003

(Amounts in 000's)

	General Fund		
	Budgeted Amounts		Actual Amounts
	Original	Final	
Graves for Indigents			
Other.....	12	12	7
Total Graves for Indigents.....	12	12	7
Children Who Witness Violence			
Personnel.....	98	102	102
Other.....	321	296	293
Total Children Who Witness Violence.....	419	398	395
Ombudsman Program			
Other.....	208	208	208
Total Ombudsman Program.....	208	208	208
Veterans Service Commission			
Personnel.....	1,508	1,729	1,438
Other.....	5,198	5,268	2,876
Capital.....	5	105	104
Total Veterans Service Commission.....	6,711	7,102	4,418
TOTAL SOCIAL SERVICES.....	7,661	8,031	5,339
HEALTH AND SAFETY			
Agriculture and Apiary Inspection			
Other.....	1	1	
Total Agriculture and Apiary Inspection.....	1	1	
Treatment Service Division			
Personnel.....	154	131	126
Other.....	183	295	271
Capital.....	1	1	
Total Treatment Service Division.....	338	427	397
CECOMS Center			
Personnel.....	625	625	611
Other.....	215	285	282
Capital.....	2	2	2
Total CECOMS Center.....	842	912	895
Hospital Operations			
Other.....	8,335	8,309	8,309
Total Hospital Operations.....	8,335	8,309	8,309
TOTAL HEALTH AND SAFETY.....	9,516	9,649	9,601
TOTAL EXPENDITURES.....	280,071	289,941	276,122
EXCESS OF REVENUES OVER EXPENDITURES.....	40,473	31,673	46,714

(Continued)

**COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)**

**FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)**

	General Fund		
	Budgeted Amounts		Actual
	Original	Final	Amounts
OTHER FINANCING SOURCES (USES)			
Transfers in.....		2,800	3,842
Transfers out:			
Debt retirement.....	(7,592)	(7,592)	(7,592)
Other.....	(38,192)	(36,912)	(35,970)
TOTAL OTHER FINANCING USES.....	(45,784)	(41,704)	(39,720)
NET CHANGE IN FUND BALANCES.....	(5,311)	(10,031)	6,994
FUND BALANCES AT BEGINNING OF YEAR.....	99,900	99,900	99,900
FUND BALANCES AT END OF YEAR.....	\$ 94,589	\$ 89,869	\$ 106,894

(Continued)

**COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
MOTOR VEHICLE GAS TAX FUND
(NON-GAAP BUDGETARY BASIS)**

**FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)**

	<u>Motor Vehicle Gas Tax Fund</u>	
	<u>Final Budget</u>	<u>Actual</u>
REVENUES		
Other tax.....	\$ 31,616	\$ 28,915
Fines and forfeitures.....	365	307
Investment earnings.....	1,415	1,232
Other intergovernmental.....	2,479	3,056
Miscellaneous.....	<u>52</u>	<u>63</u>
TOTAL REVENUES.....	<u>35,927</u>	<u>33,573</u>
EXPENDITURES		
Current:		
PUBLIC WORKS		
Personnel.....	14,983	12,950
Other.....	1,982	1,169
Capital.....	<u>23,995</u>	<u>17,117</u>
TOTAL PUBLIC WORKS.....	<u>40,960</u>	<u>31,236</u>
TOTAL EXPENDITURES	<u>40,960</u>	<u>31,236</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(5,033)	2,337
OTHER FINANCING SOURCES (USES)		
Transfers in.....	641	776
Transfers out:		
Other	<u>(3,704)</u>	<u>(3,427)</u>
TOTAL OTHER FINANCING USES.....	<u>(3,063)</u>	<u>(2,651)</u>
NET CHANGE IN FUND BALANCES.....	(8,096)	(314)
FUND BALANCES AT BEGINNING OF YEAR.....	<u>22,560</u>	<u>22,560</u>
FUND BALANCES AT END OF YEAR.....	<u>\$ 14,464</u>	<u>\$ 22,246</u>

COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
DEBT SERVICE FUND
(NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)

	<u>Debt Service Fund</u>	
	<u>Final Budget</u>	<u>Actual</u>
REVENUES		
Property taxes.....	\$ 22,395	\$ 22,031
Other tax.....	6	8
Investment earnings.....	35	
Other intergovernmental.....	3,730	3,727
TOTAL REVENUES.....	26,166	25,766
EXPENDITURES		
DEBT SERVICE:		
Principal retirement.....	23,906	22,890
Interest.....	13,031	12,852
TOTAL EXPENDITURES.....	36,937	35,742
DEFICIENCY OF REVENUES OVER EXPENDITURES.....	(10,771)	(9,976)
OTHER FINANCING SOURCES (USES)		
Transfers in.....	7,876	7,697
Proceeds from notes.....	4,880	2,440
TOTAL OTHER FINANCING SOURCES.....	12,756	10,137
NET CHANGE IN FUND BALANCES.....	1,985	161
FUND BALANCES AT BEGINNING OF YEAR.....	587	587
FUND BALANCES AT END OF YEAR.....	\$ 2,572	\$ 748

(This page intentionally left blank.)

**COUNTY OF CUYAHOGA, OHIO
NON-MAJOR PROPRIETARY FUNDS**

ENTERPRISE FUNDS ARE ESTABLISHED TO ACCOUNT FOR OPERATIONS THAT ARE FINANCED AND OPERATED IN A MANNER SIMILAR TO BUSINESS IN THE PRIVATE SECTOR. THE EXPENSES (INCLUDING DEPRECIATION) OF PROVIDING GOODS AND SERVICES PRIMARILY OR SOLELY TO THE GENERAL PUBLIC ARE FINANCED OR RECOVERED PRIMARILY THROUGH USER CHARGES.

County Airport	The airport provides landing and storage facilities for commercial flights, private business aircraft and recreational aircraft for the general public.
Huntington Park Garage	The garage provides parking facilities to nearby County Administration, Courthouse and Justice Center buildings for the general public.
Cuyahoga County Information System	The system provides computerized information on criminal records and court cases to communities within the county.

INTERNAL SERVICE FUNDS ARE ESTABLISHED TO ACCOUNT FOR THE FINANCING OF GOODS OR SERVICES PROVIDED BY ONE DEPARTMENT OF THE COUNTY TO OTHER DEPARTMENTS OF THE COUNTY ON A COST-REIMBURSEMENT BASIS.

Central Custodial Services	The Central Custodial Services division is responsible for all maintenance, cleaning and upkeep of county buildings and offices. It also bills all rents to county offices and agencies.
Maintenance Garage	The Maintenance Garage is responsible for the upkeep of all county owned vehicles and equipment.
Data Processing Center	The Data Processing Center provides centralized data processing for the entire county.
Printing, Reproduction and Supplies	The Printing, Reproduction and Supplies division provides the county with all printing and reproduction services and central purchasing of supplies.
Communications	The Communications division provides all telephone service in addition to mail and delivery services for the county.
Self-Funded Workers' Compensation	The Self-Funded Workers' Compensation fund provides self-insurance to the County through a retrospective rating plan with the State of Ohio for workers' compensation.

**COUNTY OF CUYAHOGA, OHIO
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS**

**DECEMBER 31, 2003
(Amounts in 000's)**

	<u>County Airport</u>	<u>Huntington Park Garage</u>	<u>Cuyahoga County Information System</u>	<u>Totals</u>
ASSETS				
Current assets:				
Equity in pooled cash and investments.....	\$ 248	\$ 1,912	\$ 579	\$ 2,739
Accounts receivable (net of allowance for uncollectibles).....	76		46	122
Due from other funds.....			31	31
Due from other governments.....			195	195
Inventory of supplies.....	9			9
Total current assets.....	<u>333</u>	<u>1,912</u>	<u>851</u>	<u>3,096</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation):				
Land.....	5,280			5,280
Land improvements.....	2,474			2,474
Buildings, structures and improvements.....	352	4,112		4,464
Furniture, fixtures and equipment.....	20	4	1	25
Vehicles.....	21	17		38
Construction in progress.....	127			127
Net capital assets.....	<u>8,274</u>	<u>4,133</u>	<u>1</u>	<u>12,408</u>
Total noncurrent assets.....	<u>8,274</u>	<u>4,133</u>	<u>1</u>	<u>12,408</u>
TOTAL ASSETS.....	<u>8,607</u>	<u>6,045</u>	<u>852</u>	<u>15,504</u>
LIABILITIES				
Current liabilities:				
Accounts payable.....	164	76	117	357
Due to other funds.....	1	8	2	11
Accrued wages and benefits.....	51	67	16	134
Special termination benefits.....	33		7	40
Total current liabilities.....	<u>249</u>	<u>151</u>	<u>142</u>	<u>542</u>
Noncurrent liabilities:				
Special termination benefits.....	85			85
Total noncurrent liabilities.....	<u>85</u>			<u>85</u>
TOTAL LIABILITIES.....	<u>334</u>	<u>151</u>	<u>142</u>	<u>627</u>
NET ASSETS				
Invested in capital assets, net of related debt.....	8,274	4,133	1	12,408
Unrestricted.....	(1)	1,761	709	2,469
TOTAL NET ASSETS.....	<u>\$ 8,273</u>	<u>\$ 5,894</u>	<u>\$ 710</u>	<u>\$ 14,877</u>

COUNTY OF CUYAHOGA, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)

	<u>County Airport</u>	<u>Huntington Park Garage</u>	<u>Cuyahoga County Information System</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services.....	\$ 1,283	\$ 2,309	\$ 1,474	\$ 5,066
Other revenue.....	16	2		18
TOTAL OPERATING REVENUES.....	<u>1,299</u>	<u>2,311</u>	<u>1,474</u>	<u>5,084</u>
OPERATING EXPENSES				
Personal services.....	485	495	201	1,181
Contractual services.....	32	125	795	952
Commodities.....	139	21	4	164
Depreciation.....	401	407	1	809
Other expenses.....	575	724	1,266	2,565
TOTAL OPERATING EXPENSES.....	<u>1,632</u>	<u>1,772</u>	<u>2,267</u>	<u>5,671</u>
OPERATING INCOME (LOSS).....	<u>(333)</u>	<u>539</u>	<u>(793)</u>	<u>(587)</u>
NONOPERATING REVENUE (EXPENSES)				
Grants.....	38			38
TOTAL NONOPERATING REVENUES.....	<u>38</u>			<u>38</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS.....	<u>(295)</u>	<u>539</u>	<u>(793)</u>	<u>(549)</u>
Transfers in.....	345		700	1,045
Transfers out:				
Debt retirement.....		(105)		(105)
CHANGE IN NET ASSETS.....	<u>50</u>	<u>434</u>	<u>(93)</u>	<u>391</u>
TOTAL NET ASSETS BEGINNING OF YEAR.....	<u>8,223</u>	<u>5,460</u>	<u>803</u>	<u>14,486</u>
TOTAL NET ASSETS END OF YEAR.....	<u>\$ 8,273</u>	<u>\$ 5,894</u>	<u>\$ 710</u>	<u>\$ 14,877</u>

**COUNTY OF CUYAHOGA, OHIO
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2003

(Amounts in 000's)

	<u>County Airport</u>	<u>Huntington Park Garage</u>	<u>Information System</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from customers.....	\$ 1,103	\$ 2,309	\$ 1,940	\$ 5,352
Other operating cash receipts.....	23	2		25
Cash payments to suppliers for goods and services.....	(597)	(810)	(2,225)	(3,632)
Cash payments to employees for services.....	(487)	(500)	(201)	(1,188)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	42	1,001	(486)	557
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in(out) from(to) other funds.....	345	(105)	700	940
Repayment of short-term interfund loan.....	(58)			(58)
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES.....	287	(105)	700	882
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Receipts from capital grants.....	38			38
Acquisition and construction of capital assets.....	(119)	(133)		(252)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES.....	(81)	(133)		(214)
NET INCREASE IN CASH AND CASH EQUIVALENTS.....	248	763	214	1,225
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....		1,149	365	1,514
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 248	\$ 1,912	\$ 579	\$ 2,739
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss).....	\$ (333)	\$ 539	\$ (793)	\$ (587)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Depreciation.....	401	407	1	809
Changes in assets and liabilities:				
Accounts receivable-net.....	(16)		(8)	(24)
Due from other funds.....			(13)	(13)
Due from other governments.....			487	487
Accounts payable.....	24	60	(148)	(64)
Due to other funds.....	(4)	(3)		(7)
Accrued wages and benefits.....	2	(2)		
Special termination benefits.....	(32)		(12)	(44)
TOTAL ADJUSTMENTS.....	375	462	307	1,144
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	\$ 42	\$ 1,001	\$ (486)	\$ 557

(This page intentionally left blank.)

**COUNTY OF CUYAHOGA, OHIO
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS**

**DECEMBER 31, 2003
(Amounts in 000's)**

	Central Custodial Services	Maintenance Garage	Data Processing Center
ASSETS			
Current assets:			
Equity in pooled cash and investments.....	\$ 2,144	\$	\$ 695
Accounts receivable (net of allowance for uncollectibles).....			1
Due from other funds.....		65	2
Due from other governments.....	214		
Inventory of supplies.....		<u>22</u>	
Total current assets.....	<u>2,358</u>	<u>87</u>	<u>698</u>
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Furniture, fixtures and equipment.....	145	3	5,111
Vehicles.....	<u>20</u>	<u>331</u>	
Net capital assets.....	<u>165</u>	<u>334</u>	<u>5,111</u>
Total noncurrent assets.....	<u>165</u>	<u>334</u>	<u>5,111</u>
TOTAL ASSETS.....	<u>2,523</u>	<u>421</u>	<u>5,809</u>
LIABILITIES			
Current liabilities:			
Accounts payable.....	893	9	785
Due to other funds.....	449	227	22
Due to other governments.....			
Accrued wages and benefits.....	2,260	25	858
Capital lease obligations.....			
Special termination benefits.....	<u>1,815</u>		<u>672</u>
Total current liabilities.....	<u>5,417</u>	<u>261</u>	<u>2,337</u>
Noncurrent liabilities:			
Capital lease obligations.....			
Special termination benefits.....	<u>3,638</u>		<u>1,271</u>
Total noncurrent liabilities.....	<u>3,638</u>		<u>1,271</u>
TOTAL LIABILITIES.....	<u>9,055</u>	<u>261</u>	<u>3,608</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	165	334	5,111
Unrestricted.....	<u>(6,697)</u>	<u>(174)</u>	<u>(2,910)</u>
TOTAL NET ASSETS.....	<u>\$ (6,532)</u>	<u>\$ 160</u>	<u>\$ 2,201</u>

<u>Printing Reproduction and Supplies</u>	<u>Communications</u>	<u>Self-Funded Workers Compensation</u>	<u>Totals</u>
\$ 557	\$ 40	\$ 52,237	\$ 55,673
113	261	4,092	1
7		45	4,533
<u>677</u>	<u>301</u>	<u>56,374</u>	<u>259</u>
			<u>29</u>
138	113		5,510
<u>138</u>	<u>113</u>		<u>351</u>
<u>138</u>	<u>113</u>		<u>5,861</u>
<u>815</u>	<u>414</u>	<u>56,374</u>	<u>5,861</u>
			<u>66,356</u>
288	152		2,127
6	18	1	723
		18,766	18,766
36	90	15	3,284
17	30		47
<u>51</u>	<u>191</u>		<u>2,729</u>
398	481	18,782	27,676
67	24		91
<u>90</u>	<u>397</u>		<u>5,396</u>
<u>157</u>	<u>421</u>		<u>5,487</u>
555	902	18,782	33,163
54	59		5,723
206	(547)	37,592	27,470
<u>\$ 260</u>	<u>\$ (488)</u>	<u>\$ 37,592</u>	<u>\$ 33,193</u>

**COUNTY OF CUYAHOGA, OHIO
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2003
 (Amounts in 000's)**

	<u>Central Custodial Services</u>	<u>Maintenance Garage</u>	<u>Data Processing Center</u>	<u>Printing Reproduction and Supplies</u>
OPERATING REVENUES				
Charges for services.....	\$ 40,808	\$ 919	\$ 11,869	\$ 2,626
Other revenue.....	84	9	2	11
TOTAL OPERATING REVENUES.....	<u>40,892</u>	<u>928</u>	<u>11,871</u>	<u>2,637</u>
OPERATING EXPENSES				
Personal services.....	23,914	246	5,778	434
Contractual services and claims	925		2,793	893
Commodities.....	8,204	299	281	1,152
Depreciation.....	32	405	1,716	36
Other expenses.....	5,312	436	580	218
TOTAL OPERATING EXPENSES.....	<u>38,387</u>	<u>1,386</u>	<u>11,148</u>	<u>2,733</u>
OPERATING INCOME (LOSS).....	<u>2,505</u>	<u>(458)</u>	<u>723</u>	<u>(96)</u>
NONOPERATING EXPENSES				
Interest expense.....			(1)	(3)
Gain (Loss) on disposal of capital assets.....		31	(1)	(83)
TOTAL NONOPERATING EXPENSES.....		<u>31</u>	<u>(2)</u>	<u>(86)</u>
INCOME (LOSS) BEFORE TRANSFERS.....	2,505	(427)	721	(182)
Transfers in.....				
Transfers out:				
Other.....	(2,039)			(2,800)
CHANGE IN NET ASSETS.....	<u>466</u>	<u>(427)</u>	<u>721</u>	<u>(2,982)</u>
TOTAL NET ASSETS				
BEGINNING OF YEAR.....	<u>(6,998)</u>	<u>587</u>	<u>1,480</u>	<u>3,242</u>
TOTAL NET ASSETS				
END OF YEAR.....	<u>\$ (6,532)</u>	<u>\$ 160</u>	<u>\$ 2,201</u>	<u>\$ 260</u>

<u>Communications</u>	<u>Self-Funded Workers Compensation</u>	<u>Totals</u>
\$ 4,159	\$ 3,233	\$ 63,614
2	185	293
4,161	3,418	63,907
806	110	31,288
14	4,087	8,712
6	1	9,943
20	1	2,210
2,613	9	9,168
3,459	4,208	61,321
702	(790)	2,586
(5)		(9)
(5)		(53)
(5)		(62)
697	(790)	2,524
2,800		2,800
		(4,839)
3,497	(790)	485
(3,985)	38,382	32,708
\$ (488)	\$ 37,592	\$ 33,193

**COUNTY OF CUYAHOGA, OHIO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2003

(Amounts in 000's)

	Central Custodial Services	Maintenance Garage	Data Processing Center
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers.....	\$ 83	\$ 9	\$ 2
Other operating cash receipts.....	40,594	932	12,162
Cash payments to suppliers for goods and services.....	(16,195)	(751)	(4,253)
Cash payments to employees for services.....	(24,736)	(244)	(5,586)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	(254)	(54)	2,325
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in (out) from (to) other funds.....	(2,039)		
Proceeds from (repayment of) short-term interfund loan-net.....		11	
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES.....	(2,039)	11	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of capital assets.....		43	
Acquisition and construction of capital assets.....	(40)		(3,406)
Principal paid on long-term debt.....			(43)
Interest paid on long-term debt.....			(1)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES.....	(40)	43	(3,450)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(2,333)		(1,125)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	4,477		1,820
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 2,144	\$ 0	\$ 695
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss).....	\$ 2,505	\$ (458)	\$ 723
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Depreciation.....	32	405	1,716
Changes in assets and liabilities:			
Accounts receivable-net.....			6
Due from other funds.....		12	287
Due from other governments.....	(214)		
Inventory of supplies.....		(6)	
Accounts payable.....	(886)	(10)	46
Due to other funds.....	(68)	(1)	2
Due to other governments.....			
Accrued wages and benefits.....	153	4	190
Special termination benefits.....	(1,776)		(645)
TOTAL ADJUSTMENTS.....	(2,759)	404	1,602
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	\$ (254)	\$ (54)	\$ 2,325
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Fixed assets acquired through capital lease.....	\$ 0	\$ 0	\$ 0
TOTAL NONCASH TRANSACTIONS.....	\$ 0	\$ 0	\$ 0

<u>Printing, Reproduction and Supplies</u>	<u>Communications</u>	<u>Self-Funded Workers Compensation</u>	<u>Totals</u>
\$ 11	\$ 2	\$ 185	\$ 292
2,635	4,115	4,136	64,574
(2,258)	(2,839)	(2,991)	(29,287)
<u>(430)</u>	<u>(793)</u>	<u>(109)</u>	<u>(31,898)</u>
(42)	485	1,221	3,681
(2,800)	2,800		(2,039)
<u>(2,800)</u>	<u>(3,212)</u>	<u></u>	<u>(3,201)</u>
(2,800)	(412)		(5,240)
			43
			(3,446)
(34)	(28)		(105)
<u>(3)</u>	<u>(5)</u>	<u></u>	<u>(9)</u>
(37)	(33)		(3,517)
(2,879)	40	1,221	(5,076)
3,436		51,016	60,749
<u>\$ 557</u>	<u>\$ 40</u>	<u>\$ 52,237</u>	<u>\$ 55,673</u>

\$ (96)	\$ 702	\$ (790)	\$ 2,586
36	20	1	2,210
8	(44)	948	6
		(45)	1,211
1			(259)
52	(30)	(8)	(5)
(2)	1	1	(836)
		1,112	(67)
6	13	2	1,112
(47)	(177)		368
<u>54</u>	<u>(217)</u>	<u>2,011</u>	<u>(2,645)</u>
<u>\$ (42)</u>	<u>\$ 485</u>	<u>\$ 1,221</u>	<u>\$ 3,681</u>

\$ 94	\$	\$	\$ 94
<u>\$ 94</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 94</u>

(This page intentionally left blank.)

**COUNTY OF CUYAHOGA, OHIO
AGENCY FUNDS**

AGENCY FUNDS ARE ESTABLISHED TO ACCOUNT
FOR ASSETS RECEIVED AND HELD BY THE
COUNTY ACTING IN THE CAPACITY OF AN AGENT
OR CUSTODIAN.

Payroll Agency Fund

To account for payroll taxes and other related payroll deductions collected for other governmental units or funds.

Undivided Tax Agency Fund

To account for all undivided taxes collected by the county and their distribution to the proper beneficiaries.

Other Agency Fund

To account for all other monies held by the county as custodian.

(This page intentionally left blank.)

**COUNTY OF CUYAHOGA, OHIO
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 ALL AGENCY FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2003
 (Amounts in 000's)**

	<u>Payroll</u>	<u>Undivided Tax</u>	<u>Other</u>	<u>Total Agency Funds</u>
ASSETS				
Equity in pooled cash and investments.....	\$ 16,488	\$ 177,538	\$ 12,718	\$ 206,744
Cash and investments-segregated accounts.....			41,645	41,645
Taxes receivable.....		1,185,290		1,185,290
TOTAL ASSETS.....	<u>16,488</u>	<u>1,362,828</u>	<u>54,363</u>	<u>1,433,679</u>
LIABILITIES				
Due to other governments.....	16,442	1,359,757	6,272	1,382,471
Other liabilities.....	46	3,071	48,091	51,208
TOTAL LIABILITIES.....	<u>16,488</u>	<u>1,362,828</u>	<u>54,363</u>	<u>1,433,679</u>
NET ASSETS.....	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**COUNTY OF CUYAHOGA, OHIO
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)**

PAYROLL

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
ASSETS				
Equity in pooled cash and investments.....	\$ 13,164	\$ 526,132	\$ 522,808	\$ 16,488
TOTAL ASSETS	13,164	526,132	522,808	16,488
LIABILITIES				
Due to other governments.....	13,047	110,713	107,318	16,442
Other liabilities.....	117	415,419	415,490	46
TOTAL LIABILITIES	13,164	526,132	522,808	16,488
NET ASSETS	\$ 0	\$ 0	\$ 0	\$ 0

UNDIVIDED TAX

ASSETS				
Equity in pooled cash and investments.....	\$ 103,830	\$ 2,281,259	\$ 2,207,551	\$ 177,538
Taxes receivable.....	1,206,550	1,185,290	1,206,550	1,185,290
TOTAL ASSETS	1,310,380	3,466,549	3,414,101	1,362,828
LIABILITIES				
Due to other governments.....	1,309,605	3,448,280	3,398,128	1,359,757
Other liabilities.....	775	18,269	15,973	3,071
TOTAL LIABILITIES	1,310,380	3,466,549	3,414,101	1,362,828
NET ASSETS	\$ 0	\$ 0	\$ 0	\$ 0

OTHER

ASSETS				
Equity in pooled cash and investments.....	\$ 9,928	\$ 47,334	\$ 44,544	\$ 12,718
Cash and investments-segregated accounts.....	40,678	283,996	283,029	41,645
TOTAL ASSETS	50,606	331,330	327,573	54,363
LIABILITIES				
Due to other governments.....	7,650	225,162	226,540	6,272
Other liabilities.....	42,956	106,168	101,033	48,091
TOTAL LIABILITIES	50,606	331,330	327,573	54,363
NET ASSETS	\$ 0	\$ 0	\$ 0	\$ 0

**COUNTY OF CUYAHOGA, OHIO
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2003
 (Amounts in 000's)**

	Beginning of Year	Additions	Deductions	Balance at End of Year
ASSETS				
Equity in pooled cash and investments.....	\$ 126,922	\$ 2,854,725	\$ 2,774,903	\$ 206,744
Cash and investments-segregated accounts.....	40,678	283,996	283,029	41,645
Taxes receivable.....	1,206,550	1,185,290	1,206,550	1,185,290
TOTAL ASSETS.....	1,374,150	4,324,011	4,264,482	1,433,679
LIABILITIES				
Due to other governments.....	1,330,302	3,784,155	3,731,986	1,382,471
Other liabilities.....	43,848	539,856	532,496	51,208
TOTAL LIABILITIES.....	1,374,150	4,324,011	4,264,482	1,433,679
NET ASSETS.....	\$ 0	\$ 0	\$ 0	\$ 0

(This page intentionally left blank.)

**COUNTY OF CUYAHOGA, OHIO
CAPITAL ASSETS USED IN THE
OPERATIONS OF GOVERNMENTAL FUNDS**

**COUNTY OF CUYAHOGA, OHIO
CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE ⁽¹⁾**

**DECEMBER 31, 2003
(Amounts in 000's)**

GOVERNMENTAL FUNDS CAPITAL ASSETS:	2003	2002
Land.....	\$ 38,034	\$ 32,774
Land improvements.....	3,500	3,361
Buildings, structures and improvements.....	480,068	466,704
Furniture, fixtures and equipment.....	20,381	20,426
Vehicles.....	10,871	10,770
Infrastructure.....	432,191	425,789
Construction in progress.....	90,822	87,291
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS.....	\$ <u>1,075,867</u>	\$ <u>1,047,115</u>

INVESTMENTS IN GOVERNMENTAL FUNDS
CAPITAL ASSETS BY SOURCE:

General fund revenues.....	\$ 108,817	\$ 108,322
Special revenue fund revenues.....	523,160	528,315
Capital projects:		
General obligation bonds.....	374,440	354,757
Federal, state and local grants.....	69,435	55,706
Donations.....	15	15
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS.....	\$ <u>1,075,867</u>	\$ <u>1,047,115</u>

(1) 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.

**COUNTY OF CUYAHOGA, OHIO
CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY ⁽¹⁾**

**DECEMBER 31, 2003
(Amounts in 000's)**

Function and Activity	Land	Land Improvements	Buildings, Structures and Improvements	Furniture, Fixtures and Equipment	Vehicles	Infrastructure	Totals
GENERAL GOVERNMENT:							
Administration.....	\$ 8,554	\$ 523	\$ 83,829	\$ 62	\$ 20	\$	\$ 92,988
Fiscal management.....			1,555	1,449			3,004
Records and elections.....	450	201	5,206	2,759			8,616
Supportive services.....	<u>424</u>	<u>137</u>	<u>3,599</u>	<u>23</u>			<u>4,183</u>
TOTAL GENERAL GOVERNMENT	9,428	861	94,189	4,293	20		108,791
JUDICIAL:							
Adjudication.....	10,688	304	108,720	1,501			121,213
Legal services.....		389	17,856	2,368			20,613
Adult offender management.....	1,333		85,595	2,307	59		89,294
Juvenile offender management.....	4,290	1,359	17,284	241			23,174
Support enforcement.....			<u>422</u>	<u>148</u>			<u>570</u>
TOTAL JUDICIAL.....	16,311	2,052	229,877	6,565	59		254,864
DEVELOPMENT:							
Economic.....			30	6			36
Community.....				<u>12</u>			<u>12</u>
TOTAL DEVELOPMENT.....			30	18			48
SOCIAL SERVICES:							
Financial assistance.....	1,521	9	42,804	1,292			45,626
Protective services.....	106	39	3,521	991			4,657
Support services.....	9,582	529	81,908	3,329	6,686		102,034
Employment and training.....	<u>337</u>		<u>26,601</u>	<u>226</u>	<u>54</u>		<u>27,218</u>
TOTAL SOCIAL SERVICES.....	11,546	577	154,834	5,838	6,740		179,535
HEALTH AND SAFETY:							
Mental health.....	94		379	541			1,014
Emergency assistance.....				1,220	223		1,443
Alcohol and drug abuse.....				51			51
Animal control.....	<u>356</u>			<u>6</u>	<u>146</u>		<u>508</u>
TOTAL HEALTH AND SAFETY.....	450		379	1,818	369		3,016
PUBLIC WORKS:							
Public works.....	<u>299</u>	<u>10</u>	<u>759</u>	<u>1,849</u>	<u>3,683</u>	<u>432,191</u>	<u>438,791</u>
TOTAL PUBLIC WORKS.....	299	10	759	1,849	3,683	432,191	438,791
CONSTRUCTION IN PROGRESS.....			<u>90,822</u>				<u>90,822</u>
TOTAL GOVERNMENTAL FUNDS							
CAPITAL ASSETS.....	\$ 38,034	\$ 3,500	\$ 570,890	\$ 20,381	\$ 10,871	\$ 432,191	\$ 1,075,867

(1) 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.

COUNTY OF CUYAHOGA, OHIO
CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY⁽¹⁾

FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in 000's)

Function and Activity	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
GENERAL GOVERNMENT:				
Administration.....	\$ 81,760	\$ 16,815	\$ 5,587	\$ 92,988
Fiscal management.....	2,355	763	114	3,004
Records and elections.....	8,071	588	43	8,616
Supportive services.....	3,607	576		4,183
TOTAL GENERAL GOVERNMENT	95,793	18,742	5,744	108,791
JUDICIAL:				
Adjudication.....	119,220	1,993		121,213
Legal services.....	20,562	51		20,613
Adult offender management.....	88,650	644		89,294
Juvenile offender management.....	23,040	134		23,174
Support enforcement.....	570			570
TOTAL JUDICIAL.....	252,042	2,822		254,864
DEVELOPMENT:				
Economic.....	36			36
Community.....	457		445	12
TOTAL DEVELOPMENT.....	493		445	48
SOCIAL SERVICES:				
Financial assistance.....	45,612	14		45,626
Protective services.....	4,611	46		4,657
Support services.....	98,885	4,626	1,477	102,034
Employment and training.....	27,218			27,218
TOTAL SOCIAL SERVICES.....	176,326	4,686	1,477	179,535
HEALTH AND SAFETY:				
Mental health.....	1,014			1,014
Emergency assistance.....	1,478		35	1,443
Alcohol and drug abuse.....	56		5	51
Animal control.....	508			508
TOTAL HEALTH AND SAFETY.....	3,056		40	3,016
PUBLIC WORKS:				
Public works.....	432,114	6,776	99	438,791
TOTAL PUBLIC WORKS.....	432,114	6,776	99	438,791
CONSTRUCTION IN PROGRESS.....	87,291	20,420	16,889	90,822
TOTAL GOVERNMENTAL FUNDS				
CAPITAL ASSETS.....	\$ 1,047,115	\$ 53,446	\$ 24,694	\$ 1,075,867

(1) This schedule presents only the capital asset balances related to governmental funds, excluding accumulated depreciation. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Statistical Section

The information presented in the schedules and tables in this section is provided to reflect social and economic data, financial trends and the general fiscal capacity of the County.



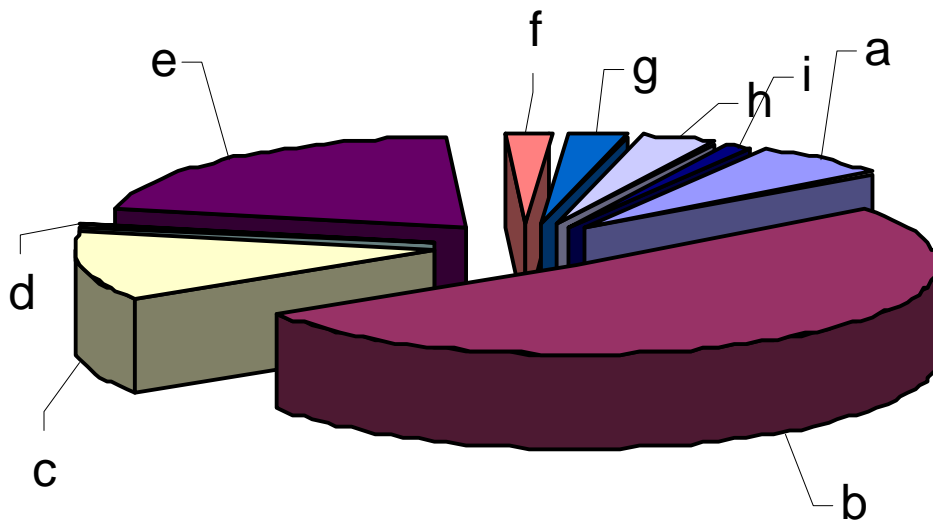
**COUNTY OF CUYAHOGA, OHIO
STATISTICAL SECTION
STATISTICAL DATA TABLES**

THE STATISTICAL SECTION PROVIDES SELECTED
FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION
WHICH MAY BE USED TO INDICATE TRENDS
FOR COMPARATIVE FISCAL PERIODS.
THE STATISTICAL TABLES INCLUDE INFORMATION
ON GENERAL FUND RATIOS AND TRENDS,
ASSESSMENTS AND TAXES, LONG-TERM DEBT
AND MISCELLANEOUS DATA.

**COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF STATISTICS-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

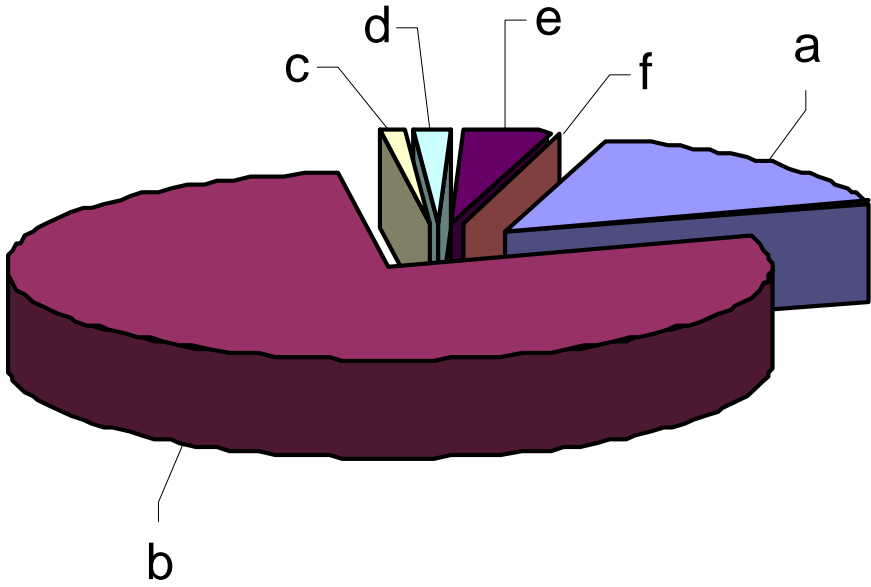
**OPERATING RATIOS-GENERAL FUND-GAAP BASIS
FOR 2003**

REVENUE DOLLAR BY SOURCE



Where the money came from:	%
a. Property taxes.....	6.3
b. Sales, use and other tax	51.2
c. State local government fund	12.3
d. Licenses and permits.....	.1
e. Charges for services.....	20.9
f. Fines and forfeitures	2.0
g. Investment earnings	2.8
h. Other intergovernmental	3.4
i. Miscellaneous	1.0
Total	<u>100.0</u>

EXPENDITURE DOLLAR BY FUNCTION



Where the money was spent:		%
a.	General government.....	15.9
b.	Judicial	77.7
c.	Development	1.1
d.	Social services	1.8
e.	Health and safety	3.4
f.	Debt.....	.1
	Total.....	<u>100.0</u>

**COUNTY OF CUYAHOGA, OHIO
GENERAL FUND CASH RECEIPTS BY SOURCE AND
CASH DISBURSEMENTS BY FUNCTION**

**LAST TEN YEARS
(Amounts in 000's)**

RECEIPTS:	<u>1994</u>	<u>1995</u>	<u>1996</u>
Property taxes	\$ 18,826	\$ 19,065	\$ 16,952
Sales and use tax.....	117,698	126,790	130,830
Other tax	19	14	15
State local government fund	29,593	31,794	33,432
Licenses and permits	155	146	130
Charges for services	41,745	36,075	42,529
Fines and forfeitures	4,400	5,166	4,731
Investment earnings.....	28,833	39,584	22,682
Other intergovernmental	12,200	7,370	7,073
Miscellaneous	3,078	1,333	6,864
Proceeds from loan			5,000
Proceeds from notes.....	82,117		
Operating transfers in.....	16,553	2,707	20
Residual equity transfers in.....			
TOTAL RECEIPTS	\$ <u>355,217</u>	\$ <u>270,044</u>	\$ <u>270,258</u>
DISBURSEMENTS:			
General government	\$ 36,797	38,604	\$ 34,224
Judicial	143,343	133,474	140,267
Development.....	1,120	1,038	941
Social services	3,756	3,793	4,325
Health and safety	1,035	827	945
Miscellaneous ⁽¹⁾	44,231	2,922	23,180
Debt retirement			
Operating transfers out	136,375	56,615	25,449
Residual equity transfers out.....			
TOTAL DISBURSEMENTS	\$ <u>366,657</u>	\$ <u>237,273</u>	\$ <u>229,331</u>

Source: Cuyahoga County Auditor's Office, Financial Reporting Section. Budgetary basis.

⁽¹⁾ Miscellaneous disbursements for 2002 have been reclassified and are included in the General government function.

⁽²⁾ Disbursements have been adjusted for current and prior year encumbrances.

	1997	1998	1999	2000	2001	2002 ⁽²⁾	2003 ⁽²⁾
\$	16,531	\$ 24,094	\$ 22,064	\$ 19,328	\$ 22,571	\$ 21,021	\$ 19,611
	137,113	144,339	151,168	160,664	158,018	158,432	157,125
	13	16	12	10	13	7	9
	35,559	37,530	39,800	40,922	41,048	39,000	38,248
	129	130	128	124	104	101	126
	44,684	46,919	47,564	55,070	61,163	60,371	64,713
	5,840	5,896	6,075	5,458	6,013	6,216	5,817
	23,106	28,157	26,549	26,325	28,750	22,002	16,895
	7,531	9,421	8,010	10,257	10,343	11,737	10,971
	13,179	2,357	1,890	3,783	5,286	3,332	9,321
	195	579	10,894	938	6,680	2,297	3,842
		7			68		
\$	<u>283,880</u>	<u>299,445</u>	<u>314,154</u>	<u>322,879</u>	<u>340,057</u>	<u>324,516</u>	<u>326,678</u>
\$	40,621	\$ 40,732	\$ 43,118	\$ 49,100	\$ 50,689	\$ 47,481	\$ 45,853
	159,080	177,836	190,004	199,371	212,289	209,872	213,468
	1,019	4,245	1,659	2,169	2,328	2,387	1,861
	3,990	4,080	5,836	9,473	11,167	7,770	5,339
	880	1,033	796	1,376	1,368	9,501	9,601
	5,874	2,656	1,289	978	1,438		
	34,405	78,678	42,162	55,210	54,668	89,228	43,562
	298			245			
\$	<u>246,167</u>	<u>309,260</u>	<u>284,864</u>	<u>317,922</u>	<u>333,947</u>	<u>366,239</u>	<u>319,684</u>

**COUNTY OF CUYAHOGA, OHIO
GENERAL GOVERNMENTAL REVENUES BY
SOURCE AND EXPENDITURES BY FUNCTION**

**LAST TEN YEARS
(Amounts in 000's)**

	1994	1995	1996
REVENUES			
Property taxes	\$ 185,102	\$ 190,172	\$ 199,469
Sales and use tax.....	117,931	127,585	131,551
Other tax	26,238	26,562	26,950
State local government fund	29,739	31,804	33,723
Licenses and permits	1,107	1,454	1,352
Charges for services	49,826	48,861	55,595
Fines and forfeitures	4,860	5,606	5,224
Investment earnings.....	44,268	26,783	24,771
Other intergovernmental	292,575	318,497	338,396
Miscellaneous	9,180	5,869	13,517
TOTAL REVENUES	\$ <u>760,826</u>	\$ <u>783,193</u>	\$ <u>830,548</u>
EXPENDITURES			
General government	\$ 54,105	\$ 49,704	\$ 41,936
Judicial	180,528	168,323	179,380
Development	12,186	11,815	11,801
Social services	336,488	335,864	351,515
Health and safety	82,371	83,779	87,282
Public works.....	39,180	28,256	35,625
Miscellaneous	56,227	3,130	24,093
Capital outlay	71,651	10,065	11,327
Debt service:			
Principal retirement	10,620	11,450	13,320
Interest	19,012	14,818	16,870
TOTAL EXPENDITURES	\$ <u>862,368</u>	\$ <u>717,204</u>	\$ <u>773,149</u>

Note: Includes all governmental fund types from the fund financial statements on a GAAP basis.

	1997	1998	1999	2000	2001	2002	2003
\$	201,941	\$ 206,595	\$ 231,433	\$ 232,684	\$ 259,610	\$ 259,892	\$ 257,640
	138,519	146,123	151,304	161,910	157,747	156,713	158,634
	27,452	28,346	29,334	29,130	28,920	28,610	29,000
	35,791	37,607	39,841	40,967	41,050	38,988	38,257
	1,318	1,297	1,199	1,581	1,089	1,258	1,357
	59,056	62,271	62,272	72,366	76,238	76,868	82,903
	6,416	6,330	6,535	6,311	6,120	7,464	6,590
	26,647	34,219	20,583	41,567	37,772	25,689	10,771
	356,972	392,280	495,421	626,857	611,693	605,909	614,789
	<u>17,069</u>	<u>6,070</u>	<u>8,351</u>	<u>14,014</u>	<u>11,993</u>	<u>16,979</u>	<u>12,370</u>
\$	<u>871,181</u>	<u>921,108</u>	<u>1,046,273</u>	<u>1,227,387</u>	<u>1,232,232</u>	<u>1,218,370</u>	<u>1,212,311</u>
\$	50,363	\$ 53,826	\$ 58,923	\$ 65,886	\$ 68,563	\$ 63,613	\$ 59,843
	205,085	226,932	245,738	263,619	278,414	276,089	273,222
	15,099	37,321	23,155	29,910	23,278	24,493	26,011
	380,983	422,274	467,961	587,963	678,881	630,304	579,203
	96,225	100,445	102,427	121,977	131,028	156,515	152,903
	35,533	35,100	36,800	46,023	58,565	62,181	56,540
	5,864	2,522	1,550	1,235	1,493		
	15,339	39,624	38,589	34,032	34,392	28,656	39,317
	13,468	14,885	16,251	17,909	19,232	21,481	36,199
	<u>14,696</u>	<u>13,693</u>	<u>13,937</u>	<u>12,528</u>	<u>18,539</u>	<u>16,874</u>	<u>13,371</u>
\$	<u>832,655</u>	<u>946,622</u>	<u>1,005,331</u>	<u>1,181,082</u>	<u>1,312,385</u>	<u>1,280,206</u>	<u>1,236,609</u>

**COUNTY OF CUYAHOGA, OHIO
PROPERTY TAX LEVIES AND COLLECTIONS
REAL, UTILITY AND TANGIBLE TAXES**

LAST TEN YEARS

Tax Year/ Collection Year	Current Levy	Delinquent Levy	Total Levy	Current Collection
1993/1994	\$ 270,428,700	\$ 29,171,681	\$ 299,600,381	\$ 259,797,166
1994/1995	274,774,712	25,601,379	300,376,091	264,518,998
1995/1996	297,638,447	25,611,370	323,249,817	287,496,258
1996/1997	301,687,315	31,450,099	333,137,414	289,324,803
1997/1998	313,161,002	30,893,055	344,054,057	299,707,825
1998/1999	342,827,633	30,486,779	373,314,412	328,339,476
1999/2000	346,727,681	30,840,744	377,568,425	330,024,233
2000/2001	380,845,885	36,977,909	417,823,794	356,858,712
2001/2002	378,302,265	47,209,848	425,512,113	352,660,711
2002/2003	367,873,223	47,729,802	415,603,025	345,834,193

Source: Cuyahoga County Auditor's Office, Budget Commission. Includes all direct and overlapping governments.

Current Levy Collected	Delinquent Collection	Total Collections	Total Collections As A Percent Of Current Levy	Cumulative Delinquency
96.1%	\$ 7,770,629	\$ 267,567,795	98.9%	\$ 24,211,070
96.3%	7,242,257	271,761,255	98.9%	23,173,179
96.6%	7,571,570	295,067,828	99.1%	25,477,278
95.9%	8,003,728	297,328,531	98.6%	28,804,510
95.7%	9,084,528	308,792,353	98.6%	30,524,427
95.8%	12,015,150	340,354,626	99.3%	28,126,723
95.2%	12,083,354	342,107,587	98.7%	35,029,786
93.7%	13,366,910	370,225,622	97.2%	43,663,793
93.2%	18,825,104	371,485,815	98.2%	47,009,696
94.0%	14,728,424	360,562,617	98.0%	53,359,415

**COUNTY OF CUYAHOGA, OHIO
 ASSESSED AND ESTIMATED ACTUAL VALUE
 OF TAXABLE PROPERTY**

**LAST TEN YEARS
 (Amounts in 000's)**

Tax Year/ Collection Year	REAL PROPERTY		PERSONAL PROPERTY	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1994/1995	\$ 18,770,759	\$ 53,630,740	\$ 2,541,031	\$ 10,164,124
1995/1996	18,983,267	54,237,906	2,603,148	10,412,592
1996/1997	19,291,442	55,118,406	2,728,871	10,915,484
1997/1998	20,838,304	59,538,011	2,791,334	11,165,336
1998/1999	21,173,385	60,495,385	2,855,467	11,421,868
1999/2000	21,493,369	61,409,625	2,916,480	11,665,920
2000/2001	24,341,838	69,548,110	3,011,512	12,046,046
2001/2002	24,689,595	70,541,702	3,032,064	12,128,255
2002/2003	24,799,145	70,854,700	2,802,833	11,211,332
2003/2004	26,839,357	76,683,878	2,508,313	10,905,708

Source: Cuyahoga County Auditor's Office, Budget Commission.

(1) Percentages for valuing the estimated actual value of Public Utility properties vary by class, type and age.

PUBLIC UTILITY		TOTAL		
Assessed Value	Estimated Actual Value⁽¹⁾	Assessed Value	Estimated Actual Value	Ratio of Assessed To Estimated Actual Value
\$ 1,468,399	\$ 2,936,796	\$ 22,780,189	\$ 66,731,660	34.1%
1,355,615	2,711,230	22,942,030	67,361,728	34.1%
1,337,936	2,675,872	23,358,249	68,709,762	34.0%
1,323,512	2,647,024	24,953,150	73,350,371	34.0%
1,326,935	2,653,870	25,355,787	74,571,123	34.0%
1,223,332	2,446,664	25,633,181	75,522,209	33.9%
1,218,900	2,437,800	28,572,250	84,031,956	34.0%
977,713	1,955,426	28,699,372	84,625,383	33.9%
943,736	1,887,472	28,545,714	83,953,504	34.0%
957,362	1,914,724	30,305,032	89,504,310	33.9%

**COUNTY OF CUYAHOGA, OHIO
PROPERTY TAX RATES
ALL DIRECT AND OVERLAPPING GOVERNMENTS**

**LAST TEN YEARS
(Per \$1,000 of Assessed Valuation)**

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
CUYAHOGA COUNTY:										
General operating.....	0.96	0.85	0.82	1.12	1.00	0.87	0.93	0.86	0.81	0.81
Debt (bond retirement).....	0.76	0.87	0.90	0.60	0.72	0.85	0.79	0.86	0.91	0.91
Mental retardation.....	3.20	3.00	3.00	3.00	3.00	3.00	3.90	3.90	3.90	3.90
Health and human services	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Health and welfare.....	4.40	4.40	4.40	4.40	3.10	3.10	3.10	3.10	3.10	4.90
SUB-TOTAL	12.32	12.12	12.12	12.12	10.82	10.82	11.72	11.72	11.72	13.52
METROPARKS	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55
CUYAHOGA COMMUNITY COLLEGE.....	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.80
PORT AUTHORITY	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
TOTAL	16.80	16.60	16.60	16.60	15.30	15.30	16.20	16.20	16.20	18.00

Source: Cuyahoga County Auditor's Office, Budget Commission-tax year data.

**COUNTY OF CUYAHOGA, OHIO
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND
NET BONDED DEBT PER CAPITA**

LAST TEN YEARS

Tax Year	Population⁽¹⁾	Assessed Value⁽²⁾ (Amounts in 000's)	Gross General Bonded Debt⁽³⁾ (Amounts in 000's)	Less: Balance Debt Service Fund⁽⁴⁾ (Amounts in 000's)	Net General Bonded Debt (Amounts in 000's)	Ratio of Net Bonded Debt To Assessed Value	Net Debt Per Capita
1994	1,403,239	\$ 22,780,189	\$ 161,980	\$ 919	\$ 161,061	0.71%	114.78
1995	1,396,169	22,942,030	186,800	1,070	185,730	0.81%	133.03
1996	1,401,552	23,358,249	174,640	660	173,980	0.74%	124.13
1997	1,386,803	24,953,150	162,385	5,502	156,883	0.63%	113.13
1998	1,380,696	25,355,787	150,325	1,659	148,666	0.59%	107.67
1999	1,371,717	25,633,181	137,775	968	136,807	0.53%	99.73
2000	1,393,978	28,572,250	220,640	4,010	216,630	0.76%	155.40
2001	1,380,421	28,699,372	205,365	661	204,704	0.71%	148.29
2002	1,379,049	28,545,714	189,145	875	188,270	0.66%	136.52
2003	1,363,888	30,305,032	172,250	994	171,256	0.57%	125.56

(1) Estimates - Various sources. 2000 population figure based on actual United States Department of Commerce, Bureau of Census.

(2) Cuyahoga County Auditor's Office, Budget Commission-tax year data.

(3) Tax supported debt outstanding December 31.

(4) Balance outstanding December 31, Financial Reporting Section.

**COUNTY OF CUYAHOGA, OHIO
COMPUTATION OF
LEGAL DEBT MARGIN**

**DECEMBER 31, 2003
(Amounts in 000's)**

Total of all County Debt Outstanding	\$	290,665
Debt Exempt from Computation:		
Sewer Improvement Bonds.....	\$	2,440
County Jail Facilities General Obligation Bonds		29,075
Gateway Economic Development Bonds.....		100,015
Brownfield Economic Redevelopment Bonds		13,125
Shaker Square Redevelopment Bonds.....		<u>2,835</u>
Total Exempt Debt		<u>147,490</u>
Net Indebtedness(Voted and Unvoted)		143,175
Less: Available funds in Debt Service fund as of December 31, 2003 ⁽¹⁾		<u>994</u>
Total Net Indebtedness Subject to Direct Debt Limitation.....	\$	<u>142,181</u>
Assessed Valuation of County(2003 tax year)	\$	30,305,032
Direct Debt Limitation-ORC 133.02 and ORC 133.05 (3% of first \$100,000,000 assessed valuation; 1 1/2% amount in excess of \$100,000,000 not in excess of \$300,000,000; 2 1/2% of amount in excess of \$300,000,000)	\$	756,126
Total Net Indebtedness(Voted and Unvoted)		<u>142,181</u>
DIRECT DEBT MARGIN.....	\$	<u>613,945</u>
Unvoted Debt Limitation(1% of County Assessed Valuation).....	\$	303,050
Total Unvoted Net Indebtedness Subject to 1% Debt Limitation		<u>145,295</u>
UNVOTED DEBT MARGIN	\$	<u>157,755</u>

(1) GAAP basis.

**COUNTY OF CUYAHOGA, OHIO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

**DECEMBER 31, 2003
(Amounts in 000's)**

	Gross Debt	Debt Service Fund	Net Debt	Percent Applicable	County Share ⁽³⁾
County of Cuyahoga ⁽¹⁾	\$ 183,240	\$ 748	\$ 182,492	100%	\$ <u>182,492</u>
Total Net Direct Debt.....					182,492
Cuyahoga County Cities, Villages, Townships ⁽¹⁾	1,014,668	192,830	821,838	100%	821,838
Cuyahoga County School Districts ⁽²⁾	614,439	102,734	<u>511,705</u>	100%	<u>511,705</u>
Total Net Overlapping Debt.....					1,333,543
Total Net Direct and Overlapping Debt.....			\$ <u>1,516,035</u>		\$ <u>1,516,035</u>

(1) 2004 Tax Budgets filed in July, 2003 and certified unencumbered 2004 balances filed in January, 2004 with Cuyahoga County Budget Commission. Budgetary basis.

(2) Cuyahoga County School Districts file on fiscal year ending June 30, 2003. Budgetary basis.

(3) Percent applicable to the County of Cuyahoga calculated using assessed valuation of County divided by assessed valuation of taxing district. Assessed valuation of taxing districts furnished by Cuyahoga County Budget Commission.

**COUNTY OF CUYAHOGA, OHIO
RATIO OF ANNUAL DEBT SERVICE
FOR GENERAL BONDED DEBT TO TOTAL
GENERAL EXPENDITURES**

**LAST TEN YEARS
(Amounts in 000's)**

Year	Debt Service on General Tax Supported Debt	Debt Service on Self-Supporting Debt	General Expenditures⁽¹⁾	Ratio of Tax Supported Debt Service to General Expenditures	Ratio of Self-Supported Debt Service To General Expenditures
1994	\$ 18,986	\$ 487	\$ 862,368	2.20%	0.06%
1995	18,522	7,747	717,204	2.58%	1.08%
1996	21,647	8,544	773,149	2.80%	1.11%
1997	20,912	7,252	832,655	2.51%	0.87%
1998	20,132	8,445	946,622	2.13%	0.89%
1999	21,503	8,685	1,005,331	2.14%	0.86%
2000	22,083	8,354	1,181,082	1.87%	0.71%
2001	27,094	10,677	1,312,385	2.06%	0.81%
2002	26,592	11,763	1,280,206	2.08%	0.92%
2003	26,420	23,150	1,236,609	2.14%	1.87%

(1) GAAP basis. Includes all governmental fund types.

Source: Cuyahoga County Auditor's Office, Financial Reporting Section.

**COUNTY OF CUYAHOGA, OHIO
REVENUE BOND COVERAGE – HOSPITAL BONDS**

**LAST TEN YEARS
(Amounts in 000's)**

Year	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal ⁽³⁾	Interest	Total	
1994	\$ 329,922	\$ 317,136	\$ 12,786	\$ 1,755	\$ 6,981	\$ 8,736	1.46
1995	320,124	302,279	17,845	1,870	6,863	8,733	2.04
1996	327,711	308,873	18,838	1,990	6,737	8,727	2.16
1997	367,125	334,816	32,309	2,120	8,805	10,925	2.96
1998	387,220	360,642	26,578	4,982	6,863	11,845	2.24
1999	423,981	407,070	16,911	1,955	8,702	10,657	1.59
2000	448,458	434,191	14,267	3,850	10,861	14,711	0.97
2001	476,331	449,970	26,361	4,035	10,664	14,699	1.79
2002	508,954	476,321	32,633	4,240	10,469	14,709	2.22
2003	514,107	491,167	22,940	4,435	10,514	14,949	1.53

(1) Gross revenue is total operating revenue plus interest income and contributions.

(2) Operating expenses is exclusive of depreciation and bond interest expense.

(3) 1997 principal payment exclusive of refunded bonds.

Source: MetroHealth System. GAAP basis.

**COUNTY OF CUYAHOGA, OHIO
PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS**

LAST TEN YEARS

Year	Assessed Value⁽¹⁾ (Amounts in 000's)	Bank Deposits At December 31⁽²⁾ (Amounts in 000's)	Building Permits Issued⁽³⁾
1994	\$ 22,780,189	\$ 20,885,453	21,480
1995	22,942,030	22,458,573	23,585
1996	23,358,249	27,068,211	21,700
1997	24,953,150	53,941,971	20,612
1998	25,355,787	58,904,596	24,244
1999	25,633,181	57,816,942	23,428
2000	28,572,250	61,942,764	24,272
2001	28,699,372	63,893,769	22,827
2002	28,545,714	95,760,917	18,680
2003	30,305,032	97,238,973	16,887

- Sources: (1) Cuyahoga County Auditor's Office, Budget Commission-tax year data for real, personal and public utility property.
(2) Banks deposits at year-end for banks headquartered in City of Cleveland-Federal Reserve Bank of Cleveland (Total demand, time and savings deposits). Federal Reserve Bank of Cleveland.
(3) Cuyahoga County Auditor's Office, Real Estate Assessment Division.

COUNTY OF CUYAHOGA, OHIO DEMOGRAPHIC STATISTICS

POPULATION⁽¹⁾

	<u>County</u>	<u>MSA</u>
1940	1,217,250	1,319,734
1950	1,389,532	1,532,574
1960	1,647,895	1,909,483
1970	1,721,300	2,063,729
1980	1,498,400	1,898,825
1990	1,412,140	1,831,122
2000	1,393,978	1,863,479
2003	1,363,888	1,848,348

AGE DISTRIBUTION⁽²⁾

	<u>2000</u>	
	<u>Number</u>	<u>Percentage</u>
Under 5 yrs	90,996	6.5
5 - 9 yrs	101,372	7.3
10 - 14 yrs	99,235	7.1
15 - 19 yrs	89,960	6.5
20 - 24 yrs	77,515	5.6
25 - 34 yrs	188,873	13.5
35 - 44 yrs	219,449	15.7
45 - 54 yrs	187,601	13.5
55 - 59 yrs	65,599	4.7
60 - 64 yrs	56,217	4.0
65 - 74 yrs	107,327	7.7
75 - 84 yrs	82,469	5.9
85 yrs and over	<u>27,365</u>	<u>2.0</u>
TOTAL	1,393,978	100.00
Median age	37.3	
Males	658,481	
Females	735,497	

DISTRIBUTION OF FAMILIES BY INCOME BRACKET⁽³⁾

	<u>2000</u>	
	(Average 3.06 persons)	
	<u>Number</u>	<u>Percentage</u>
\$0 - 10,000	25,261	7.1
\$10,000 - 14,999	15,018	4.2
\$15,000 - 24,999	38,075	10.7
\$25,000 - 34,999	41,222	11.5
\$35,000 - 49,999	60,077	16.9
\$50,000 - 74,999	78,607	22.1
\$75,000 - 99,999	45,341	12.7
\$100,000 - 149,999	32,877	9.2
\$150,000 - 199,000	8,824	2.5
Over \$200,000	<u>10,919</u>	<u>3.1</u>
TOTAL	356,221	100.00
Median Family Income	\$ 49,559	
Per Capita Income	\$ 22,272	

Source: (1) Ohio Department of Development-The Metropolitan Statistical Area (MSA), as defined by the Department of Development, includes Cuyahoga, Geauga, Lake and Medina Counties. Population totals for 2003 are estimates provided by the U.S. Census Bureau.

(2) U.S. Census Bureau, Census 2000.

(3) U.S. Census Bureau, Census 2000

COUNTY OF CUYAHOGA, OHIO DEMOGRAPHIC STATISTICS

LAST TEN YEARS

Employment - Annual Average ⁽¹⁾	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Total Civilian Labor Force	675,600	676,600	678,800	676,800
Total Employed*	636,300	644,200	643,800	637,400
Total Unemployed	39,300	32,400	35,000	39,400
Unemployment Rate	5.8%	4.8%	5.2%	5.8%

Employment By Sector⁽¹⁾ (Amounts in 000's)

	Manufacturing		Wholesale Retail Trade		Professional and Related Services		Federal, State and Local Government	
	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
1994	139.5	18.6	181.0	24.1	227.3	30.2	83.6	11.1
1995	140.0	18.3	187.7	24.5	236.3	30.8	80.1	10.5
1996	137.1	17.8	188.8	24.5	236.8	30.7	81.1	10.5
1997	136.3	17.3	192.9	24.5	242.8	30.9	84.1	10.7
1998	136.5	17.0	195.1	24.4	252.9	31.6	84.8	10.6
1999	133.3	16.5	195.5	24.2	259.6	32.2	83.3	10.3
2000	128.8	16.0	189.3	23.6	264.4	32.9	83.9	10.4
2001	121.4	15.3	182.4	23.0	262.3	33.0	88.4	11.1
2002	96.5	12.4	118.5	15.3	320.5	41.2	102.7	13.2
2003	90.8	11.9	117.4	15.3	319.0	41.6	100.6	13.1

Source: (1) Ohio Bureau of Employment Services.

* Difference due to non-county residents employed in county.

<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
699,200	681,200	691,000	692,600	669,700	675,400
668,500	649,900	659,900	661,700	624,900	629,600
30,700	31,300	31,100	30,900	44,800	45,800
4.4%	4.6%	4.5%	4.5%	6.7%	6.8%

Finance, Insurance, Real Estate		Transportation and Public Utilities		Other		TOTAL*	
<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
56.7	7.5	33.1	4.4	30.5	4.1	751.7	100.0
57.6	7.5	33.2	4.3	31.2	4.1	766.1	100.0
59.8	7.8	33.8	4.4	32.8	4.3	770.2	100.0
62.2	7.9	34.4	4.4	33.4	4.3	786.1	100.0
63.7	7.9	34.9	4.4	32.9	4.1	800.8	100.0
67.9	8.4	34.7	4.3	33.1	4.1	807.4	100.0
68.4	8.5	34.8	4.3	34.7	4.3	804.3	100.0
70.3	8.9	35.8	4.5	33.1	4.2	793.7	100.0
68.3	8.8	23.4	3.0	47.6	6.1	777.5	100.0
69.4	9.1	23.6	3.1	45.3	5.9	766.1	100.0

COUNTY OF CUYAHOGA, OHIO SCHEDULE OF INSURANCE COVERAGE

DECEMBER 31, 2003

Name of Carrier/ Type of Coverage	Policy Number	Policy Period	Annual Premium	Details of Coverage	Liability Limit
Clarendon American Insurance Company (CIG) Auto Liability	XSR39306429	08/01/03 - 08/01/04	\$398,976	Motor vehicle liability insurance covering licensed and unlicensed county vehicles.	\$900,000 Ultimate net loss in excess of \$100,000 retention/ occurrence: Bodily injury and property damage.
FM Global Insurance Company	NB567	07/01/03 - 07/01/04	\$777,094	All risk coverage on county owned properties, boilers and machinery and data processing equipment.	\$1,539,321,099 Blanket replacement. Cost limit \$500,000 deductible.
Terrorism Insurance		07/01/03- 07/01/04	\$60,135 \$59,453	All county owned buildings.	\$5,000,000 lower limit/\$500,000,000 on certified acts. \$1,000,000/ \$5,000,000 sublimit/ \$250,000,000 on non -certified acts.
USF Insurance	LGBGL19423	02/06/04 - 02/06/05	\$7,085	Liability insurance for private voting places for the Board of Elections. Limited to voting area of each location	\$1,000,000 per occurrence. \$2,000,000 aggregate. Personal and advertising injury and medical expenses \$0 deductible.
Fidelity and Deposit Insurance Company of Maryland Blanket Bond	CPP0034534-04	07/01/99 - continual	\$12,054	Blanket Bond-Form P including faithful performance. Covers all employees except public officials who require individual bonds, treasurers, and tax collectors by whatever title known.	\$250,000 per person. \$500 deductible limit of coverage per person.
Excess Blanket Bond				Excess Blanket Bond – Form O Covers Treasurers' Department and Human Services.	\$100,000 per loss.
Money and Securities				Monies and Securities all departments.	\$400,000 limit Form C all departments except Treasurer at \$1,000,000.
GAB Robins (Third Party Administrator)		08/01/02 08/01/04	\$12,873	Complex claims management.	N/A.
Ohio Casualty Group Insurance	3508782	01/01/03- 12/31/03	\$500	Medical Bond SAS	\$50,000 Continuous.
Ohio Casualty Group Insurance	3508783	01/01/03- 12/31/03	\$500	Medical Bond SAS	\$50,000 Continuous.

Source: Department of Central Services, Risk and Property Management.

**COUNTY OF CUYAHOGA, OHIO
PRINCIPAL TAXPAYERS**

DECEMBER 31, 2003

Name of Taxpayer	Nature of Business	Assessed Valuation	% of Total Assessed Valuation
Cleveland Electric Illuminating Company	Electric Utility	\$ 416,915,530	1.38%
Ohio Bell Telephone Company	Telephone Utility	222,227,650	0.73%
City of Cleveland	Enterprise Activities	134,420,750	0.44%
Ford Motor Company	Automotive Manufacturing	105,761,450	0.35%
American Transmission System	Telephone Utility	78,362,360	0.26%
Duke Realty	Real Estate	70,801,120	0.23%
Cleveland Clinic Foundation	Hospital	56,004,580	0.18%
Beachwood Place LTD	Shopping Mall and Offices	53,775,690	0.18%
ZML-Cleveland Public Square	Real Estate Investor	47,232,500	0.16%
Progressive Casualty Ins. Co.	Insurance	<u>44,156,380</u>	<u>0.15%</u>
		\$ <u>1,229,658,010</u>	<u>4.06%</u>

These taxpayers were selected based solely upon a review of the 200 taxable parcels of real, personal and public utility property with the highest assessed valuation. A taxpayer owning many smaller parcels would not be included in this list even if the aggregate assessed valuation of such parcels exceeded that of one or more taxpayers on the list.

Source: Cuyahoga County Auditor's Office, IST Division-tax year data.

COUNTY OF CUYAHOGA, OHIO MISCELLANEOUS STATISTICS

DECEMBER 31, 2003

Date of Incorporation.....	1810
Twenty-fifth most populous County in the United States ⁽¹⁾	
Form of Government: Three member elected Board of County Commissioners with legislative and executive powers. Eight other elected officials with administrative powers.	
Area-Square Miles	459
Number of Political Subdivisions Located in the County	
Municipalities	57
Townships	2
School Districts.....	33
Special Districts	13
Total Number of County Employees	9,494
Voter Statistics, Election of November, 2003 ⁽²⁾	
Number of Registered Voters	867,325
Number of Voters-Last General Election	285,745
Percentage of Registered Voters Voting	32.9%
MetroHealth System	
Total Patient Days-2003	283,159
Total Number of Beds-2003.....	1,169
Average Percent Occupancy-2003.....	66%
Sanitary Engineer	
Miles of Sewer Line Operated	600
Wastewater Treatment Plants Operated	6
Pump Stations Operated	42
Airport	
Hangars.....	16
Aircraft	351
Traffic(Takeoffs and Landings).....	64,081
Office Buildings.....	8
Other	
Number of Colleges and Universities in County	8

Source: (1) U.S. Department of Commerce, Bureau of Census, 2003 estimate.
(2) Cuyahoga County Board of Elections.

**COUNTY OF CUYAHOGA, OHIO
ACKNOWLEDGEMENTS**

This report was prepared by the following members of the County Auditor's Office, General Accounting Division:

Steven C. Letsky, CPA, Director of Accounting
Cheryl A. Arslanian, CPA, Manager of Financial Reporting

John M. Adomaites
Colleen A. Brown
Frank Fragomeni, Consultant
Kathleen Goepfert

Fahimeh Mohajer-Maghari
Hongloan Nguyen
Molly M. Regan, CPA
Thomas C. Tarolli

(This page intentionally left blank.)



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

FINANCIAL CONDITION

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 14, 2004**