The MetroHealth System
(A Component Unit of Cuyahoga County)

Financial Report
December 31, 2009

McGladrey & Pullen

Certified Public Accountants

Mary Taylor, CPA
Auditor of State

Board of Trustees
The MetroHealth System
2500 MetroHealth Drive
Cleveland, Ohio 44109-1998

We have reviewed the *Independent Auditors' Report* of The MetroHealth System, Cuyahoga County, prepared by McGladrey & Pullen LLP, for the audit period January 1, 2009 through December 31, 2009. 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. The MetroHealth System is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 10, 2010

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Trustees of
The MetroHealth System
Cleveland, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of The MetroHealth System (the System), a component unit of Cuyahoga County, Ohio, as of and for the year ended December 31, 2009,which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, The MetroHealth Foundation Inc. (the Foundation). Those financial statements were audited by other auditors whose report thereon, has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. The financial statements of The MetroHealth System for the year ended December 31, 2008 were audited by other auditors, whose report dated April 24, 2009, expressed an unqualified opinion on those statements.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the 2009 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the System as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued a report dated April 28, 2010 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 12 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board. 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 such information and we express no opinion on it.

McGladrey & Pullen, LLP

Cleveland, Ohio
April 28, 2010

Management's Discussion and Analysis

This section of The MetroHealth System's (the System) annual financial report presents management's discussion and analysis (MD&A) of the System's financial performance and provides an overall review of the System's financial position and activities as of and for the years ended December 31, 2009 and 2008. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting change, and currently known facts. The financial statements, footnotes, and this discussion and analysis are the responsibility of the System's management.

Overview of the Financial Statements

This annual report consists of financial statements prepared in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* as amended by GASB Statement No. 37, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These standards establish comprehensive financial reporting standards for all state and local governments and related entities.

The System's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the GASB. The System is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized and are depreciated (except land and construction in progress) over their useful lives. See the *Notes to Financial Statements* for a summary of the System's significant accounting policies.

Following this MD&A are the basic financial statements of the System together with the notes, which are essential to a complete understanding of the data. The System's basic financial statements are designed to provide readers with a broad overview of the System's finances.

The *Balance Sheets* present information on all the System's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of the System's financial position.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing how the System's net assets changed during each year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods.

The *Statement of Cash Flows* relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the System's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the *Statement of Cash Flows* to assist in the understanding of the difference between cash flows from operating activities and operating income or loss.

The accompanying financial statements of the System include the MetroHealth Medical Center, a short-term acute care and long-term rehabilitation facility; Broadway Medical Offices, Buckeye Health Center and MetroHealth outpatient community health facilities; MetroHealth Centers for Skilled Nursing Care, consisting of the Old Brooklyn Nursing Facility and The Elisabeth Severance Prentiss Center for Skilled Nursing Care; and several urban and suburban primary care health sites. All significant inter-entity transactions have been eliminated in the financial statements.

The System is the public health care system for Cuyahoga County, Ohio, (the County) and was created pursuant to Ohio Revised Code Chapter 339. The System is governed by a Board of Trustees appointed jointly by the Board of County Commissioners of the Board of the County of Cuyahoga, and the senior judges of the Probate Court and Common Pleas Court.

In accordance with GASB Statement No. 14, *The Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* the System's financial statements are included, as a discrete entity, in the County's Consolidated Annual Financial Report (CAFR). A copy of the CAFR can be obtained from Frank Russo, Cuyahoga County Auditor, County Administration Building, 1219 Ontario Street, Cleveland, Ohio 44113.

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, The MetroHealth Foundation (Foundation) is presented as a discrete entity component unit in a separate column in the System's financial statements to emphasize that it is legally separate from the System. The Foundation is a non-for-profit organization supporting the System through fundraising. The Foundation is not included in the following Management's Discussion and Analysis section, but is included in greater detail in the financial statements and footnotes.

Financial and Operating Highlights for 2009

- Outpatient visits decreased 0.4% from the prior year.
- Hospital patient days decreased 6.1% from the prior year.
- Surgical volumes increased 1.3% from 2008 levels.
- Total net assets increased $58.3 million from the prior year.
- Total employee FTE's decreased by 203 or 3.6% from the prior year.
- The Upper Payment Limit (UPL) and Hospital Care Assurance program revenues increased $11.9 million from the prior year.
- Charity care, measured as changes foregone, reached record levels, increasing 5.3% to $252.8 million.

Financial and Operating Highlights for 2008

- Outpatient visits increased 4.1% from the prior year.
- Hospital patient days decreased 1.8% from the prior year.
- Surgical volumes increased 8.2% for the year.
- The System opened the Old Brooklyn Skilled nursing facility in March of 2008. This was the relocation of the Skilled East facility located in Highland Hills.
- Total net assets increased $842 million from the prior year.
- The Upper Payment Limit (UPL) and Hospital Care Assurance program revenues increased $1.2 million from the prior year.
- Charity care increased 4.6% to $240.1 million.

Financial Analysis of the System at December 31, 2009 and 2008

The System's total assets increased by 5.3% to $670 million and total liabilities decreased 6.3% to $369.8 million in 2009. The System's total net assets increased $58.3 million in 2009 or 24.1% from the prior year. Table 1 summarizes the System's balance sheets on December 31, 2009, 2008 and 2007.

TABLE 1
THE METROHEALTH SYSTEM
BALANCE SHEETS
(DOLLARS IN THOUSANDS)

	2009	2008	2007
Assets:			
Current assets	$ 99,124	$ 96,897	$ 110,755
Investments	260,048	228,329	222,518
Restricted assets	23,968	25,183	24,634
Capital assets	284,425	283,327	282,230
Other assets	2,772	3,071	5,556
Total assets	$ 670,337	$ 636,807	$ 645,693
Liabilities and net assets:			
Liabilities:			
Current liabilities	$ 109,704	$ 97,359	$ 115,697
Long-term liabilities	260,130	297,247	288,637
Total liabilities	369,834	394,606	404,334
Net assets:			
Invested in capital assets, net of related debt	88,827	90,059	83,184
Restricted net assets, expendable	24,310	21,863	26,794
Unrestricted net assets	187,366	130,279	131,381
Total net assets	300,503	242,201	241,359
Total liabilities and net assets	$ 670,337	$ 636,807	$ 645,693

Current Assets

Fiscal year 2009 ended with an increase in total current assets of $2.2 million or 2.3% compared to 2008. Cash and cash equivalents decreased $2.3 million from normal business activity. Net patient accounts receivable increased $3.9 million or 5.9% from the prior year and is largely related to favorable contractual and bad debt allowance changes in estimates. Both are a result of management's improved receivable valuation methodologies initiated in 2009. Other non-patient receivables increased slightly from $18.7 million to $18.8 million in 2009, and includes $10.0 million at December 31, 2009 for an amount due to the System for participation in the State of Ohio's supplemental Medicaid program that provides access to available funding up to 100% of the Medicare upper payment limit for inpatient hospital services (UPL Program).

In 2009, medical and non-medical supplies inventories declined $0.5 million or 7.1% primarily from a smaller pharmacy inventory. Prepaid expenses declined $1.7 million or 25.5% in 2009 and is related to large information services invoices which are now paid monthly instead of annually.

Fiscal year 2008 ended with a decrease in total current assets of $13.9 million or 12.5% compared to 2007 balances. The decrease is primarily attributed to a $16.1 million reduction in the net patient accounts receivable for the year. In 2008, efforts were focused on reducing Medicaid Pending balances and adjudicating the claims as Self Pay or Medicaid eligible. The year ended with Medicaid Pending balances realizing a net reduction of $23.3 million while the Medicaid and Self Pay balances increased $4.2 million and $1.6 million, respectively.

In 2008, cash and cash equivalent balances increased by $1.8 million or 62.7% from 2007. The other receivables balance increased $0.5 million or 2.9% from 2007. Movement in other receivables balances included a $2.4 million increase in the UPL receivable and a $1.4 million decrease in grants receivable due to a $1.0 million State of Ohio payment for Senior Health and Wellness Center constructions costs.

Investments

In 2009, total investments increased by $31.7 million or 13.9% from the prior year. Board designated investments increased $25.3 million, Academic fund balances decreased by $1.1 million and the Depreciation Reserve fund increased $7.5 million. The Board designated general investments increase of $25.3 million or 24.6% is related to strong operating cash flows. The Academic funds decrease of $1.1 million, or 3.4% is primarily due to a large radiology capital expenditure of $0.6 million. The Depreciation Reserve fund increase is attributed to transfers of $5.9 million for annual funding requirements, realized investment returns of $2.7 million and a mark to market adjustment decrease of $1.1 million. The Depreciation Reserve fund grew 8.1% in 2009.

In 2008, total investments increased $5.8 million or 2.6% above 2007. The Depreciation Reserve fund increased $8.2 million from $5.5 million in transfers for the annual funding requirement, and investments returns that includes mark to market adjustments $2.7 million. The Academic funds balance decreased by $3.5 million from the prior year, primarily due to capital expenditures on large projects of $1.1 million for Phase II of the Picture Archiving and Communication system and $1.8 million toward an Magnetic Resonance Imaging project.

Restricted Assets

Restricted Assets includes restricted cash and cash equivalents, special purpose investments, and restricted assets Under Bond Indenture agreement. In 2009, restricted assets declined by 4.8% or $1.2 million. In 2008, restricted assets experienced a modest increase of 2.2% or $0.5 million. In both years, the Under Bond Indenture Agreement category assets comprised the decrease or increase.

Capital Assets

In 2009, capital expenditures totaled $35.8 million, a $2.6 million increase from 2008. Expenditures on some of the larger projects include $13.6 million for the replacement of the Life Flight Program helicopters and other equipment, $8.5 million for the purchase of the Valentine Street parking garage (previously leased), $3.9 million for the inpatient electronic medical records project, $1.3 million for the replacement of air handling units, and $1.0 million for the Interventional CT reconfiguration in radiology. The parking garage was purchased with the issuance of Series 2009A bonds. All of the System's other 2009 capital expenditures were from operating funds. Additional detailed information can be found in the Capital Asset section of the Notes to Financial Statements.

In 2008, capital expenditures totaled $33.2 million, a $21.3 million decrease from 2007. Construction at the System's Old Brooklyn Campus wound down in 2008 with the first quarter opening of the skilled nursing facility. Capital expenditures on the project totaled $9.3 million for the year. 2008 expenditures on other large projects included $3.7 million for the inpatient electronic medical records project, $2.8 million on HVAC cooling tower upgrades, $2.5 million for the radiology Interventional CT reconfiguration, $2.5 million for demolition of the old emergency and operating room areas, $2.2 million for electrical substation upgrades, $1.8 million toward an MRI project, $1.1 million for Phase II of the PACS (imaging) system, $1.0 million for operating room equipment, $1.0 million on ICU central station monitors, $1.0 million on surface parking. The System's capital expenditures were from operating funds.

Current Liabilities

In 2009, total current liabilities increased $12.3 million or 12.6% from the prior year. Current liabilities accounts that increased include $9.0 million or 40.8% in accounts payable, $2.0 million or 8.2% in accrued payroll and related liabilities, $1.2 million or 39.9% in accrued vacation and sick leave and $1.1 million or 15.9% for current installments of long-term liabilities. Current liabilities accounts that decreased in 2009 include $1.3 million in self-insurance liabilities and $2.6 million for the payment of the Note payable.

In 2008, total current liabilities decreased $18.3 million or 15.9% from the prior year. Current liabilities decreases of $7.6 million in accounts payable, $5.1 million in Public Employees Retirement System liabilities, $2.7 million in self-insurance liabilities, $2.5 million in third-party payables and $1.1 million in short-term notes payable account for the change from the preceding year.

Long-Term Liabilities

In 2009, long-term liabilities, less current installments, decreased $37.1 million or 12.5% from the prior year. Self-insurance liabilities declined $8.6 million or 25.4%, estimated amounts due to third party payors declined $7.9 million or 34.2% and other long-term liabilities decreased $22.0 million. The accrued vacation and sick leave liability grew slightly and long-term debt increased $1.3 million or 0.7%.

The 2009 decline in self-insurance liabilities is related to favorable settlements and the resulting effect on the actuarial report valuation for malpractice claims/lawsuits against the System. The decline in the liability for estimated amounts due to third party payors is primarily the result of updated allowance estimates and secondarily favorable reimbursement cost report settlements.

Other long-term liabilities, which experienced a sharp decline in 2009, is related to favorable mark to market adjustments of $17.6 million on the System's two interest SWAP agreements that are linked to its long-term debt, and reclassification of the remaining pollution remediation obligation to Other current liabilities. The $1.3 million increase in long-term debt is primarily attributed to the issuance of the Series 2009A bonds totaling $8.5 million, deferred bond refunding loss amortization of $0.7 million and principal payments of $7.0 million.

The System's bond indenture agreements contain various covenants that the System must maintain. The financial covenants include Days Cash on Hand, Debt Service Coverage and Debt to Capitalization ratios. Additional detail regarding the System's long-term debt can be found in Note 6 of the Financial Statements.

In 2008, long-term liabilities, less current installments increased $8.6 million or 3.0% in the prior year. For 2008, self-insurance liabilities increased $3.7 million or 12.1%, accrued vacation and sick leave increased $2.4 million or 8.2%, and other long-term liabilities increased $17.7 million or 409.7%. In 2008, the liability for amounts due to third party payors decreased $9.0 million or 28.0% and long-term debt declined $6.1 million or 3.2%.

In 2008, the liability for amounts due to third party payors decreased $9.0 million and reflects a reversal of an $8.3 million liability to a bankrupt managed care company. The portion of the bankruptcy case that claimed the System received preferential payments leading up to the bankruptcy filing was adjudicated in 2008. The System, therefore, reversed its reserve for the potential payback.

In 2008, the large increase of $17.7 million in Other Long-Term Liabilities is related to the System's two interest SWAP agreements that are linked to its long-term bond debt. The System was not immune to the unprecedented global economic downturn of 2008 where 10 and 30 year interest rates fell 140 and 150 basis points, respectively, in November. This resulted in a large unfavorable change in the System's mark to market adjustment for its SWAPS. The market value related to SWAP agreements changed by $19.4 million from 2007 to 2008. The System ended the year with a liability of $17.7 million that is reflected in Other Long-Term Liabilities. The SWAP agreements do not require the System to put up any addition collateral.

The 2008 decrease of $6.1 million in long-term debt reflects debt principal payments of $7.0 million and amortization of bond discounts and deferred losses of $0.8 million.

TABLE 2
THE METROHEALTH SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(DOLLARS IN THOUSANDS)

	2009	2008	2007
Revenues:			
Operating revenues			
Net patient service revenue	$ 645,037	$ 617,178	$ 562,018
Other revenue	28,497	25,140	24,064
	673,534	642,318	586,082
Non-operating revenues			
County appropriation	39,662	39,773	40,000
Investment income	6,134	8,668	11,678
Unrealized (income) loss on investments	14,594	(16,706)	3,382
Other revenue	3,267	2,612	2,803
Noncapital grants and donations	5,010	5,548	4,480
Grants for capital acquisitions	1,048	1,685	1,564
	69,715	41,580	63,907
Total revenues	743,249	683,898	649,989
Expenses:			
Operating expenses			
Professional care of patients	415,867	417,974	406,289
Dietary	7,401	7,759	8,111
Household and property	33,638	31,432	28,491
Administrative and general	84,442	82,738	69,254
Employee benefits	86,897	85,913	83,799
Provision for bad debts	9,120	9,917	10,158
Depreciation and amortization	34,465	31,865	31,497
	671,830	667,598	637,599
Non-operating expenses			
Specific purpose fund expenses	5,166	5,347	5,060
Interest expense	7,951	10,111	10,124
	13,117	15,458	15,184
Total expenses	684,947	683,056	652,783
Increase (decrease) in net assets	58,302	842	(2,794)
Total net assets - beginning of year	242,201	241,359	244,153
Total net assets - end of year	$ 300,503	$ 242,201	$ 241,359

The System's total operating and non-operating revenues in 2009 were $743.2 million while operating and non-operating expenses totaled $684.9 million. This resulted in net assets increasing $58.3 million for the year. This compares to the 2008 net asset increase of $0.8 million from total revenues of $683.9 million and total expenses of $683.1 million.

Operating Revenues

In 2009, operating revenues increased $31.2 million or 4.9% from the prior year. Net patient service revenues increased $27.9 million or 4.5% and other operating revenues increased $3.4 million or 13.4% from 2008 levels.

The System's patient volumes were generally down from 2008 levels with some exceptions. Hospital patient days decreased 6.1%, with discharges down 3.3%, inpatient surgeries down 0.6%, deliveries down 15.0%, and outpatient visits down slightly. Emergency room visits increased 9.3% and outpatient surgical volumes increased 2.1% from the prior year.

The net patient revenue increase of $27.9 million is mostly attributed to strategic first quarter price increases, full year impacts of revenue cycle initiatives centered around optimizing coding, documentation and charge capture, higher current year HCAP and UPL Program revenues and the implementation of improved patient receivable valuation methods.

Gross patient revenues increased $76.2 million or 4.5% from the prior year but were partially offset with higher contractual adjustments of $45.2 million, additional charity care of $12.6 million, and increased denial and write-off adjustments of $1.2 million. The System's level of charity care, $252.8 million in 2009, or 14.2% of gross patient charges, continues to reflect the System's status as a safety net facility in Cuyahoga County. Hospital Care Assurance (HCAP) and Upper Payment Limit (UPL) program revenues, also components of net patient revenue, increased by $11.9 million or 29.9% from 2008 levels. HCAP and UPL programs are discussed in further detail in the System's financial statements notes. Prior year settlement adjustments, also affecting net patient revenue, totaled $11.2 million, a decrease of $1.2 million from the prior year.

In 2009, other operating revenues were $28.5 million, an increase of $3.4 million or 13.4% from 2008 levels. Higher other operating revenues relate to skilled nursing bed sales revenue totaling $2.6 million. The one-time bed sales transaction is related to the 2008 relocation of the System's eastside skilled nursing facility to the newly renovated, smaller capacity Old Brooklyn campus facility.

In 2008, net patient service revenue increased $55.2 million or 9.8% from 2007. Positive gains in surgical volumes of 8.2% and outpatient visits of 4.1% contributed to this growth. Additionally, price increases ranging between four and five percent coupled with revenue cycle initiatives centered around optimizing coding, documentation and charge capture further contributed to increased gross revenues of $165.2 million or 10.8% from 2007 levels. Offsets to gross patient revenues were higher contractual adjustments of $120.7 million, additional charity care write-offs of $10.6 million, and increased denials and write-offs adjustments of $2.2 million. HCAP and UPL program revenues, also increased $13.8 million and $1.1 million, respectively, over 2007 levels. Changes in estimates and prior year settlement adjustments favorably affected net patient revenue by increasing $8.5 million from the prior year.

In 2008, charity care was $240.1 million or 14.1% of 2008 gross patient revenues.

In 2008, other operating revenues were $25.1 million, an increase of $1.1 million or 4.5% from the prior year.

Non-Operating Revenues

In 2009, non-operating revenues totaled $69.7 million, an increase of $28.1 million or 67.7% from the prior year. Non-operating revenues include county appropriation revenue of $39.7 million, investment income of $6.1 million, unrealized income on investments of $14.6 million, other non-operating revenue of $3.3 million, and grants and donations of $6.1 million.

County appropriation revenue decreased slightly from $39.8 million in 2008 but has remained near the $40.0 million level over the past three years. Investment income decreased $2.5 million or 29.2% from the prior year as interest rates continue to remain historically low. Unrealized income on investments increased $31.3 million which relates to the market value changes of the System's interest rate SWAP agreements. During 2008, the SWAP agreements generated unrealized losses of $19.4 million, and in 2009 created unrealized income of $17.6 million. These significant fluctuations between years are the result of valuation volatility related to rapid interest rate declines during the global economic downturn of 2008.

In 2008, non-operating revenues totaled $41.6 million, a decrease of $22.3 million or 34.9% from the prior year. Non-operating revenues included county appropriation revenue of $39.8 million, investment income of $8.7 million, unrealized losses on investments of $16.7 million, other non-operating revenue of $2.6 million, and grants and donations of $7.2 million. County appropriation revenue decreased slightly from $40.0 million in 2007. Investment income decreased $3.0 million or 25.8% from depressed interest rates.

Operating Expenses

The following table summarizes the System's operating expenses from the last three years. The System's total operating expenses increased by $4.2 million or 0.6% from 2008 and increased by $30.0 million or 4.7% from 2007.

TABLE 3
THE METROHEALTH SYSTEM
OPERATING EXPENSE DETAIL
(DOLLARS IN THOUSANDS)

	2009	2008	2007
Operating expenses:			
Salaries and wages	$ 371,340	$ 370,127	$ 357,613
Employee benefits	86,898	85,914	83,799
Medical supplies	39,476	38,881	34,862
Pharmaceuticals	31,439	31,507	30,556
Plan operations	37,352	37,990	36,264
Supplies and other	51,026	51,487	42,161
Liability insurance	10,714	9,910	10,689
Provision for bad debts	9,120	9,917	10,158
Depreciation and amortization	34,465	31,865	31,497
Total operating expenses	$ 671,830	$ 667,598	$ 637,599

In 2009, salaries and wages were $371.3 million, an increase of $1.2 million or 0.3% from the prior year. The general wage increase in 2009 was 3.0%. The flat salaries and wages expense is a result of the System's organizational restructure and workforce downsizing in April 2009. With the mid-year workforce reductions, FTE's declined by 203, or 3.6% from the prior year.

Employee benefits expense in 2009 was $86.9 million, an increase of $1.0 million or 1.1% from 2008. Health care benefits decreased $1.3 million, workers' compensation expenses increased $1.1 million and unemployment compensation increased $0.7 million. System contributions to the Ohio Public Employee Retirement System (OPERS) increased $0.4 million on slightly higher salaries and wages.

Medical supplies expenses were $39.5 million in 2009, an increase of $0.6 million or 1.5% from the prior year. Pharmaceutical expenses were $31.4 million, a slight decrease of 0.2% from 2008. Medical supplies and pharmaceuticals increased a combined $0.5 million or 0.7%, consistent with lower patient volumes.

Plant Operations expenses were $37.4 million, a decrease of $0.6 million or 1.7% from 2008 levels. Supplies and other expenses were $51.0 million, a decrease of $0.5 million or 0.9%. Liability insurance expenses were $10.7 million, an increase of $0.8 million or 8.1% from the prior year. Bad debt expense was $9.1 million, a decrease of $0.8 million, or 8.0% from 2008. Depreciation expenses were $34.5 million, an increase of $2.6 million, or 8.2% from the prior year.

In 2008, salaries and wages increased $12.5 million or 3.5% from 2007, lower than the preceding year increase of 5.8%. General non-physician wage increases were 3.0% in 2008. The impact of the reduction of 71 administrative and support FTE's was offset by increases in physician general and incentive pays that totaled $5.8 million or 6.0%.

Employee benefits increased $2.1 million, or 2.5% from 2007 to 2008. OPERS payments increased by $2.0 million or 4.4% year over year driven by general wage increases and an employer contribution rate increase of 0.15%. Health insurance costs increased $0.4 million or 1.3%. Workers' compensation costs declined $0.5 million.

In 2008, medical supplies increased $4.0 million or 11.5% from 2007. Increases in prosthetics expenses of $2.5 million or 29.0% year over year significantly contributed to expense growth. Pharmaceuticals expense increases contributed an additional $1.0 million or 3.1% to supply expense. Medical Supplies and Pharmaceuticals increased a combined $5.0 million or 7.6% from 2007 to 2008.

Plant operations expense grew $1.7 million or 4.8% between 2007 and 2008. Gas, oil and natural gas increased $0.6 million and service contracts on equipment and software contributed $1.1 million to the increase over the prior year. Liability insurance expense decreased $0.8 million when compared to 2007.

Non-Operating Expenses

Non-operating expenses, which include special purpose fund expenses (grant expenses) and interest expense, decreased $2.3 million between 2008 and 2009, after a slight increase between years 2007 and 2008.

Interest expense in 2009 decreased $2.2 million or 21.4% from 2008. The decrease relates to lower interest rates on the System's variable-rate bonds and higher capitalized interest. Capitalized interest increased from $0.1 million in 2008 to $0.6 million in 2009. Interest expense was flat between 2007 and 2008.

Economic Factors and Next Year's Budget

Several factors and uncertainties that are contained in the budget are:

- The System has budgeted to receive a $40.0 million appropriation from the County in 2010. This funding level approximates the amounts received in each of the past three years.

- The System will continue to explore revenue enhancements, cost reductions and productivity improvements.

- Capital funds needed for replacement of depreciated equipment and facilities, and vital service-line growth and expansion, will require the use of existing investments or additional debt. The System intends to use unrestricted reserves and proceeds from its January 2010 bond offering (Series 2009B) of $75.0 million for future capital needs. The System's bond offering is discussed as a subsequent event in the Notes to Financial Statements section of this financial report. In addition, efforts to obtain appropriate philanthropy to offset operational and capital needs will continue in 2010.

- Governor Strickland's staff released the proposed 2010/2011 State budget which contains a new franchise tax on Ohio hospitals total facility costs to fund Medicaid and provider payments. The proposal will increase system inpatient and outpatient Medicaid hospital payments by 5%. The State claims that without this assessment, Medicaid payments to hospitals would need to be reduced by 15% to offset the State shortfall. In addition to the increased Medicaid payments, the State FY 2010/2011 budget reserves 9.16% and 10.29% respectively, of total hospital franchise fee/tax funds to fund an expansion of the current Upper Payment Limit program (UPL) to private hospitals. This UPL program would cover inpatient and outpatient services for private hospitals as well as fund the existing public hospital UPL program. The methodology used to distribute the public hospital UPL funds will remain unchanged and will be slightly different from the new private hospital UPL program. The expansion of the UPL program will affect the existing public hospital UPL program by eliminating the inter-government payment transfer program and replacing it with the state-wide hospital franchise fee and expanding the public hospital UPL to include outpatient services.

- In 2009, the System earned $19.1 million in net UPL dollars. This was an increase over the prior year due to the elimination of Medicaid HMO's resulting in an increase in Medicaid Fee for Service (FFS) claims during the first three quarters of 2009. Medicaid managed care patients do not qualify for UPL monies, only Medicaid FFS patients qualify. During the third quarter of 2009, because of State-mandated Medicaid managed care penetration, hospitals have been experiencing declines in traditional Medicaid FFS volumes that could unfavorably affect future UPL dollars.

- The System is estimating net Hospital Care Assurance Program (HCAP) dollars of $32.5 million in 2010. As a result of the American Recovery and Reinvestment Act signed in February of 2009, MetroHealth received an additional $2.1 million in net HCAP dollars for 2009. From discussions with The Ohio Hospital Association, MetroHealth expects to receive these funds again in 2010, all other components being constant. It is estimated, the 2010 OBRA Cap (based on 2008 data) will increase to $64.9 million, from $55.1 million, due to growth in uncompensated care from the prior year.

The MetroHealth System
(A Component Unit of Cuyahoga County)

Balance Sheets
December 31, 2009 and 2008
(Dollars in Thousands)

	The MetroHealth System		Component Unit The MetroHealth Foundation, Inc.	
Assets	2009	2008	2009	2008
Current Assets:				
Cash and cash equivalents	$ 2,450	$ 4,742	$ 392	$ 583
Accounts receivable	71,182	67,206	1,822	2,571
Allowance for uncollectible accounts	(4,527)	(7,138)	(124)	(192)
	66,655	60,068	1,698	2,379
Other receivables	18,845	18,728	-	-
Supplies	6,153	6,624	44	27
Prepaid expenses	5,021	6,735	-	-
Total current assets	99,124	96,897	2,134	2,989
Investments:				
General	128,233	102,932	3,500	2,911
Academic funds	31,171	32,252	-	-
Depreciation reserve fund	100,644	93,145	-	-
	260,048	228,329	3,500	2,911
Restricted Assets:				
Cash and cash equivalents	97	125	1,038	947
Special purpose investments	5,556	5,556	18,649	15,311
Under bond indenture agreement	18,315	19,502	-	-
	23,968	25,183	19,687	16,258
Capital Assets:				
Land and construction in progress	18,853	26,391	-	-
Land improvements	11,571	11,279	-	-
Buildings and fixed equipment	529,380	511,069	-	-
Equipment	275,044	252,433	-	-
	834,848	801,172	-	-
Accumulated depreciation	(550,423)	(517,845)	-	-
	284,425	283,327	-	-
Other assets	2,772	3,071	-	-
Total	$ 670,337	$ 636,807	$ 25,321	$ 22,158

See Notes to Financial Statements.

Liabilities	The MetroHealth System 2009	The MetroHealth System 2008	Component Unit The MetroHealth Foundation, Inc. 2009	Component Unit The MetroHealth Foundation, Inc. 2008
Current Liabilities:				
Accounts payable	$ 31,145	$ 22,117	$ 1,027	$ 1,404
Accrued payroll and related liabilities	26,445	24,443	-	-
Contribution payable to the Public Employees Retirement System	7,352	7,111	-	-
Accrued interest payable	2,104	2,353	1	2
Self-insurance liabilities	13,152	14,416	-	-
Estimated amounts due to third-party payors	4,273	3,857	-	-
Accrued vacation and sick leave	4,360	3,117	-	-
Note payable	-	2,599	-	-
Current installments of long-term debt	8,075	6,969	70	67
Other current liabilities	12,798	10,377	401	420
Total current liabilities	109,704	97,359	1,499	1,893
Long-Tem Liabilities, less current installments:				
Self-insurance liabilities	25,324	33,925	-	-
Estimated amounts due to third-party payors	15,261	23,199	-	-
Accrued vacation and sick leave	32,017	31,854	-	-
Other	5	22,014	-	-
Long-term debt	187,523	186,255	-	70
Total long-term liabilities	260,130	297,247	-	70
Total liabilities	369,834	394,606	1,499	1,963
Net Assets				
Invested in capital assets, net of related debt	88,827	90,059	-	-
Restricted net assets, expendable	24,310	21,863	12,705	11,326
Restricted net assets, nonexpendable	-	-	8,255	7,949
Unrestricted net assets	187,366	130,279	2,862	920
Total net assets	300,503	242,201	23,822	20,195
Total liabilities and net assets	$ 670,337	$ 636,807	$ 25,321	$ 22,158

The MetroHealth System
(A Component Unit of Cuyahoga County)

Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31, 2009 and 2008
(Dollars in Thousands)

	The MetroHealth System		Component Unit The MetroHealth Foundation, Inc.	
	2009	2008	2009	2008
Operating Revenues				
Net patient service revenue	$ 645,037	$ 617,178	$ -	$ -
Other revenue	28,497	25,140	-	-
Total operating revenues	673,534	642,318	-	-
Operating Expenses				
Professional care of patients	415,867	417,974	-	-
Dietary	7,401	7,759	-	-
Household and property	33,638	31,432	-	-
Administrative and general	84,442	82,738	-	-
Employee benefits	86,897	85,913	-	-
Provision for bad debts	9,120	9,917	-	-
Total operating expenses before depreciation and amortization	637,365	635,733	-	-
Operating income before depreciation and amortization	36,169	6,585	-	-
Depreciation and amortization	34,465	31,865	-	-
Operating income (loss)	1,704	(25,280)	-	-
Non-Operating Revenues (Expenses)				
County appropriation	39,662	39,773	-	-
Net investment income (loss)	20,728	(8,038)	4,609	(5,190)
Other non-operating revenue	3,267	2,612	-	-
Noncapital grants and donations	5,010	5,548	4,786	7,210
Grant expenses and support	(5,166)	(5,347)	(5,768)	(6,632)
Interest expense	(7,951)	(10,111)	-	-
Total non-operating revenues (expenses)	55,550	24,437	3,627	(4,612)
Income (loss) before capital contributions	57,254	(843)	3,627	(4,612)
Other changes, grants for capital acquisitions	1,048	1,685	-	-
Change in net assets	58,302	842	3,627	(4,612)
Total net assets - beginning of year	242,201	241,359	20,195	24,807
Total net assets - end of year	$ 300,503	$ 242,201	$ 23,822	$ 20,195

See Notes to Financial Statements.

The MetroHealth System
(A Component Unit of Cuyahoga County)

Statements of Cash Flows
Years Ended December 31, 2009 and 2008
(Dollars in Thousands)

	2009	2008
Cash Flows from Operating Activities		
Patient service revenue	$ 619,240	$ 610,040
Other operating cash receipts	28,497	25,140
Payments to suppliers	(167,855)	(152,615)
Payments for compensation and benefits	(453,872)	(458,671)
Net cash flows provided by operating activities	26,010	23,894
Cash Flows from Noncapital Financing Activities		
County appropriation	39,662	39,773
Proceeds from notes payable	-	2,599
Principal payments on notes payable	(2,599)	(3,707)
Interest payments on notes payable	(41)	(82)
Restricted grants and donations	8,592	8,160
Specific purpose funds expenses	(5,215)	(5,631)
Net cash flows provided by noncapital financing activities	40,399	41,112
Cash Flows from Capital and Related Financing Activities		
Grants for capital acquisition	1,048	1,685
Acquisitions and construction	(36,134)	(36,344)
Proceeds from long-term debt	8,504	-
Principal payments on long-term debt	(6,970)	(6,647)
Interest payments on long-term debt	(7,751)	(9,253)
Net cash flows (used in) capital and related financing activities	(41,303)	(50,559)
Cash Flows from Investing Activities		
Payments for investment purchases and reinvestments	(74,669)	(79,537)
Proceeds from investment sales and maturities	41,109	58,813
Interest received	6,134	8,088
Net cash flows (used in) investing activities	(27,426)	(12,636)
Net increase (decrease) in cash and cash equivalents	(2,320)	1,811
Cash and cash equivalents		
Beginning	4,867	3,056
Ending	$ 2,547	$ 4,867

The MetroHealth System
(A Component Unit of Cuyahoga County)

Statements of Cash Flows (Continued)
Years Ended December 31, 2009 and 2008
(Dollars in Thousands)

	2009	2008
Reconciliation of Operating Income (Loss) to Net Cash Flows Provided by Operating Activities		
Operating income (loss)	$ 1,704	$ (25,280)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	34,465	31,865
Provision for bad debts	9,120	9,917
Changes in assets and liabilities:		
(Increase) decrease in patient accounts receivable	(15,707)	6,182
Decrease in other assets	1,897	468
Increase (decrease) in self-insurance liabilities	(9,865)	984
Increase in accounts payable and other liabilities	12,171	6,475
(Decrease) in long-term liabilities	(7,775)	(6,717)
Net cash flows provided by operating activities	$ 26,010	$ 23,894

Noncash Investing, Capital and Financing Activities:

The System held investments at December 31, 2009 and 2008, with a fair value of $283,919 and $253,387, respectively. During 2009 and 2008, the net change in the fair value of these investments was a decrease of $3,028 and an increase of $2,699, respectively.

The System held interest rate swap obligations at December 31, 2009 and 2008, with a fair value of $5 and $17,627, respectively. During 2009 and 2008, the net change in the fair value of these swap obligations was an increase of $17,622 and a decrease of $19,406, respectively.

See Notes to Financial Statements.

Overview of the Financial Statements

This annual report consists of financial statements prepared in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* as amended by GASB Statement No. 37, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures.* These standards establish comprehensive financial reporting standards for all state and local governments and related entities.

Note 1. Summary of Significant Accounting Policies

Reporting Entity: The accompanying financial statements of the MetroHealth System (System) include the MetroHealth Medical Center, a short-term acute care and long-term rehabilitation facility; Broadway Medical Offices, Buckeye Health Center and MetroHealth outpatient community health facilities; MetroHealth Centers for Skilled Nursing Care, consisting of the Old Brooklyn Nursing Facility and The Elisabeth Severance Prentiss Center for Skilled Nursing Care; and several urban and suburban primary care health sites. All significant inter-entity transactions have been eliminated in the financial statements.

The System is the public health care system for Cuyahoga County, Ohio, and was created pursuant to Ohio Revised Code Chapter 339. The System is governed by a Board of Trustees appointed jointly by the Board of County Commissioners of the Board of the County of Cuyahoga, and the senior judges of the Probate Court and Common Pleas Court. In order to support the general operations of the System, the County of Cuyahoga, Ohio Commissioners approved an appropriation of $39,662 and $39,773 for 2009 and 2008, respectively. The County has also approved an appropriation of approximately $40,000 for 2010. The System is exempt from federal income taxes as a governmental entity.

In accordance with GASB Statement No. 14, *The Reporting Entity*, the System's financial statements are included, as a discrete entity, in the County's Consolidated Annual Financial Report (CAFR). A copy of the CAFR can be obtained from Frank Russo, Cuyahoga County Auditor, County Administration Building, 1219 Ontario Street, Cleveland, Ohio 44113.

Furthermore, in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, The MetroHealth Foundation, Inc. (Foundation) is presented as a discrete entity component unit in a separate column in the System's financial statements to emphasize that it is legally separate from the System. The Foundation is a not-for-profit organization supporting the System. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the System in support of its programs. Although the System does not control the timing or the amount of receipts from the Foundation, the majority of resources, or income thereon, which they hold and invest, is restricted to support the activities of the System. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the System, it is considered a component unit of the System. Complete financial statements of the Foundation can be obtained by writing to The MetroHealth Foundation, 2500 MetroHealth Drive, Cleveland, Ohio 44109.

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting: The System reports only "business-type" activities, which requires the following financial statements and management discussion and analysis:

- Management's Discussion and Analysis
- Basic Financial Statements including a Balance Sheet, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows, for the System as a whole
- Notes to Financial Statements

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the System has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), statements and interpretations issued prior to November 30, 1989 and all those issued after November 30, 1989, now referred to as the FASB Standards Codification, which do not conflict with or contradict GASB pronouncements.

The System is accounted for as a proprietary fund (enterprise fund) using the flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the System's operations are included in the Balance Sheet. Revenue is recognized in the period in which it is earned and expenses are recognized in the period in which incurred.

Pursuant to the Ohio Revised Code, the System submits a budget to the County Commissioners for approval by November 1 of each fiscal year. The fundamental purpose of the budget is to plan for an expected level of operations and to provide management with a tool to control deviation from such a plan. The budget is prepared on an accrual basis.

Use of Estimates: The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Revenues, Expenses, and Changes in Net Assets: The System recognizes as operating revenues those transactions that are major or central to the provision of health care services. Operating revenues include those revenues received for direct patient care, grants received from organizations as reimbursement for patient care, and other incidental revenue associated with patient care. Operating expenses include those costs associated with providing patient care including costs of professional care, operating the hospital facilities, administrative expenses, and depreciation and amortization. Nonoperating revenues include County appropriation, investment income and special purpose grants and donations, primarily research. Nonoperating expenses include interest expense and expenses from special purpose funds for research related activities.

Note 1. Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue: Net patient service revenue 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 and charity care allowances. 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. Net patient service revenue was reduced by contractual and retroactive adjustments of $912,214 and $865,768 in 2009 and 2008, respectively.

The System has agreements with third-party payors that provide for payment at amounts different from established charge rates. A summary of the basis of payment by major third-party payors follows:

Medicare and Medicaid: Inpatient acute care services rendered to Medicare and Medicaid program beneficiaries and Medicare capital costs are paid at prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. As an academic medical center, medical education payments in addition to disproportionate share entitlements are received from Medicare and Medicaid. Medicare utilizes a prospective payment system for inpatient rehabilitation services.

Medicare outpatient claims are reimbursed under the Ambulatory Payment Classification based prospective payment system. The payments are based on patient assessment data classifying patients into one of eight hundred thirty two Ambulatory Payment Classifications. Inpatient psychiatric services are reimbursed at a prospectively determined per diem rate. Certain outpatient services related to Medicare beneficiaries and capital costs for Medicaid beneficiaries are reimbursed based on a cost-based methodology subject to certain limitations. The System is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare and Medicaid fiscal intermediaries. The System's classification of patients under the Medicare and Medicaid programs and the appropriateness of their admission are subject to an independent review. 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 System recorded favorable adjustments of $11,228 and $12,437 in 2009 and 2008, respectively, due to prior year retroactive adjustments to amounts previously estimated and changes in estimates.

Net revenue from the Medicare and Medicaid programs accounted for approximately 30% and 26%, respectively, of the System's net patient service revenue for the year ended December 31, 2009, and 30% and 29%, respectively, of the System's net patient service revenue for the year ended December 31, 2008. 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. Management believes that adequate provision has been made in the financial statements for any adjustments that may result from final settlements.

CMS Recovery Audit Contractor Program: Congress passed the Medicare Modernization Act in 2003, which among other things established a three-year demonstration of the Medicare Recovery Audit Contractor (RAC) program. The RAC's identified and corrected a significant amount of improper overpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states by 2010. CMS is in the process of rolling out this program nationally. Management cannot reliably predict the impact of future RAC audits on the System's results of operations or cash flows.

Other Payors: The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively-determined rates-per-discharge, discounts from established charges, and prospectively-determined per diem rates.

Note 1. Summary of Significant Accounting Policies (Continued)

Upper Payment Limit: In September 2001, the State of Ohio Supplemental Upper Payment Limit program for Public Hospitals (UPL) was approved by the Center for Medicare and Medicaid Services. This program provides access to available federal funding up to 100% of the Medicare upper payment limits for inpatient hospital services rendered by Ohio Public Hospitals to Ohio Medicaid consumers. At December 31, 2009 and 2008, $10,022 and $9,789, respectively, were due to the System and recorded on the balance sheets in other receivables; the System's required match to the State of Ohio of $1,430 and $3,765, respectively, is included in other current liabilities. The net amount recorded in net patient service revenue for UPL by the System was $19,096 and $10,732 in 2009 and 2008, respectively. The State of Ohio discontinued the Program's required contributing match for participants as of June 30, 2009. Effective July 1, 2009, the State began assessing a franchise fee to hospitals to fund healthcare programs, including the UPL program. The System incurred a franchise fee expense of $3,251 in 2009, and recorded the amount as an operating expense in the administrative and general expense category of the System's financial statements.

Disproportionate Share: As a public health care provider, the System renders services to residents of the County and others regardless of ability to pay. The System is classified as a disproportionate share provider by the Medicare and Medicaid programs due to the volume of low-income patients it serves. Accordingly, the System receives additional payments from these programs as a result of this status totaling $47,832 and $43,469 in 2009 and 2008, respectively, (including Care Assurance of $32,642 and $29,103 in 2009 and 2008, respectively) which are included in net patient service revenue. The System also provides major trauma services to the region. The ability to continue these levels of service and programs is contingent upon the various continued funding sources.

Charity Care: Throughout the admission, billing, and collection processes, certain patients are identified by the System as qualifying for charity care. The System provides care to these patients without charge or at amounts less than its established rates. The charges foregone for charity care provided by the System, totaling $252,761 and $240,126, which represents 14.2% and 14.1% of gross charges in 2009 and 2008, respectively, are not reported as revenue. The System accepts certain indigent Ohio residents and all residents from the County regardless of their ability to pay.

Grants: The System receives financial assistance from federal and state agencies in the United States in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Other such audits could be undertaken by federal and state granting agencies and result in the disallowance of claims and expenditures; however, in the opinion of management, any such disallowed claims or expenditures will not have a material effect on the overall financial position of the System.

Cash and Cash Equivalents: The System considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are stated at cost, which approximates fair value, excluding amounts limited as to use or restricted by Board designation.

Supplies: Medical supplies are stated at the lower of cost or market value. Pharmaceutical supplies are stated at the lower of cost or market value on a first-in first-out basis.

Investments: The System records its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Unrealized gains and losses on investments is included in net investment income in the statement of revenues, expenses and changes in net assets.

(Dollars in Thousands)

Note 1. Summary of Significant Accounting Policies (Continued)

The System pools certain of its investments for investment purposes. Investment income for these pooled investments is allocated to the proper investment classification based on each investment's fair value to the total fair value of all pooled investments.

The net realized gain on investments of $420 and $557 in 2009 and 2008, respectively, is the difference between the proceeds received and the amortized cost of investments sold and is included in net investment income in the statement of revenues, expenses, and changes in net assets.

Restricted Assets: Restricted assets are cash and cash equivalents and investments whose use is limited by legal requirements. Investments under bond indenture agreement represent amounts required by debt instruments to pay bond principal and interest and approved projects. Restricted cash and cash equivalents and special purpose investments represent monies received from donors or grantors to be used for specific purposes, primarily research. The System has elected to use restricted assets before unrestricted assets when an expense is incurred for a purpose for which both resources are available.

Fundraising Revenues: Gifts, grants, and program income result from fundraising activities of the Foundation. Though donations are solicited for the Foundation, donors occasionally make their gifts directly to the System.

Contributions: The Foundation recognizes contributions as revenue in the period in which the pledge (promise to give) is received. The Foundation recognizes donated services as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Annuity Payment Obligations: The Foundation has entered into gift annuity agreements, which include provisions requiring the Foundation to pay periodic fixed payments to beneficiaries during their lifetimes. Charitable gift annuities differ from other charitable giving options in that the annuity is a general obligation of the Foundation. Accordingly, if the assets of the gift are exhausted as a result of required payments to beneficiaries, unrestricted assets of the Foundation will be utilized to fund future payments.

Income Taxes: The Foundation is an Ohio nonprofit corporation and was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is exempt from income tax on related income pursuant to Section 501(a) of the Code. The Foundation is required to pay taxes on unrelated business income earned by the Foundation.

Capital Assets: Capital assets are stated at cost and contributed capital assets are stated at their fair value at the date of contribution. Expenditures for equipment must exceed $1,000 per unit and expenditures for renovations must exceed $10,000 in order for them to be capitalized. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. Depreciation and amortization of assets recorded under capital lease (straight-line method) are provided in amounts sufficient to amortize the cost of the related assets over their estimated useful lives. The following are the most commonly used estimated useful lives:

Buildings	25-40 years
Building improvements	5-20 years
Equipment	3-15 years
Land improvements	5-15 years
Vehicles	4 years

Note 1. Summary of Significant Accounting Policies (Continued)

Half of a year's depreciation is taken the first year the asset is placed in service. The asset and accumulated depreciation are removed from the related accounts when the asset is disposed of. Any income or loss resulting from this disposal is recorded in the statement of revenues, expenses, and changes in net assets.

Net Assets: The System classifies its net assets into three categories as follows:

Invested in Capital assets, net of related debt - consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets – result when constraints placed on the net asset use are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consist of all other net assets that do not meet the criteria above.

Bond Discounts and Bond Issuance Costs: Deferred financing costs represent debt issuance expenditures on long-term debt obligations and are amortized over the period the bonds are outstanding on a straight-line basis. The amortization for deferred bond financing costs was $154 in 2009 and $154 in 2008. Amortization expense related to bond discounts was $96 in 2009 and $82 in 2008. These amounts are included in interest expense in the statement of revenues, expenses, and changes in net assets.

Cost of Borrowing: Interest costs incurred on debt during the construction or acquisition of assets are capitalized as a component of the cost of acquiring those assets. Capitalized interest of $587 and $66 was recorded in construction in progress as opposed to interest expense for 2009 and 2008, respectively. Construction in progress is transferred to capital assets when assets are substantially completed and amortization of capitalized interest is accounted for in the same manner as other components of asset cost and included in depreciation expense.

The System has entered into various interest-rate swap agreements. These derivative instruments are not designated as hedging instruments; therefore, gains and losses are recognized in the statement of revenues, expenses, and changes in net assets during the period of change. Net amounts periodically receivable or payable as a result of swap agreements are recorded as adjustments to interest expense on the related debt (see Note 7).

Concentrations of Credit Risk: Financial instruments that potentially subject the System to concentrations of credit risk consist principally of cash and cash equivalents, patient accounts receivable, and investments.

The System places its cash and cash equivalents with high credit quality financial institutions. The System's investments include money market funds, U.S. Treasury bills and notes, and U.S. agency obligations.

Concentration of credit risk relating to patient accounts receivable is limited to some extent by the diversity and number of the System's patients and payors. Patient accounts receivable consist of amounts due from government programs, commercial insurance companies, private pay patients, and other group insurance programs. Excluding governmental programs, no payor source represents more than 10.0% of the System's patient accounts receivable. The System maintains an allowance for losses based on the expected collectability of patient accounts receivable.

Reclassifications: Certain reclassifications of 2008 amounts have been made to conform to the 2009 presentation.

(Dollars in Thousands)

Note 2. Changes in Accounting Principles and Recent Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following statements:

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* establishes accounting and financial reporting requirements for intangible assets. All intangible assets not specifically excluded by the scope of this Statement should be classified as capital assets. All existing authoritative guidance for capital assets should be applied to these intangible assets, as applicable. The System is required to implement this Statement for the year ending December 31, 2010.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The System is required to implement this Statement for the year ending December 31, 2010.

Management has not yet determined what impact, if any, these Statements will have on the financial position and results of operations of the System.

Note 3. Deposits and Investments

Deposits: All monies are deposited to the System'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.

Custodial risk is the risk that, in the event of bank failure, the System's deposits might not be recovered. The FDIC increased insurance through December 31, 2009 for funds held in interest bearing accounts from $100 to $250 per depositor per category of legal ownership. In addition, the System's bank participates in the FDIC Transaction Account Guarantee Program where funds held in non-interest bearing transaction accounts were insured in full through December 31, 2009. The System's investment policy does not address custodial risk. The System's bank deposits at December 31, 2009 and 2008, totaled $2,498 and $4,740, respectively, and were subject to the following categories of custodial risk:

	2009	2008
Uncollateralized	$ 907	$ 65
Collateralized with securites held by the pledging institution's trust department, but not in the System's name	49	63
Total amount subject to custodial risk	956	128
Amount insured	1,542	4,612
Total bank balances	$ 2,498	$ 4,740

(Dollars in Thousands)

Note 3. Deposits and Investments (Continued)

Investments

The System: The System's investment policy authorizes the System to invest in the following investments:

- Securities and obligations of the US Treasury and other federal agencies or instrumentalities
- Time certificates of deposit or savings or deposit accounts
- Municipal and state bonds
- No-load money market mutual funds investing in items listed above
- Commercial paper that constitutes unsecured short-term debt on an entity defined in Division (D) of Section 1705.01 of the Ohio Revised Code and matures 270 days from purchase date, the aggregate value of the commercial paper does not exceed 2% of the aggregate value of the outstanding paper of the entity, the paper is rated by a least two nationally recognized standard rating services (NRSRS) and is rated in the highest classification and the entity has assets exceeding five hundred million dollars.
- Bankers Acceptances that mature no later than 180 days from purchase, the obligations are eligible for purchase by the Federal Reserve System, the issuer has a minimum "AA" long-term debt rating by a majority of NRSRS agencies and any single obligation will not exceed 5% of the System's total average portfolio.
- Notes issued by corporations incorporated in the United States and operating in the United States and the notes are rated in the second highest or higher category by at least two NRSRS at the time of purchase, mature in two years or less from the date of purchase and cannot exceed 15% of the System's total average portfolio.
- No load money market mutual funds rated in the highest category at the time of purchase by at least one NRSRS and consisting exclusively of obligations in the US Treasury and other federal agencies or instrumentalities and commercial paper listed above.

As of December 31, 2009 and 2008, the fair values of the System's investments were as follows:

		Investment Maturities	
	2009	Less than 1 year	1-5 years
Cash	$ 106,429	$ 106,429	$ -
U.S. Government Agencies	144,740	38,337	106,403
Federal National Mortgage Association and Federal Home Loan Mortgage Corporation (Federal Pools)	148	-	148
Collateralized Mortgage Obligations	157	-	157
Corporate Bonds	32,445	-	32,445
Total investments	$ 283,919	$ 144,766	$ 139,153

(Dollars in Thousands)

Note 3. Deposits and Investments (Continued)

		Investment Maturities	
	2008	Less than 1 year	1-5 years
Cash	$ 129,475	$ 129,475	$ -
U.S. Government Agencies	117,563	36,985	80,578
Federal National Mortgage Association and Federal Home Loan Mortgage Corporation (Federal Pools)	203	-	203
Collateralized Mortgage Obligations	310	5	305
Corporate Bonds	5,836	-	5,836
Total investments	$ 253,387	$ 166,465	$ 86,922

The System's carrying amounts of the deposits and investments at December 31, 2009 and 2008, are as follows:

	2009	2008
Deposits	$ 2,547	$ 4,867
Investments	283,919	253,387
Total deposits and investments	$ 286,466	$ 258,254

The difference between bank balances and financial statement carrying amounts represent outstanding checks payable and normal reconciling items.

Interest Rate Risk: The System's investment policies limit investment portfolios to maturities of five years or less. All of the System's investments at December 31, 2009, have effective maturity dates of less than five years.

Credit Risk: All of the System's investments are rated AAA by Standard & Poor's except for the Collateralized mortgage obligations which are not rated. The System's investment policies are governed by State of Ohio statutes that authorize the System to invest in U.S. government obligations and AAA rated corporate bonds. 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.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy does not address custodial risk.

(Dollars in Thousands)

Note 3. Deposits and Investments (Continued)

The Foundation: As of December 31, 2009, the fair values of the Foundation's investments were as follows:

	2009	2008
Mutual funds	$ 19,860	$ 16,111
Common stock	112	103
Limited Partnership Interest	1,285	1,134
Premier Purchasing Partners, L.P.	892	874
Total deposits and investments	$ 22,149	$ 18,222

The Foundation's investments had cumulative unrealized gains of $625 and $524 and cumulative unrealized losses of $2,692 and $5,795 at December 31, 2009 and 2008, respectively.

Note 4. Capital Assets

The following summarizes the capital assets of the System for the years ended December 31, 2009 and 2008:

2009	Beginning Balance	Additions	Reductions/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land	$ 9,314	$ -	$ -	$ 9,314
Construction in progress	17,077	22,818	(30,356)	9,539
Total nondepreciated capital assets	26,391	22,818	(30,356)	18,853
Depreciable capital assets:				
Land improvements	11,279	292	-	11,571
Buildings and fixed equipment	511,069	19,607	(1,296)	529,380
Equipment	252,433	23,404	(793)	275,044
Total depreciable capital assets	774,781	43,303	(2,089)	815,995
Less accumulated depreciation:				
Land improvements	(5,931)	(567)	-	(6,498)
Buildings and fixed equipment	(308,704)	(19,261)	1,102	(326,863)
Equipment	(203,210)	(14,637)	785	(217,062)
Total accumulated depreciation	(517,845)	(34,465)	1,887	(550,423)
Total depreciable capital assets - net	256,936	8,838	(202)	265,572
Total capital assets - net	$ 283,327	$ 31,656	$ (30,558)	$ 284,425

(Dollars in Thousands)

Note 4. Capital Assets (Continued)

2008	Beginning Balance	Additions	Reductions/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land	$ 9,377	$ -	$ (63)	$ 9,314
Construction in progress	28,833	25,706	(37,462)	17,077
Total nondepreciated capital assets	38,210	25,706	(37,525)	26,391
Depreciable capital assets:				
Land improvements	12,547	492	(1,760)	11,279
Buildings and fixed equipment	497,541	31,271	(17,743)	511,069
Equipment	250,340	13,179	(11,086)	252,433
Total depreciable capital assets	760,428	44,942	(30,589)	774,781
Less accumulated depreciation:				
Land improvements	(7,276)	(405)	1,750	(5,931)
Buildings and fixed equipment	(308,431)	(18,182)	17,909	(308,704)
Equipment	(200,701)	(13,278)	10,769	(203,210)
Total accumulated depreciation	(516,408)	(31,865)	30,428	(517,845)
Total depreciable capital assets - net	244,020	13,077	(161)	256,936
Total capital assets - net	$ 282,230	$ 38,783	$ (37,686)	$ 283,327

Total depreciation and amortization expense related to capital assets for 2009 and 2008 was $34,465 and $31,865, respectively.

Note 5. Line of Credit

During 2005, the System entered into an agreement with a bank for a demand line of credit with a maximum amount available of $20,000. The System terminated the line of credit during 2009. For the year ended December 31, 2008, the System did not have an outstanding balance on the line of credit.

(Dollars in Thousands)

Note 6. Long-Term Debt and Subsequent Event

	2009				
	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
Hospital Improvement and Refunding Revenue Bonds Series, 1997, bear interest at rates ranging from 3.9% to 5.8% and mature in varying amounts through 2027.	$ 32,220	$ -	$ (1,005)	$ 31,215	$ 1,060
Hospital Refunding Revenue Bonds, Series 1997A, bear interest at rates ranging from 4.1% to 5.5% and mature in varying amounts through 2019.	70,660	-	(4,895)	65,765	5,160
Hospital Improvement Revenue Bonds, Series 2003, bear variable interest rates and maturing in varying amounts through 2033.	27,560	-	(675)	26,885	700
Hospital Improvement and Revenue Bonds, Series 2005, bear variable interest rates and mature in varying amounts through 2035.	73,585	-	(345)	73,240	360
Hospital Facilities Revenue Bonds, Series 2009A, bear interest at 3.9% and matures through 2014.	-	8,466	-	8,466	783
Equipment obligation, GE Leasing, as defined in the respective lease agreement, bears interest at 6.0% and matures through 2014.	-	38	(1)	37	8
Equipment obligation, Simplex Grinnell, paid in 2009.	45	-	(45)	-	-
Loan obligation, Cuyahoga County Sanitary Engineering, as defined in the respective loan agreement, matures through 2018.	52	-	(4)	48	4
	204,122	8,504	(6,970)	205,656	8,075
Unamortized discount and loss	(10,898)		840	(10,058)	-
Long-term debt	$ 193,224	$ 8,504	$ (6,130)	$ 195,598	$ 8,075

(Dollars in Thousands)

Note 6. Long-Term Debt and Subsequent Event(Continued)

	2008				
	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
Hospital Improvement and Refunding Revenue Bonds Series, 1997, bear interest at rates ranging from 3.9% to 5.8% and mature in varying amounts through 2027.	$ 33,175	$ -	$ (955)	$ 32,220	$ 1,005
Hospital Refunding Revenue Bonds, Series 1997A, bear interest at rates ranging from 4.1% to 5.5% and mature in varying amounts through 2019.	75,330	-	(4,670)	70,660	4,895
Hospital Improvement Revenue Bonds, Series 2003, bear variable interest rates and maturing in varying amounts through 2033.	28,205	-	(645)	27,560	675
Hospital Improvement and Revenue Bonds, Series 2005, bear variable interest rates and mature in varying amounts through 2035.	73,915	-	(330)	73,585	345
Equipment obligation, Simplex Grinnell, as defined in the respective lease agreement, matures through 2009.	89	-	(44)	45	45
Loan obligation, Cuyahoga County Sanitary Engineering, as defined in the respective loan agreement, matures through 2018.	56	-	(4)	52	4
	210,770	-	(6,648)	204,122	6,969
Unamortized discount and loss	(11,724)	-	826	(10,898)	-
Long-term debt	$ 199,046	$ -	$ (5,822)	$ 193,224	$ 6,969

Effective February 1, 1997, Cuyahoga County, acting by and through the Board of Trustees of The MetroHealth System, issued $70,000 of Hospital Improvement and Refunding Revenue Bonds Series 1997 (The MetroHealth System Project) (Series 1997). The proceeds of the Series 1997 Bonds were used to refund $20,900 of Series 1989 Bonds; 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, Cuyahoga County, acting by and through the Board of Trustees of The MetroHealth System, issued $77,525 of Hospital Refunding Revenue Bonds, Series 1997A (The MetroHealth System Project) (Series 1997A). On February 15, 1998, the proceeds of the Series 1997A Bonds were used to refund $73,725 of the remaining balance of the Series 1989 Bonds which were originally scheduled to mature on February 15, 2019. The 1997 refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $9,753. The unamortized difference $4,783 and $5,307 at December 31, 2009 and 2008, respectively, reported in the accompanying financial statements, as a reduction from long-term debt, is included as additional interest expense through the year 2019 using the straight-line method.

Note 6. Long-Term Debt and Subsequent Event (Continued)

Effective September 1, 1999, Cuyahoga County, acting by and through the Board of Trustees of The MetroHealth System, issued $56,995 of Hospital Improvement Revenue Bonds, Series 1999 (The MetroHealth System Project) (Series 1999 Bonds). The proceeds of the Series 1999 Bonds were 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. On July 28, 2005, a portion of the proceeds from the County's 2005 Series Bond Issue was placed in escrow to advance refund the outstanding Series 1999 Bonds. The advance refunding of the Series 1999 Bonds was completed in 2009.

Effective March 13, 2003, Cuyahoga County, acting by and through the Board of Trustees of The MetroHealth System , issued $30,545 of Hospital Improvement Variable Rate Demand Revenue Bonds, Series 2003 (The MetroHealth System Project) (Series 2003 Bonds). The proceeds of the Series 2003 Bonds were used to pay costs of constructing and equipping the Critical Care Pavilion and an administrative building. The bonds bear interest at a variable rate (not to exceed 10.0%) 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 interest rate at December 31, 2009 and 2008, was 0.65% and 1.88%, respectively.

In connection with the issuance of the Series 2003 Bonds, the System entered into a Reimbursement Agreement with a bank. Under the terms of the Reimbursement Agreement, the System entered into an Irrevocable Letter of Credit ("Letter of Credit") issued by a local bank that expired on March 22, 2008, but has been extended to March 22, 2010. 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.

Effective March 1, 2010, the System entered into a Reimbursement Agreement with a bank. The Reimbursement Agreement replaces the agreement expiring on March 22, 2010. Terms and conditions of the new agreement are substantially similar to the old agreement and expires on March 16, 2013.

Effective July 1, 2005, Cuyahoga County, acting by and through the Board of Trustees of The MetroHealth, issued $74,535 of Hospital Improvement and Refunding Variable Rate Demand Revenue Bonds, Series 2005 (The MetroHealth System Project) (Series 2005 Bonds). Proceeds from the 2005 Series Bonds were used to advance refund $56,995 of the outstanding Series 1999 Bonds which were redeemed on February 15, 2009; to pay costs of constructing, renovating, furnishing, equipping, and improving the Old Brooklyn Campus long-term care and skilled nursing facility; and to pay certain costs of issuance of the Series 2005 Bonds. The bonds bear interest at a variable rate (not to exceed 10.0%) determined weekly as established by the Remarketing Agent based on current market values for similar bond offerings and are due at various dates until 2035. The interest rate at December 31, 2009 and 2008 was 0.21% and 2.38%, respectively.

In connection with the issuance of the Series 2005 Bonds, the System entered into a Reimbursement Agreement with a bank. Under the terms of the Reimbursement Agreement, the System entered into an Irrevocable Letter of Credit (Letter of Credit) issued by a local bank that expires on July 16, 2010. 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.

Effective April 27, 2010, the System obtained a firm commitment to replace the Letter of Credit agreement expiring on July 16, 2010. The terms and conditions of the new agreement are substantially similar to the old agreement and expires on July 16, 2013.

There are no amounts outstanding on the letters of credit as of December 31, 2009 and 2008.

(Dollars in Thousands)

Note 6. Long-Term Debt and Subsequent Event (Continued)

The July 28, 2005, bond refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $5,179. The unamortized difference ($4,205 and $4,426 at December 31, 2009 and 2008, respectively), reported in the accompanying financial statements, as a reduction from long-term debt, is included as an increase to interest expense through the year 2029 using the straight line method.

Effective December 1, 2009, Cuyahoga County, acting by and through the Board of Trustees of The MetroHealth System, issued $8,466 of Hospital Facilities Revenue Bonds, Series 2009A. The proceeds of the Series 2009A Bonds were used to purchase the Valentine parking garage on the System's main campus. The Bonds bear an interest rate of 3.9% and mature through 2014.

The Series 1997, 1997A, 1999, 2003, 2005 and 2009A Bonds were issued pursuant to a master trust bond indenture agreement between the County, acting by and through the System's Board of Trustees, and the bond trustee. The Series 1997, 1997A, 1999, 2003, 2005 and 2009A Bonds are special obligations issued by the County payable solely from the revenue derived from the operation of the System and other monies available to the System's Board of Trustees. Accordingly, the bond proceeds and indebtedness have been recorded as assets and liabilities of the System.

The terms of the master agreement provide for the establishment of a depreciation reserve fund and maintenance of certain special funds, which are maintained under the control of the bond trustee, and are used for payment of principal and interest on the bonds when due. The revenue bonds and lease obligation payment requirements for fiscal years subsequent to December 31, 2009, are as follows:

	Total Lease and Loan Obligations			Total Hospital Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	$ 12	$ 4	$ 16	$ 8,063	$ 5,799	$ 13,862
2011	13	4	17	8,464	5,256	13,720
2012	13	3	16	8,890	4,851	13,741
2013	14	2	16	9,363	4,433	13,796
2014	8	1	9	14,051	4,002	18,053
2015–2019	25	1	26	51,755	12,377	64,132
2020–2024	-	-	-	39,760	4,600	44,360
2025–2029	-	-	-	43,605	1,233	44,838
2030–2034	-	-	-	18,805	162	18,967
2035	-	-	-	2,815	1	2,816
	$ 85	$ 15	$ 100	205,571	$ 42,714	$ 248,285
Unamortized discount				(1,070)		
Unamortized difference between reacquisition price and the net carrying amount of old debt				(8,988)		
Total hospital revenue bonds — net				$ 195,513		

(Dollars in Thousands)

Note 6. Long-Term Debt and Subsequent Event (Continued)

The Bond Reserve Funds, also required under the master trust bond indenture agreement, had balances as of December 31, 2009 and 2008, of $10,540 and $11,935, respectively. The cost value of Hospital Revenue Bonds was $204,501 and $202,859 at December 31, 2009 and 2008, respectively. The fair value of Hospital Revenue Bonds ($196,694 and $201,126 at December 31, 2009 and 2008, respectively) is estimated using discounted cash flow analyses based on current borrowing rates for similar types of borrowing arrangements.

The Foundation: The Foundation's long-term obligations are comprised of the following notes payable:

2009	Beginning Balance	Additions/ Reductions	Payments	Ending Balance	Due Within One Year
Note payable, due in semi-annual installments plus interest at 3.96%, through June 30, 2010, secured by its equity interest in Premier Purchasing Partners, L.P.	$ 137	$ -	$ (67)	$ 70	$ 70
2008					
Note payable, due in semi-annual installments plus interest at 3.96%, through June 30, 2010, secured by its equity interest in Premier Purchasing Partners, L.P.	$ 201	$ -	$ (64)	$ 137	$ 67

(Dollars in Thousands)

Note 7. Derivative Instruments

The System's objectives of its derivative instruments include managing the risk of increased debt service resulting from rising market interest rates, the risk of decreased surplus returns resulting from falling interest rates, and the management of the risk of an increase in the fair value of outstanding fixed rate obligations resulting from declining market interest rates. Consistent with its interest rate risk management objectives, the System entered into various interest rate swap agreements with a total outstanding notional amount of $100,125 and $101,145 at December 31, 2009 and 2008, respectively.

The fair value of the swap agreements based on current settlement prices at December 31, 2009 and 2008, was ($5) and ($17,627), respectively. The amounts due to the counterparties are included within other long-term liabilities. In 2009, the fair value increase of $17,622 and the 2008 fair value decrease of ($19,406) are included in net investment income in the statement of revenues, expenses, and changes in net assets. As a result of the agreements, the System's interest expense was increased by $1,606 and $923 in 2009 and 2008, respectively.

The following table describes the terms of the System's two interest rate swap agreements:

Year-End Notional Amount	Effective Date	Termination Date	Early Termination Option	The System Pays	Counterparty Pays
$ 73,240	July 28, 2005	February 1, 2035	the System	Fixed 3.3%	64.2% of ISDA 5 Yr. Swap Rate
$ 26,885	March 13, 2003	March 1, 2033	the System	Fixed 3.5%	68.9% of ISDA 5 Yr. Swap Rate

On July 28, 2005, the System entered into a swap agreement (the Original Agreement) with an amortizing notional amount of $74,535. The notional amount is based on the Series 2005 Bond principal repayment schedule that ends in 2035. Per the terms of an amended agreement effective June 1, 2006, the System pays a fixed rate of 3.3% and the counterparty pays 64.2% of the International Swaps and Derivatives Association, Inc. (ISDA) USD five year swap rate. The original agreement previously required the counterparty to pay 70% of the 3-month USD LIBOR. In 2009, ISDA five year interest rates ranged between 1.9% and 3.4%. The net amount is exchanged monthly between the two parties. The System has an early termination option.

On March 13, 2003, the System entered into a swap agreement (the Original Agreement) with an amortizing notional amount of $30,545. The amortizing notional amount is based on the Series 2003 Bond principal repayment schedule ending on March 1, 2033. Per terms of an amended agreement effective June 1, 2006, the System pays a fixed rate of 3.5% and the counterparty pays 68.9% of the ISDA USD five year swap rate. The original agreement required the counterparty to pay 75% of the 3-month USD LIBOR rate. Net settlement amounts are exchanged monthly. The System has an early termination option.

(Dollars in Thousands)

Note 8. Other Long-Term Liabilities

Amounts Due to Third-Party Payors: The System has agreements with third-party payors that provide for payment of amounts different from established rates. 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. See Note 1, net patient service revenue.

Accrued Vacation and Sick Leave: System employees earn vacation and sick leave at varying rates depending on job classification and years of service. Employees can accumulate up to three years of their earned vacation leave. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the System. There is no limit on the amount of sick time accrued. Upon retirement, employees with a minimum of 10 years of service have sick leave balances paid out at 50% of eligible hours at their current rate of pay. The maximum payout is 800 hours. As of December 31, 2009 and 2008, the liability for accrued vacation and sick was $36,377 and $34,971, respectively.

Note Payable: The System financed one-year general and professional liability policies with a note payable in 2008. The note payable interest rate was 3.44%. At December 31, 2009 and 2008, the note payable balance outstanding was $0 and $2,599, respectively.

Other Long-Term Liabilities: Other long-term liabilities consist of the following at December 31, 2009 and 2008:

2009	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Amounts due third-party payors	$ 27,056	$ 1,613	$ (9,135)	$ 19,534	$ 4,273
Accrued vacation and sick leave	34,971	5,636	(4,230)	36,377	4,360
Pollution remediation	4,387	199	(2,203)	2,383	2,383
Swap agreements - market value	17,627	-	(17,622)	5	-
Note payable	2,599	-	(2,599)	-	-
	$ 86,640	$ 7,448	$ (35,789)	$ 58,299	$ 11,016

2008	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Amounts due third-party payors	$ 38,584	$ 5,811	$ (17,339)	$ 27,056	$ 3,857
Accrued vacation and sick leave	32,012	5,985	(3,026)	34,971	3,117
Pollution remediation	4,519	190	(322)	4,387	-
Swap agreements - market value	-	17,627	-	17,627	-
Note payable	3,707	2,599	(3,707)	2,599	2,599
	$ 78,822	$ 32,212	$ (24,394)	$ 86,640	$ 9,573

Note 8. Other Long-Term Liabilities (Continued)

Risk Management: The System is exposed to various risks of loss related to torts; theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The System is self-insured for workers compensation and medical malpractice but maintains commercial insurance policies for property and casualty, automobile, aircraft (helicopter and fixed wing) as well as excess coverage for medical malpractice claims. Settled claims have not exceeded insurance coverage in any of the past three years.

During the normal course of its operations, the System has become a defendant in various legal actions. In the opinion of legal counsel and the System administration, the disposition of the pending cases will not have a material adverse effect of the financial condition or operations of the System. However, depending on the amount and timing of such resolution, an unfavorable resolution of some or all of these matters could materially affect the System's future results of operations or cash flows in a particular year.

The System is self-insured for medical malpractice and workers' compensation claims. For the professional and patient care liability, professional actuarial 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 System's incident reporting systems are accrued based on estimates that incorporate the System's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. The liability for estimated self-insured claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported, undiscounted for 2009, 2008 and 2007.

Pollution Remediation: The System is required by federal and state environmental laws to abate asbestos when it becomes friable. The System will be engaged in several remodeling projects on its main campus in 2010 which will require the abatement of asbestos as part of the work. The System has recorded a liability of $2.4 million at December 31, 2009 for the estimated cost of this work. The estimate is based on the current construction estimates to abate all of the areas covered in the project.

(Dollars in Thousands)

Note 8. Other Long-Term Liabilities (Continued)

2009	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance	Due Within One Year
Worker's compensation	$ 8,117	$ 2,338	$ (1,982)	$ 8,473	$ 3,061
Self-insurance	40,224	2,359	(12,580)	30,003	10,091
Employee health insurance	1,349	18,064	(17,900)	1,513	1,513
	$ 49,690	$ 22,761	$ (32,462)	$ 39,989	$ 14,665

2008	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance	Due Within One Year
Worker's compensation	$ 9,152	$ 1,156	$ (2,191)	$ 8,117	$ 2,996
Self-insurance	38,205	5,418	(3,399)	40,224	11,420
Employee health insurance	2,802	19,060	(20,513)	1,349	1,349
	$ 50,159	$ 25,634	$ (26,103)	$ 49,690	$ 15,765

2007	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance	Due Within One Year
Worker's compensation	$ 9,267	$ 2,361	$ (2,476)	$ 9,152	$ 3,097
Self-insurance	37,180	6,400	(5,375)	38,205	13,997
Employee health insurance	1,619	18,552	(17,369)	2,802	2,802
	$ 48,066	$ 27,313	$ (25,220)	$ 50,159	$ 19,896

The current portion of employee health insurance liabilities is included in other current liabilities.

(Dollars in Thousands)

Note 9. Operating Leases

The System has entered into operating lease agreements for a parking facility, medical space, and office space, which expire through 2020. Contract terms range between one and fifteen years and contain rent escalation clauses and renewal options for additional periods ranging from one to five years.

Minimum rental commitments under operating leases extending beyond one year at December 31, 2009, are as follows:

2010	$	1,620
2011		1,266
2012		1,018
2013		995
2014		790
2015–2019		2,946
2020		254
Total	$	8,889

Rent expense totaled $2,092 in 2009 and $2,118 in 2008. The System was leasing the Valentine parking garage on the main campus. The lease had an original term of five years with five one-year renewal options. The renewal options expired in 2009 and the System purchased the garage on December 1, 2009 for $8,466 with proceeds from the Series 2009A bonds.

Note 10. Benefit Plans

Pension: Employee retirement benefits are available for substantially all employees under three separate retirement plans administered by the Ohio Public Employees Retirement System (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 postretirement 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.

The Ohio Public Employees Retirement System issues a stand-alone financial report and may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 10.0% of covered payroll and the System is required to contribute 14.0% of covered payroll. The System's contributions to OPERS for the years ending December 31, 2009, 2008, and 2007, were $48,406, $48,009, and $45,977, respectively, equal to the required contributions for each year.

Note 10. Benefit Plans (Continued)

Post Retirement Benefits: OPERS maintains a cost-sharing multiple employer defined benefit post employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits including post employment healthcare coverage.

In order to qualify for post employment healthcare coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Healthcare coverage of disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provided the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement healthcare benefits.

The employer contribution rate is expressed as a percentage of the covered payroll of active members. In 2009, the employer contribution was 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment HealthCare plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment healthcare benefits. The portion of employer contributions allocated to healthcare was 7.0% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The System's contribution for 2009, 2008, and 2007 used to fund post retirement healthcare benefits was $20,313, $24,005, and $18,200, respectively, which is included in the System's pension contribution of $48,406, $48,009, and $45,977 for the years ending December 31, 2009, 2008, and 2007, respectively.

Based on the latest OPERS actuarial review as of December 31, 2008, OPERS had $10,700,000 in net assets available for payment of post employment benefits. The actuarial accrued liability for post employment benefits and the unfunded actuarial accrued liability were $29,600,000 and $18,900,000, respectively. The number of active contributing participants used in the 2008 actuarial valuation was 356,388. The active number of contributing participants as of December 31, 2009, was 357,584.

Benefits are advance-funded using the entry age actuarial cost method. Assets are valued using a smoothed market value approach with assets adjusted annually to reflect 25% of the unrealized market appreciation or depreciation, not exceeding a 12.0% corridor. Other significant actuarial assumptions include an investment return of 6.5%; no change in the number of active employees; active employee payroll increases of 4.0% compounded annually with additional annual increases ranging between 0.5% to 6.3%; and health care costs increasing at rates between 4.5% and 7.0% over the next six years and 4.0% thereafter.

Note 10. Benefit Plans (Continued)

On September 9, 2004, the OPERS Retirement Board adopted the Health Care Preservation Plan (HCPP), effective on January 1, 2007. In 2005, OPERS also took additional measures to improve the solvency of the Health Care Fund by establishing a separate investment pool for health care assets. Effective as of January 1, 2006, 2007, and 2008, member and employer contribution rates increased, allowing additional funds to be allocated to the healthcare plan.

Note 11. Related Organizations

The System is the primary beneficiary of The MetroHealth Foundation, Inc. (Foundation). The Foundation is a separate not-for-profit entity organized for the purpose of supporting the System in the areas of research, community health and continuing professional education. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the System has reported the Foundation as a component unit in the System's 2009 and 2008 financial statements. The System received support from the Foundation in the amount of $4,052 and $4,439 in 2009 and 2008, respectively, which is recorded as grant revenue on the System's statement of revenues, expenses, and changes in net assets. The outstanding receivable from the Foundation was $846 and $1,128 at December 31, 2009 and 2008, respectively. The System also provided the Foundation in-kind support totaling $876 and $896 in 2009 and 2008, respectively. This support covered the direct expenses of the Development Department and indirect expenses for the use of space and support departments such as information services and environmental services.

The System had established restricted funds to differentiate resources, the use of which is restricted by donors or grantors, from resources of general funds on which donors place no restrictions or that arise as a result of the operations of the System. A review of these restricted funds is performed annually to determine that funds, related to completed clinical trials and certain donated money, should be transferred to the Foundation. The total amounts transferred in 2009 and 2008 were $11 and $229, respectively.

The System is a partner in the joint venture, Concordia Care. The System and another area healthcare provider specializing in senior care, provide services to the elderly. The System does not receive any income or distribution from the joint venture except for receipts from regular patient billings for services rendered. Management has not reflected on its financial statements a value for its equity interest in the net assets of this joint venture because it is immaterial to the overall financial statements.

The System is a partner in the joint venture, CCF/MHS Renal Care Company, LTD. In connection with the preparation of these financial statements management re-evaluated the System's on-going financial interest in CCF/MHS Renal Care Company, LTD., a joint venture with The Cleveland Clinic Foundation, which provides renal care (dialysis). Management has determined that it had a 40% equity interest in the joint venture as of December 31, 2009 and 2008, respectively. Accounting principles generally accepted in the United States require that a material equity interests in such a joint venture be reported as an asset in the financial statement of a reporting entity, and that certain other information, including operating activity, be disclosed. Because CCF/MHS Renal Care Company, LTD. does not prepare and has not made complete financial statements available since its inception in1996, management in not able to accurately determine its equity interest in CCF/MHS Renal Care Company, LTD. or report its activities. However, management believes it has obtained sufficient information to conclude that the financial statements of the System are not materially misstated without such information and that it had no material related party transactions with CCF/MHS Renal Care Company, LTD. that warrant disclosure.

Note 12. Conditional Promises to Give

The Foundation: The Foundation received a conditional pledge of $10,000 commencing in 2005 payable over the next 10 years at $1,000 per year. The outstanding balance of $5,415 and $6,182 at December 31, 2009 and 2008, respectively, is not included in these financial statements in accordance with the Accounting Standards Codifications (ASC) 958, *Not for Profit Entities* due to the fact that the conditions of the grant have not been met.

Note 13. Commitments

As of December 31, 2009, the System had contractual commitments for the construction of various projects totaling approximately $10,925. Projects with large contractual commitments include the helicopter replacement project of $7,338, MHSC Phase 2 LTC & Skilled Nursing of $1,079, and the inpatient electronic medical record project for $573. These projects are being funded with operating funds along with the System securing bond financing for the purchase of the helicopters.

Note 14. Subsequent Events

In January of 2010, the Series 2009B bonds were issued for $75,000. The bonds are taxable and issued under the Build America Bond program where 35% of the interest paid is refunded to the System. The proceeds of the bonds are to be used for the replacement of three Life Fight helicopters ($21,000) and capital improvements.

The System has an Irrevocable Letter of Credit related to the issuance of the Series 2003 Bonds that expires March 22, 2010. The System has entered into a new Letter of Credit agreement for the Series 2003 Bonds that expires in March 2013.

The System has an Irrevocable Letter of Credit related to the issuance of the Series 2005 bonds that expires July 16, 2010. The System has entered into a firm commitment to replace the Letter of Credit agreement for the Series 2005 bonds. The new agreement will expire in July 2013.

In February of 2010, the System entered into a capital lease totaling $1,100 to upgrade its main frame computer system. The lease has a four-year term.

The MetroHealth System
(A Component of Cuyahoga County)

OMB Circular A-133 Requirements

The MetroHealth System
(A Component Unit of Cuyahoga County)

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2009

Federal Grantor/Pass-Through Grantor	Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
U.S. Department of Agriculture:				
Pass-Through Program from:				
Ohio Department of Health	Special Supplement Food Program for Women, Infants and Children (WIC)	10.557	1830011WA0209; 1830011WA0310	$ 4,721,998
	TOTAL --- U.S. Department of Agriculture			**$ 4,721,998**
U.S. Department of Education:				
Pass-Through Program from:				
Ohio Department of Health	HMG Hospital Based Regional Child Find	84.181	1830011HB0209; 1830011HB0310	$ 57,395
Ohio Rehabilitation Svcs Commission	Ohio Rehabilitation Service Commission - Work Matters	84.390	n/a	67,401
	TOTAL --- U.S. Department of Education			**$ 124,796**
U.S. Department of Health & Human Services:				
Direct Programs:	Pediatric Intensive Care Unit New Construction & Renovation	93.887	C76HF05977	$ 5,558
	Specialty Selected Health Projects	93.888	D1ECS10481	79,762
	Subtotal --- U.S. Department of Health & Human Services - Direct			**$ 85,320**
Pass-Through Program from:				
University Hospital	CFHS Cleveland Regional Perinatal Network Grant	93.994	1810011MC	$ 26,156
	Cleveland Regional Perinatal Network	93.994	1830021BM07	24,439
Ohio Department of Health	Tuberculosis Prevention & Control	93.118	1830012TB0109; 1830012TB0210	188,222
	Federal HIV Care - Title II	93.917	01830011HC0208; 01830011HC0309	85,290
	Ryan White Emergency Assistance Funding - Title II	93.917	n/a	10,950
Help Me Grow-Cuyahoga County	HMG Hospital Based Regional Child Find	93.558	n/a	912
Center for Community Solutions	Title X/Family Planning	93.217	5FPHPA050520-33-0; 5FPHPA050520-34-0; 5FPHPA050520-33-00; 5FPHPA050520-33-0; 5FPHPA050520-34-0	138,491
Cuyahoga County Board of Commissioners	Ryan White Title I	93.914	CE0900731-01; CE0900439-01	1,218,875
Center for Health Affairs	HRSA Emergency Preparedness/ASPR Grant	93.889	n/a	23,065
Cuyahoga County Board of Health	Immunization Action Plan	93.268	n/a	60,026
	TOTAL --- U.S. Department of Health & Human Services			**$ 1,861,746**

See Notes to this Schedule.

Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2009

U.S. Department of Labor:					
Pass-Through Program from:					
NEO Health Science & Innovation Coalition	Paths to Advancement for Entry Level Employees	17.260	001B-2008	$	23,571
		TOTAL — U.S. Department of Labor		**$**	**23,571**
Research and Development Cluster					
U.S. Department of Education					
Direct Programs:	NORSCIS - Collaborative Project	84.133	H133N060017	$	538,565
		Subtotal - U.S. Department of Education - Direct		**$**	**538,565**
U.S. Department of Health & Human Services:					
Direct Programs:	Molecular Mechanism of Chemoprevention by Benzylistothiocyan	93.393	1R03CA137476	$	78,621
	Kirschstein National Research Service Award	93.837	F32HL090350		27,031
	Role of Molecular Chaperones	93.837	1R01HL071789		89,809
		Subtotal - U.S. Department of Health & Human Services - Direct		**$**	**195,461**
		Subtotal - Research & Development Cluster - Direct		**$**	**734,026**
Pass-Through Program from:					
Massachusetts General Hospital	Multicenter Pilot Studies for ED Tobacco Interventions	93.279	R21DA020771	$	8,068
University of Cincinnati	Effect of Improved Hospital Reimbursements for RT-PA Use	93.283	SRS20834; SAP1004826		712
Amer Academy Peds, UMDNJ	Breastfeeding Promotion in Physicians' Office Practices	93.283	U36/CCU319276		1,100
Cleveland Clinic Foundation	GOG Trials Gynecologic Oncology Group	93.395	CA027469		10,967
Duke Clinical Research Institute	American College of Surgeons Oncology Group	93.395	CA076001		10
University of Rochester	Risk Stratification in Madit II Type Patients	93.837	R01HL077478		5,363
Yale University	Telemonitoring to Improve Heart Failure	93.837	HL080228		11,776
Univ of North Carolina, NIH-NIDDK	Multicenter Clinical Trial of Focal Glomerulosclerosis	93.849	5U01DK063455		1,578
Cleveland Medical Devices, NIH-NINDS	Intraoperative Brain Dysfunction Monitor/Detector	93.853	2-R444-NS-047815		(2,393)
UMDNJ / NIH-NINDS	Warfarin Versus Aspirin in Reduced Cardiac Ejection Fraction	93.853	NS039143		1,518
Mayo / NIH-NINDS	SWISS A Single Rising Dose Study of FK506 Lipid Complex	93.853	NS039987		1,295
University of Texas Health Center / NIH-NINDS	SPS-3 Prevention of Small Subcortical Strokes	93.853	NS038529		123,393
Yale / NIH-NINDS	Insulin Resistance Intervention After Stroke Trial	93.853	NS044876		23,127
University of Miami / NIH-NINDS	ALIAS Phase III Trial Albumin in Acute Ischemic Stroke	93.853	NS040406		11,880
Columbia / NIH-NINDS	Subcontract to Columbia's NIH Grant, Minocycline in ALS	93.853	NS045294		147
University of Virginia / NIH-NCI	Multicenter Study of Duration of Antibiotics	93.859	GC11617-130374; GC11617-134415		6,458
Emmes Corporation/ NIH-NICHD	Emmes Safe Labor Subcontract	93.865	HHSN267200603425C		212
AEHN / NIH-NR	Wilson Medical Rehabilitation Scientist Development Program Award	93.865	K12 HD001097		57,977
HRSA - Bureau of Health Profe	Special Project of National Significance (JAIL)	93.928	H97HA0854301		17,918
Care Alliance, HRSA	Care Alliance Subcontract From HRSA Enhancing Linkages	93.928	H97HA085343-01-02		82,269
New England Research Instit, NIH-NHLBI	Treatment of Preserved Cardiac Function Heart Failure	n/a	N01HC045207		3,111
University of California SF/NIH-NHLBI	VEST Predicts	93.837	U01HL089458		1,254
University of Minnesota/NIH-NIAMS	FAITH Hip Fracture	93.846	N00188516		2,124
Harvard Pilgrim Healthcare/CDC	Electronic Medical Record Support for Public Health	93.061	P01HK000016		104,713
		Subtotal - Research & Development Cluster - Pass Through		**$**	**474,577**
		TOTAL - Research & Development Cluster		**$**	**1,208,603**
		TOTAL EXPENDITURES OF FEDERAL AWARDS		**$**	**7,940,714**

See Notes to this Schedule.

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The MetroHealth System (the System) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

For the purposes of this schedule, federal awards include direct federal awards and pass-through funds received from nonfederal organizations made under federally sponsored programs conducted by those organizations.

All programs are classified under the federal department that sponsors the program. Pass-through programs are also presented by the entity through which the System received the federal award. Catalog of Federal Domestic Assistance (CFDA) numbers are presented when such numbers are available.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Trustees of
The MetroHealth System
Cleveland, Ohio

We have audited the financial statements of The MetroHealth System (the System) as of and for the year ended December 31, 2009, and have issued our report thereon dated April 28, 2010. Our report includes a reference to 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. Other auditors audited the financial statements of The MetroHealth Foundation, Inc. (the Foundation), as described in our report on the System's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements, will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting: Findings 2009-1 through 2009-6. A *significant deficiency* is a deficiency, or a combination or deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of the System in a separate letter dated April 28, 2010.

The System's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the System's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Trustees, management of The MetroHealth System, the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Cleveland, Ohio
April 28, 2010

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Board of Trustees of
The MetroHealth System
Cleveland, Ohio

Compliance

We have audited the compliance of The MetroHealth System (the System) with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The System's major federal programs are identified in the summary of auditor's 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 System's management. Our responsibility is to express an opinion on the System's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 System'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 of the System's compliance with those requirements.

In our opinion, the System 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, 2009.

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 (Continued)

Internal Control Over Compliance
Management of the System is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the System's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design of operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirements of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees and management of The MetroHealth System, the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Cleveland, Ohio
April 28, 2010

The MetroHealth System
(A Component Unit of Cuyahoga County)

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified Opinion			
Internal control over financial reporting:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified ?	X	yes		none reported
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified ?		yes	X	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified Opinion			
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?		yes	X	no

CFDA Number(s)	Name of Federal Program or Cluster
Numerous	Research and Development Cluster
93.914	Ryan White Title I

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000			
Auditee qualified as a low risk auditee?	X	yes		no

Section II - Financial Statement Findings

Finding Number:	2009-1
Finding Description:	Fiscal Management
Criteria:	A strong internal control environment should include processes that are designed to provide reasonable assurance about the achievement of an entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
Condition:	The obligation associated with asset retirements was not adjusted in a timely manner resulting in an overstatement of liabilities at December 31, 2008 of approximately $4 million dollars.
Context:	This condition was identified during our audit of the System's financial statement activity for the year ended December 31, 2009.
Effect:	This condition could lead to an inaccurate representation of the extent of the System's asset retirement obligations.
Cause:	This overstatement was due to the fact that the implications of GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, was not considered in a timely manner. The System evaluated the obligation in accordance with the Asset *Retirement and Environmental Obligations Topic of the Accounting Standards Codification.*
Recommendation:	The System has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), statements and interpretations issued prior to November 30, 1989 and all those issued after November 30, 1989, which do not conflict or contradict Government Accounting Standards Board (GASB) pronouncements. We recommend that the System consider adopting one set of pronouncements those being the GASB pronouncements.

Views of responsible officials and planned corrective actions:

The System is reviewing the recommendation to switch to following one set of pronouncements and will likely switch to using just those issued by the Governmental Accounting Standards Board. A designated accountant within the team will be responsible to ensure compliance with all newly released GASB pronouncements. This process will be validated by the MetroHealth Internal Audit function.

Section II – Financial Statement Findings (Continued)

Finding Number: 2009-2

Finding Description: Internal controls surrounding payroll

Criteria: A strong internal control environment should include processes that are designed to provide reasonable assurance about the achievement of an entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: There was an inadequate segregation of duties with respect to the payroll system. Specifically, payroll clerks have the ability to override employee pay rates and hours within the payroll module and current procedures do not include controls to monitor the frequency, nature and authorization for items overridden. In addition, timekeepers have the ability to update employee timekeeping data after the manager has approved the timecard.

We noted that user access to the payroll module security classes is not periodically reviewed to ensure that edit/update access is appropriate for the employee's current level and position.

We noted that time cards are not consistently approved as required by the payroll policy.

We noted that employee termination documentation may not be completed and provided to Human Resources timely by departments or entered into the system timely by Human Resources.

Context: These conditions were identified during our review of the System's key internal controls over the payroll transaction cycle and during our review and consideration of the System's internal audit reports.

We have noted that in the fourth quarter of 2009, the System has implemented new temporary override approval procedures, restricted access to the payroll system, that allows permanent overrides, to appropriate individuals, reviewed and updated all payroll security class profiles to ensure that access in each class is appropriate, implemented a process to review employee access rights regularly, developed monitoring reports to ensure that time cards are being approved, revised the time keeping software system configuration to disallow any timekeeper changes subsequent to manager approval of time sheets and drafted a revised policy to ensure timely communication of termination information to appropriate departments.

We have noted that as it relates to the internal control environments surrounding the major federal programs, the System has compensating controls in place which would mitigate the effects of this deficiency.

Effect: Inadequate segregation of duties and inappropriate access rights to the payroll system could result in misappropriation of assets and increases the risk for inaccurate payments.

Section II – Financial Statement Findings (Continued)

Cause: The deficiencies in controls were a result of management not regularly reviewing employees' access rights and ensuring compliance with the System's policies and procedures as it relates to payroll.

Recommendation: We recommend that management adhere to the policies and procedures that have been implemented and consider policies and procedures that may provide additional enhancements to the internal controls over payroll.

Views of responsible officials and planned corrective actions:

As mentioned in the context section, management has undertaken corrective actions to the conditions noted. Management will continue to monitor the progress of the corrective actions. The System is currently working with its internal audit firm on identifying other internal controls that can be implemented in payroll processing to ensure the risk of misappropriation of assets or inaccurate payments is low. Listed below are the detailed corrective action plans the management team is implementing.

Permanent Overrides:

Security will be changed to 'View Only' on HR11 for all Payroll staff. Note: currently no Payroll Clerk has access to view or edit their own or any other Payroll's staff records whether on HR11 or time record.

New Temporary Override Procedure:

a. Payroll staff will give Manager Time Detail report (time cards) showing calc for each temporary transfer override needed.

b. Manager will review calculation and compare to the Time Card Audit Report (M1558) report and sign off.

c. Is in process of revising M1558 to print Operator ID which will show which Payroll or HR staff member has changed rates. Payroll Manager will discuss with Compensation the possibility of adding Job 2's for those employees who consistently transfer to same job code so rate changes will not be Payroll's responsibility.

Management did perform an audit of the Payroll department temporary overrides from pay period 1 through pay period 21 (all of 2009). The audit showed that an average of 40 employees per pay period that had a temporary override. None appeared to be inappropriate and a majority of the overrides were related to an employee functioning in a "job 2" capability.

Lawson Security class:

a. Payroll staff's security access will be reviewed (as stated in Rate Override section above).

b. Management review of Lawson employees' security class profiles will be performed as needed when a patch or upgrade that affects current security has been implemented.

c. Discussion has taken place in Lawson Users bi-weekly meetings to the possible upgrade to 9.0.1 in 2010. The ability to use "field based" security exists in Lawson today, but, would require IS resources to implement, management to evaluate further.

d. Payroll Manager will look into the functionality and cost of implementing an advanced report writer in Kronos. Currently, we only have access to Kronos standard reports.

Time Card Approval

The CFO has issued a directive that all managers must sign off on timecards effective November 1, 2009. Reports have been generated to monitor performance and provide feedback.

Section II – Financial Statement Findings (Continued)

Finding Number: 2009-3

Finding Description: Information Technology

Criteria: A strong internal control environment should include processes that are designed to provide reasonable assurance about the achievement of an entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: Management should review and evaluate:

The segregation of duties in the Information Technology department as it relates to the individuals responsible for building new servers and upgrading systems and applications software and placing the tested versions in production.

The logical access controls surrounding system software and applications

The policies, procedures and processes surrounding the testing of applications prior to their placement into production

The adequacy and sufficiency of the System's disaster recovery plan.

Context: These conditions were identified during our review of the Information Technology General Controls as it relates to the financial statement audit of the System.

Effect: Inadequate segregation of duties, inappropriate logical access and policies and procedures that do not meet the System's needs could cause security over data to be comprised and a disruption in operations.

Cause: The findings, while generally understood, were not able to be prioritized for immediate resolution but were planned for future disposition when additional time and resources became available.

Recommendation: Policies and procedures should be implemented to enhance the segregation of duties and logical access deficiencies noted as it relates to information technology. We also recommend performing an IT risk assessment and based on the result of the risk assessment, establishing an ongoing IT audit program to better understand and manage the risk to the System.

Views of responsible officials and planned corrective actions:

The MetroHealth Chief Information Officer has engaged interim management and external subject matter specialists to effect changes to Information Technology governance, processes, and controls. Information Technology Infrastructure Library (ITIL) based change management and business continuity initiatives are underway. Management anticipates that restructuring of the information management function and reengineering of Information Technology processes and controls will be substantially completed during 2010.

Section II – Financial Statement Findings (Continued)

Finding Number: 2009-4

Finding Description: Treasury

Criteria: A strong internal control environment should include processes that are designed to provide reasonable assurance about the achievement of an entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: The System lacks a policy that requires a secondary approval of wire transfers and ACH payments.

Context: This condition was identified during our review of the System's key controls surrounding the treasury controls.

Effect: Lack of a secondary approval increases the risk that an unauthorized payment could be processed and be undetected.

Cause: This deficiency is a result of the System not establishing a formal policy surrounding the secondary approval of wire transfers and ACH payments.

Recommendation: Management should conduct a review of existing policies and procedures and make enhancements where appropriate.

Views of responsible officials and planned corrective actions:

The System agrees with the recommendations made and is taking the following steps to initiate the recommended changes:

Action Plan #1

A detail review of all wire transfers for the Fiscal Year did not reveal any issues with the appropriateness of the transfers or the amounts.

Post-conversion from NCB to PNC (April 12), Treasurer will work with PNC to understand if they have a more defined secondary approval process built in to their ACH initiation tool at the bank. If not, we will have to design a process internally.

Action Plan #2

We had done an initial review of authority levels (dollar thresholds and approvers) back in October 2009. A revised authority matrix will be finalized including requirements for;

- Internal authorization requirements for the approval of an invoice
- Internal authorization requirements for the execution of the payment (i.e. wire / ACH, check) for an approved expenditure
- External limits placed on the execution of the payment for an approved expenditure

Approval levels, authorization requirements, and limits will be documented in a formal policy.

Section II – Financial Statement Findings (Continued)

Finding Number: 2009-5

Finding Description: Accounts payable

Criteria: A strong internal control environment should include processes that are designed to provide reasonable assurance about the achievement of an entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: We noted a lack of segregation of duties in the accounts payable department. Specifically, certain individuals were given access to certain components of the purchasing/accounts payable module. There was no formal review of the individuals' activity to monitor potential unauthorized changes.

Access rights to the purchasing/accounts payable module were not periodically reviewed and monitored to ensure that these rights are appropriate.

Changes to the vendor master file are not reviewed.

Context: This condition was identified during our review of the System's key controls as it relates to the purchasing/payables policies and our review and consideration of the System's internal audit report.

We have noted that as it relates to the internal control environments surrounding the major federal programs, the System has compensating controls in place which would mitigate the effects of this deficiency.

Effect: A lack of segregation of duties could lead to a misappropriation of assets.

In 2010, the System implemented a process to review and monitor all changes made to the vendor master file. In addition, as it relates to the individuals noted above, new security classes were created to limit access to functions required for their specific roles.

Cause: The deficiencies in controls were a result of management not regularly reviewing employees' access rights and implementing policies and procedures surrounding the review of the vendor master file.

Recommendation: Management should conduct a review of existing policies and procedures and make enhancements where appropriate.

Views of responsible officials and planned corrective actions:

As noted in the Effect section, the System has already implemented changes to address the conditions cited. In addition, in conjunction with the internal audit review of financial reporting, additional controls and processes will be considered to strengthen internal controls in the Accounts Payable department. The Accounts Payable and Supply Chain teams will review security access when employees are hired or terminated as well as when the ERP system is updated to ensure new forms and programs are properly secured.

Section II – Financial Statement Findings (Continued)

Finding Number:	2009-6
Finding Description:	Joint Ventures
Criteria:	A strong internal control environment should include processes that are designed to provide reasonable assurance about the achievement of an entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
Condition:	The System's internal controls surrounding the accounting for equity interests in joint ventures in accordance with GASB 14, *Financial Reporting Entity,* should be enhanced.
Context:	The System maintains investment interests in two joint ventures. The value of these investments is not reflected in the financial statements as indicated in footnote 11 of the financial statements.
Effect:	Excluding the value of investment interests in joint ventures could potentially cause a material misstatement of the financial statements.
Cause:	The System has not reflected its equity interest in joint ventures because management believes it has obtained sufficient information to conclude that the financial statements of the System are not materially misstated without such information.
Recommendation:	Policies and procedures surrounding the accounting for joint ventures should be evaluated to ensure that they are adequate to correctly account for equity interests in joint ventures in accordance with GASB 14, *Financial Reporting Entity.*

Views of responsible officials and planned corrective actions:

The System will undertake a complete review of the policy and procedures related to joint venture accounting. The review will include documenting the requirements of GASB 14, *Financial Reporting Entity,* the relationship with the joint venture partners and the availability, accuracy and timeliness of financial information in order to accurately report the System's joint venture interests.

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2009

Section III - Findings and Questioned Costs for Federal Awards

None.

Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended December 31, 2008

Section II – Financial Statement Findings

No findings were noted.

Section III – Findings and Questioned Costs for Federal Awards

Finding No. 08-01 Medicaid Assistance Program
CFDA # 93.778

Summary of Prior Year Finding

One individual visit, of a sample of twenty-five, was inaccurately billed to the Cuyahoga County Community Mental Health Board.

Status

Completed/Ongoing:
MetroHealth Specialty Care Services continued its education program to all providers to reinforce the importance of billing accuracy and proper use of the units of service conversion chart. Specialty Care Services Administration also continued its random audit of service units billed against the provider's documentation in the patient charts.

Finding No. 08-02 HIV Emergency Relief Project Grants (Ryan White Title I – Medical/Dental Services)
CFDA# 93.914

Summary of Prior Year Finding

Four individual dentistry visits, of a sample of twenty-five visits, including medical and dental, reviewed were reclassified by the System as being related to the Ryan White program even though they did not meet the qualifications of an allowable billable visit under the grant agreement. The patients were insured by a third party.

Status

Completed/Ongoing:
The Department of Dentistry reconfirms patient eligibility prior to approving the service as 'billable' under the Ryan White program. Additional on-line resources are also utilized to ensure the patient is not covered by 3rd party insurers, including the Ohio Medicaid Portal system. Patients covered by Medicaid Spend-down are reviewed on a case-by-case basis with the Medicaid Spend Down Unit of MetroHealth. A designated staff member in Dentistry is assigned to handle all Ryan White encounters. Ryan White patients are encountered with additional supporting documentation, including:

- Designated Ryan White encounter form with hard copy of verified insurance
- Ryan White anonymous form with an additional question of possible secondary insurance
- HIPAA form

Ryan White documentation is scanned in Epic with a hard copy stored for subsequent audits.

Mary Taylor, CPA
Auditor of State

METROHEALTH SYSTEM

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 5, 2010

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