

Cuyahoga County, Ohio

*Single Audit Report
for the Year Ended
December 31, 2002*



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Cuyahoga County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2002 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

November 4, 2003

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CUYAHOGA COUNTY, OHIO

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FRANK RUSSO
CUYAHOGA COUNTY AUDITOR

June 20, 2003

Dear Users of County's General Purpose Financial Statements:

The accompanying general purpose financial statements of the County as of and for the year ended December 31, 2002 include the financial statements and notes required under accounting principles generally accepted in the United States of America that are essential to fair presentation of the County's financial position and results of operations and of the cash flows of the County's proprietary fund types. Additional information regarding the County's financial activities for 2002 is available in the County's separately issued Comprehensive Annual Financial Report ("CAFR") for the year ended December 31, 2002. Copies of the CAFR can be obtained by contacting me at:

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

Telephone: (216) 443-7022

Sincerely,

Steven C. Letsky, CPA
Director of Accounting

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Cuyahoga, Ohio (the "County") as of and for the year ended December 31, 2002, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, MetroHealth System. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, MetroHealth System, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Human Services Fund, Health and Human Services Levies Fund, Board of Mental Retardation Fund, and Health and Community Services Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes A and R to the basic financial statements, effective January 1, 2002, the County implemented Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

The management's discussion and analysis on pages 4 through 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2003 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

June 20, 2003

Management's Discussion and Analysis

As management of Cuyahoga County, we offer readers of Cuyahoga County's financial statements this narrative overview and analysis of the financial activities of Cuyahoga County for the fiscal year ended December 31, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv-xii of this report.

Financial Highlights

- The assets of Cuyahoga County exceeded its liabilities at the close of the most recent fiscal year by \$500.7 million (*net assets*).
- The government's total net assets decreased by \$63.8 million.
- As of the close of the current fiscal year, Cuyahoga County's governmental funds reported a combined ending fund balances of \$235.9 million, a decrease of \$43.4 million in comparison with the prior year. Approximately 74% of this total amount, \$174.6 million, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$118.2 million, or 42% of total general fund expenditures.
- Additions to Cuyahoga County's total debt were \$101 million during the current fiscal year. Reductions in debt during 2002 amounted to \$58.6 million for a net increase of \$42.4 million. The key factor in this increase was the special termination benefits liability resulting from the Early Retirement Incentive Program (ERIP) for employees amounting to \$68.3 million. The net impact of ERIP in 2002 amounted to \$50.8 million.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of Cuyahoga County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and

charges (*business-type activities*). The governmental activities of Cuyahoga County include general government, judicial, development, social services, health and safety and public works. The business-type activities of Cuyahoga County include a sanitary sewer authority, an airport, a parking garage and a crime information system.

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

The government-wide financial statements can be found on pages 15 - 17 of the report.

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

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

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

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

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

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

Proprietary funds. Cuyahoga County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Cuyahoga County uses enterprise funds to account for its sanitary sewer, airport,

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sanitary Engineer which is considered to be a major fund of Cuyahoga County. Conversely, the Internal Service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 28 - 31 of this report.

Fiduciary fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support Cuyahoga County's own programs.

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

Budgetary fund financial statements. The County's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The budgetary statements for the General fund and all annually budgeted major Special Revenue funds are presented to demonstrate the County's compliance with annually adopted budgets.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 – 64 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *other supplementary information*. The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented in the other supplementary information. Combining and individual fund statements and schedules can be found on pages 66 – 106 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Cuyahoga County, assets exceeded liabilities by \$500.7 million at the close of the most recent fiscal year. This is the first year for Cuyahoga County in implementing the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This statement requires a comparative analysis of government-wide data in the Management Discussion and Analysis (MD&A) section. Since this is the first year of implementing the new standard, comparative data is not available. In future years, comparative data will be presented.

Cuyahoga County's Net Assets (in 000's)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets.....	\$ 711,127	\$ 11,542	\$ 722,669
Capital assets.....	<u>602,718</u>	<u>45,805</u>	<u>648,523</u>
Total assets.....	1,313,845	57,347	1,371,192
Long-term liabilities outstanding	408,801	9,926	418,727
Other liabilities.....	<u>443,422</u>	<u>8,307</u>	<u>451,729</u>
Total liabilities.....	852,223	18,233	870,456
Net assets:			
Invested in capital assets, net of related debt	382,539	31,182	413,721
Restricted	35,262		35,262
Unrestricted	<u>43,821</u>	<u>7,932</u>	<u>51,753</u>
Total net assets	\$ <u>461,622</u>	\$ <u>39,114</u>	\$ <u>500,736</u>

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

By far the largest portion of Cuyahoga County's net assets (82.6%) reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. Cuyahoga County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Cuyahoga County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

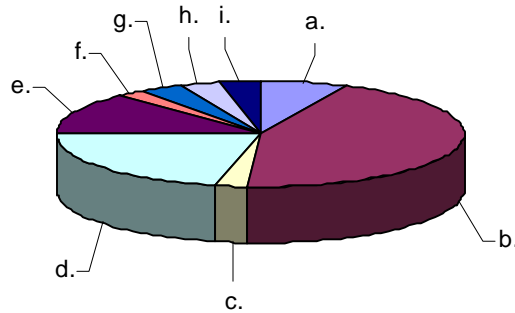
An additional portion of Cuyahoga County's net assets, restricted net assets (7%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$51.8 million) may be used to meet the government's ongoing obligations to citizens and creditors.

CUYAHOGA COUNTY'S CHANGES IN NET ASSETS
(Amounts in 000's)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for Services.....	\$ 85,588	\$ 14,742	\$ 100,330
Operating grants and contributions.....	541,488	106	541,594
Capital grants and contributions	30,090		30,090
General revenues:			
Property taxes	259,892		259,892
Sales and other taxes	186,168		186,168
Grants and contributions not restricted to specific programs	34,869		34,869
Other	<u>85,755</u>	<u>92</u>	<u>85,847</u>
Total revenues	1,223,850	14,940	1,238,790
Expenses:			
General Government.....	78,570		78,570
Judicial	299,231		299,231
Development	30,630		30,630
Social Services.....	633,133		633,133
Health and Safety.....	156,824		156,824
Public Works	69,272		69,272
Interest	16,929		16,929
Sanitary Engineer.....		11,299	11,299
Airport.....		1,970	1,970
Huntington Park Garage		1,890	1,890
Cuyahoga County Information System		<u>2,801</u>	<u>2,801</u>
Total expenses.....	1,284,589	17,960	1,302,549
Decrease in net assets before transfers	(60,739)	(3,020)	(63,759)
Transfers	<u>(107)</u>	<u>107</u>	
Change in net assets	(60,846)	(2,913)	(63,759)
Net assets – 1/1/02	<u>522,468</u>	<u>42,027</u>	<u>564,495</u>
Net assets – 12/31/02	\$ <u>461,622</u>	\$ <u>39,114</u>	\$ <u>500,736</u>

The government's net assets decreased by \$63.8 million during the current fiscal year. The primary reason for the reduction in net assets resulted from budget cuts of approximately \$65 million (net of reconciled prior year adjustments between the County and the State of Ohio) for human service programs by the State of Ohio. Refer to the Economic Factors and Next Year's Budgets and Rates section for the County's replacement of these lost state dollars with a levy for health and human services.

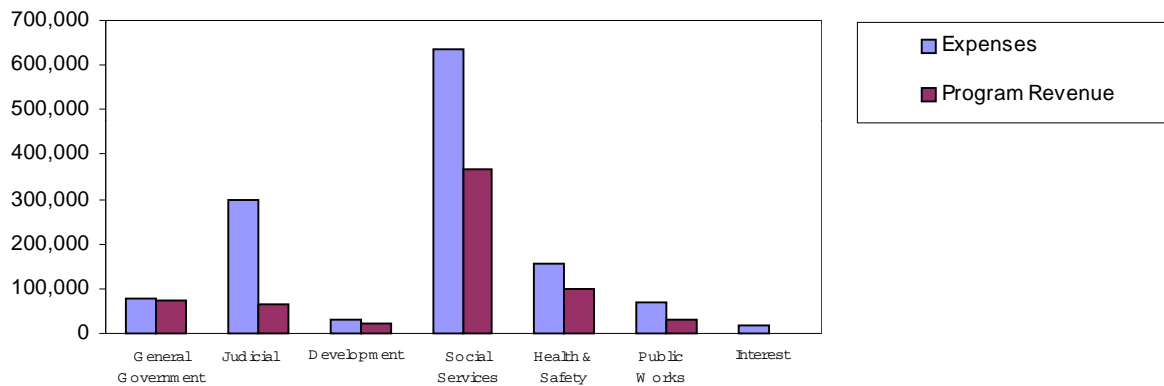
Revenues by Source – Governmental Activities



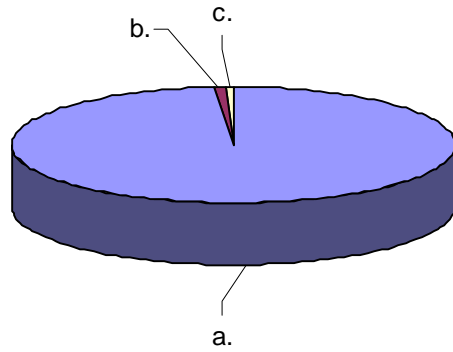
(Amounts in 000's)		
a.	Charges for Services	\$ 85,588
b.	Operating Grants and Contributions	541,488
c.	Capital Grants, Contributions and Interest..	30,090
d.	Property Tax	259,892
e.	Sales Tax.....	157,192
f.	Other Tax.....	28,976
g.	State local government	43,709
h.	Grants and Contributions not restricted to a specific programs.....	34,869
i.	Other.....	42,046

Expenses and Program Revenues – Governmental Activities

(Amounts in 000's)



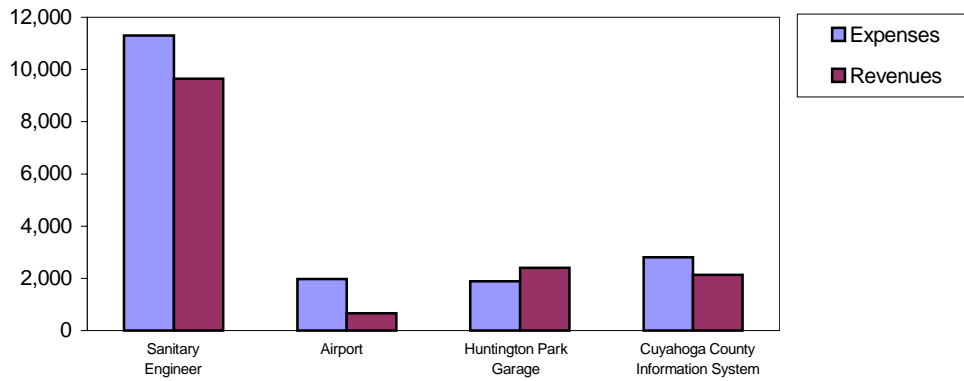
Revenue by Source – Business-type Activities



(Amounts in 000's)	
a. Charges for Services	\$ 14,742
b. Operating Grants & Contributions.....	106
c. Other.....	92

Expenses and Program Revenues – Business-type Activities

(Amounts in 000's)



Governmental activities. Governmental activities decreased Cuyahoga County's net assets by \$60.8 million. Key elements of this decrease are as follows:

- The County's Early Retirement Incentive Program increased expenses \$66.5 million during 2002. The net impact of ERIP during 2002 was \$49.4 million. The County expects to save money in the long-term by reducing the number of employees by up to 60% of the retirees over 5 years.
- The State of Ohio reduced its funding to the County by approximately \$65 million (net of prior year reconciliations between the County and the State). Reference the Economic Facts and Next Year's Budgets and Rates section for a discussion on a health and human services levy to replace lost state dollars.

Business-type activities. Business-type activities decreased Cuyahoga County's net assets by \$2.9 million. Key elements of this decrease are as follows.

- The County's early retirement which increased expenses \$1.8 million during 2002. The net impact of ERIP during 2002 was \$1.4 million.
- There was a net decrease of \$.7 million in subsidies from the General fund to support operations. Due to budget reductions, the subsidy was reduced in 2002.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, Cuyahoga County's governmental funds reported combined ending fund balances of \$235.9 million, a decrease of \$43.4 million in comparison with the prior year. Approximately \$174.6 million constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed (1) for restricted assets (\$35.8 million), (2) for loans (\$14.7 million), (3) to pay debt service (\$10.7 million).

The general fund is the chief operating fund of Cuyahoga County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$118.2 million, while fund balance reached \$164.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 42% of total general fund expenditures, while total fund balance represents 58.6% of that same amount.

The fund balance of Cuyahoga County's general fund decreased by \$16.5 million, during the current fiscal year. Key factors in this reduction are as follows:

- An increase in the amount of General fund subsidy to Human Services to cover certain reductions in state funding.
- Decrease in major funding sources such as sales tax, state local government monies and investment earnings.

- Payouts for the Early Retirement Incentive Program. Over 60% of the effected employees retired during 2002. The full impact of cost saving does not begin until 2003.

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

Unrestricted net assets of the Sanitary Engineer at the end of the year amounted to \$6.7 million and all others amounted to \$1.5 million. The total decrease in net assets was \$2.6 million. Other factors concerning the finances of these two funds have already been addressed in the discussion of Cuyahoga County's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$64.7 million and can be briefly summarized as follow:

- The County reduced all General fund and General fund supported agencies' budgets by 11% of projected 2002 spending levels. The net impact of the budget cut and adjustments during the year resulted in an overall reduction in these budgets from 2001 levels of 5%.
- \$11.5 million increase in judicial to restore some of the original budget reductions.
- \$51 million in subsidies in order to replace funding the state was no longer providing.

The increases in budget were funded from available fund balance budgeted. The final budgeted fund balance was exceeded by \$17.3 million in actual fund balance.

Capital Asset and Debt Administration

Capital assets. Cuyahoga County's investment in capital assets for its governmental and business-type activities as of December 31, 2002, amounts to \$648.5 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, utility plant, building structures and improvements, furniture, fixtures and equipment, vehicles, infrastructure and construction in progress. The total increase in Cuyahoga County's investment in capital assets for the current fiscal year was 2.6% (a 3% increase for governmental activities and a 3.2% decrease for business-type activities).

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

CUYAHOGA COUNTY'S CAPITAL ASSETS
(Net of depreciation, amounts in 000's)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>1/1/2002</u>	<u>12/31/2002</u>	<u>1/1/2002</u>	<u>12/31/2002</u>	<u>1/1/2002</u>	<u>12/31/2002</u>
Land.....	\$ 33,472	\$ 32,774	\$ 5,802	\$ 5,802	\$ 39,274	\$ 38,576
Land improvements.....	2,074	2,325	3,496	3,358	5,570	5,683
Utility plant			19,675	20,329	19,675	20,329
Building structure and improvements.....	247,785	255,963	8,656	7,990	256,441	263,953
Furniture, fixtures and equipment	11,975	10,186	692	574	12,667	10,760
Vehicles	4,990	3,771	1,003	786	5,993	4,557
Infrastructure.....	222,250	210,408			222,250	210,408
Construction in progress	<u>62,417</u>	<u>87,291</u>	<u>7,989</u>	<u>6,966</u>	<u>70,406</u>	<u>94,257</u>
Total	\$ <u>584,963</u>	\$ <u>602,718</u>	\$ <u>47,313</u>	\$ <u>45,805</u>	\$ <u>632,276</u>	\$ <u>648,523</u>

Most of the major construction projects were related to various courts including \$4.6 million for elevator replacement at the Justice Center, \$1.3 million each for Courthouse and Juvenile Court Tower roof replacements, \$1.9 million for the new Youth Intervention Center and \$1.4 million for the new County Kennel.

In addition, the County recorded \$18.5 million for a new capital lease which houses a human services neighborhood center.

Additional information on Cuyahoga County's capital assets can be found in Note E on pages 45 – 47 of this report.

Long-term debt. At the end of the current fiscal year, Cuyahoga County had total bonded debt outstanding of \$311.1 million. Of this amount, \$189.1 million comprises debt backed by the full faith and credit of the government and \$2.4 million is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of Cuyahoga County's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) and other debt such as notes to be financed by future bonds, loans and an installment purchase agreement financed by non-tax sources.

**Cuyahoga County's Outstanding Debt
General Obligation Bonds and Other Long-term Debt**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>1/1/2002</u>	<u>12/31/2002</u>	<u>1/1/2002</u>	<u>12/31/2002</u>	<u>1/1/2002</u>	<u>12/31/2002</u>
General obligation bonds	\$ 205,365	\$ 189,145	\$	\$	\$ 205,365	\$ 189,145
Special assessment debt with governmental commitment.....			2,635	2,495	2,635	2,495
Revenue bonds	123,128	119,540			123,128	119,540
Bond anticipation notes.....	2,440	2,440	6,105	6,083	8,545	8,523
Loans	3,888	3,610	6,357	6,045	10,245	9,655
Installment purchase agreements .	<u>15,368</u>	<u>13,695</u>			<u>15,368</u>	<u>13,695</u>
Total	\$ <u>350,189</u>	\$ <u>328,430</u>	\$ <u>15,097</u>	\$ <u>14,623</u>	\$ <u>365,286</u>	\$ <u>343,053</u>

Cuyahoga County's total debt decreased by \$22.2 million (6%) during the current fiscal year. The County refinanced some bond anticipation notes but issued no new debt.

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

State statutes limit the amount of general obligation debt a governmental entity may issue up to 1% of its total assessed valuation. The current debt limitation (voted and unvoted) for Cuyahoga County is \$556.5 million which is significantly in excess of Cuyahoga County's outstanding general obligation debt.

Additional information on Cuyahoga County's long-term debt can be found in Note F on pages 48 - 54 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Cuyahoga County is currently 6.7%, compared to 4.5% a year ago.
- The vacancy rate of the government's central business district has increased from 8.5% to 8.9% in the past year.

Each of these factors were considered in preparing Cuyahoga County's budget for the 2002 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund decreased \$17.3 million. The County spent down reserves in order to offset cuts in state funding to the County. The County passed a 4.9 mill health and human services levy in May 2003 in order to offset the loss of state dollars. The levy is expected to generate an additional \$58.8 million.

Request for Information

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

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

**DECEMBER 31, 2002
(Amounts in 000's)**

	Primary Government			Component Unit MetroHealth System
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Equity in pooled cash and investments.....	\$ 233,377	\$ 8,174	\$ 241,551	\$ 6,534
Cash and investments-segregated accounts.....	587		587	230,661
Receivables:				
Taxes (net of allowance for uncollectibles).....	309,173		309,173	
Accounts (net of allowance for uncollectibles).....	773	110	883	45,244
Special assessments (net of allowance for uncollectibles).....		2,999	2,999	
Accrued interest	3,070		3,070	
Loans (net of allowance for uncollectibles).....	14,728		14,728	
Net receivables.....	327,744	3,109	330,853	45,244
Internal balances.....	467	(467)		
Due from other governments.....	109,207	682	109,889	
Inventory of supplies.....	24	9	33	4,796
Prepaid expenses and other assets.....				18,448
Other assets.....		35	35	6,663
Restricted assets:				
Cash and investments.....	39,721		39,721	57,928
Capital assets (net of accumulated depreciation):				
Land.....	32,774	5,802	38,576	8,954
Land improvements.....	2,325	3,358	5,683	1,315
Utility plant.....		20,329	20,329	
Buildings, structures and improvements.....	255,963	7,990	263,953	141,610
Furniture, fixtures and equipment.....	10,186	574	10,760	35,369
Vehicles.....	3,771	786	4,557	5,572
Infrastructure.....	210,408		210,408	
Construction in progress.....	87,291	6,966	94,257	18,667
Net capital assets.....	602,718	45,805	648,523	211,487
TOTAL ASSETS	1,313,845	57,347	1,371,192	581,761
LIABILITIES				
Accounts payable.....	71,770	584	72,354	20,084
Deferred revenue.....	282,631		282,631	
Due to other governments.....	19,654	26	19,680	
Accrued wages and benefits.....	18,079	242	18,321	23,709
Matured bonds payable.....	14	394	408	15,797
Other liabilities.....	1,800		1,800	
Short-term notes payable.....	2,440		2,440	
Accrued interest payable.....	1,596		1,596	
Noncurrent liabilities:				
Due within one year.....	45,438	7,061	52,499	33,941
Due in more than one year.....	408,801	9,926	418,727	256,550
TOTAL LIABILITIES	852,223	18,233	870,456	350,081
NET ASSETS				
Invested in capital assets, net of related debt.....	382,539	31,182	413,721	42,977
Restricted for:				
Restricted assets	24,537		24,537	2,347
Debt service.....	10,725		10,725	52,109
Unrestricted.....	43,821	7,932	51,753	134,247
TOTAL NET ASSETS	\$ 461,622	\$ 39,114	\$ 500,736	\$ 231,680

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

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

**FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Primary Government:		
Governmental activities:		
General government.....	\$ 78,570	\$ 52,800
Judicial.....	299,231	28,548
Development.....	30,630	337
Social services.....	633,133	749
Health and safety.....	156,824	1,044
Public works.....	69,272	2,110
Interest on long-term debt.....	16,929	
Total governmental activities.....	<u>1,284,589</u>	<u>85,588</u>
Business-type activities:		
Sanitary Engineer.....	11,299	9,644
Airport.....	1,970	607
Huntington Park Garage.....	1,890	2,406
Cuyahoga County Information System.....	2,801	2,085
Total business-type activities.....	<u>17,960</u>	<u>14,742</u>
Total primary government.....	<u>\$ 1,302,549</u>	<u>\$ 100,330</u>
Component unit:		
MetroHealth System.....	<u>\$ 521,598</u>	<u>\$ 456,693</u>

Net (Expense) Revenue and Changes in Net Assets					
Program Income		Primary Government			Component Unit MetroHealth System
Operating Grants and Contributions	Capital Grants, Contributions and Interest	Governmental Activities	Business- Type Activities	Totals	
\$ 20,267	\$	\$ (5,503)	\$	\$ (5,503)	\$
34,568		(236,115)		(236,115)	
20,738		(9,555)		(9,555)	
366,766		(265,618)		(265,618)	
99,149		(56,631)		(56,631)	
	30,090	(37,072)		(37,072)	
		(16,929)		(16,929)	
<u>541,488</u>	<u>30,090</u>	<u>(627,423)</u>		<u>(627,423)</u>	
			(1,655)	(1,655)	
55			(1,308)	(1,308)	
			516	516	
51			(665)	(665)	
<u>106</u>			<u>(3,112)</u>	<u>(3,112)</u>	
<u>\$ 541,594</u>	<u>\$ 30,090</u>	<u>(627,423)</u>	<u>(3,112)</u>	<u>(630,535)</u>	
<u>\$ 26,542</u>	<u>\$ 44</u>				<u>(38,319)</u>
General Revenues:					
Taxes:					
Property.....		259,892		259,892	
Sales and use.....		157,192		157,192	
Other.....		28,976		28,976	
State local government fund.....		43,709		43,709	
Unrestricted investment earnings.....		25,107	22	25,129	12,581
Grants and contributions					
not restricted to specific programs.....		34,869		34,869	
Miscellaneous.....		16,939	70	17,009	20,884
Transfers.....		(107)	107		
Total general revenues, and transfers.....		<u>566,577</u>	<u>199</u>	<u>566,776</u>	<u>33,465</u>
Change in net assets.....		(60,846)	(2,913)	(63,759)	(4,854)
Net assets-beginning (as restated).....		522,468	42,027	564,495	236,534
Net assets-ending.....		\$ 461,622	\$ 39,114	\$ 500,736	\$ 231,680

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

**DECEMBER 31, 2002
(Amounts in 000's)**

	General Fund	Human Services	Health and Human Services Levies	County Board of Mental Retardation
ASSETS				
Equity in pooled cash and investments.....	\$ 78,120	\$	\$ 342	\$ 18,848
Cash and investments-segregated accounts.....				
Receivables:				
Taxes (net of allowance for uncollectibles).....	59,825		124,118	89,732
Accounts (net of allowance for uncollectibles)	354			
Accrued interest	2,879			4
Loans (net of allowance for uncollectibles).....	1,000			
Net receivables.....	64,058		124,118	89,736
Due from other funds.....	25,934			
Due from other governments.....	27,629	29,076	7,119	8,576
Restricted assets -				
Cash and investments.....	39,721			
TOTAL ASSETS.....	\$ 235,462	\$ 29,076	\$ 131,579	\$ 117,160
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	\$ 4,384	\$ 14,491	\$	\$ 3,164
Deferred revenue.....	50,161		129,620	93,871
Due to other funds.....	7,352	10,416		1,148
Due to other governments.....				
Accrued wages and benefits.....	6,874	4,169		3,325
Short-term notes payable.....				
Matured bonds payable.....				
Other Liabilities.....	1,800			
TOTAL LIABILITIES.....	70,571	29,076	129,620	101,508
Fund Balances:				
Reserved for:				
Restricted assets.....	35,849			
Loans receivable.....	1,000			
Debt service.....	9,850			
Unreserved, reported in:				
General Fund:				
Designated for self-insurance.....	1,139			
Designated for proprietary funds.....	10,983			
Undesignated.....	106,070			
Special Revenue Funds.....			1,959	15,652
Capital Projects Fund.....				
TOTAL FUND BALANCES.....	164,891		1,959	15,652
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 235,462	\$ 29,076	\$ 131,579	\$ 117,160

<u>Health and Community Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 31,148	\$ 44,170	\$ 172,628
	587	587
12,260	23,238	309,173
387	25	766
63	124	3,070
	<u>13,728</u>	<u>14,728</u>
<u>12,710</u>	<u>37,115</u>	<u>327,737</u>
5,116		31,050
20,046	16,761	109,207
		39,721
<u>\$ 69,020</u>	<u>\$ 98,633</u>	<u>\$ 680,930</u>

\$ 34,348	\$ 12,420	\$ 68,807
12,100	34,751	320,503
448	13,305	32,669
	2,000	2,000
1,573	811	16,752
	2,440	2,440
	14	14
		<u>1,800</u>
<u>48,469</u>	<u>65,741</u>	<u>444,985</u>

		35,849
	13,728	14,728
	875	10,725
		1,139
		10,983
		106,070
20,551	36,875	75,037
	<u>(18,586)</u>	<u>(18,586)</u>
<u>20,551</u>	<u>32,892</u>	<u>235,945</u>
<u>\$ 69,020</u>	<u>\$ 98,633</u>	<u>\$ 680,930</u>

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

**DECEMBER 31, 2002
(Amounts in 000's)**

Total fund balances for governmental funds.....	\$	235,945
Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and, therefore, are not reported in the funds.....		598,091
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.....		37,872
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.....		33,041
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.....		(443,327)
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	\$	<u>461,622</u>

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

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

FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts in 000's)

	General Fund	Human Services	Health and Human Services Levies	County Board of Mental Retardation
REVENUES				
Property taxes.....	\$ 20,983	\$	\$ 119,185	\$ 86,215
Sales and use tax.....	156,713			
Other tax.....	7		47	31
State local government fund.....	38,988			
Licenses and permits.....	101			
Charges for services.....	60,328	465		
Fines and forfeitures.....	7,050			
Investment earnings.....	23,170			28
Other intergovernmental.....	12,220	259,321	16,835	78,994
Miscellaneous.....	9,982	728		1,161
TOTAL REVENUES.....	329,542	260,514	136,067	166,429
EXPENDITURES				
Current:				
General government.....	47,564			
Judicial.....	211,365			
Development.....	3,566			
Social services.....	7,488	340,474		158,461
Health and safety.....	10,022		14,115	
Public works.....				
Capital Outlay.....				
Debt service:				
Principal retirement.....	485			
Interest.....	898			
TOTAL EXPENDITURES.....	281,388	340,474	14,115	158,461
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	48,154	(79,960)	121,952	7,968
OTHER FINANCING SOURCES (USES)				
Transfers in.....	1,679	62,613		32
Transfers out:				
Debt retirement.....	(9,131)			
Other.....	(57,246)	(716)	(121,934)	
Capitalized leases.....		18,063		
TOTAL OTHER FINANCING SOURCES (USES).....	(64,698)	79,960	(121,934)	32
NET CHANGE IN FUND BALANCES.....	(16,544)		18	8,000
FUND BALANCES AT BEGINNING OF YEAR.....				
	181,435		1,941	7,652
FUND BALANCES AT END OF YEAR.....				
	\$ 164,891	\$ 0	\$ 1,959	\$ 15,652

<u>Health and Community Services</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ 12,432	\$ 21,077	\$ 259,892
		156,713
	28,525	28,610
		38,988
1,157		1,258
16,075		76,868
132	282	7,464
447	2,044	25,689
161,495	77,044	605,909
1,153	3,955	16,979
<u>192,891</u>	<u>132,927</u>	<u>1,218,370</u>
16,047	2	63,613
43,503	21,221	276,089
4,404	16,523	24,493
114,868	9,013	630,304
129,859	2,519	156,515
1,577	60,604	62,181
	28,656	28,656
	20,996	21,481
	15,976	16,874
<u>310,258</u>	<u>175,510</u>	<u>1,280,206</u>
(117,367)	(42,583)	(61,836)
111,707	22,324	198,355
		(9,131)
(3,689)	(5,246)	(188,831)
		18,063
<u>108,018</u>	<u>17,078</u>	<u>18,456</u>
(9,349)	(25,505)	(43,380)
<u>29,900</u>	<u>58,397</u>	<u>279,325</u>
<u>\$ 20,551</u>	<u>\$ 32,892</u>	<u>\$ 235,945</u>

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

**FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)**

Net change in fund balances-total governmental funds.....	\$	(43,380)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets that meet capitalization requirements is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$49,273) exceeded depreciation (\$28,864) in the current period.....		
		20,409
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.....		
		5,517
Expenses reported as compensated absences and special termination benefits in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.....		
		(41,348)
Interest is reported as an expenditure when due in the governmental funds, but is reported as incurred in the statement of activities.....		
		(36)
The issuance of long-term debt, (notes, bonds, capital leases, etc.) provides current financial resources to governmental funds and is not reported in the statement of activities.		
		(18,063)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities and is not reported in the statement of activities.		
Capital lease obligations.....		1,329
Environmental Protection Agency Loan.....		28
Ohio Department of Development Loan.....		250
Installment purchase agreement.....		1,673
General obligation and revenue bonds.....		19,808
Certain net expenses of the internal service funds are reported with governmental activities in the statement of activities.....		
		(7,033)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	\$	<u>(60,846)</u>

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

COUNTY OF CUYAHOGA, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES—BUDGET AND ACTUAL—
ALL MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)

	General Fund			Human Services		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Final		Original	Final	
REVENUES						
Property taxes.....	\$ 21,529	\$ 21,195	\$ 21,021	\$	\$	
Sales and use tax.....	154,888	157,801	158,432			
Other tax.....	12	12	7			
State local government fund.....	38,999	38,999	39,000			
Licenses and permits.....	150	87	101			
Charges for services.....	51,992	58,846	60,371	1,821	1,715	465
Fines and forfeitures.....	6,450	5,468	6,216			
Investment earnings.....	19,500	20,821	22,002			
Other intergovernmental.....	11,632	10,530	11,737	225,885	348,272	299,421
Miscellaneous.....	2,950	2,845	3,332	1,945	2,417	728
TOTAL REVENUES.....	308,102	316,604	322,219	229,651	352,404	300,614
EXPENDITURES						
Current:						
General government.....	55,434	55,896	47,481			
Judicial.....	200,081	211,595	209,872			
Development.....	1,976	2,452	2,387			
Social services.....	7,578	7,956	7,770	300,533	333,075	322,130
Health and safety.....	9,529	9,544	9,501			
Public works.....						
TOTAL EXPENDITURES.....	274,598	287,443	277,011	300,533	333,075	322,130
EXCESS (DEFICIENCY) OF						
REVENUES OVER EXPENDITURES.....	33,504	29,161	45,208	(70,882)	19,329	(21,516)
OTHER FINANCING SOURCES (USES)						
Transfers in.....		2,297	2,297	70,794	77,295	77,528
Transfers out:						
Debt retirement.....	(8,353)	(9,131)	(9,131)			
Other.....	(30,283)	(81,331)	(80,097)			
TOTAL OTHER FINANCING SOURCES (USES).....	(38,636)	(88,165)	(86,931)	70,794	77,295	77,528
NET CHANGE IN FUND BALANCES.....	(5,132)	(59,004)	(41,723)	(88)	96,624	56,012
FUND BALANCES (DEFICITS) AT						
BEGINNING OF YEAR.....	141,623	141,623	141,623	(89,536)	(89,536)	(89,536)
FUND BALANCES (DEFICITS) AT						
END OF YEAR.....	\$ 136,491	\$ 82,619	\$ 99,900	\$ (89,624)	\$ 7,088	\$ (33,524)

Health and Human Services Levies			County Board of Mental Retardation			Health and Community Services		
Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
Original	Final		Original	Final		Original	Final	
\$ 122,337	\$ 119,292	\$ 119,292	\$ 86,944	\$ 88,439	\$ 86,295	\$ 12,000	\$ 12,300	\$ 12,422
	60	47	26	26	31			
						1,109	1,047	1,156
			320	320		13,759	17,071	16,064
						206	251	132
			120	120	25	416	388	451
13,927	16,854	16,835	78,453	79,133	78,908	163,546	169,592	165,363
			2,600	33	1,161	3,332	5,079	1,262
<u>136,264</u>	<u>136,206</u>	<u>136,174</u>	<u>168,463</u>	<u>168,071</u>	<u>166,420</u>	<u>194,368</u>	<u>205,728</u>	<u>196,850</u>
						16,481	17,045	16,647
						41,214	44,193	42,074
						4,906	4,817	4,267
			171,593	190,843	159,951	95,894	111,942	113,043
13,750	13,750	13,750				125,696	131,615	129,610
						1,952	1,919	1,699
<u>13,750</u>	<u>13,750</u>	<u>13,750</u>	<u>171,593</u>	<u>190,843</u>	<u>159,951</u>	<u>286,143</u>	<u>311,531</u>	<u>307,340</u>
122,514	122,456	122,424	(3,130)	(22,772)	6,469	(91,775)	(105,803)	(110,490)
			19,250	19,250	32	80,616	108,040	119,642
(122,514)	(122,079)	(121,934)				(1,976)	(4,454)	(4,290)
<u>(122,514)</u>	<u>(122,079)</u>	<u>(121,934)</u>	<u>19,250</u>	<u>19,250</u>	<u>32</u>	<u>78,640</u>	<u>103,586</u>	<u>115,352</u>
	377	490	16,120	(3,522)	6,501	(13,135)	(2,217)	4,862
(148)	(148)	(148)	4,184	4,184	4,184	13,449	13,449	13,449
<u>\$ (148)</u>	<u>\$ 229</u>	<u>\$ 342</u>	<u>\$ 20,304</u>	<u>\$ 662</u>	<u>\$ 10,685</u>	<u>\$ 314</u>	<u>\$ 11,232</u>	<u>\$ 18,311</u>

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

DECEMBER 31, 2002
(Amounts in 000's)

	BUSINESS-TYPE ACTIVITIES -			
	ENTERPRISE FUNDS			Governmental Activities- Internal Service Funds
	Sanitary Engineer	Other Enterprise Funds	Total Enterprise Funds	
ASSETS				
Current assets:				
Equity in pooled cash and investments.....	\$ 6,660	\$ 1,514	\$ 8,174	\$ 60,749
Receivables:				
Accounts (net of allowance for uncollectibles).....	12	98	110	7
Special assessments (net of allowance for uncollectibles).....	243	—	243	—
Net receivables.....	255	98	353	7
Due from other funds.....		18	18	5,744
Due from other governments.....		682	682	
Inventory of supplies.....		9	9	24
Total current assets.....	6,915	2,321	9,236	66,524
Noncurrent assets:				
Special assessments receivable (net of allowance for uncollectibles).....	2,756		2,756	
Other assets.....	35		35	
Capital assets (net of accumulated depreciation):				
Land.....	522	5,280	5,802	
Land improvements.....	562	2,796	3,358	
Utility plant.....	20,329		20,329	
Buildings, structures and improvements.....	3,205	4,785	7,990	
Furniture, fixtures and equipment.....	537	37	574	3,851
Vehicles.....	742	44	786	776
Construction in progress.....	6,943	23	6,966	
Net capital assets.....	32,840	12,965	45,805	4,627
Total noncurrent assets.....	35,631	12,965	48,596	4,627
TOTAL ASSETS.....	42,546	15,286	57,832	71,151
LIABILITIES				
Current liabilities:				
Accounts payable.....	163	421	584	2,963
Due to other funds.....	76	76	152	3,991
Due to other governments.....	26		26	17,654
Accrued wages and benefits.....	452	134	586	2,916
Other liabilities.....	394		394	
Capital lease obligations.....				95
Special termination benefits.....	430	43	473	2,646
Loans payable.....	320		320	
Notes payable.....	6,083		6,083	
Bonds payable.....	150		150	
Total current liabilities.....	8,094	674	8,768	30,265
Noncurrent liabilities:				
Capital lease obligations.....				54
Special termination benefits.....	1,421	126	1,547	8,124
Loans payable.....	5,725		5,725	
Bonds payable.....	2,345		2,345	
Total noncurrent liabilities.....	9,491	126	9,617	8,178
TOTAL LIABILITIES.....	17,585	800	18,385	38,443
NET ASSETS				
Invested in capital assets, net of related debt.....	18,217	12,965	31,182	4,478
Unrestricted.....	6,744	1,521	8,265	28,230
TOTAL NET ASSETS.....	\$ 24,961	\$ 14,486	\$ 39,447	\$ 32,708
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.....			(333)	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES.....			\$ 39,114	

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

**FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			Governmental Activities- Internal Service Funds
	Sanitary Engineer	Other Enterprise Funds	Total Enterprise Funds	
OPERATING REVENUES				
Charges for services.....	\$ 9,644	\$ 5,098	\$ 14,742	\$ 64,168
Other revenue.....	36	34	70	2,036
TOTAL OPERATING REVENUES.....	9,680	5,132	14,812	66,204
OPERATING EXPENSES				
Personal services.....	5,438	1,392	6,830	37,562
Contractual services and claims.....	342	1,386	1,728	5,543
Commodities.....	707	130	837	9,559
Depreciation.....	1,605	812	2,417	2,569
Other expenses.....	2,674	2,636	5,310	17,638
TOTAL OPERATING EXPENSES.....	10,766	6,356	17,122	72,871
OPERATING LOSS.....	(1,086)	(1,224)	(2,310)	(6,667)
NONOPERATING REVENUES (EXPENSES)				
Interest income.....	22		22	
Interest expense.....	(356)		(356)	(18)
Grants.....		106	106	
Loss on disposal of capital assets.....	(130)	(19)	(149)	(181)
TOTAL NONOPERATING REVENUES (EXPENSES).....	(464)	87	(377)	(199)
LOSS BEFORE TRANSFERS AND CONTRIBUTIONS	(1,550)	(1,137)	(2,687)	(6,866)
Transfers in.....		836	836	
Transfers out:				
Debt retirement.....		(644)	(644)	
Other.....		(85)	(85)	(500)
CHANGE IN NET ASSETS.....	(1,550)	(1,030)	(2,580)	(7,366)
TOTAL NET ASSETS BEGINNING OF YEAR.....	26,511	15,516		40,074
TOTAL NET ASSETS END OF YEAR.....	\$ 24,961	\$ 14,486		\$ 32,708
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds.....			(333)	
CHANGE IN NET ASSETS-BUSINESS-TYPE ACTIVITIES.....			\$ (2,913)	

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

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

FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			Governmental Activities- Internal Service Funds
	Sanitary Engineer	Other Enterprise Funds	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from customers.....	\$ 10,167	\$ 4,839	\$ 15,006	\$ 2,037
Other operating cash receipts.....	36	34	70	68,036
Cash payments to suppliers for goods and services.....	(2,927)	(3,951)	(6,878)	(27,763)
Cash payments to employees for services.....	(5,684)	(1,406)	(7,090)	(38,009)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	1,592	(484)	1,108	4,301
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in (out) from (to) other funds.....		107	107	(500)
Receipts from noncapital grants.....		51	51	
Proceeds from short-term interfund loan.....		30	30	511
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES.....		188	188	11
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from long-term debt.....	12,146		12,146	
Receipts from capital grants.....	268	55	323	
Proceeds from sale of capital assets.....	29		29	
Acquisition and construction of capital assets.....	(631)	(261)	(892)	(96)
Principal paid on long-term debt.....	(12,597)		(12,597)	(288)
Interest paid on long-term debt.....	(326)		(326)	(19)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,111)	(206)	(1,317)	(403)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments.....	25		25	
NET CASH PROVIDED BY INVESTING ACTIVITIES.....	25		25	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	506	(502)	4	3,909
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	6,154	2,016	8,170	56,840
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 6,660	\$ 1,514	\$ 8,174	\$ 60,749

COUNTY OF CUYAHOGA, OHIO
STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS
(CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			Governmental Activities- Internal Service Funds
	Sanitary Engineer	Other Enterprise Funds	Total Enterprise Funds	
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating loss.....	\$ (1,086)	\$ (1,224)	\$ (2,310)	\$ (6,667)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Depreciation.....	1,605	812	2,417	2,569
Changes in assets and liabilities:				
Accounts receivable-net.....	63	27	90	11
Due from other funds.....		21	21	3,396
Due from other governments.....	131	(369)	(238)	465
Inventory of supplies.....		(1)	(1)	21
Accounts payable.....	(125)	125		724
Due to other funds.....	(124)	(6)	(130)	(666)
Due to other governments.....	(12)		(12)	(936)
Accrued wages and benefits.....	(123)	(8)	(131)	(676)
Special termination benefits.....	1,263	139	1,402	6,060
TOTAL ADJUSTMENTS.....	2,678	740	3,418	10,968
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	\$ 1,592	\$ (484)	\$ 1,108	\$ 4,301

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

DECEMBER 31, 2002
(Amounts in 000's)

	<u>Agency Funds</u>
ASSETS	
Equity in pooled cash and investments.....	\$ 126,922
Cash and investments-segregated accounts.....	40,678
Taxes receivable.....	1,206,550
TOTAL ASSETS.....	<u>1,374,150</u>
LIABILITIES	
Due to other governments.....	1,330,302
Other liabilities.....	43,848
TOTAL LIABILITIES.....	<u>1,374,150</u>
NET ASSETS.....	<u><u>\$ 0</u></u>

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COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

NOTE A - Description of Cuyahoga County and Basis of Presentation

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

With this 2002 financial report, the County has changed its financial reporting by implementing 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* and GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, an Amendment of GASB Statements No. 21 and No. 34, effective January 1, 2002. These "Reporting Model" statements affect the way the County prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports. As part of the implementation of GASB Statements No. 34 and No. 37, the County has also opted for implementation of infrastructure reporting as prescribed by GASB Statement No. 34 and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, which rescinds some and modifies other financial statement disclosure requirements. Implementation of these GASB Statements resulted in a restatement of beginning fund balances and fund equity as previously reported in the basic financial statements (see Note R).

Basis of Presentation: The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance or equity, revenues and expenditures or expenses, as appropriate. The County uses the following fund types:

Governmental Funds:

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

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

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

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

Permanent Funds: Permanent funds are for the purpose of accounting for resources that are legally restricted to the extent that earnings, and not principal, may be used for purposes that support the reporting government's programs. The County does not utilize permanent funds at this time.

Proprietary Funds:

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

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

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

Fiduciary Funds:

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

Private-purpose Trust Funds: Private-purpose trust funds are used to account for other trust arrangements which benefit individuals, private organizations, or other governments. For accounting measurement purposes, the private-purpose trust funds are accounted for in essentially the same manner as proprietary funds. The County does not utilize private-purpose trust funds at this time.

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

NOTE B - Summary of Significant Accounting Policies

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

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

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

Basic Financial Statements: GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. Financial information of the County is presented as a set of basic financial statements in the following format:

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

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

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

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

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

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

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

The County reports the following major governmental funds:

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

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

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

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

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

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

The County reports the following major proprietary fund:

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

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

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

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

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

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

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

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

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

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

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

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

Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses (Amounts in 000's)					
	General Fund	Human Services	Health and Human Services Levies	County Board of Mental Retardation	Health and Community Services
GAAP basis	\$ (16,544)	\$ 0	\$ 18	\$ 8,000	\$ (9,349)
Increase/decrease:					
Accrued receivables at 12/31/02 not recognized in the 2002 budget	(117,621)	(29,076)	(131,237)	(98,312)	(37,872)
Accrued receivables at 12/31/01 recognized in the 2002 budget	157,475	84,092	130,200	97,889	49,395
Expenditures accrued as liabilities at 12/31/02 not recognized in the 2002 budget	70,571	19,605	129,620	101,508	48,469
Expenditures accrued as liabilities at 12/31/01 recognized in the 2002 budget	(96,029)	(27,847)	(128,488)	(101,537)	(49,495)
Encumbrances at 12/31/02 recognized as expenditures in the 2002 budget	(10,717)	(24,053)		(7,693)	(12,837)
Encumbrances at 12/31/01 not recognized as expenditures in the 2002 budget	17,490	33,291	377	7,116	16,551
Other GAAP adjustments ⁽¹⁾	<u>(46,348)</u>			<u>(470)</u>	
Budget basis	\$ <u>(41,723)</u>	\$ <u>56,012</u>	\$ <u>490</u>	\$ <u>6,501</u>	\$ <u>4,862</u>
(1) Change in the amount of short-term interfund loans by the General fund, unrealized gain on investments, net expenses for the Brownfield project, Gateway debt and agency funds reclassified as cash for financial reporting purposes.					

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

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

Investments: The County accounts for its investments under the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which established accounting and financial reporting standards for government investments and investment pools, requiring most investments to be recorded at fair value and the recognition of unrealized gains and losses in the financial statements. The County has the ability and intent to hold all investments to maturity. Interest on investments is

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets.

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

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

Land improvements	5 to 20 years
Utility plant	20 to 50 years
Buildings, structures and improvements	5 to 40 years
Furniture, fixtures and equipment	6 to 22 years
Vehicles	4 to 9 years
Infrastructure	20 to 69 years

Capitalization of Interest: The County's policy is to capitalize interest on construction projects in the proprietary funds until substantial completion of the project. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. During 2002, the County capitalized interest amounting to \$.2 million.

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

COUNTY OF CUYAHOGA, OHIO

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

Net Patient Service Revenue: Net patient service revenue of the Hospital is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Hospital's classification of patients under the Medicare and Medicaid programs and the appropriateness of their admission are subject to an independent review by a peer review organization. Differences between the estimated amounts accrued at interim and final settlements are reported in the Statement of Revenues, Expenses and Changes in Net Assets in the year of settlement. The Hospital recorded a favorable adjustment of \$4.2 million in 2002 and an unfavorable adjustment of \$1.2 million in 2001, due to prior year retroactive adjustments to amounts previously estimated.

Net revenue from the Medicare and Medicaid programs accounted for approximately 24% and 32%, respectively, of the Hospital's net patient service revenue for the year ended December 31, 2002. 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 an adequate provision has been made in the financial statements for any adjustments that may result from final settlements.

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

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

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

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

Derivative Financial Instruments and Hedging Activities: The Hospital adopted the provisions of Financial Accounting Standard Board Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which requires the Hospital to recognize all of its derivative instruments as either assets or liabilities in its financial statements. The Hospital entered into an interest rate swap agreement in 1999 to effectively convert a portion of its fixed rate debt to a variable rate basis. This derivative instrument is not designated as a hedging instrument; therefore, gains and losses are recognized for the Component Unit in the accompanying statement of activities as

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

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changes in the fair value of the instrument occur. Net amounts periodically receivable or payable as a result of the swap agreement are accrued as adjustments to interest expense on the related debt.

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

During March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No.3)*. This statement amends GASB Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principal areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. The County has not determined the impact, if any, that this statement will have on its financial statement disclosures.,

During June 2003, the GASB issued Statement No. 41, *Budgetary Comparison Schedules-Perspective Differences (an amendment of GASB Statement No. 34)*. Generally, governments present budgetary comparisons for the activities that are reported in the general fund and each major special revenue fund. This statement requires governments to present budgetary comparison schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. The County has not determined the impact, if any, that this statement will have on its required supplementary information.

NOTE C - Cash and Investments

Cash and Investments:

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

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

COUNTY OF CUYAHOGA, OHIO
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A summary of the Pooled Cash and Investments account balance by fund type at December 31, 2002, follows:

Fund Type	(Amounts in 000's)	
	Due To	Equity In
General	\$	\$ 104,054
Due From:		
Special Revenue	9,471	
Capital Projects	12,980	
Enterprise	58	
Internal Service.....	<u>3,425</u>	<u>(25,934)</u>
Net General		78,120
Other major governmental		50,338
Other governmental		44,170
Major enterprise.....		6,660
Other enterprise.....		1,514
Internal Service.....		<u>60,749</u>
Total government-wide		<u>241,551</u>
Agency.....		<u>126,922</u>
Total Equity in Pooled Cash and Investments		\$ <u>368,473</u>

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

Deposits and Investments:

Primary Government

Deposits: At year-end, the carrying amount of the County's deposits, including certificates of deposit, was \$97 million and the bank balances were \$136.5 million. Any differences between the account bank balances and investments and the cash and investments recorded in the financial statements are due to normal reconciling items. Of the bank balances, \$.4 million was covered by federal depository insurance and \$136.1 million was uncollateralized as defined by the GASB. These deposits were, however, covered by collateral held by the pledging institution's agent in the name of the depository or the Federal Reserve Bank of Cleveland in pooled securities accounts that were not in the County's name, as permitted under Ohio law. The pooled securities serve as collateral for all public deposits held by the banks, including the County's deposits. The Ohio Revised Code requires that the market value of securities held in the pool be at least equal to 105% of the public deposits held by the banks. Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. County policy is to utilize federally insured banks and savings institutions located in the County.

Component Unit

Deposits: At December 31, 2002, the financial statement carrying amount of the Hospital's deposits was \$.6 million and the actual bank balances, including accrued interest, totaled \$.6 million. Federal depository insurance covered approximately \$.1 million of the Hospital's deposits at year-end and are thus a category (1) deposit risk in accordance with the provisions of GASB Statement No. 3. The remainder was uncollateralized as defined by the GASB as it was secured by collateral pools of U.S. Government and municipal securities held by the pledging institution's agent or the Federal Reserve Bank of Cleveland in the name of the depository.

COUNTY OF CUYAHOGA, OHIO NOTES TO FINANCIAL STATEMENTS

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Primary Government and Component Unit

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

GASB Statement No. 3 *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* requires the County to categorize its deposits and investments into one of three credit risk categories. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Risk category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent but not in the County's name.

At December 31, 2002, the County's Primary Government investments were as follows:

Investment Type	(Amounts in 000's)	
	Category 1	Fair Value/Carrying Value
U.S. Treasury Notes	\$ 6,232	\$ 6,232
U.S. Agency Obligations	282,582	282,582
Municipal Revenue Anticipation Bonds	<u>17,500</u>	<u>17,500</u>
	<u>\$ 306,314</u>	306,314
Money Market Funds		182
Star Ohio		<u>46,003</u>
Total Primary Government Investments		<u>\$ 352,499</u>

At December 31, 2002, the County's Component Unit investments were as follows:

Investment Type	(Amounts in 000's)		
	Category 1	Category 3	Fair Value/Carrying Value
U.S. Treasury Notes	\$ 20,839	\$	\$ 20,839
U.S. Agency Obligations	108,690		108,690
Repurchase Agreements		<u>8,791</u>	<u>8,791</u>
	<u>\$ 129,529</u>	<u>\$ 8,791</u>	138,320
Money Market Funds			<u>156,180</u>
Total Hospital Investments			<u>\$ 294,500</u>

Amounts invested in the State Treasurer's Investment Pool (Star Ohio) and money market funds are not classified by risk category because they are not evidenced by securities that exist in physical or book entry form. Star Ohio is rated AAAM by Standard & Poor's. It is the objective of the fund to stabilize the net asset value per unit at \$1.00 for the purpose of sale and redemption of units of the fund, but it is not guaranteed. Star Ohio is not a registered fund subject to regulatory oversight as the fund is only offered to Ohio public subdivisions with investment authority. Star Ohio is authorized under Section 135.45 of the Ohio Revised Code and has been used by Ohio public entities since its inception in 1986 as a short-term investment vehicle to meet daily liquidity needs.

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

NOTE D - Interfund Receivables and Payables

Individual interfund receivable and payable balances as of December 31, 2002 follow:

Fund Types	(Amounts in 000's)	
	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 25,934	\$ 7,352
Human Services		10,416
County Board of Mental Retardation		1,148
Health and Community Services	5,116	448
Other governmental funds		<u>13,305</u>
Total Governmental Funds	31,050	32,669
Proprietary Funds:		
Enterprise Funds:		
Sanitary Engineer		76
Other enterprise funds	<u>18</u>	<u>76</u>
Total Enterprise Funds	18	152
Internal Service Funds	<u>5,744</u>	<u>3,991</u>
Totals	\$ <u>36,812</u>	\$ <u>36,812</u>

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

Fund Types	(Amounts in 000's)	
	Receivables	Payables
Major Governmental Funds:		
Human Services	\$ 9,471	\$
Health and Community Services		<u>5,116</u>
Total Major Governmental Funds	<u>9,471</u>	5,116
Nonmajor Governmental Funds:		
Capital Projects Fund	<u>12,980</u>	—
Total Nonmajor Governmental Funds	12,980	
Nonmajor Enterprise Funds:		
County Airport	58	
Cuyahoga County Information System		<u>18</u>
Total Nonmajor Enterprise Funds	58	18
Internal Service Funds:		
Maintenance Garage	212	39
Data Processing Center		283
Printing, Reproduction and Supplies		59
Communication	3,213	147
Self-Funded Workers' Compensation		<u>1,690</u>
Total Internal Service Funds	<u>3,425</u>	<u>2,218</u>
Totals	\$ <u>25,934</u>	\$ <u>7,352</u>

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

DECEMBER 31, 2002

The receivables represent amounts overdrawn from the pooled cash account which are owed to the General fund.

The amount payable to the Health and Community Services fund represents additional subsidies due to the fund. The amount payable to the Cuyahoga County Information System is for computer charges from various General fund agencies. The amounts payable to Internal Service funds represent unpaid charges at December 31, 2002.

NOTE E - Capital Assets

A summary of changes in capital assets follows:

Governmental Activities:	(Amounts in 000's)			Balance December 31, 2002
	Balance January 1, 2002	Additions	Deductions	
Capital assets, not being depreciated:				
Land	\$ 33,472	\$ 438	\$ 1,136	\$ 32,774
Construction in progress.....	<u>62,417</u>	<u>29,644</u>	<u>4,770</u>	<u>87,291</u>
Total capital assets, not being depreciated	<u>95,889</u>	<u>30,082</u>	<u>5,906</u>	<u>120,065</u>
Capital assets, being depreciated:				
Land improvements.....	2,888	473		3,361
Buildings, structures and improvements.....	444,904	21,844	44	466,704
Furniture, fixtures and equipment.....	44,637	1,670	2,822	43,485
Vehicles.....	17,201	177	2,278	15,100
Infrastructure	<u>424,768</u>	<u>1,070</u>	<u>49</u>	<u>425,789</u>
Total capital assets, being depreciated	<u>934,398</u>	<u>25,234</u>	<u>5,193</u>	<u>954,439</u>
Less accumulated depreciation for:				
Land improvements.....	814	222		1,036
Buildings, structures and improvements.....	197,119	13,666	44	210,741
Furniture, fixtures and equipment.....	32,662	3,264	2,627	33,299
Vehicles.....	12,211	1,369	2,251	11,329
Infrastructure	<u>202,518</u>	<u>12,912</u>	<u>49</u>	<u>215,381</u>
Total accumulated depreciation.....	<u>445,324</u>	<u>31,433</u>	<u>4,971</u>	<u>471,786</u>
Total capital assets, being depreciated, net	<u>489,074</u>	<u>(6,199)</u>	<u>222</u>	<u>482,653</u>
Governmental activities capital assets, net.....	<u>\$ 584,963</u>	<u>\$ 23,883</u>	<u>\$ 6,128</u>	<u>\$ 602,718</u>

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

Business-type Activities:	(Amounts in 000's)			Balance December 31, 2002
	Balance January 1, 2002	Additions	Deductions	
Capital assets, not being depreciated:				
Land	\$ 5,802	\$	\$	\$ 5,802
Construction in progress.....	<u>7,989</u>	<u>700</u>	<u>1,723</u>	<u>6,966</u>
Total capital assets, not being depreciated	<u>13,791</u>	<u>700</u>	<u>1,723</u>	<u>12,768</u>
Capital assets, being depreciated:				
Land improvements	10,647	244	41	10,850
Utility plant	44,950	1,687	1,057	45,580
Buildings, structures and improvements.....	14,608	26	10	14,624
Furniture, fixtures and equipment	3,228		14	3,214
Vehicles.....	<u>3,432</u>	<u>154</u>	<u>94</u>	<u>3,492</u>
Total capital assets, being depreciated	<u>76,865</u>	<u>2,111</u>	<u>1,216</u>	<u>77,760</u>
Less accumulated depreciation for:				
Land improvements	7,151	363	22	7,492
Utility plant	25,275	878	902	25,251
Buildings, structures and improvements.....	5,952	686	4	6,634
Furniture, fixtures and equipment	2,536	118	14	2,640
Vehicles.....	<u>2,429</u>	<u>372</u>	<u>95</u>	<u>2,706</u>
Total accumulated depreciation.....	<u>43,343</u>	<u>2,417</u>	<u>1,037</u>	<u>44,723</u>
Total capital assets, being depreciated, net	<u>33,522</u>	<u>(306)</u>	<u>179</u>	<u>33,037</u>
Business-type activities capital assets, net.....	<u>\$ 47,313</u>	<u>\$ 394</u>	<u>\$ 1,902</u>	<u>\$ 45,805</u>

Component Unit:	(Amounts in 000's)			Balance December 31, 2002
	Balance January 1, 2002	Additions	Deductions	
Capital assets, not being depreciated:				
Land	\$ 8,954	\$	\$	\$ 8,954
Construction in progress.....	<u>6,270</u>	<u>18,041</u>	<u>5,644</u>	<u>18,667</u>
Total capital assets, not being depreciated	<u>15,224</u>	<u>18,041</u>	<u>5,644</u>	<u>27,621</u>
Capital assets, being depreciated:				
Land improvements	8,177	6	484	7,699
Buildings, structures and improvements.....	369,451	2,892	311	372,032
Furniture, fixtures and equipment	178,363	9,542	525	187,380
Vehicles.....	<u>7,068</u>	<u>291</u>		<u>7,359</u>
Total capital assets, being depreciated	<u>563,059</u>	<u>12,731</u>	<u>1,320</u>	<u>574,470</u>
Less accumulated depreciation for:				
Land improvements	6,337	526	479	6,384
Buildings, structures and improvements.....	212,452	18,281	311	230,422
Furniture, fixtures and equipment	140,952	11,600	541	152,011
Vehicles.....	<u>1,494</u>	<u>293</u>		<u>1,787</u>
Total accumulated depreciation.....	<u>361,235</u>	<u>30,700</u>	<u>1,331</u>	<u>390,604</u>
Total capital assets, being depreciated, net	<u>201,824</u>	<u>(17,969)</u>	<u>(11)</u>	<u>183,866</u>
Component unit capital assets, net.....	<u>\$ 217,048</u>	<u>\$ 72</u>	<u>\$ 5,633</u>	<u>\$ 211,487</u>

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

DECEMBER 31, 2002

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

Governmental Activities:	(Amounts in 000's)	
General government.....	\$	2,583
Judicial		7,602
Development		4
Social services		5,334
Health and safety		53
Public works		13,288
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets.....		<u>2,569</u>
Total depreciation expenses charged to governmental activities.....	\$	<u>31,433</u>
 Business-type Activities		
Sanitary Engineer.....	\$	1,605
County Airport		420
Huntington Park Garage.....		391
Cuyahoga County Information System.....		<u>1</u>
Total depreciation expenses charged to business-type activities	\$	<u>2,417</u>

A summary of construction commitments for governmental activities at December 31, 2002 follows:

Function	(Amounts in 000's)		
	Authorized Project Amount	Expended as of December 31, 2002	Future Commitments
General government.....	\$ 11,779	\$ 8,570	\$ 3,209
Judicial.....	103,544	61,558	41,986
Social services.....	1,448	833	615
Health and safety.....	6,646	6,486	160
Public works.....	<u>20,739</u>	<u>9,844</u>	<u>10,895</u>
Totals.....	\$ <u>144,156</u>	\$ <u>87,291</u>	\$ <u>56,865</u>

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

A summary of construction commitment for business-type activities at December 31, 2002 follows:

Business-type Activity	(Amounts in 000's)		
	Authorized Project Amount	Expended as of December 31, 2002	Future Commitments
Sanitary Engineer	\$ 10,893	\$ 6,943	\$ 3,950
Airport	<u>298</u>	<u>23</u>	<u>275</u>
Totals.....	\$ <u>11,191</u>	\$ <u>6,966</u>	\$ <u>4,225</u>

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

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

NOTE F - Debt and Other Obligations

Notes Payable and Long-Term Liabilities:

A summary of the County's notes payable and long-term liabilities at December 31, 2002 is provided below:

(Amounts in 000's)							
Year Issued	County Obligation, [Original Issue Amount]	Interest Rate	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Governmental Activities:							
	Compensated Absences.....		\$ 22,135	\$	\$ 2,030	\$ 20,105	\$ 2,010
2001	Special Termination Benefits—Due thru 2007.....	7.75%	25,915	58,118	14,740	69,293	16,810
Various	Capital Lease Obligations—Due thru 2023.....		9,611	18,063	1,329	26,345	1,215
1999	Installment Purchase Agreement—Due thru 2009, [\$17,665].....	5.26%-5.75%	15,368	—	1,673	13,695	1,765
Loans Payable:							
1989	Environmental Protection Agency—Due thru 2007, [\$494].....	None	138	—	28	110	28
1997	Ohio Department of Development Loan						
	- Due thru 2016, [\$5,000].....	None	3,750	—	250	3,500	250
	Total Loans Payable.....		3,888	—	278	3,610	278
General Obligation Bonds-Unvoted:							
1983	Building Improvements—Due thru 2004 ⁽¹⁾	9.375%	2,625	—	875	1,750	875
1983	Health Service Facilities—Due thru 2004 ⁽¹⁾	9.375%	1,110	—	370	740	370
1983	Auditorium—Due thru 2004 ⁽¹⁾	9.375%	525	—	175	350	175
1983	Street Improvements—Due thru 2004 ⁽¹⁾	9.375%	150	—	50	100	50
1983	Sanitary Improvements—Due thru 2004 ⁽¹⁾	9.375%	600	—	200	400	200
1993	Various Purpose Refunding Bonds—Due thru 2012, [\$75,395].....	2.20%-5.25%	35,015	—	3,145	31,870	3,285
1993	Rock and Roll Hall of Fame—Due thru 2018, [\$12,000].....	2.75%-5.65%	9,625	—	360	9,265	375
1995	Various Purpose Improvements—Due thru 2015, [\$35,145].....	3.75%-5.50%	23,220	—	2,305	20,915	2,415
2000	Capital Improvements—Due thru 2020, [\$96,615].....	4.30%-5.75%	94,060	—	3,135	90,925	3,275
	Total General Obligation Bonds-Unvoted.....		166,930	—	10,615	156,315	11,020
General Obligation Bonds-Voted:							
1991	Jail II Series — Due thru 2006, [\$5,086].....	6.95%-7.05%	5,086	—	—	5,086	—
1993	Jail Facilities and Various Purpose Refunding Bonds						
	-Due thru 2013, [\$65,254].....	2.20%-5.25%	33,349	—	5,605	27,744	5,875
	Total General Obligation Bonds-Voted.....		38,435	—	5,605	32,830	5,875
	Total Tax Supported Bonds.....		205,365	—	16,220	189,145	16,895
Revenue Bonds:							
1992	Gateway Economic Development—Due thru 2022, [\$40,000].....	Variable	33,600	—	1,600	32,000	1,600
1992	Gateway Economic Development—Due thru 2022, [\$35,000].....	8.625%	35,000	—	—	35,000	—
1994	Gateway Economic Development—Due thru 2023, [\$45,000].....	4.45%-7.60%	37,405	—	1,350	36,055	1,440
1994	Cleveland Foundation Economic Development						
	-Due thru 2002, [\$1,750].....	3.00%	143	—	143	—	—
1998	Brownfield Economic Redevelopment						
	-Due thru 2018, [\$15,465].....	5.31%-6.75%	14,125	—	485	13,640	515
2000	Shaker Square Redevelopment—Due thru 2030, [\$2,855].....	6.75%	2,855	—	10	2,845	10
	Total Revenue Bonds.....		123,128	—	3,588	119,540	3,565
	Total Bonds Payable.....		328,493	—	19,808	308,685	20,460
Capital Projects Fund:							
Bond Anticipation Notes:							
2001	Orange Place Extension—Due in 2002, [\$2,440].....	4.50%	2,440	—	2,440	—	—
2002	Capital Improvement Notes—Due in 2003, [\$2,440].....	1.65%	—	2,440	—	2,440	2,440
	Total Capital Projects Fund.....		2,440	2,440	2,440	2,440	2,440
Internal Service Funds:							
	Compensated Absences.....		2,142	—	554	1,588	159
2001	Special Termination Benefits—Due thru 2007.....	7.75%	4,709	8,398	2,338	10,769	2,646
Various	Capital Lease Obligation—Due through 2005.....		437	—	288	149	95
	Total Internal Service Funds.....		7,288	8,398	3,180	12,506	2,900
	Total Governmental Activities.....		\$415,138	\$ 87,019	\$ 45,478	\$ 456,679	\$ 47,878

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

(CONTINUED)

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

DECEMBER 31, 2002

(Amounts in 000's)							
Year Issued	County Obligation, [Original Issue Amount]	Interest Rate	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Business-type Activities:							
	Compensated Absences		\$ 469	\$ —	\$ 125	\$ 344	\$ 35
2001	Special Termination Benefits—Due thru 2006	7.75%	<u>619</u>	<u>1,808</u>	<u>407</u>	<u>2,020</u>	<u>473</u>
Various	Loans Payable	4.04% - 7.00%	<u>6,357</u>	—	<u>312</u>	<u>6,045</u>	<u>320</u>
Bond Anticipation Notes:							
2001	Olmsted Township and Shady Road Improvements						
	-Due in 2002, [\$5,845]	3.00%	5,845	6,040	11,885		
2001	Chagrin Falls Waterline—Due in 2002, [\$260]	5.00%	260		260		
2002	Capital Improvement Notes—Due in 2003, [\$1,155]	1.65%		1,155		1,155	1,155
2002	Olmsted Township Water and Sewer						
	-Due in 2003, [\$4,928]	2.00%		<u>4,928</u>		<u>4,928</u>	<u>4,928</u>
	Total Notes Payable		<u>6,105</u>	<u>12,123</u>	<u>12,145</u>	<u>6,083</u>	<u>6,083</u>
Self-Supporting Bonds Payable:							
1992	Sewer Improvement—Due thru 2012, [\$2,360]	3.50%-6.50%	1,625		105	1,520	98
2000	Sewer Improvement—Due thru 2020, [\$1,040]	4.55%-5.55%	<u>1,010</u>		<u>35</u>	<u>975</u>	<u>52</u>
	Total Self-Supporting Bonds Payable		<u>2,635</u>		<u>140</u>	<u>2,495</u>	<u>150</u>
	Total Business-type Activities		\$ 16,185	\$ 13,931	\$ 13,129	\$ 16,987	\$ 7,061
Component Unit							
	Compensated absences		\$ 18,366	\$ 3,955	\$ 1,805	\$ 20,516	\$ 1,895
	Amounts due third party payors (See Note B)		<u>45,404</u>	<u>815</u>	<u>631</u>	<u>45,588</u>	<u>9,441</u>
	Claims payable (See Note J)		<u>29,471</u>	<u>20,826</u>	<u>13,630</u>	<u>36,667</u>	<u>15,089</u>
Capital Lease Obligation:							
Various	Equipment Obligations—Due thru 2007	4.958%-4.96%	<u>10,552</u>	—	<u>2,933</u>	<u>7,619</u>	<u>3,081</u>
Bonds:							
1997	Hospital Improvement and Refunding						
	Revenue Bonds—Due Thru 2027, [\$70,000]	3.90%-5.80%	58,653		3,814	54,839	4,195
1997	Hospital Refunding Revenue Bonds						
	-Due thru 2019, [\$77,525]	4.10%-5.50%	68,385	309	230	68,464	240
1999	Hospital Improvement Revenue Bonds						
	-Due thru 2029, [\$56,995]	6.125%-6.15%	<u>56,791</u>	<u>7</u>		<u>56,798</u>	
	Total Bonds		<u>183,829</u>	<u>316</u>	<u>4,044</u>	<u>180,101</u>	<u>4,435</u>
	Total Component Unit		\$ 287,622	\$ 25,912	\$ 23,043	\$ 290,491	\$ 33,941

Capital Lease Information: The following summarizes future minimum lease payments under the capital leases, and the present values of net minimum lease payments for the Primary Government at December 31, 2002:

(Amounts in 000's)		
Year	Governmental Activities	Internal Service funds
2003	\$ 3,565	\$ 100
2004	3,543	33
2005	3,499	25
2006	3,486	
2007	3,514	
2008-2012	16,432	
2013-2017	9,452	
2018-2022	28	
2023	<u>1</u>	
Total Minimum Lease Payments	43,520	158
Amount Representing Interest	<u>(17,175)</u>	<u>(9)</u>
Present Value of Net Minimum Lease Payments	\$ 26,345	\$ 149

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The following summarizes future minimum payments and the present values of net minimum lease payments for the Component Unit's equipment capital leases at December 31, 2002:

Year	(Amounts in 000's) Equipment Obligation
2003.....	\$ 3,388
2004.....	2,529
2005.....	780
2006.....	780
2007.....	780
Total Minimum Lease Payments.....	8,257
Amount Representing Interest.....	(638)
Present Value of Net Minimum Lease Payments.....	\$ <u>7,619</u>

As of December 31, 2002, the net book value of the capital assets recorded as capital leases in the governmental activities funds and Component Unit were \$55.8 million and \$12.6 million, respectively.

Future Debt Service Requirements: A summary of the County's future debt service requirements for its outstanding long-term bonds, notes, installment purchase agreement and loans payable at December 31, 2002 are as follows:

Due In	(Amounts in 000's)			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2003.....	\$ 24,943	\$ 19,014	\$ 6,553	\$ 427
2004.....	21,118	20,064	483	293
2005.....	20,331	19,718	502	275
2006.....	19,493	18,836	521	255
2007.....	22,065	14,695	541	236
2008-2012	82,919	83,585	3,033	838
2013-2017	70,671	40,593	1,919	294
2018-2022	58,780	12,786	1,071	396
2023-2027	7,710	558		
2028-2030	400	49		
Totals.....	\$ <u>328,430</u>	\$ <u>229,898</u>	\$ <u>14,623</u>	\$ <u>3,014</u>

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Due In	(Amounts in 000's) Component Unit Principal and Interest
2003	\$ 14,770
2004	14,769
2005	14,768
2006	14,746
2007	14,746
2008-2012	73,571
2013-2017	73,351
2018-2022	59,520
2023-2027	50,388
2028-2029	<u>20,289</u>
Total	350,918
Amount representing interest	(160,988)
Unamortized difference between reacquisition price and the net carrying amount of previously defeased debt.....	(7,848)
Unamortized discount.....	<u>(1,981)</u>
Present value of net minimum payments.....	\$ <u>180,101</u>

Component Unit Swap Agreement: In 1999, the Component Unit entered into a 15 year interest rate swap agreement for a notional amount of \$56 million of its fixed rate general obligation bonds. Based on the swap agreement, the Component Unit makes payments calculated at a variable rate equal to the BMA Swap Index to the counterparty to the swap. In return, the counterparty makes payments to the Component Unit based on the fixed rate of 5.41%. Only the net difference in payments is exchanged with the counterparty. The \$56 million in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The net interest savings for 2002 was \$2.3 million and is included as a reduction to interest expense. At December 31, 2002, the fair value of the swap agreement based on current settlement price is \$4.3 million due from the counterparty and is included in other assets. The increase of \$2.3 million in the fair value of the swap is recorded as unrestricted investment earnings in the statement of activities.

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

Under the Uniform Bond Act of the Ohio Revised Code, the County has the capacity to issue approximately \$129.1 million of additional unvoted general obligation debt.

Accrued Wages and Benefits: County employees become eligible to receive one-fourth of their accumulated unpaid sick leave upon retirement after a minimum of ten years of service. Certain agencies may have policies that vary with regard to payment of accrued sick leave upon retirement. Termination of employment must be by retirement to receive accumulated unpaid sick leave. Employees with a minimum of one year of service become vested in accumulated unpaid vacation time. Vacation time may not be accumulated for more than three years. Unused vacation time is payable upon termination of employment. In general, employees are eligible to be paid for unpaid overtime and unused compensatory time upon termination of employment. All sick, vacation, compensatory and overtime payments are made at the employee's current wage rate.

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The accumulated unpaid sick, vacation, compensatory and overtime hours for which the \$21.7 million liability recorded in the statement of net assets (Governmental Activities) at December 31, 2002 was based were as follows:

Governmental Activities	Hours	Amount (in 000's)
Sick	32,327	\$ 592
Vacation	1,071,914	19,629
Overtime	<u>80,371</u>	<u>1,472</u>
Total	<u>1,184,612</u>	<u>\$ 21,693</u>

The accumulated unpaid sick, vacation, compensatory and overtime hours for which the \$.3 million liability recorded in the statement of net assets (Business-type Activities) at December 31, 2002 was based were as follows:

Business-type Activities	Hours	Amount (in 000's)
Sick	549	\$ 10
Vacation	17,534	303
Overtime	<u>1,811</u>	<u>31</u>
Total	<u>19,894</u>	<u>\$ 344</u>

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

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

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Payments are made to PERS in quarterly installments over the life of the purchased service credit. The following summarizes the future payment requirements to fund the cost of the special termination benefits for the employees who had elected to participate in the plan by December 31, 2002:

Year	Governmental Activities	Business-type Activities
2003.....	\$ 25,236	\$ 620
2004.....	24,323	605
2005.....	23,293	592
2006.....	18,274	467
2007.....	<u>2,568</u>	<u>88</u>
Total Termination Benefit Payments.....	93,694	2,372
Amount Representing Interest.....	<u>(13,632)</u>	<u>(352)</u>
Net Amount.....	\$ <u>80,062</u>	\$ <u>2,020</u>

Advance Refunding of General Obligation Bonds: On March 19, 1993, the County issued general obligation bonds amounting to \$140.7 million with interest rates ranging from 2.2% to 5.25%. The issues consisted of voted and unvoted refunding debt as well as new voted debt. The unvoted refunding debt amounted to \$75.4 million, the voted refunding debt amounted to \$49.4 million and the additional voted debt amounted to \$15.9 million. The refunding debt proceeds were used to advance refund outstanding debt of \$115.6 million which consisted of \$49.6 million and \$66 million of voted and unvoted debt, respectively. The County advance refunded the bonds to reduce its total debt service payments over the next 20 years by \$1.5 million and \$2.9 million on voted and unvoted debt, respectively, and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1.2 million and \$2.2 million on voted and unvoted debt, respectively. The aggregate amount of the defeased General Obligation Bonds outstanding at December 31, 2002 is \$30.8 million. The remaining proceeds from the issuance were used to fund various capital projects.

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

Effective November 1, 1997, the County issued \$77.5 million of Hospital Refunding Revenue Bonds, Series 1997A. The proceeds of the Series 1997A Bonds were used to advance refund \$73.7 million of Series 1989 Bonds scheduled to mature on February 15, 2019. The 1997 refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$9.8 million. This unamortized difference (\$7.8 million at December 31, 2002) is reported in the accompanying financial statements as a deduction from long-term debt and is being charged to operations through the year 2019 using the effective interest method.

Other Financial Obligations

Operating Leases: During the year 2002, the County had approximately 73 operating leases for office space and equipment. At December 31, 2002, there were 51 remaining with future obligations. The operating lease agreements range in length from one month to ten years. Total rental payments for 2002 amounted to \$6 million, of which \$.8 million was expended from proprietary funds. Rental obligations for the years 2003 through 2007 are \$8.6 million of which \$.5 million represents the amount to be paid from proprietary funds. Rental payments for the years 2003, 2004, 2005, 2006 and 2007 will be \$4.8 million, \$2.2 million, \$.8 million, \$.6 million and \$.2 million, respectively. Operating lease payments are recorded as an expenditure in the period to which they apply.

The Hospital has entered into operating lease agreements for a parking facility, medical space and office space which expire through 2011. Certain leases contain rent escalation clauses and renewal options for additional periods ranging from two to five years. Rent expense totaled \$1.5 million in 2002. Minimum rental commitments under operating leases extending beyond one year at December 31, 2002 are as follows: 2003 - \$1.5 million; 2004 - \$1.4 million; 2005 - \$11.7 million; 2006 - \$.3 million; 2007 - \$.3 million, 2008-2011 - \$.6 million.

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Gateway Loan Guarantees: The County currently guarantees the repayment of \$33.3 million of bonded debt of Gateway. This amount represents the outstanding par amount of bonds of two issues, the original outstanding amount of which was \$38.4 million of Subordinate Excise Tax Revenue Bonds and \$31 million of Stadium Revenue Bonds. As of December 31, 2002, the outstanding balance on these Gateway bond guarantees, including future interest payments, was \$10.4 million on the Subordinate Excise Tax Revenue Bonds (payable through September 1, 2005), and \$36.1 million on the Stadium Revenue Bonds payable through September 15, 2014). The County has not been required to make any payments on behalf of the Gateway bonds.

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

As of December 31, 2002, the aggregate principal amounts outstanding for the Industrial Development, Hospital Revenue and Mortgage Revenue Bonds were \$168.2 million, \$1.4 billion and \$138.7 million, respectively.

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

Primary Government

PERS PLAN DESCRIPTION: All full-time employees of the County, except teachers employed by the County Board of Mental Retardation, participate in the Public Employees Retirement System of Ohio (PERS). It is a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefits to the PERS Board of Trustees. PERS issues a stand-alone financial report. A copy of the report may be obtained by making a written request to the Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085.

PERS FUNDING POLICY: The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 8.5% of covered payroll, except for law enforcement employees. In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits as follows: (1) The law enforcement classification which consists of sheriffs and deputy sheriffs with an employee contribution rate of 10.1% and (2) all other members of the law enforcement program who were placed in a newly named public safety division and are required to contribute 9%. The employer contribution rate is 13.55% of covered payroll, except for law enforcement which is 16.70%. There was a temporary employer contribution rate rollback effective July 2000 through December 2000. The rates were 8.13% of covered payroll except for law enforcement personnel for which the contribution rate was 14.70%. The total employer contributions from the County to PERS (excluding amounts paid in 2001 and 2002 for ERIP – See Note F) for the years 2002, 2001, and 2000 were \$47.9 million, \$51.5 million and \$40.3 million, respectively, equal to the required contributions for each year.

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

A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The portion of the employer contribution rate used to fund postretirement health care for 2002 and 2001 was 5% and 4.3% of covered payroll, respectively. During 2002 and 2001, \$17.6 million and \$16.3 million, respectively, of the County's total contribution to PERS was used for postretirement benefits. At

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December 31, 2002, the County was not responsible for paying premiums, contributions, or claims for OPEB under PERS for any retirees, terminated employees or other beneficiaries.

The OPEB is advance-funded on an actuarially determined basis through employer contributions and investment earnings thereon. The principal assumptions used for the 2001 actuarial computations (latest available) were as follows:

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

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

Investment Return: The investment return assumption for 2001 was 8%.

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

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

At December 31, 2001, (latest information available), there were 402,041 active participants contributing to the plan. The County's actuarially required OPEB contribution for 2001 equaled the actual amount contributed to PERS by the County. In addition, at December 31, 2001, the actuarial value of the plan's net assets available for OPEB approximated \$11.6 billion and the actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial method used, were \$16.4 billion and \$4.8 billion, respectively.

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

STRS PLAN DESCRIPTION: Teachers employed by the County Board of Mental Retardation (CBMR) participate in the State Teachers Retirement System Of Ohio (STRS). It is a cost-sharing multiple-employer defined benefit pension plan. STRS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Chapter 3307 of the Ohio Revised Code assigns the authority to establish and amend benefits to the STRS Board of Trustees. STRS issues a stand-alone financial report. A copy of the report may be obtained by making a written request to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

STRS FUNDING POLICY: The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 9.3% of covered payroll. Effective July 1, 2003, the employee contribution rate will increase to 10% of covered payroll. The employer contribution rate is 14% of annual covered payroll. The employer contributions from the County Board of Mental Retardation to STRS for the years 2002, 2001 and 2000 were \$2 million, \$1.9 million and \$1.9 million, respectively, equal to the required contributions for each year.

OPEB: STRS also provides OPEB to plan members. The qualifications required to receive benefits replicate PERS. STRS has established a Health Care Reserve fund to accumulate monies for OPEB. The portion of the employer contribution rate allocated to the Health Care Reserve fund was 4.5% of covered payroll. Effective July 1, 2002, 1% of covered payroll was allocated to the fund. The County's contributions for OPEB for the years 2002, 2001 and 2000 were \$.6 million, \$.6 million and \$.8 million, respectively, equal to the required contributions for each year.

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The balance in the Health Care Reserve Fund was \$3 billion at June 30, 2002 (latest information available). For the year ended June 30, 2002, the net health care costs paid by STRS were \$354.7 million and there were 105,300 eligible recipients.

Component Unit

Retirement and OPEB benefits for Hospital employees are provided through PERS in the same manner as employees of the County's primary government. The Hospital's total contributions to PERS for the years 2002, 2001 and 2000 were \$34.6 million, \$32.5 million and \$24.3 million, respectively, equal to the required contributions for each year. The portion of the Hospital's total contribution to PERS which was used to fund OPEB for the years 2002 and 2001 was \$12.8 million and \$10.5 million, respectively.

NOTE H - Deficit Balances

At December 31, 2002, the Capital Projects, Central Custodial Services and Communications funds had net assets deficits of \$18.6 million, \$7 million and \$4 million, respectively. The deficit in Capital Projects fund will be eliminated by a future debt issue. The Central Custodial Services and Communications funds are Internal Service funds. The deficits will be eliminated through adjustment of the related fee schedules and subsidies as necessary.

NOTE I - Fund Equity

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

Reserve accounts used by the County include:

Reserved for Restricted Assets: This account represents the portion of the General fund's equity that includes certificates of deposit that support the County's Housing Enhancement Loan Program (H.E.L.P.) and the unspent proceeds of the County's Brownfield Economic Redevelopment bonds. At December 31, 2002, the balance in this account was \$35.8 million of which \$24.5 million represents the fund equity related to the certificates of deposit and \$11.3 million represents the fund equity related to the Brownfield Redevelopment bond proceeds.

Reserved for Loans Receivable: This account is used to separate the portion of fund equity that pertains to long-term loans receivable and is not available for current expenditure. At December 31, 2002, \$14.7 million has been reserved for loan repayments.

Reserved for Debt Service: This account is used to separate the portion of fund equity that must be used to fund principal and interest on Gateway Economic Development Revenue Bonds in the succeeding year as well as the equity balance in the Debt Service fund. At December 31, 2002, \$10.7 million has been reserved for debt service.

Designation accounts used by the County include:

Designated for Self-Insurance: This account is used to designate resources which management has earmarked to fund any claims or judgments against the County which are not covered by insurance. At December 31, 2002, \$1.1 million has been designated for self-insurance.

Designated for Proprietary Funds: This account is used to designate resources which management has earmarked to retire outstanding Enterprise and Internal Service funds' deficits. At December 31, 2002, \$11 million has been designated for future Internal Service funds' subsidies.

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NOTE J - Risk Management and Other Contingencies

Primary Government

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

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

Self-Insurance: The County has designated \$1.1 million of the fund balance of the General fund, pursuant to Ohio law, to provide monies for claims and judgements not covered by the various County insurance policies. Settled claims from risks covered by the County's insurance policies have not exceeded the insurance coverage for the past three fiscal years. Actual expenditures for claims and judgements against the County in 2002 and estimates for unsettled claims at December 31, 2002, including those incurred but not reported, were immaterial. The County is also self-insured with respect to unemployment and workers' compensation benefits. Self-insurance expenditures were immaterial for unemployment compensation in 2002. Since 1992, the County has maintained an Internal Service fund for its self-insured workers' compensation benefits administered through a retrospective rating plan with the State of Ohio. Prior to 1992, the County was fully insured for workers' compensation benefits. The County uses a payroll-based rate to charge its various funds for workers' compensation benefits. These charges are contributed into the Self-Funded Workers' Compensation fund and are based on estimates needed to pay current claims and establish a reserve for claims incurred but not reported. Changes to the estimated claims payable recorded in the Self-Funded Workers' Compensation fund during the years ended December 31, 2002 and 2001 were:

	(Amounts in 000's)	
Estimated Claims Payable	2002	2001
Estimated claims payable beginning of year.....	\$ 18,590	\$ 18,827
Plus: Current year claims and changes in estimates	2,638	4,833
Less: Claim payments	<u>3,574</u>	<u>5,070</u>
Estimated claims payable end of year	<u>\$ 17,654</u>	<u>\$ 18,590</u>

Component Unit

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

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Losses from asserted claims and from unasserted claims identified under the Hospital's incident reporting system are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. The reserve for estimated self-insured claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported, discounted at a rate of 6%. The changes in the reserve were as follows during the years ended December 31, 2002 and 2001:

	(Amounts in 000's)	
Estimated Claims Payable	2002	2001
Estimated claims payable beginning of year.....	\$ 29,471	\$ 29,685
Plus: Current year claims and changes in estimates	20,826	18,169
Less: Claim payments	<u>13,630</u>	<u>18,383</u>
Estimated claims payable end of year	\$ <u>36,667</u>	\$ <u>29,471</u>
Due within one year.....	\$ <u>15,089</u>	\$ <u>14,700</u>

NOTE K - Encumbrances

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

At December 31, 2002, encumbrances outstanding in Governmental funds and Proprietary funds which were reappropriated in the 2003 budget were:

Fund Type	(Amounts in 000's)
General fund	\$ 13,145
Human Services fund	25,575
County Board of Mental Retardation fund	8,673
Health and Community Services fund	13,433
Other Governmental funds	105,584
Sanitary Engineer fund	2,198
Other Enterprise funds	590
Internal Service funds.....	<u>8,800</u>
Total	\$ <u>177,998</u>

On a GAAP basis, a portion of these encumbrances represented liabilities of the County. At December 31, 2002, encumbrances recorded as liabilities were:

Fund Type	(Amounts in 000's)
General fund.....	\$ 2,267
Human Services fund	2,998
County Board of Mental Retardation fund	2,714
Health and Community Services fund	8,502
Other Governmental funds	9,463
Sanitary Engineer fund	68
Other Enterprise funds	305
Internal Service funds.....	<u>1,308</u>
Total	\$ <u>27,625</u>

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

DECEMBER 31, 2002

NOTE L - Property Tax Revenues

Property taxes include amounts levied against real, tangible (used in business) and public utility property. The assessed value upon which the 2002 tax collection was based follows:

Property Type	(Amounts in 000's)
Real property	\$ 24,689,595
Personal tangible property	3,032,064
Tangible public utility property	<u>977,713</u>
Total assessed value	\$ <u>28,699,372</u>

Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Presently, the County levies 1.45 mills of the first 10 mills of assessed value of which .59 is designated for debt service and the remainder is credited to the County's General fund. In addition to the 1.45 mills, 10.27 voted mills have been levied for debt service, mental retardation, health and human services and health and welfare. A summary of voted millage follows:

Purpose	Voter Authorized Rate (1)	Rates Levied for Current Year Collection (2)		Final Collection Year
		Agricultural/ Residential	Commercial/ Industrial	
Debt service	\$.27	\$.27	\$.27	2013
Mental retardation	3.90	3.48	3.44	2005
Health and human services	3.00	1.82	2.16	2004
Health and welfare ⁽³⁾	<u>3.10</u>	<u>2.76</u>	<u>2.73</u>	2003
Total voted millage	\$ <u>10.27</u>	\$ <u>8.33</u>	\$ <u>8.60</u>	

(1) In mills per \$1,000 of assessed valuation.
(2) Ohio law provides for a credit to certain voted levies to offset inflation in the value of real property. The mental retardation, health and human services and health and welfare levies are subject to this credit.
(3) A replacement levy of 3.1 mills and an increase of 1.8 mills was approved by voters in May 2003 to be collected in 2004 through 2008.

Real property taxes are levied each December on the assessed values as of the preceding January 1st, the lien date. Assessed values are established the preceding year by the County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was completed in 2000. Public utility property taxes are assessed on tangible personal property, as well as land and land improvements at true value, which is, in general, net book value. Tangible property is assessed at 25% of true value except for inventories which are assessed at 23% of average value. Personal property (other than public utility property) taxes are levied in October of the preceding calendar year based on tax rates determined in the preceding year and assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Under Ohio law, personal property taxes do not attach as a lien on the personal property. Public utility real and tangible personal property taxes collected in one calendar year are levied in October of the preceding calendar year on assessed values determined as of January 1 of that preceding year, the lien date.

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

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

DECEMBER 31, 2002

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

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

Property tax revenues were recorded in the following funds in 2002:

Governmental Funds	(Amounts in 000's)
General.....	\$ 20,983
Health and Human Services Levies.....	119,185
County Board of Mental Retardation	86,215
Health and Community Services	12,432
Other Governmental.....	<u>21,077</u>
Total property tax revenues.....	\$ <u>259,892</u>

Property tax revenues include levies collected from both the current levy and delinquent levies. The cumulative delinquency as of December 31, 2002 for Cuyahoga County was \$35.0 million.

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

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

DECEMBER 31, 2002

NOTE M – Other Intergovernmental Revenue

A summary of the principal components of other intergovernmental revenue for the year ended December 31, 2002 follows:

Fund Type	(Amounts in 000's)
General fund:	
State Public Defender reimbursement	\$ 5,548
State property tax reimbursement.....	3,409
Other.....	<u>3,263</u>
Total General fund.....	<u>12,220</u>
Special Revenue funds:	
U.S. Department of Housing and Urban Development	16,974
U.S. Department of Justice.....	4,782
U.S. Department of Labor.....	1,375
Federal and State Mental Health and Retardation.....	156,886
Ohio Department of Alcohol and Drug Addiction Services	21,428
Ohio Department of Job and Family Services.....	325,682
Ohio Department of Rehabilitation and Corrections.....	4,196
Ohio Department of Transportation	206
Ohio Department of Youth Services	9,204
State property tax reimbursement.....	16,835
Other.....	<u>7,635</u>
Total Special Revenue funds.....	<u>565,203</u>
Debt Service fund:	
State property tax reimbursement.....	<u>3,767</u>
Capital Projects fund:	
Ohio Department of Transportation	<u>24,719</u>
Total Other Intergovernmental.....	\$ <u>605,909</u>

NOTE N - Interfund Transactions

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

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

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

A summary of interfund transfers by fund type follows for the year ended December 31, 2002:

Fund Type	(Amounts in 000's)						Total
	Transfer To						
Transfer From	General	Human Services	County Board of Mental Retardation	Health and Community Services	Other Governmental Funds	Other Enterprise Funds	
Transfers:							
Major Governmental Funds:							
General Fund	\$	\$ 16,473	\$	\$ 35,501	\$ 13,567	\$ 836	\$ 66,377
Human Services					716		716
Health and Human Service Levies		46,140		75,794			121,934
Health and Community Services	1,300				2,389		3,689
Other Governmental Funds	379		32	412	4,423		5,246
Other Enterprise Funds					729		729
Internal Services Funds					500		500
Total Transfers.....	<u>\$ 1,679</u>	<u>\$ 62,613</u>	<u>\$ 32</u>	<u>\$ 111,707</u>	<u>\$ 22,324</u>	<u>\$ 836</u>	<u>\$ 199,191</u>

NOTE O - Transactions with Gateway

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

The County and Gateway also entered into a revolving loan agreement whereby the County agreed to issue bonds and loan the bond proceeds to Gateway to pay arena construction costs. As part of this agreement, the County issued taxable Economic Development Revenue Bonds of \$75 million on September 24, 1992 and \$45 million on February 1, 1994. At December 31, 2002, the County has \$103.1 million of debt outstanding relating to these bond issues (See Note F).

The amount due from Gateway under the revolving loan agreement is \$186.6 million at December 31, 2002, including unpaid accrued interest. During 2002, Gateway repaid the County over \$3.6 million and the remaining amount is fully reserved due to the uncertainty of the repayment from Gateway.

The County, Gateway and the Convention and Visitors Bureau of Greater Cleveland (the Bureau) entered into a cooperative agreement on September 15, 1992, which included a provision that allowed a credit to be given to Gateway for the incremental amount the Bureau receives from the County Transient Occupancy Tax to use as payment to the County for the bonds issued. This agreement was amended on December 22, 1998 to redefine the annual incremental credit and to provide for the deposit by the Bureau for the years 1994 through 1998. The County received \$1 million from this agreement during the year ended December 31, 1999. The County will receive \$.2 million during each subsequent year, subject to certain adjustments. The County received \$.2 million for the year ended December 31, 2002.

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

Gateway has experienced significant losses in the last five years and has relied on short and long-term borrowings, as well as nonrecurring revenue, to pay its obligations as they come due. In addition, Gateway has been unable to fund the capital maintenance account required under certain facility leases. Although the County believes that the revenue sources that secure the repayment of the revenue bonds the County has guaranteed will be adequate to provide for the future debt service requirements under the bonds, if Gateway was to become insolvent, the impact on the County's future financial condition and operations cannot presently be determined because of uncertainties regarding the amount of Gateway's future cash needs and the extent (if any) of the County's funding of such needs.

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

NOTE P – Loans

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

NOTE Q – Subsequent Event

In May 2003 the voters of Cuyahoga County approved a health and human services levy to be collected beginning in 2004 through 2008. The levy consisted of a replacement of an existing levy of 3.1 mills and an increase of 1.8 mills for a total 4.9 mills. The levy is estimated to generate an additional \$58.8 million of tax billings for a total amount levied of \$137.2 million.

In May 2003 the County Commissioners authorized by resolution a loan in the amount of \$10 million from the Ohio Department of Transportation (ODOT). The money is provided through the state infrastructure bank fund, which are federal funds, to be used to improve a road and reconstruct a bridge. The loan will carry a 0% interest rate for the first 12 months and 3% rate thereafter through 2013 when it will be fully repaid. The County pledges its motor vehicle license tax as the source of repayment.

In February 2003, the MetroHealth System Board of Trustees adopted a resolution authorizing issuance and sale of approximately \$31 million of Ohio Hospital Improvement Variable Rate Demand Revenue Bonds. The proceeds from the bonds will be used to pay commitments on the new Critical Care Pavilion and build a new business administration facility.

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

DECEMBER 31, 2002

NOTE R – Change in Accounting Method

Effective January 1, 2002 the County implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, an amendment of GASB Statement No. 21 and No. 34. Implementation of these GASB Statements resulted in an adjustment in beginning balances as reported in the financial statements. The following balances were adjusted:

(Amounts in 000's)	
Fund Balance January 1, 2002	
Governmental Activities:	
Governmental funds:	
General	\$ 181,435
Health and Human Services Levies	1,941
County Board of Mental Retardation	7,652
Health and Community Services	29,900
Other Governmental.....	<u>58,397</u>
Total Governmental funds	279,325
Internal Service funds	40,074
Adjustments to convert to accrual accounting from modified accrual accounting:	
Capital assets.....	577,682
Long-term liabilities	(405,408)
Accrued interest	(1,560)
Deferred revenue	<u>32,355</u>
Net Assets January 1, 2002 (as restated)	\$ <u>522,468</u>

	(Amounts in 000's)		
	Sanitary Engineer Fund	Other Enterprise Funds	Total Enterprise Funds
Retained Earnings at January 1, 2002 as previously reported.....	\$ 18,308	\$ 5,195	\$ 23,503
Contributed Capital at January 1, 2002.....	<u>8,203</u>	<u>10,321</u>	<u>18,524</u>
Net Assets at January 1, 2002 (as restated).....	\$ <u>26,511</u>	\$ <u>15,516</u>	\$ <u>42,027</u>

CUYAHOGA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2002

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through the Ohio Department of Education:</i>			
Food Distribution	10.550	N/A	\$ 10,285
National School Lunch Program	10.555	IRN66563	127,207
National School Lunch Program	10.555	IRN66563	165,176
National School Lunch Program	10.555	IRN66597	247,534
Total Child Nutrition Cluster			<u>539,917</u>
Total U.S. Department of Agriculture			<u>550,202</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through the Ohio Department of Education:</i>			
CCBMR Title VI-B School Age Grant	84.027	066563-6B-SF-02P	<u>220,689</u>
CCBMR Title VI-B Preschool Grant	84.173	066563-PG-S1-2002P	<u>56,215</u>
Total Special Education Cluster			<u>276,904</u>
Early Childhood Initiative	84.181	18-1-002-I-EG-02	<u>109,776</u>
Total			<u>386,680</u>
OFFICE FOR REHABILITATIVES SERVICES			
<i>Passed Through the Ohio Department of Rehabilitation Services Commission:</i>			
Rehabilitation Services—Vocational Rehabilitation Grants to States	84.126	Title I	<u>94,415</u>
OFFICE OF ASSISTANT SECRETARY FOR ELEMENTARY EDUCATION:			
<i>Passed Through the Ohio Department of Alcohol and Drug Addiction Services:</i>			
Drug Free Schools	84.186	N/A	<u>315,000</u>
Total U.S. Department of Education			<u>796,095</u>
U.S. DEPARTMENT OF ENERGY			
<i>Passed Through the Ohio Department of Development:</i>			
Home Weatherization Assistance Program	81.042	D-01-109	77,157
Home Weatherization Assistance Program	81.042	D-02-109	<u>124,248</u>
Total			<u>201,405</u>
Total U.S. Department of Energy			<u>201,405</u>

(Continued)

CUYAHOGA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2002

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Passed Through the Ohio Disaster Services:</i>			
Emergency Management	83.530	34 - 6000.817	<u>97,837</u>
<i>Passed Through the Ohio Department of Public Safety:</i>			
ODPP Training AIDS 2001	83.552	Grant H-536	<u>10,240</u>
Total Federal Emergency Management Agency			<u>108,077</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Direct Programs:</i>			
Ryan White HIV Emergency Relief Project	93.914	2H89HA00045-06	1,282,388
Ryan White HIV Emergency Service Program	93.914	6H89HA00045-03-1	75,463
Ryan White HIV/AIDS Grantee/Admin	93.914	5H89HA00045-07	<u>1,575,128</u>
Total			<u>2,932,979</u>
<i>Passed Through the Ohio Department of Development:</i>			
Home Energy Assistance Program	93.568	H-00-109	(361)
Home Energy Assistance Program	93.568	H-01-109	136,291
Home Energy Assistance Program—HHS Support	93.568	H-01-109	<u>295,821</u>
Total			<u>431,751</u>
<i>Passed Through the Ohio Department of Alcohol and Drug Addiction Services:</i>			
Prevention & Treatment of Substance Abuse Block Grant	93.959	N/A	9,957,661
Treatment Alternative to Street Crime FY'03	93.959	18-02962-00-TASC-T-02-9196	451,260
Treatment Alternative to Street Crime FY'02	93.959	18-2962-00-TASC-T-02-9196	495,521
Treatment Alternative to Street Crime FY'01	93.959	18-2962-00-TASC-T-01-9196	(778)
Treatment Alternative to Street Crime FY'00	93.959	1818-22901-TASC-T-00-9196	<u>5,026</u>
Total			<u>10,908,690</u>
Medicaid Assistance Program—Title XIX	93.778	N/A	<u>4,435,513</u>
Total			<u>15,344,203</u>
<i>Passed Through the Ohio Department of Mental Health Services:</i>			
Ohio Second Chance	93.230	99-06771-00-OSCP-T-02-0269	14,781
Comprehensive Care Juvenile Justice 2002	93.230	6U-79-TI-13322-01-1	<u>25,055</u>
Total			39,836
Community Mental Health Services Block Grant	93.958	MH12	1,216,205
SAMI	93.958	N/A	<u>61,500</u>
Total			<u>1,277,705</u>

(Continued)

CUYAHOGA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2002

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
Social Services Block Grant—Title XX	93.667	MH12	1,218,272
Medicaid Assistance Program—Title XIX	93.778	N/A	34,641,965
Total			<u>37,177,778</u>
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Social Services Block Grant—Title XX	93.667	MR-18-01	1,249,172
Medicaid Assistance Program—Title XIX	93.778	N/A	16,723,879
Total			<u>17,973,051</u>
Total U.S. Department of Health and Human Services			<u>73,859,762</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Direct Programs:</i>			
CDBG—Entitlement	14.218	N/A	4,447,600
Emergency Shelter Grants Program	14.231	N/A	123,802
Supportive Housing Program	14.235	N/A	3,782,760
Shelter Plus Care Program	14.238	N/A	6,020,768
CDBG Home Investment Partnership Program	14.239	N/A	1,987,688
Youthbuild Grant Program	14.243	N/A	(1,581)
Special Initiative Grant—Project East	14.246	N/A	650,145
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	N/A	954,421
Lead Safe Cuyahoga Program	(1)	N/A	3,125
Total U.S. Department of Housing and Urban Development			<u>17,968,728</u>
U.S. DEPARTMENT OF JUSTICE			
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION - JUVENILE JUSTICE AND DELINQUENCY PREVENTION - ALLOCATION TO THE STATES			
<i>Passed Through the Office of Criminal Justice Services:</i>			
State Criminal Alien Assistance Program	16.606	2001-AP-DX-1157	140,464
Total			<u>140,464</u>
<i>Passed Through the Office of Criminal Justice Services (Cont.):</i>			
Juvenile Drug Court	16.523	2000-JB-009-A114	29,617
Juvenile Accountability Incentive Block Grant	16.523	2000-JB-RPU-0700	816,857
Vertical Prosecution	16.523	2001-JB-045-A107	28,267
Vertical Prosecution—JAIBG FY 2002	16.523	2000-JB-004-A107	53,138
JAIBG Administration—2001	16.523	2000-JB-ADM-0324	52,772
JAIBG Administration—Cuyahoga RPU Admin Block 2002	16.523	2001-JB-ADM-0324	24,530
Juvenile Accountability Incentive Block Grant—2002	16.523	2001-JB-RPU-0700	375,043
Unified Case Planning—2001	16.523	2000-JB-010-A140	206,930
CJS—JBIG FY 2000	16.523	CJS-JBIG-FY-2000	228,030
Total			<u>1,815,184</u>

(1) Federal CFDA number could not be identified.

(Continued)

CUYAHOGA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2002

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
Juvenile Justice and Delinquency Prevention Title V Block			
Subgrant FY'99	16.540	1999-JV-RPU-0796	7,650
Respite Program	16.540	2000-JJ-DI-1-0013	463
Total			<u>8,113</u>
Comprehensive Strategy Implementation—1999	16.542	OCJS-1999-JB002-A114	17,308
Comprehensive Strategy Implementation—2000	16.542	OCJS-2000-JB002-A114	12,743
Internet Crimes	16.542	2000MCCXK016	3,748
Total			<u>33,799</u>
Total			<u>1,997,560</u>
OFFICE OF JUSTICE PROGRAMS—DRUG CONTROL AND SYSTEM IMPROVEMENT ACT			
<i>Passed Through the Office of Criminal Justice Services:</i>			
Therapeutic Community	16.579	1996-RS-SAT-103	(3,988)
C3 JIS Planning Grant	16.579	1995-RU-NCH-9030	(39)
Psychological Counseling	16.579	2001-DG-D-B-010	101,496
Evidence Collection Training	16.579	2001-DG-G-02-7411	17,393
CRIS Mobile Data Computing	16.579	2001-DG-G01-9093	211,384
Cleveland Police OIBRS Project	16.579	2001-DG-G01-9092	44,884
FY '01 Byrne Administration	16.579	2001-DG-ADM-7431	36,958
Narcotics Control Block Grant FY'01	16.579	2001-DG-RPU-0717	514,615
Narcotics Control Block Grant FY'99	16.579	1999-DR-RPU-0797	89,312
DV Tracking/Control FY'02	16.579	2001-DG-FO2-7470	56,015
2000 Education and Employment	16.579	1999-DG-FO2-7407	65
Straight Release Overflow Unit—FY'02	16.579	2001-DGC	54,260
Forensic Crime Lab	16.579	2001-DG-E-B-008	35,026
Youth Violence Therapy FY'01	16.579	2000-DG-FO2-7429	22,058
Youth Violence Therapy FY'02	16.579	2001-DG-FO2-7429	46,736
Community Prosecution FY'02	16.579	2001-DG-BO1-7415	46,896
DV Survivors Project FY'00	16.579	1999-DG-DO2-7426	20
DV Survivors Project FY'01	16.579	2000-DG-DO2-7426	6,010
DV Survivors Project FY'02	16.579	2001-DG-RPU-0717	39,984
Polygraphing Sex Offenders FY'01	16.579	2000-DG-FO2-7432	4,069
Polygraphing Sex Offenders FY'02	16.579	2001-DG-FO2-7432	35,110
Gang Awareness FY'01	16.579	2000-DG-GO3-7413	295
Byrne Administration FY'01	16.579	2000-DG-ADM-7431	21,994
Narcotics Control Block Sub-Grant FY'00	16.579	2000-DG-RPU-0707	218,442
RSAT Therapeutic Community FY'01	16.579	1999-RS-SAT-120	23,200
RSAT Therapeutic Community FY'02	16.579	2000-RS-SAT-120	53,037
Children Who Witness Violence FY'01	16.579	2000-DG-DO2-7472	39,675
Children Who Witness Violence FY'02	16.579	2001-DG-DO2-7472	36,804

(Continued)

CUYAHOGA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2002

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
<i>Passed Through the Office of Criminal Justice Services (Cont.):</i>			
1999 Aggression Control Program	16.579	1998-DG-FO2-7467	9,533
2000 Aggression Control Program	16.579	1999-DG-FO2-7467	3,002
2001 Aggression Control Program	16.579	2000-DG-FO2-7467	1,516
2002 Aggression Control Program	16.579	2001-DG-CO2-7467	47,870
2001 Education and Employment	16.579	2000-DG-FO2-7407	7,070
Trace Evidence Study—FY'01	16.579	2000-DG-GO2-7411	7,660
Trace Evidence Study—FY'02	16.579	2001-DG-GO2-7411	13,183
Cognitive Education Project FY'01	16.579	2000-DG-GO2-7400	2,036
Unified Criminal History Project	16.579	1999-DG-GO1-9071	1,187
Juvenile Court Advocate Bryne—2002	16.579	2001-DG-D-B-007	31,801
Domestic Violence Tracking FY'01	16.579	2000-DG-FO2-7469	1,947
Sex Offender Grant Management	16.579	1999-WP-VX-0007	3,607
Total Bryne Memorial Programs			<u>1,882,123</u>
Violence Against Women Act (VAWA)	16.588	1996-WF-VA7-8673	180
VAWA Block Subgrant FY'98	16.588	1998-WF-RPU-0788	63,438
VAWA Block Subgrant FY'00	16.588	2000-WF-RPU-0708	275,576
VAWA Administration Funds	16.588	2000-WF-ADM-8668	15,392
VAWA Administration FY'01	16.588	2001-WF-ADM-8668	1,850
VAWA Block Grant FY'01	16.588	2001-WF-RPU-0718	107,506
Total Violence Against Women Programs			<u>463,942</u>
OFFICE OF JUSTICE PROGRAMS —OTHER			
<i>Direct Programs:</i>			
Gang Free Communities	16.544	2001-JD-FX-0002	<u>150,000</u>
Planning and Implementing Strategies in Community Prosecution	16.580	2000-PP-CX-0030	<u>29,269</u>
CLEFS Comprehensive Wellness	16.563	N/A	<u>4,091</u>
Federal Drug Court—Juvenile	16.585	1999-DC-VX-0060	<u>40,684</u>
Local Law Enforcement Block Grant FY'99	16.592	1999-LB-VX-8228	<u>141,532</u>
Local Law Enforcement Block Grant FY'00	16.592	2000-LB-VX-2459	<u>144,454</u>
Total			<u>285,986</u>
Protection Order Registry	16.858	1997-WE-VX-0101	<u>176,568</u>
Total			<u>686,598</u>
 Total U.S. Department of Justice			 <u>5,030,223</u>
U.S. DEPARTMENT OF LABOR			
<i>Direct Programs:</i>			
A Special Employer Incentive Program	17.802	N/A	4,161
Technology Training Network Program	17.249	AH-11081-01-60	584,727
Incumbent/Dislocated Worker Skill Shortage	17.260	AN-11465-01-60	245,555
Sectoral Employment Demonstration Grant	17.260	AN-11628-01-60	75,000
Total			<u>909,443</u>

(Continued)

CUYAHOGA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2002

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
U.S. DEPARTMENT OF LABOR (CONT.)			
<i>Passed Through the Ohio Department of Youth Services:</i>			
Youthful Offender Education Training	17.249	F-7542-9-00-80-60	<u>347,330</u>
<i>Workforce Investment Act of 1998 Passed Through the Ohio Department of Job and Family Services:</i>			
WIA Administration	17.258	N/A	149,242
WIA Adult	17.258	N/A	<u>1,580,925</u>
Total			<u>1,730,167</u>
WIA Administration	17.259	N/A	132,451
WIA Youth	17.259	N/A	686,613
Workforce Training and Development	17.259	N/A	<u>716,445</u>
Total			<u>1,535,509</u>
WIA Administration	17.260	N/A	60,912
WIA Dislocated Worker	17.260	N/A	645,247
WIA Rapid Response	17.260	N/A	1,506,656
Special Projects—LTV	17.260	N/A	<u>677,387</u>
Total			<u>2,890,202</u>
One Stop Pilot	17.258-17.260	N/A	1,534
One Stop Implementation	17.258-17.260	N/A	<u>179,910</u>
Total			<u>181,444</u>
Total WIA Cluster (17.258, 17.259, and 17.260)			<u>6,657,877</u>
Total U.S. Department of Labor			<u>7,594,095</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed Through the Ohio Environmental Protection Agency</i>			
Brownfield's Revolving Loan Fund	66.811	BP-98574401-2	616
Brownfield's Reclamation	66.802	V005944-01-9	<u>1,712</u>
Total U.S. Environmental Protection Agency			<u>2,328</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Direct Program:</i>			
County Airport—Airport Improvement Program	20.106	3-39-0021-1201	<u>55,835</u>

(Continued)

CUYAHOGA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2002

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
U.S. DEPARTMENT OF TRANSPORTATION (CONT.)			
<i>Passed Through the Ohio Department of Transportation:</i>			
ODOT—LPA/Cedar Road	20.205	G990529	18,180
ODOT—LPA/Chagrin River Bridge	20.205	G000414	28,693
ODOT—LPA/Crocker-Stearns Wetland	20.205	G010435	303,972
ODOT—LPA/Hillside Road	20.205	G010717	362,278
ODOT—LPA/East 200th Street	20.205	G990484	21,115
ODOT—LPA/Miles Road Bridges	20.205	G010671	665,955
ODOT—LPA/Hilliard Road	20.205	G000617	31,506
ODOT—LPA/Lakewood Heights Boulevard	20.205	G000194-95	966,179
ODOT—LPA/Lee Road	20.205	G010(127)	2,813,227
ODOT—LPA/Monticello Boulevard Bridge	20.205	G020343	281,458
ODOT—LPA/Spafford Road Bridge	20.205	G020302	478,764
ODOT—LPA/Stumph Road	20.205	G020105	80
ODOT—LPA/Smith Road	20.205	G010(039)	152,242
ODOT—LPA/Turney Road Construction	20.205	G000190	684,406
ODOT—LPA/Warrensville Center Road	20.205	G020098	2,436,378
ODOT—LPA/Wagar Road	20.205	F973(125)	3,362,447
ODOT—LPA/West 220th Street	20.205	F973(124)	3,861,114
ODOT—LPA/West 117th Street	20.205	G000015	6,743,503
Total Highway Planning and Construction Cluster			<u>23,211,497</u>
<i>Passed Through the Ohio Environmental Protection Agency:</i>			
Hazardous Materials Emergency Preparation Training	20.703	HMEOH8016060	<u>15,430</u>
Total U.S. Department of Transportation			<u>23,282,762</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 129,393,677</u>

See notes to Schedule of Expenditures of Federal Awards.

(Concluded)

CUYAHOGA COUNTY, OHIO

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2002

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of the primary government of Cuyahoga County, Ohio, (as defined by GASB Statement No. 14, *The Financial Reporting Entity*) under programs financed by the U.S. government for the year ended December 31, 2002. The Schedule has been prepared using the cash basis of accounting. For purposes of the Schedule, federal awards include the following:

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

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

The County's basic financial statements include the operations of MetroHealth System, a discretely presented component unit, which expended \$7,348,797 in federal awards during the year ended December 31, 2002. These expenditures are not included in the accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2002 because MetroHealth System had a separate audit performed in accordance with OMB Circular A-133.

2. LOANS RECEIVABLE

As shown in the table below, the County had loans receivable outstanding at December 31, 2002 under the Community Development Block Grant ("CDBG") Entitlement and Home Investment Partnership programs. All of the loans outstanding at December 31, 2002 pertained to federal awards received by the County, or program income associated with these awards, and provided as loans to eligible recipients in prior years. The loan balances detailed below were not included in federal expenditures presented in the accompanying Schedule because the provisions of the grant agreements pertaining to such loans do not require the repayment of the grant monies to the federal government. The loans outstanding at December 31, 2002 under federal grant programs were as follows:

Program Title	Federal CFDA No.	Loan Amounts Outstanding at December 31, 2002
CDBG - Entitlement and (HUD-Administered) Small Cities Cluster	14.218	\$ 9,930,586
CDBG Home Investment Partnership program	14.239	<u>4,626,880</u>
		<u>\$ 14,557,466</u>

3. SUBRECIPIENTS

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

CUYAHOGA COUNTY, OHIO

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2002

4. MEDICAID ASSISTANCE PROGRAM—TITLE XIX

The total amount expended by the County during 2002 under the Title XIX Medicaid Assistance Program (CFDA No. 93.778) is summarized as follows:

Passed Through From	Amount Expended
Ohio Department of Alcohol and Drug Addiction Services	\$ 4,435,513
Ohio Department of Mental Health Services	34,641,965
Ohio Department of Mental Retardation and Developmental Disabilities	<u>16,723,879</u>
Total	<u>\$ 55,801,357</u>

5. TITLE XX SOCIAL SERVICES BLOCK GRANT

The total amount expended by the County during 2002 under the Title XX Social Services Block Grant (CFDA No. 93.667) is summarized as follows:

Passed Through From	Amount Expended
Ohio Department of Mental Health Services	\$ 1,218,272
Ohio Department of Mental Retardation and Developmental Disabilities	<u>1,249,172</u>
Total	<u>\$ 2,467,444</u>

6. SCHOOL-TO-WORK OPPORTUNITIES GRANT

The total amount expended by the County during 2002 under the School-to-Work Opportunities Grant (CFDA No. 17.249) is summarized as follows:

	Amount Expended
Direct Program	\$ 584,727
Passed through from the Ohio Department of Youth Services	<u>347,330</u>
Total	<u>\$ 932,057</u>

7. WIA DISLOCATED WORKERS GRANT

The total amount expended by the County during 2002 under the WIA Dislocated Workers Grant (CFDA No. 17.260) is summarized as follows:

	Amount Expended
Direct Programs	\$ 320,555
Passed through from the Ohio Department of Job and Family Services	<u>2,890,202</u>
Total	<u>\$ 3,210,757</u>



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

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

We have audited the basic financial statements of Cuyahoga County, Ohio (the "County") as of and for the year ended December 31, 2002, and have issued our report thereon dated June 20, 2003, which contained an explanatory paragraph describing the implementation of new accounting pronouncements by the County. We did not audit the financial statements of the discretely presented component unit, MetroHealth System. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, MetroHealth System, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to the management of the County in the accompanying Schedule of Findings and Questioned Costs, Status of Prior Year Comments on Internal Control and Legal Compliance, Summary of Other Reports, and a separate letter dated June 20, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the County in the accompanying Schedule of Findings and Questioned Costs, Status of Prior Year Comments on Internal Control and Legal Compliance, Summary of Other Reports and a separate letter dated June 20, 2003.

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

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

Deloitte & Touche LLP

June 20, 2003



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

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

Compliance

We have audited the compliance of Cuyahoga County, Ohio (the "County") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of MetroHealth System, a discretely presented component unit, which expended \$7,348,797 in federal awards during the year ended December 31, 2002. These expenditures are not included in the County's Schedule of Expenditures of Federal Awards for the year ended December 31, 2002. Our audit, described below, did not include the operations of MetroHealth System because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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

In our opinion, the County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as findings 99-1 and 01-1.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Deloitte & Touche LLP

June 20, 2003

CUYAHOGA COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2002

Summary of Auditors' Results

- Type of Report Issued on the Financial Statements as of and for the Year Ended December 31, 2002—Unqualified.
- Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements—N/A (none reported).
- Noncompliance noted that is Material to the Financial Statements—N/A (none reported).
- Reportable Conditions in Internal Control Over Major Federal Award Programs Disclosed by the Audit of the Financial Statements—N/A (none reported).
- Type of Report Issued on Compliance with Requirements Applicable to Major Federal Award Programs—Unqualified.
- The audit disclosed two audit findings which are required to be reported under Section .510(a) of OMB Circular A-133.
- Major Federal Award Programs Identified for the Year Ended December 31, 2002:
 - CFDA #14.218 Community Development Block Grant
 - CFDA #16.579 Byrne Memorial Programs
 - CFDA #17.258, 17.259 and 17.260 WIA Cluster
 - CFDA #20.205 Highway Planning and Construction Cluster
 - CFDA #93.667 Social Services Block Grant
 - CFDA #93.778 Medicaid Assistance Program
 - CFDA #93.959 Block Grants For Prevention & Treatment of Substance Abuse
- Dollar Threshold Used to Distinguish Between Type A and Type B Programs—\$3,000,000.
- The County was not considered to be a Low Risk Auditee as defined under OMB Circular A-133.

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

None

CUYAHOGA COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2002

Findings and Questioned Costs Relating to Federal Awards

Finding No: 99-1
Program Name: Byrne Formula Grant
CFDA #: 16.579
Compliance Area: Monitoring Subrecipients

Condition: During all or a portion of 2002, the subrecipients of the Department of Justice Affairs (“DJA”) were not submitting their monthly reports timely to the respective agencies.

Criteria: As stipulated in the Fiscal Guidelines of the Byrne Formula Grant, all monthly reports are to be received by the 10th day of the following month to enable the DJA to prepare an accurate quarterly report by the 15th day following the end of the quarter. OMB Circular A-133 specifies that the primary recipient is responsible for determining whether a subrecipient expends the federal award in accordance with the applicable federal laws and regulations. Additionally, the primary recipient is responsible for ensuring audits are performed and prompt corrective action is taken on any audit findings.

Cause and Effect: During all or a portion of 2002, there was no effective monitoring of the submission of monthly reports of the subrecipients. Failure to receive these reports resulted in insufficient monitoring of the subrecipients.

Questioned Costs: None

Recommendation: Although the DJA has promptly followed-up with subrecipients that are continually delinquent in their submissions, the DJA could take further steps to suspend future grants entirely for subrecipients in order to correct this compliance area.

Management’s Response and Corrective Action Plan:

The DJA maintains documentation supporting attempts to contact grant subrecipients who have failed to submit monthly financial reports by the tenth (10th) day of each month. A communications protocol, including letters and phone calls strongly emphasize the importance of fiscal compliance, and iterates that reimbursements will not be released until all pertinent fiscal documentation have been submitted to our office.

Subrecipients have been informed that all funding can and will cease, and any potential future funding could be jeopardized if fiscal non-compliance is not remediated. Furthermore, there is precedence of de-funding subrecipients for fiscal non-compliance.

CUYAHOGA COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2002

Any grant subrecipient who fails to submit financial reports for two consecutive months will be afforded technical assistance on reporting responsibilities, including report preparation and report completion dates. Should a grant subrecipient, having been afforded technical assistance, continue a pattern of failing to submit financial reports by the 10th day of the month in any three consecutive months of the funding period, the subrecipient will be notified in writing by certified mail that they have been de-funded for fiscal non-compliance. To ensure this process is monitored, the DJA'S fiscal staff will prepare a matrix of all grant subrecipients, inclusive of financial status no later than the 15th of each month to be submitted to the department's fiscal manager for compliance monitoring.

County Contact Person: Martin P. Murphy, Interim Director

Anticipated Completion Date: July 1, 2003

CUYAHOGA COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2002

Finding No: 01-1

Program Name: Prevention and Treatment of Substance Abuse Block Grant
Medicaid Assistance Program—Title XIX

CFDA No: 93.959
93.778

Compliance Area: Monitoring Subrecipients

Condition: The Cuyahoga County Alcohol & Drug Addiction Services Board (“CCADASB”) and the Cuyahoga County Mental Health Board (“CCMHB”) are not receiving certain subrecipient single audit reports within six months after year-end.

Criteria: OMB Circular A-133 states that grantees and subgrantees that expend \$300,000 or more federal funds shall have audits made by an independent auditor in accordance with *Government Auditing Standards*. Audit reports are to be received by the granting agency within six months of year-end for proper monitoring of the subrecipients’ activities. Additionally, OMB Circular A-133 specifies that the primary recipient is responsible for determining whether a subrecipient expends the federal award in accordance with the applicable federal laws and regulations. Additionally, the primary recipient is responsible for ensuring audits are performed and prompt corrective action is taken on any audit findings.

Cause and Effect: There is ineffective monitoring of subrecipients through inconsistent receipt of single audit reports.

Questioned Costs: None

Recommendation: CCADASB and CCMHB should consider further steps including the suspension of future grants, to enforce the timely submission of the required audit reports by subrecipients.

Management’s Response and Corrective Action Plan:

Alcohol & Drug Addiction Services Board –

The ADASBCC recognizes the seriousness of this problem. It has and will continue to take steps to insure our providers comply with this requirement.

Starting with our fiscal year 2004, the ADASBCC is implementing a performance measurement program for our providers. Included as a component of the performance measurements will be the timeliness of receiving audit reports. The results of these performance measurements will be part of the criteria used in determining future funding for our providers.

County Contact Person: Bill Tobin, Director of Finance

Anticipated Completion Date: July 1, 2003

CUYAHOGA COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2002

Cuyahoga County Mental Health Board—

The current CCMHB Service Provider Agreement requires that contract providers submit an audit report or an agreed upon procedure engagement report within thirty (30) days of completion or within five (5) months after the end of the contract provider's fiscal year being reported, whichever is sooner. This was done to alleviate the prior circumstances of receiving late reports. Delinquent reports this year were isolated cases that were monitored by the CCMHB. The CCMHB plans to continue to report delinquent audit reports to the CCMHB's Quality Improvement Committee that meets on a monthly basis. The CCMHB also now has on staff a contract/risk manager that will be updated on issues pertaining to delinquent audit reports for appropriate enforcement with the provision of the Service Provider Agreement. Specifically, Section 7.3.2 of the Service Provider Contract states, "Upon failure of the Contract Service Provider to submit the audit or agreed upon procedure engagement report within the time requirements, the CCMHB reserves the right to suspend future funds, if any, pursuant to Sections 9.2.7 and 9.2.8 of this contract."

County Contact Person: Mark Jones, Director of Finance

Date Completed: July 1, 2003

CUYAHOGA COUNTY, OHIO

STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL AND LEGAL COMPLIANCE

INTERNAL CONTROL AND LEGAL COMPLIANCE

Prior Year Finding (99-1)—Under the Byrne Formula Grant program, the subrecipients of grants provided by the Department of Justice Affairs (“DJA”) are not submitting their monthly reports timely to the department. The Cuyahoga County Mental Health Board (“CCMHB”) is not receiving the yearly single audit reports from subrecipients within six months after year-end.

Current Year Status—During 2001, the DJA sent letters by certified mail to subrecipients who had not submitted their monthly financial reports to the agency; however, certain subrecipients are still failing to submit monthly reports on a timely basis. Subrecipients that fail to submit their monthly financial reports will not be reimbursed until the monthly financial report is received. This finding is repeated in this single audit report for DJA. The CCMHB revised its subrecipient contract to require audit reports to be received within 30 days of completion or five months after the subrecipient’s year-end, whichever is earlier. As a result of this change in policy, all subrecipients complied in the current year, thus this finding for the CCMHB has not been repeated in the current year Schedule of Findings and Questioned Costs.

Prior Year Finding (00-1)—The County Engineer’s Department does not request payroll records from contractors to determine if contractors are paying prevailing wages.

Current Year Status—During the second half of 2001, the County designated two individuals to be responsible for ensuring compliance with the Davis-Bacon Act. Payroll records received from contractors are maintained in a file and are randomly sampled to ensure compliance with the prevailing wage laws. As the procedures implemented in 2001 were in place for the entire year in 2002, this finding has not been repeated in the current year Schedule of Findings and Questioned Costs.

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

Additionally, the CCADASB has not completed the Ohio Department of Alcohol & Drug Addiction Services (“ODADAS”) Provider Audit Review Checklist for subrecipients with a year-end of June 30, October 31, or December 31, during 2001.

Current Year Status—During 2002, the CCADASB has increased its efforts to monitor subrecipients through the full implementation of the CCADASB’s Compliance Review Team, requested quarterly financial statement from provider agencies, and issuance of “reminder memos” 30 and 60 days before the due date of the required audit reports. In addition, the CCADASB has communicated that additional funding is contingent on the receipt of a provider’s audit report and has declared an agency in default of the CCADASB’s service contract for failure to provide the requisite audit report. However, certain subrecipients are still submitting their single audit reports after six months have lapsed. As such, this finding is repeated in the current year Schedule of Findings and Questioned Costs.

CUYAHOGA COUNTY, OHIO

STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL AND LEGAL COMPLIANCE

Furthermore, the CCADASB has computerized the ODADAS Provider Review Audit Checklist to ease the tedious task of completing. This has resulted in allowing the Board's fiscal staff to complete and file the Checklists within the 30-day time period. As a result of the procedures implemented, this finding relating to the Provider Audit Review Checklists will not be repeated in the current year Schedule of Findings and Questioned Costs.

The CCMHB has identified the contract agencies that continue to be delinquent in submitting their audit reports by the due date. CCMHB staff have implemented a process of providing agencies 30 days before their audit report is due a reminder of the due date and what they are required to submit. They also have established a Quality Improvement and Monitoring Committee (the "Committee") which receives monthly updates. Contract service providers that are delinquent must come before the Committee to present the reasons for their delinquent submission. However, certain subrecipients are still submitting their Single Audit Reports after six months have lapsed. As such, this finding is repeated in the current year Schedule of Findings and Questioned Costs.

CUYAHOGA COUNTY, OHIO

SUMMARY OF OTHER REPORTS

CUYAHOGA COUNTY VETERANS SERVICE COMMISSION PERFORMANCE AUDIT FINDINGS

During March 2002, the Auditor of the State of Ohio issued a report detailing the observations and recommendations resulting from its performance audit of the Cuyahoga County Veterans Service Commission (the “Commission”). The principal findings resulting from the performance audit relating to internal control and legal compliance matters were as follows:

Burial for Veterans Program

Observation—The Commission offers a \$1,000 burial benefit in lieu of a free grave program that does not fall within the guidelines of Section 5901 of the Ohio Revised Code (“ORC”). The ORC permits the Commission to provide an amount, not to exceed \$1,000, for the funeral and burial of indigent, honorably discharged veterans that are residents of the County, in lieu of the deceased being buried in a County-maintained site set aside for veterans. However, the Commission’s program grants \$1,000 to every honorably discharged veteran, regardless of indigence, and is given without regard to the actual cost of the funeral and burial.

Auditor of State’s Recommended Corrective Action—The Commission should revise its policies and procedures in this area to comply with the ORC.

Management’s Response and Current Year Status—The Commission rescinded the Burial Plot Allowance in Lieu of a Free Grave Policy on February 20, 2002. A policy guideline for the funeral and burial of indigent, honorably discharged veterans, is already in place.

Compensation Increases For Commission Members

Observation—Commission members were granted compensation increases while being in office. The Ohio Attorney General and the County prosecutor have both issued opinions indicating that this is a violation of the ORC.

Auditor of State’s Recommended Corrective Action—The Commission members should not seek further increases in their compensation during their term of office. The raises that were given in 2001 should be repaid by the Commission members who received them. The Commission should request an opinion from the County Prosecutor’s office as to whether raises granted in years prior to 2001 should also be repaid.

Management’s Response and Current Year Status—A settlement was achieved in 2002 for a lawsuit filed by the Commission against the Cuyahoga County Board of County Commissioners (“CCBOC”). Under this agreement, new and reappointed Veteran Service Commission Commissioners would be regarded as part-time officials with an annual salary set at a maximum of \$9,600. Commissioner Weist would retain his original CCBOC-approved salary of \$54,523.56. Commissioners Kimmel and Maier’s salaries would be reduced to \$51,927.13, which was the amount established by CCBOC resolution prior to their appointments.

CUYAHOGA COUNTY, OHIO

SUMMARY OF OTHER REPORTS (CONTINUED)

Monitoring of Budgets

Observation—The Commission does not have a formal method in place to develop, review or manage a budget. The budget that the Commission presents to the CCBOC does not contain adequate details to justify requests. In each of the last four years, the Commission has exceeded its annual appropriation. In 2001, the actual spending exceeded the original budget appropriation by 53 percent.

Auditor of State’s Recommended Corrective Action—The Commission should develop and utilize a budget as a primary management tool. In addition, the Commission should develop a budget planning process that ultimately is linked to a strategic plan. Once a budget has been developed and adopted, the Commission members should make every effort to monitor spending and remain within the original budget.

Management’s Response and Current Year Status—In 2002, the Commission submitted a legal budget request for fiscal year 2003 according to the provisions of Title 59 of the ORC.

Hiring of an Executive Director

Observation—The position titles of the Commission are not in alignment with the ORC. ORC 5901.06 specifies that the Commission should hire an executive director to manage the day-to-day operations of the Commission. Currently, the Commission members manage the day-to-day operations of the Commission since the Commission does not have an executive director.

Auditor of State’s Recommended Corrective Action—The Commission should hire an executive director to remove the Commission members from the day-to-day operations of the Commission.

Management’s Response and Current Year Status—The Commission hired an executive director on May 24, 2002.

CUYAHOGA COUNTY MENTAL HEALTH BOARD PERFORMANCE AUDIT FINDINGS

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

Development of Budgets/Tracking Expenditures

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

CUYAHOGA COUNTY, OHIO

SUMMARY OF OTHER REPORTS (CONTINUED)

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

Management's Response— CCMHB is aware that divisional budgets need to be developed and implemented. As a part of the FY 2004 budget process we will begin the process of formulating divisional budgets for board operating expenditures and utilize the ON-Line FAMIS structure for capturing these costs until such time that the CCMHB secures its own internal MIS system that will link to the data produced in FAMIS.

Forecasting Beyond One Year

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

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

Management's Response—CCMHB is in the process of developing a two component budgeting process in response to this recommendation. The first is the development of the budget that is predominantly funded by Medicaid on a two-year budget cycle beginning with state fiscal year 2004. We intend to expand this process out to include 2 state fiscal year budget cycles to provide us with an indication of what our Medicaid and state matching fund resources would need to be in the upcoming year. For the non-Medicaid component of the budget process we will begin with the current fiscal year 2004 budget cycle of forecasting needs out beyond one-year cycles to 3 to 5 year cycles. This process will be done in conjunction with knowing what additional funding will be received from the Board of County Commissioners in support of non-Medicaid related programs.

CUYAHOGA COUNTY, OHIO

SUMMARY OF OTHER REPORTS (CONTINUED)

ORC and OAC Provisions

Observation—While CCMHB is in compliance with the majority of the ORC and Ohio Administrative Code (“OAC”), it is not in full compliance with certain provisions, impacting CCMHB’s ability to operate efficiently and it improve performance.

Auditor of State’s Recommended Corrective Action— The report provides recommendations for each non-compliance issue, including the following major issues:

- The Ohio Department of Mental Health (“ODMH”) and Cuyahoga County should follow the directives in ORC §340.021 regarding the appointment of individuals to the Board of Governors (“BOG”) and ensure that any future appointments are clearly reflective of key demographic characteristics for the County.
- BOG should take the necessary steps to ensure that all members are attending at least one in-service training session per year.
- The executive specialist should be responsible for providing timely and proper notification to the appointing authorities when a vacancy occurs.
- The appointing authorities should maintain a current list of prospective members to identify candidates in a more efficient manner, eliminating the amount of time that it takes to appoint new BOG members.
- CCMHB’s executive specialist should be instructed to maintain formal BOG attendance sheets for all members.

Management’s Response—CCMHB implemented a policy statement specifically regarding the recruitment of board members during 2002, which addressed each of the comments listed above.

Internal Accounting System

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

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

CUYAHOGA COUNTY, OHIO

SUMMARY OF OTHER REPORTS (CONTINUED)

Management's Response—CCMHB remains cognizant of this recommendation. During the course of this FY04 we will begin to develop the requirements of an internal accounting system. CCMHB will begin reviewing accounting systems utilized by urban MHB to determine the feasibility of utilizing existing systems in our internal structure. It is the CCMHB goal to complete the review phase & enter into implementation of a new internal accounting system that will link to the County Auditor's ON-Line FAMIS accounting system over the next 12 to 18 months.

Lack of Support for Funds Requested by OBM

Observation—The budget CCMHB has presented to the OBM since 2000 does not contain adequate financial or written details to justify the funds requested. GFOA states that the budget document should be detailed to communicate key fiscal and policy decisions, issues, and tradeoffs. By generating a more detailed and comprehensive budget, CCMHB would provide sufficient support that it is striving to maintain costs and to provide quality services to mental health consumers.

Auditor of State's Recommended Corrective Action—The budget submitted to OBM and the County should contain adequate details of plans and proposals to justify requests, including suggestions made by GFOA. Before new requests are incorporated into the budget, CCMHB should fully explain and justify the request with appropriate documentation and analysis. The existing budget should be subjected to a similar review and all spending plans should be thoroughly documented, providing the justification for requests as suggested by GFOA.

Management's Response—CCMHB during the FY 2002, and 2003 budget process provided OBM with detailed support documentation highlighting how the general fund, state match, and federal Medicaid dollars were going to be expended in the SFY budgets developed by the CCMHB. The CCMHB developed in conjunction with OBM and the Executive Office of Health & Human Services a detailed reporting document submitted monthly highlighting how the dollars were expended and on what services. For budget purposes, OBM has extracted information from those documents to conform to their restraints within their existing budget system.

CCMHB is initiating conversations prior to the CY 2004 budget development stage to refine the request and provide the supportive documentation that depicts the requested needs of the CCMHB and conforms with ODMH requirements as well as local & GFOA requirements for this upcoming budget process.

WAN Connection

Observation—CCMHB is not connected to the County's Wide Area Network ("WAN"), and therefore, the Finance Unit is unable to access FAMIS, the County's mainframe for accounting applications. Without this access, the Finance Unit is unable to answer payment status questions from vendors and providers. Long processing cycles contribute to the number of provider inquiries. FAMIS inquiry-only access would allow for real-time review of vendor and provider payment status information.

Auditor of State's Recommended Corrective Action—The information systems director should facilitate measures for appropriate CCMHB employees to gain access to FAMIS via the internet. In addition to determining the status of provider claims, other pertinent accounting information could be shared electronically through the internet. Gaining FAMIS inquiry-only access would allow staff members to more readily track, process, and determine payment status of provider claims.

CUYAHOGA COUNTY, OHIO

SUMMARY OF OTHER REPORTS (CONCLUDED)

Management's Response—CCMHB has secured access to FAMIS; this access was acquired in response to the Auditors performance report. At the present time the Chief Financial Officer and the Finance Director currently have access to FAMIS. The County Auditor's Office has been contacted so that the remaining staff within the Finance Unit will receive the appropriate training. All members of the Finance Unit gained access to FAMIS in June 2003. We anticipate this training to occur in late July early August after the completion of the current CAFR report.

* * * * *

COUNTY OF CUYAHOGA,
OHIO

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2002**



FRANK RUSSO
CUYAHOGA COUNTY AUDITOR

Prepared by:

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Director of Accounting

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**COUNTY OF CUYAHOGA, OHIO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED DECEMBER 31, 2002**

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**COUNTY OF CUYAHOGA, OHIO
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FRANK RUSSO
CUYAHOGA COUNTY AUDITOR

June 20, 2003

The Citizens Of The County Of Cuyahoga

We are pleased to present the 2002 Comprehensive Annual Financial Report of the County of Cuyahoga. This report provides a full and complete disclosure of the financial position and operations of the County for the year ended December 31, 2002. My office believes that the data herein is accurate in all respects and that all disclosures necessary to enable the reader to gain a maximum understanding of the County's financial affairs have been included.

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

We are proud that Cuyahoga County has received the Certificate of Achievement for Excellence in Financial Reporting 18 times from the Government Finance Officers Association. Attainment of this prestigious award is an annual goal of our office.

This is the first year for Cuyahoga County in implementing the Governmental Accounting Standard Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. I thank Steven C. Letsky, Director of Accounting, and his staff for their efforts in this endeavor.

Respectfully submitted,

Frank Russo
Cuyahoga County Auditor



FRANK RUSSO
CUYAHOGA COUNTY AUDITOR

June 20, 2003

Honorable Frank Russo
Cuyahoga County Auditor

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

Honorable James Rokakis
Cuyahoga County Treasurer

We are pleased to present the Comprehensive Annual Financial Report of the County of Cuyahoga for the year ended December 31, 2002. This report contains the financial statements and other financial and statistical data that provide a complete and full disclosure of all material financial aspects of the County. The responsibility for the accuracy of all data presented, its completeness and fairness of presentation rests with the County Auditor's Office (specifically the Financial Reporting Section), the Board of County Commissioners and the County Treasurer's Office.

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

The CAFR is organized in three sections: The Introductory Section, the Financial Section and the Statistical Section. The Introductory Section contains a table of contents, letters of transmittal, the Certificate of Achievement for Excellence in Financial Reporting for 2001, a list of elected officials and an organization chart. The financial section includes the independent auditor's report, the Management's Discussion and Analysis (MD&A), Basic Financial Statements, supplementary information and various other statements and schedules pertaining to the County's funds and activities. The Statistical Section provides selected financial, economic and demographic information, which may be used to indicate trends for comparative fiscal periods.

REPORTING ENTITY

The County of Cuyahoga is a political subdivision of the State of Ohio. It encompasses 59 municipalities, villages and townships, of which Cleveland is the largest. The County includes 459 square miles and has an estimated population of 1,379,049, making it one of the largest counties in the United States. The County provides general governmental services to its citizens which include: Social services including drug and alcohol abuse programs and programs for the mentally retarded, health and community assistance related services, civil and criminal justice system services, road and bridge maintenance and other general administrative support services. The County operates several enterprise activities including a sewer system, an airport, a parking garage and a crime

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

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

ECONOMIC OUTLOOK

The economic news was not encouraging but there was some new development in various stages of completion. Hotels were hit with an increase in their vacancy rate. The overall hotel occupancy rate was 56% in 2002 and was 58% in 2001. It is the third consecutive year occupancy rates have dropped. In July 2002, the newest skyscraper in the County was completed. The 24 story \$192.4 million federal courthouse was 20 months late and cost \$22 million more than originally budgeted. The building will house 400 federal employees who currently work in 5 downtown buildings. The 700,000 square foot building will consist of 16 courtrooms for 13 judges and 6 magistrates. Despite the economic downturn, MBNA Corp., the credit card company, began the process to construct a 190,000 square foot building at its current complex. The building will be four stories and house 900 employees. Its current three building complex which employs 2,200 people is nearing capacity. It is estimated the building will cost \$25 million. Zoning variances, necessary to allow the project to proceed, were approved in March 2003.

The Rock and Roll Hall of Fame and Museum, which opened in 1995, is proposing a new library and archives as the centerpiece of an expansion which would connect the Rock Hall to the Great Lakes Science Center. The 40,000 square foot expansion would include public spaces, classrooms, a restaurant and a multipurpose area. The original area slated to house a library was taken over by the special events, marketing and accounting departments. Groundbreaking dates have not been determined nor have costs. The New York based Rock and Roll Hall of Fame Foundation, which oversees the museum in conjunction with the Cleveland Board, has raised unspecified funds for the library and archives. Additional funding is expected to be both private and public with the hall likely to seek state monies. The goal is to not incur additional debt. The overall economic news at the Rock Hall was mixed. Attendance to the Rock and Roll Hall of Fame was up for the third consecutive year in 2002. However, while overall attendance was up, paid attendance dropped to the lowest head count for a full year of operation in the Museum's history. The Museum had 6.4% fewer paying customers in 2002 than in the previous year, while one in every three rock hall visitors got in free last year. Terry Stewart, president and CEO attributed the rise in unpaid attendance to stepped-up community outreach programs.

The Civic Vision 2000 and Beyond report, a comprehensive plan that will serve as a blueprint for transforming downtown Cleveland in the 21st century, was completed in 1998. The Steering Committee, consisting of over 20 community leaders, met over 15 months starting in December 1996. The report calls for spending upwards of \$2.7 billion in public and private funds over 10 years on 5 initiatives of major importance: Dramatically change the lakefront, develop a new and competitive downtown convention center, restore and beautify Euclid Avenue, double the number of downtown residents and develop attractive and user-friendly systems of connectivity. In addition, the Steering Committee recommended supporting the Greater Cleveland Growth Association task force review of Northeast Ohio's required air service needs, improving the Cleveland public schools and building inter-relationships with adjoining neighborhoods. Most of the Euclid Avenue projects are under construction. Civic Vision's goal is 3,000 new housing units with 1,200 having already been added and 7,000 new downtown hotel rooms with 617 currently in place. The Old Arcade

linking Euclid and Superior avenues reopened May 2001 with a new Hyatt Hotel and retail stores. One proposal being considered for the lakefront is the shifting of the shoreway, a main freeway connecting downtown with the east and west side of the County, which runs along Lake Erie. Parts of the shoreway would become a tree-lined boulevard and an eight mile lakefront bike path would be created. It is felt this proposal would facilitate development along the lakeshore. The project could cost over \$1 billion and the funding source has not been identified.

In 1999, former Cleveland Mayor Michael R. White picked 30 business leaders and politicians to find a location for a new downtown convention center and develop a funding plan. The proposal was delivered in April 2000, which calls for spending \$560 million for a convention center with up to 550,000 square feet of exhibit space and a 600 room hotel. Funding is to be provided by the State, the City and the County as well as private sources. A county-wide restaurant meal tax and an increased or reallocated hotel tax would be the main sources. The facility would be built on the current site expanding north and west, take 4 years to complete and would include a walkway to lakefront museums. It also calls for a new transit center for buses and light rail. A consensus with the County Commissioners and City Council could not be reached with the Mayor's proposal. The Port Authority commissioned another study to radically alter the lakefront and pave the way for a separate proposal to build a convention center next to the Cleveland Browns Stadium. The \$658 million proposal would raise a mile-long man-made island in Lake Erie and move much of Cleveland's port to it. A causeway with a road would connect the island to the mainland. Funding has not been identified for the project and the former Mayor of Cleveland has stated neighborhoods and dilapidated city schools are a higher priority. The slow economy and other priorities have placed the convention center on the back burner. Current Mayor Jane Campbell said the convention center remains on the City's economic radar screen, albeit as a blip. Currently, there are 5 proposals which are being considered. The three additional proposals include a site near Tower City along the Cuyahoga River, one past Jacobs Field and one at the Galleria, which is a shopping mall. The site past Jacobs Field would be privately financed which the City would lease for \$19.5 million per year. No consensus has been reached on the preferred site.

The expansion of Cleveland Hopkins International Airport has been debated and disputed for over 10 years. The cities of Cleveland and Brook Park have disagreed on the direction of the expansion and whether the I-X Center, an exposition hall, needs to be demolished in order to accommodate future airport runway expansion. In 1999, the city of Cleveland paid \$66.5 million for the I-X Center and Brook Park filed suit in Probate Court to acquire the I-X Center by eminent domain. The cities of Cleveland and Brook Park ended their long dispute concerning the Airport and the I-X Center in February 2001. Under the settlement, the city of Cleveland would receive the I-X Center and 90 acres of neighboring land. The I-X Center would continue to remain open for trade shows until a third runway is needed in 15 years. The city of Brook Park will receive NASA Glenn Research Center and two tracts of land, one 11 acres and the other 34 acres and will receive one-half of the revenues of the Emerald Corporate Park, a Cleveland industrial park north of the airport. Cleveland will purchase up to 300 homes in Brook Park to make way for the new runway. While the dispute continued, a second runway was planned with a third to follow later. The City received the necessary permits to begin the second runway in 2001 and it was completed in 2002 at a cost of \$50 million.

Tyco International Ltd. (formerly Scott Technologies Inc. and Figgie International Incorporated) agreed in 1989 to relocate its headquarters from Richmond, Virginia to an area known as Chagrin Highlands on land owned by the city of Cleveland. The development on 650 acres will include a 3.5 million square foot office complex and 250,000 square feet of retail space as well as 1,000 hotel rooms. Developers expect six hotels with one 300 room full service inn and the rest in the 80 to 120 room range to be constructed. The project is expected to take 15 to 20 years to complete and will provide 16,000 to 20,000 permanent jobs when completed, generating \$44 million yearly in income taxes among five communities and \$8 million in income taxes from construction jobs over the project life. Ground was broken in June 1998 on the \$14 million four story 110,000 square foot office building and was completed in Fall 1999. Scott occupies 15,000 square feet of the multi-tenant

building which is 83% leased. University Hospitals Health System constructed a 100,000 square foot, 4 story technology advanced outpatient specialty medical center in the Chagrin Highlands at an estimated cost of \$29.2 million which opened in February 2001. A complex of 3 restaurants with a total of 810 seats has been proposed for the project. A 6 story 140 unit Hampton Hotel will be the next building to be built in the Chagrin Highlands office and mixed-use development. The hotel will feature both rooms and suites. Construction should begin during 2003.

The Greater Cleveland Regional Transit Authority (RTA) proposed a scaled down version of an earlier rejected transportation system now called the Euclid Corridor Improvement Project. The Euclid Corridor Improvement Project would consist of a dedicated electric trolley bus line between Tower City and University Circle and would relocate 3 stations and renovate 3 others to be completed in 2006. A preliminary engineering study began during the first quarter of 1997 and is in the final stages of completion. The RTA hopes to obtain \$132 million of the cost of the Euclid Corridor makeover from the Federal government with \$50 million from the State and \$38 million from RTA and the City. However, the Northeast Ohio Regional Planning Agency (NOACA) has agreed to finance \$10 million of the project with \$7 million and \$3 million direct reductions of the Cleveland and RTA commitments, respectively. The RTA switched from wire-guided, trolley-style coaches to a wire-free hybrid system using aerodynamic diesel/electrical powered vehicles which saved \$53 million. Mayor Jane Campbell wants to lower the City's \$17 million previous commitment. The Federal government has guaranteed \$6 million and will decide by the end of 2003 whether to commit its full share. Construction would begin in 2004.

A downturn in the economy and competition from imported steel led LTV Corporation to shut down its west-side steel making and rolling operations and reduce employment by 900. The steelmaker was forced to operate under Chapter 11 bankruptcy. Management originally decided to shut down operations and liquidate the assets. Through a concerted effort by some employees, elected officials and community leaders, a bankruptcy judge agreed to allow its sale. The plant was sold in 2002 to ISG and currently is back in operation. During the first quarter 2003 and for the first time since 1994, 155,000 tons of steel will leave the port of Cleveland for Europe.

The largest development in the greater downtown area concerns a baseball stadium, basketball arena and private development of land surrounding the area called the Gateway project. Gateway is a private nonprofit entity formed by an agreement between the city of Cleveland and Cuyahoga County for the purpose of constructing and operating the baseball and arena facilities. The County Commissioners authorized by resolution a public vote on an excise tax on liquor, beer, wine and cigarettes. The tax amounts to 16¢ on a gallon of beer, 32¢ on a gallon of wine, \$3 on a gallon of liquor and 4.5¢ on a pack of cigarettes imposed at the wholesale level throughout the County. The tax will remain in existence for a period of 15 years. The citizens passed the tax ordinance in the May 1990 primary election. Upon completion of the facilities, Gateway revealed a cost overrun of \$21.5 million. The cost overruns represented monies owed to contractors. Cuyahoga County agreed to loan Gateway \$11.5 million to pay contractor claims. The \$11.5 million interest free loan was to be repaid with 10 year commitments from the city of Cleveland for \$250,000 per year, the Convention and Visitor's Bureau for \$500,000 per year and Gateway for \$400,000 per year. None of the proposed repayment sources have agreed to their respective contributions except the city of Cleveland which has agreed to repay the County with interest earned on future sin tax monies, if any, supporting debt for the new Cleveland Browns stadium beginning in the year 2006. The remaining \$10 million was loaned to Gateway by a local bank. Repayment was to come from a grant from the State of Ohio capital budget. However, the state legislature agreed to provide a \$10 million interest free loan to be repaid by both the County and the city of Cleveland equally over 20 years from State Local Government monies.

In December 1991, a lawsuit was filed in Perry County seeking a determination that the current method of funding public education was unconstitutional. The local court found for the plaintiffs. The trial court ordered the Superintendent of Public Instruction and the State Board of Education to prepare proposals for the General Assembly to eliminate disparities among Ohio's public school

districts. The Ohio Attorney General appealed the decision to the Fifth District Court of Appeals. The Court of Appeals reversed the trial court and determined the current system of school funding was constitutional. The decision of the Appeals Court was appealed by the plaintiffs to the Ohio Supreme Court. In March 1997, the Supreme Court ruled for the plaintiffs and overturned the Court of Appeals. While the Supreme Court found the funding system to be unconstitutional, the court gave no specific instructions on remedy. Instead, the court instructed the General Assembly to enact legislation to correct the funding disparity and submit it to the original trial court judge for approval consistent with the court's decision. Due to the complexity of the issue, a stay of twelve months was granted the General Assembly in order to allow adequate study and drafting of the legislation. The General Assembly placed a 1% sales tax on the ballot to raise over \$1 billion of which approximately \$500 million was to be earmarked for property tax relief and the remaining for public education. The ballot issue was overwhelmingly defeated 80% to 20% in the May 1998 primary. The issue was back in the hands of the trial court judge to determine if the State was in compliance with the court decision and, if not, what the remedies are. The trial court judge ruled the State was not in compliance and required the Superintendent of Public Instruction and the State Board of Education to prepare a report setting forth steps for compliance with previous orders of the Court. The proposals were to be presented to the State Legislature after the 1999 session, setting steps to resolve the issue. The Ohio Supreme Court on a vote of 5-4 ordered the state to change the school funding formula to rely less on property taxes. The Court gave the General Assembly until June 2001 to craft a new funding system. In August 2001 the Supreme Court of the State of Ohio agreed the school funding system approved by the state legislature was constitutional with conditions which include spending more on parity aid to poorer school districts. For the 3rd time in 5 years, the Supreme Court of the State of Ohio ruled by a 4-3 margin in December 2002 that the system for funding schools in the State of Ohio relies too much on local property taxes, creating huge disparities between wealthy and poor school districts. In May 2003, the Supreme Court of the State of Ohio by a vote of 5-2 blocks a court mandated solution. The coalition that brought suit tried to get the lawsuit returned to the original judge in Perry County to determine if the State was complying with the December Supreme Court ruling. The decision restates the earlier rulings that Ohio's education system remains unconstitutional because of its reliance on local property taxes which creates huge disparities. The General Assembly is left to remedy the educational system but the ruling eliminated any way to force legislators to carry out the order.

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

additional \$15 million toward any overruns and the City has stated it has sufficient funding to cover the remainder. The County will not begin distributing its sin tax contribution prior to 2005. The County will contribute \$87 million over 10 years for debt service. An additional \$29 million will be earmarked for repair and renovation. Any sin tax collections above \$116 million will remain with the County and be used to reimburse the County for Gateway debt.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

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

CASH MANAGEMENT

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

The County Treasurer, through a change in State statute, contracted for the sale of delinquent property tax receivables. A portion of the receivables for tax years 1996 and prior were sold at a discount, and the buyer agreed to purchase future delinquencies on the same parcels at full value for tax years 1997-2000 and also purchase new qualified delinquencies on other parcels for the years 1997-1999. The delinquent sale which occurred in 2001 resulted in an additional \$8.6 million of delinquent tax collection. In addition, there was an increase in collections of prior tax delinquencies because taxpayers wished to settle past due taxes with the County rather than deal with a private owner of the receivable. A contract is now being developed which will enable the Treasurer's Office to sell delinquencies for tax year 2001 at a discount. This sale is scheduled for September 2003. The buyer has also continued to purchase subsequent tax liens for delinquencies previously obtained.

The County Treasurer has established a linked deposit loan program for the purpose of enhancing housing in participating cities. The County has entered into agreements with certain eligible lending institutions and local communities to provide loans at below market interest rates to owners of real property located in the contracting community for certain housing repairs and improvements. After a linked deposit loan is made to an eligible borrower, the Treasurer will use monies from the County's portfolio of inactive funds to place a certificate of deposit with the lending institution at below market rates. The contracting community is responsible for inspecting the improvements to ensure their compliance with local building codes. More than 4,300 homeowners have borrowed over \$52 million since the program's inception in July 1999. The County feels increases in property values resulting from the loan program will eventually bring additional revenues to the County.

A similar linked deposit program was established in 2002 to provide low interest home improvement loans to owners of older and historic properties. The Preservation Resource Center of the Cleveland Restoration Society provides assistance to property owners and monitors home improvements completed through this program. Since its inception 74 loans have been issued amounting to \$2.4 million.

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

RISK MANAGEMENT

The County has designated \$1.1 million of General fund balance to provide reserves for claims and judgements not covered by various County insurance policies. Settled claims from risks covered by the County's insurance policies have not exceeded the insurance coverage for the past three fiscal years. Actual expenditures for claims and judgements against the County and estimates for claims including those incurred but not reported, were immaterial in 2002. The County is also self-insured with respect to the Ohio Unemployment Compensation program. Self-insurance expenditures for unemployment compensation were not material in 2002. The County maintains an Internal Service fund for the self-insurance of workers compensation through a retrospective rating plan with the State of Ohio. All payroll funds in the County contribute to the Self-Funded Workers' Compensation fund based on estimates needed to pay claims and to establish a reserve for claims incurred but not reported.

THE INDEPENDENT AUDIT

Included in this report is an unqualified audit opinion rendered on the County's basic financial statements for the year ended December 31, 2002 by our independent auditors, Deloitte & Touche LLP. County management will continue to subject the financial statements to an annual independent audit as part of the preparation of the CAFR. An annual audit serves to help maintain and strengthen the County's accounting and budgetary controls.

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

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

GFOA CERTIFICATE OF ACHIEVEMENT

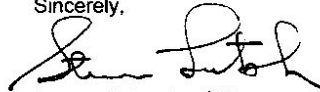
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Cuyahoga, Ohio for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2001. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGEMENTS

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

Sincerely,



Steven C. Letsky, CPA
Director of Accounting

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Cuyahoga,
Ohio

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

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

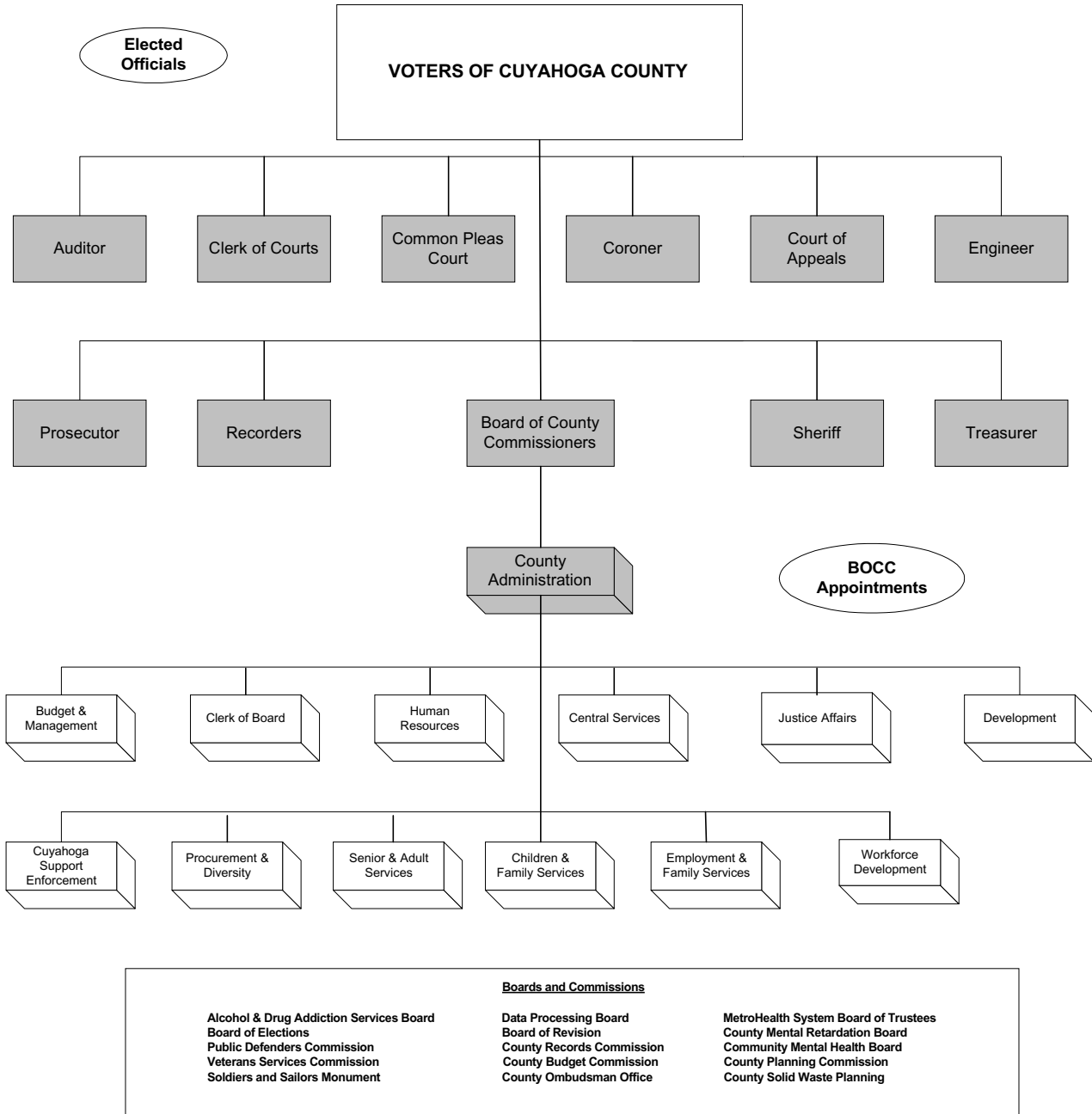


President

Executive Director

COUNTY OF CUYAHOGA, OHIO ORGANIZATION CHART

DECEMBER, 2002



**COUNTY OF CUYAHOGA, OHIO
ELECTED OFFICIALS
DECEMBER 31, 2002**

Board of County Commissioners

Tim McCormack, President

Jimmy Dimora

Peter Lawson Jones

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

Auditor
Clerk of Courts
Coroner
Engineer
Prosecutor
Recorder
Sheriff
Treasurer

Common Pleas Court Judges

General Division

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

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

Domestic Relations Division

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

Kathleen O'Malley
Anthony J. Russo

Probate Court Division

John J. Donnelly, Presiding Judge

John E. Corrigan

Juvenile Court Division

Joseph Russo, Administrative Judge
Janet Burney
Patrick F. Corrigan

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

Ohio Court of Appeals Eight District

Timothy E. McMonagle, Administrative Judge
Patricia Blackmon
Frank D. Celebrezze Jr.
Colleen Conway Cooney
Michael J. Corrigan
Ann Dyke

Diane Karpinski,
Ann L. Kilbane
Terrence O'Donnell
Kenneth A. Rocco
James D. Sweeney
James J. Sweeney

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Financial Section

PART I

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



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Cuyahoga, Ohio (the "County") as of and for the year ended December 31, 2002, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, MetroHealth System. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, MetroHealth System, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Human Services Fund, Health and Human Services Levies Fund, Board of Mental Retardation Fund, and Health and Community Services Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes A and R to the basic financial statements, effective January 1, 2002, the County implemented Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

The management's discussion and analysis on pages 3 through 14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying introductory section on pages i through xv, combining and individual nonmajor fund financial statements on pages 66 through 106, and statistical tables on pages 108 through 131 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Deloitte & Touche LLP

June 20, 2003

Management's Discussion and Analysis

As management of Cuyahoga County, we offer readers of Cuyahoga County's financial statements this narrative overview and analysis of the financial activities of Cuyahoga County for the fiscal year ended December 31, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv-xii of this report.

Financial Highlights

- The assets of Cuyahoga County exceeded its liabilities at the close of the most recent fiscal year by \$500.7 million (*net assets*).
- The government's total net assets decreased by \$63.8 million.
- As of the close of the current fiscal year, Cuyahoga County's governmental funds reported a combined ending fund balances of \$235.9 million, a decrease of \$43.4 million in comparison with the prior year. Approximately 74% of this total amount, \$174.6 million, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$118.2 million, or 42% of total general fund expenditures.
- Additions to Cuyahoga County's total debt were \$101 million during the current fiscal year. Reductions in debt during 2002 amounted to \$58.6 million for a net increase of \$42.4 million. The key factor in this increase was the special termination benefits liability resulting from the Early Retirement Incentive Program (ERIP) for employees amounting to \$68.3 million. The net impact of ERIP in 2002 amounted to \$50.8 million.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of Cuyahoga County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and

charges (*business-type activities*). The governmental activities of Cuyahoga County include general government, judicial, development, social services, health and safety and public works. The business-type activities of Cuyahoga County include a sanitary sewer authority, an airport, a parking garage and a crime information system.

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

The government-wide financial statements can be found on pages 15 - 17 of the report.

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

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

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

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

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

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

Proprietary funds. Cuyahoga County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Cuyahoga County uses enterprise funds to account for its sanitary sewer, airport,

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sanitary Engineer which is considered to be a major fund of Cuyahoga County. Conversely, the Internal Service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 28 - 31 of this report.

Fiduciary fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support Cuyahoga County's own programs.

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

Budgetary fund financial statements. The County's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The budgetary statements for the General fund and all annually budgeted major Special Revenue funds are presented to demonstrate the County's compliance with annually adopted budgets.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 – 64 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *other supplementary information*. The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented in the other supplementary information. Combining and individual fund statements and schedules can be found on pages 66 – 106 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Cuyahoga County, assets exceeded liabilities by \$500.7 million at the close of the most recent fiscal year. This is the first year for Cuyahoga County in implementing the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This statement requires a comparative analysis of government-wide data in the Management Discussion and Analysis (MD&A) section. Since this is the first year of implementing the new standard, comparative data is not available. In future years, comparative data will be presented.

Cuyahoga County's Net Assets (in 000's)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets.....	\$ 711,127	\$ 11,542	\$ 722,669
Capital assets.....	<u>602,718</u>	<u>45,805</u>	<u>648,523</u>
Total assets.....	1,313,845	57,347	1,371,192
Long-term liabilities outstanding	408,801	9,926	418,727
Other liabilities.....	<u>443,422</u>	<u>8,307</u>	<u>451,729</u>
Total liabilities.....	852,223	18,233	870,456
Net assets:			
Invested in capital assets, net of related debt	382,539	31,182	413,721
Restricted	35,262		35,262
Unrestricted	<u>43,821</u>	<u>7,932</u>	<u>51,753</u>
Total net assets	\$ <u>461,622</u>	\$ <u>39,114</u>	\$ <u>500,736</u>

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

By far the largest portion of Cuyahoga County's net assets (82.6%) reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. Cuyahoga County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Cuyahoga County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

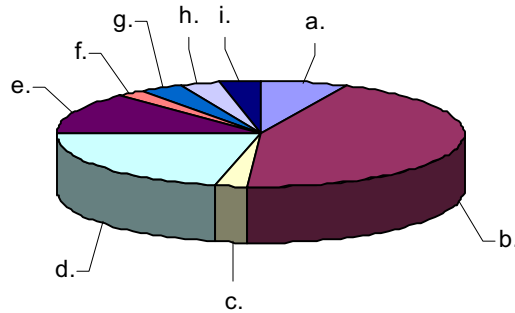
An additional portion of Cuyahoga County's net assets, restricted net assets (7%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$51.8 million) may be used to meet the government's ongoing obligations to citizens and creditors.

CUYAHOGA COUNTY'S CHANGES IN NET ASSETS
(Amounts in 000's)

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for Services.....	\$ 85,588	\$ 14,742	\$ 100,330
Operating grants and contributions.....	541,488	106	541,594
Capital grants and contributions	30,090		30,090
General revenues:			
Property taxes	259,892		259,892
Sales and other taxes	186,168		186,168
Grants and contributions not restricted to specific programs	34,869		34,869
Other	<u>85,755</u>	<u>92</u>	<u>85,847</u>
Total revenues	<u>1,223,850</u>	<u>14,940</u>	<u>1,238,790</u>
Expenses:			
General Government.....	78,570		78,570
Judicial	299,231		299,231
Development	30,630		30,630
Social Services.....	633,133		633,133
Health and Safety.....	156,824		156,824
Public Works	69,272		69,272
Interest	16,929		16,929
Sanitary Engineer.....		11,299	11,299
Airport.....		1,970	1,970
Huntington Park Garage		1,890	1,890
Cuyahoga County Information System		<u>2,801</u>	<u>2,801</u>
Total expenses.....	<u>1,284,589</u>	<u>17,960</u>	<u>1,302,549</u>
Decrease in net assets before transfers	(60,739)	(3,020)	(63,759)
Transfers	<u>(107)</u>	<u>107</u>	
Change in net assets	(60,846)	(2,913)	(63,759)
Net assets – 1/1/02	<u>522,468</u>	<u>42,027</u>	<u>564,495</u>
Net assets – 12/31/02	\$ <u>461,622</u>	\$ <u>39,114</u>	\$ <u>500,736</u>

The government's net assets decreased by \$63.8 million during the current fiscal year. The primary reason for the reduction in net assets resulted from budget cuts of approximately \$65 million (net of reconciled prior year adjustments between the County and the State of Ohio) for human service programs by the State of Ohio. Refer to the Economic Factors and Next Year's Budgets and Rates section for the County's replacement of these lost state dollars with a levy for health and human services.

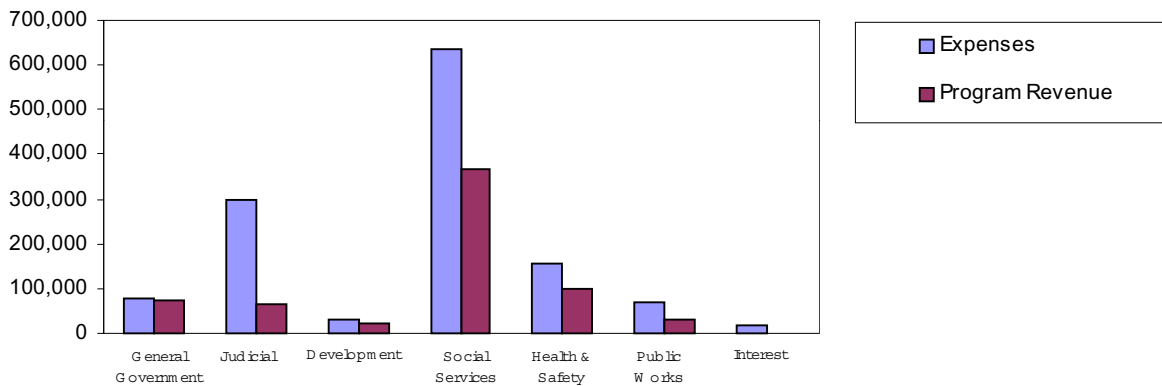
Revenues by Source – Governmental Activities



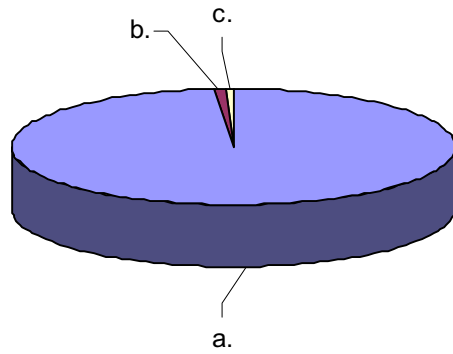
(Amounts in 000's)		
a.	Charges for Services	\$ 85,588
b.	Operating Grants and Contributions	541,488
c.	Capital Grants, Contributions and Interest..	30,090
d.	Property Tax	259,892
e.	Sales Tax.....	157,192
f.	Other Tax.....	28,976
g.	State local government	43,709
h.	Grants and Contributions not restricted to a specific programs.....	34,869
i.	Other.....	42,046

Expenses and Program Revenues – Governmental Activities

(Amounts in 000's)



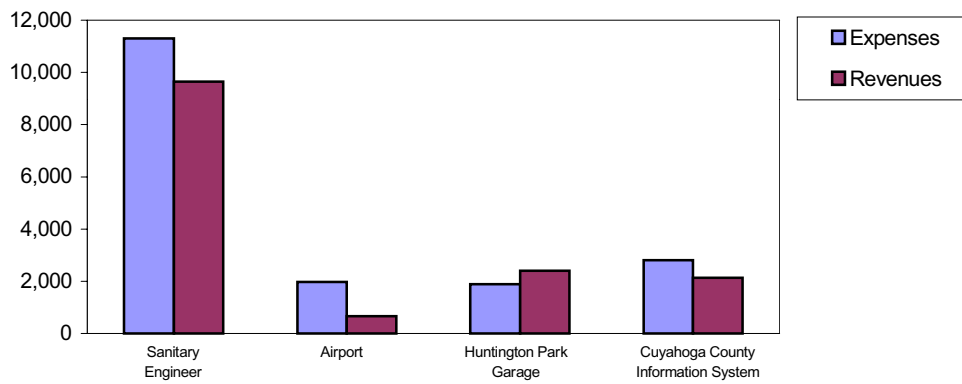
Revenue by Source – Business-type Activities



(Amounts in 000's)	
a. Charges for Services	\$ 14,742
b. Operating Grants & Contributions.....	106
c. Other.....	92

Expenses and Program Revenues – Business-type Activities

(Amounts in 000's)



Governmental activities. Governmental activities decreased Cuyahoga County's net assets by \$60.8 million. Key elements of this decrease are as follows:

- The County's Early Retirement Incentive Program increased expenses \$66.5 million during 2002. The net impact of ERIP during 2002 was \$49.4 million. The County expects to save money in the long-term by reducing the number of employees by up to 60% of the retirees over 5 years.
- The State of Ohio reduced its funding to the County by approximately \$65 million (net of prior year reconciliations between the County and the State). Reference the Economic Facts and Next Year's Budgets and Rates section for a discussion on a health and human services levy to replace lost state dollars.

Business-type activities. Business-type activities decreased Cuyahoga County's net assets by \$2.9 million. Key elements of this decrease are as follows.

- The County's early retirement which increased expenses \$1.8 million during 2002. The net impact of ERIP during 2002 was \$1.4 million.
- There was a net decrease of \$.7 million in subsidies from the General fund to support operations. Due to budget reductions, the subsidy was reduced in 2002.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, Cuyahoga County's governmental funds reported combined ending fund balances of \$235.9 million, a decrease of \$43.4 million in comparison with the prior year. Approximately \$174.6 million constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed (1) for restricted assets (\$35.8 million), (2) for loans (\$14.7 million), (3) to pay debt service (\$10.7 million).

The general fund is the chief operating fund of Cuyahoga County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$118.2 million, while fund balance reached \$164.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 42% of total general fund expenditures, while total fund balance represents 58.6% of that same amount.

The fund balance of Cuyahoga County's general fund decreased by \$16.5 million, during the current fiscal year. Key factors in this reduction are as follows:

- An increase in the amount of General fund subsidy to Human Services to cover certain reductions in state funding.
- Decrease in major funding sources such as sales tax, state local government monies and investment earnings.

- Payouts for the Early Retirement Incentive Program. Over 60% of the effected employees retired during 2002. The full impact of cost saving does not begin until 2003.

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

Unrestricted net assets of the Sanitary Engineer at the end of the year amounted to \$6.7 million and all others amounted to \$1.5 million. The total decrease in net assets was \$2.6 million. Other factors concerning the finances of these two funds have already been addressed in the discussion of Cuyahoga County's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$64.7 million and can be briefly summarized as follow:

- The County reduced all General fund and General fund supported agencies' budgets by 11% of projected 2002 spending levels. The net impact of the budget cut and adjustments during the year resulted in an overall reduction in these budgets from 2001 levels of 5%.
- \$11.5 million increase in judicial to restore some of the original budget reductions.
- \$51 million in subsidies in order to replace funding the state was no longer providing.

The increases in budget were funded from available fund balance budgeted. The final budgeted fund balance was exceeded by \$17.3 million in actual fund balance.

Capital Asset and Debt Administration

Capital assets. Cuyahoga County's investment in capital assets for its governmental and business-type activities as of December 31, 2002, amounts to \$648.5 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, utility plant, building structures and improvements, furniture, fixtures and equipment, vehicles, infrastructure and construction in progress. The total increase in Cuyahoga County's investment in capital assets for the current fiscal year was 2.6% (a 3% increase for governmental activities and a 3.2% decrease for business-type activities).

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

CUYAHOGA COUNTY'S CAPITAL ASSETS
(Net of depreciation, amounts in 000's)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>1/1/2002</u>	<u>12/31/2002</u>	<u>1/1/2002</u>	<u>12/31/2002</u>	<u>1/1/2002</u>	<u>12/31/2002</u>
Land.....	\$ 33,472	\$ 32,774	\$ 5,802	\$ 5,802	\$ 39,274	\$ 38,576
Land improvements.....	2,074	2,325	3,496	3,358	5,570	5,683
Utility plant			19,675	20,329	19,675	20,329
Building structure and improvements.....	247,785	255,963	8,656	7,990	256,441	263,953
Furniture, fixtures and equipment	11,975	10,186	692	574	12,667	10,760
Vehicles	4,990	3,771	1,003	786	5,993	4,557
Infrastructure.....	222,250	210,408			222,250	210,408
Construction in progress	<u>62,417</u>	<u>87,291</u>	<u>7,989</u>	<u>6,966</u>	<u>70,406</u>	<u>94,257</u>
Total	\$ <u>584,963</u>	\$ <u>602,718</u>	\$ <u>47,313</u>	\$ <u>45,805</u>	\$ <u>632,276</u>	\$ <u>648,523</u>

Most of the major construction projects were related to various courts including \$4.6 million for elevator replacement at the Justice Center, \$1.3 million each for Courthouse and Juvenile Court Tower roof replacements, \$1.9 million for the new Youth Intervention Center and \$1.4 million for the new County Kennel.

In addition, the County recorded \$18.5 million for a new capital lease which houses a human services neighborhood center.

Additional information on Cuyahoga County's capital assets can be found in Note E on pages 45 – 47 of this report.

Long-term debt. At the end of the current fiscal year, Cuyahoga County had total bonded debt outstanding of \$311.1 million. Of this amount, \$189.1 million comprises debt backed by the full faith and credit of the government and \$2.4 million is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of Cuyahoga County's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) and other debt such as notes to be financed by future bonds, loans and an installment purchase agreement financed by non-tax sources.

**Cuyahoga County's Outstanding Debt
General Obligation Bonds and Other Long-term Debt**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>1/1/2002</u>	<u>12/31/2002</u>	<u>1/1/2002</u>	<u>12/31/2002</u>	<u>1/1/2002</u>	<u>12/31/2002</u>
General obligation bonds	\$ 205,365	\$ 189,145	\$	\$	\$ 205,365	\$ 189,145
Special assessment debt with governmental commitment.....			2,635	2,495	2,635	2,495
Revenue bonds	123,128	119,540			123,128	119,540
Bond anticipation notes.....	2,440	2,440	6,105	6,083	8,545	8,523
Loans	3,888	3,610	6,357	6,045	10,245	9,655
Installment purchase agreements .	<u>15,368</u>	<u>13,695</u>			<u>15,368</u>	<u>13,695</u>
Total	\$ <u>350,189</u>	\$ <u>328,430</u>	\$ <u>15,097</u>	\$ <u>14,623</u>	\$ <u>365,286</u>	\$ <u>343,053</u>

Cuyahoga County's total debt decreased by \$22.2 million (6%) during the current fiscal year. The County refinanced some bond anticipation notes but issued no new debt.

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

State statutes limit the amount of general obligation debt a governmental entity may issue up to 1% of its total assessed valuation. The current debt limitation (voted and unvoted) for Cuyahoga County is \$556.5 million which is significantly in excess of Cuyahoga County's outstanding general obligation debt.

Additional information on Cuyahoga County's long-term debt can be found in Note F on pages 48 - 54 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Cuyahoga County is currently 6.7%, compared to 4.5% a year ago.
- The vacancy rate of the government's central business district has increased from 8.5% to 8.9% in the past year.

Each of these factors were considered in preparing Cuyahoga County's budget for the 2002 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund decreased \$17.3 million. The County spent down reserves in order to offset cuts in state funding to the County. The County passed a 4.9 mill health and human services levy in May 2003 in order to offset the loss of state dollars. The levy is expected to generate an additional \$58.8 million.

Request for Information

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

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

**DECEMBER 31, 2002
(Amounts in 000's)**

	Primary Government			Component Unit MetroHealth System
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Equity in pooled cash and investments.....	\$ 233,377	\$ 8,174	\$ 241,551	\$ 6,534
Cash and investments-segregated accounts.....	587		587	230,661
Receivables:				
Taxes (net of allowance for uncollectibles).....	309,173		309,173	
Accounts (net of allowance for uncollectibles).....	773	110	883	45,244
Special assessments (net of allowance for uncollectibles).....		2,999	2,999	
Accrued interest	3,070		3,070	
Loans (net of allowance for uncollectibles).....	14,728		14,728	
Net receivables.....	327,744	3,109	330,853	45,244
Internal balances.....	467	(467)		
Due from other governments.....	109,207	682	109,889	
Inventory of supplies.....	24	9	33	4,796
Prepaid expenses and other assets.....				18,448
Other assets.....		35	35	6,663
Restricted assets:				
Cash and investments.....	39,721		39,721	57,928
Capital assets (net of accumulated depreciation):				
Land.....	32,774	5,802	38,576	8,954
Land improvements.....	2,325	3,358	5,683	1,315
Utility plant.....		20,329	20,329	
Buildings, structures and improvements.....	255,963	7,990	263,953	141,610
Furniture, fixtures and equipment.....	10,186	574	10,760	35,369
Vehicles.....	3,771	786	4,557	5,572
Infrastructure.....	210,408		210,408	
Construction in progress.....	87,291	6,966	94,257	18,667
Net capital assets.....	602,718	45,805	648,523	211,487
TOTAL ASSETS	1,313,845	57,347	1,371,192	581,761
LIABILITIES				
Accounts payable.....	71,770	584	72,354	20,084
Deferred revenue.....	282,631		282,631	
Due to other governments.....	19,654	26	19,680	
Accrued wages and benefits.....	18,079	242	18,321	23,709
Matured bonds payable.....	14	394	408	15,797
Other liabilities.....	1,800		1,800	
Short-term notes payable.....	2,440		2,440	
Accrued interest payable.....	1,596		1,596	
Noncurrent liabilities:				
Due within one year.....	45,438	7,061	52,499	33,941
Due in more than one year.....	408,801	9,926	418,727	256,550
TOTAL LIABILITIES	852,223	18,233	870,456	350,081
NET ASSETS				
Invested in capital assets, net of related debt.....	382,539	31,182	413,721	42,977
Restricted for:				
Restricted assets	24,537		24,537	2,347
Debt service.....	10,725		10,725	52,109
Unrestricted.....	43,821	7,932	51,753	134,247
TOTAL NET ASSETS	\$ 461,622	\$ 39,114	\$ 500,736	\$ 231,680

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

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

**FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)**

Functions/Programs	Expenses		Charges for Services	
Primary Government:				
Governmental activities:				
General government.....	\$	78,570	\$	52,800
Judicial.....		299,231		28,548
Development.....		30,630		337
Social services.....		633,133		749
Health and safety.....		156,824		1,044
Public works.....		69,272		2,110
Interest on long-term debt.....		16,929		
Total governmental activities.....		1,284,589		85,588
Business-type activities:				
Sanitary Engineer.....		11,299		9,644
Airport.....		1,970		607
Huntington Park Garage.....		1,890		2,406
Cuyahoga County Information System.....		2,801		2,085
Total business-type activities.....		17,960		14,742
Total primary government.....	\$	1,302,549	\$	100,330
Component unit:				
MetroHealth System.....	\$	521,598	\$	456,693

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

Net (Expense) Revenue and Changes in Net Assets					
Program Income		Primary Government			Component Unit MetroHealth System
Operating Grants and Contributions	Capital Grants, Contributions and Interest	Governmental Activities	Business- Type Activities	Totals	
\$ 20,267	\$	\$ (5,503)	\$	\$ (5,503)	\$
34,568		(236,115)		(236,115)	
20,738		(9,555)		(9,555)	
366,766		(265,618)		(265,618)	
99,149		(56,631)		(56,631)	
	30,090	(37,072)		(37,072)	
		(16,929)		(16,929)	
<u>541,488</u>	<u>30,090</u>	<u>(627,423)</u>		<u>(627,423)</u>	
			(1,655)	(1,655)	
55			(1,308)	(1,308)	
			516	516	
51			(665)	(665)	
<u>106</u>			<u>(3,112)</u>	<u>(3,112)</u>	
<u>\$ 541,594</u>	<u>\$ 30,090</u>	<u>(627,423)</u>	<u>(3,112)</u>	<u>(630,535)</u>	
<u>\$ 26,542</u>	<u>\$ 44</u>				<u>(38,319)</u>
General Revenues:					
Taxes:					
Property.....		259,892		259,892	
Sales and use.....		157,192		157,192	
Other.....		28,976		28,976	
State local government fund.....		43,709		43,709	
Unrestricted investment earnings.....		25,107	22	25,129	12,581
Grants and contributions					
not restricted to specific programs.....		34,869		34,869	
Miscellaneous.....		16,939	70	17,009	20,884
Transfers.....		(107)	107		
Total general revenues, and transfers.....		<u>566,577</u>	<u>199</u>	<u>566,776</u>	<u>33,465</u>
Change in net assets.....		(60,846)	(2,913)	(63,759)	(4,854)
Net assets-beginning (as restated).....		522,468	42,027	564,495	236,534
Net assets-ending.....		\$ 461,622	\$ 39,114	\$ 500,736	\$ 231,680

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

**DECEMBER 31, 2002
(Amounts in 000's)**

	<u>General Fund</u>	<u>Human Services</u>	<u>Health and Human Services Levies</u>	<u>County Board of Mental Retardation</u>
ASSETS				
Equity in pooled cash and investments.....	\$ 78,120	\$	\$ 342	\$ 18,848
Cash and investments-segregated accounts.....				
Receivables:				
Taxes (net of allowance for uncollectibles).....	59,825		124,118	89,732
Accounts (net of allowance for uncollectibles)	354			
Accrued interest	2,879			4
Loans (net of allowance for uncollectibles).....	1,000			
Net receivables.....	<u>64,058</u>		<u>124,118</u>	<u>89,736</u>
Due from other funds.....	25,934			
Due from other governments.....	27,629	29,076	7,119	8,576
Restricted assets -				
Cash and investments.....	39,721			
TOTAL ASSETS.....	<u>\$ 235,462</u>	<u>\$ 29,076</u>	<u>\$ 131,579</u>	<u>\$ 117,160</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	\$ 4,384	\$ 14,491	\$	\$ 3,164
Deferred revenue.....	50,161		129,620	93,871
Due to other funds.....	7,352	10,416		1,148
Due to other governments.....				
Accrued wages and benefits.....	6,874	4,169		3,325
Short-term notes payable.....				
Matured bonds payable.....				
Other Liabilities.....	1,800			
TOTAL LIABILITIES.....	<u>70,571</u>	<u>29,076</u>	<u>129,620</u>	<u>101,508</u>
Fund Balances:				
Reserved for:				
Restricted assets.....	35,849			
Loans receivable.....	1,000			
Debt service.....	9,850			
Unreserved, reported in:				
General Fund:				
Designated for self-insurance.....	1,139			
Designated for proprietary funds.....	10,983			
Undesignated.....	106,070			
Special Revenue Funds.....			1,959	15,652
Capital Projects Fund.....				
TOTAL FUND BALANCES.....	<u>164,891</u>	<u></u>	<u>1,959</u>	<u>15,652</u>
TOTAL LIABILITIES AND FUND BALANCES.....	<u>\$ 235,462</u>	<u>\$ 29,076</u>	<u>\$ 131,579</u>	<u>\$ 117,160</u>

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

<u>Health and Community Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 31,148	\$ 44,170	\$ 172,628
	587	587
12,260	23,238	309,173
387	25	766
63	124	3,070
	13,728	14,728
<u>12,710</u>	<u>37,115</u>	<u>327,737</u>
5,116		31,050
20,046	16,761	109,207
		39,721
<u>\$ 69,020</u>	<u>\$ 98,633</u>	<u>\$ 680,930</u>

\$ 34,348	\$ 12,420	\$ 68,807
12,100	34,751	320,503
448	13,305	32,669
	2,000	2,000
1,573	811	16,752
	2,440	2,440
	14	14
		1,800
<u>48,469</u>	<u>65,741</u>	<u>444,985</u>

		35,849
	13,728	14,728
	875	10,725
		1,139
		10,983
		106,070
20,551	36,875	75,037
	(18,586)	(18,586)
<u>20,551</u>	<u>32,892</u>	<u>235,945</u>
<u>\$ 69,020</u>	<u>\$ 98,633</u>	<u>\$ 680,930</u>

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

**DECEMBER 31, 2002
(Amounts in 000's)**

Total fund balances for governmental funds.....	\$	235,945
Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and, therefore, are not reported in the funds.....		598,091
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.....		37,872
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.....		33,041
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.....		(443,327)
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	\$	<u>461,622</u>

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

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

**FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)**

	General Fund	Human Services	Health and Human Services Levies	County Board of Mental Retardation
REVENUES				
Property taxes.....	\$ 20,983	\$	\$ 119,185	\$ 86,215
Sales and use tax.....	156,713			
Other tax.....	7		47	31
State local government fund.....	38,988			
Licenses and permits.....	101			
Charges for services.....	60,328	465		
Fines and forfeitures.....	7,050			
Investment earnings.....	23,170			28
Other intergovernmental.....	12,220	259,321	16,835	78,994
Miscellaneous.....	9,982	728		1,161
TOTAL REVENUES.....	329,542	260,514	136,067	166,429
EXPENDITURES				
Current:				
General government.....	47,564			
Judicial.....	211,365			
Development.....	3,566			
Social services.....	7,488	340,474		158,461
Health and safety.....	10,022		14,115	
Public works.....				
Capital Outlay.....				
Debt service:				
Principal retirement.....	485			
Interest.....	898			
TOTAL EXPENDITURES.....	281,388	340,474	14,115	158,461
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	48,154	(79,960)	121,952	7,968
OTHER FINANCING SOURCES (USES)				
Transfers in.....	1,679	62,613		32
Transfers out:				
Debt retirement.....	(9,131)			
Other.....	(57,246)	(716)	(121,934)	
Capitalized leases.....		18,063		
TOTAL OTHER FINANCING SOURCES (USES).....	(64,698)	79,960	(121,934)	32
NET CHANGE IN FUND BALANCES.....	(16,544)		18	8,000
FUND BALANCES AT BEGINNING OF YEAR.....				
	181,435		1,941	7,652
FUND BALANCES AT END OF YEAR.....				
	\$ 164,891	\$ 0	\$ 1,959	\$ 15,652

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

<u>Health and Community Services</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ 12,432	\$ 21,077	\$ 259,892
		156,713
	28,525	28,610
		38,988
1,157		1,258
16,075		76,868
132	282	7,464
447	2,044	25,689
161,495	77,044	605,909
1,153	3,955	16,979
<u>192,891</u>	<u>132,927</u>	<u>1,218,370</u>
16,047	2	63,613
43,503	21,221	276,089
4,404	16,523	24,493
114,868	9,013	630,304
129,859	2,519	156,515
1,577	60,604	62,181
	28,656	28,656
	20,996	21,481
	15,976	16,874
<u>310,258</u>	<u>175,510</u>	<u>1,280,206</u>
(117,367)	(42,583)	(61,836)
111,707	22,324	198,355
		(9,131)
(3,689)	(5,246)	(188,831)
		18,063
<u>108,018</u>	<u>17,078</u>	<u>18,456</u>
(9,349)	(25,505)	(43,380)
<u>29,900</u>	<u>58,397</u>	<u>279,325</u>
<u>\$ 20,551</u>	<u>\$ 32,892</u>	<u>\$ 235,945</u>

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

**FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)**

Net change in fund balances-total governmental funds.....	\$	(43,380)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets that meet capitalization requirements is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$49,273) exceeded depreciation (\$28,864) in the current period.....		
		20,409
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.....		
		5,517
Expenses reported as compensated absences and special termination benefits in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.....		
		(41,348)
Interest is reported as an expenditure when due in the governmental funds, but is reported as incurred in the statement of activities.....		
		(36)
The issuance of long-term debt, (notes, bonds, capital leases, etc.) provides current financial resources to governmental funds and is not reported in the statement of activities.		
		(18,063)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities and is not reported in the statement of activities.		
Capital lease obligations.....		1,329
Environmental Protection Agency Loan.....		28
Ohio Department of Development Loan.....		250
Installment purchase agreement.....		1,673
General obligation and revenue bonds.....		19,808
Certain net expenses of the internal service funds are reported with governmental activities in the statement of activities.....		
		(7,033)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	\$	<u>(60,846)</u>

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

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

FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)

	General Fund			Human Services		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Final		Original	Final	
REVENUES						
Property taxes.....	\$ 21,529	\$ 21,195	\$ 21,021	\$	\$	
Sales and use tax.....	154,888	157,801	158,432			
Other tax.....	12	12	7			
State local government fund.....	38,999	38,999	39,000			
Licenses and permits.....	150	87	101			
Charges for services.....	51,992	58,846	60,371	1,821	1,715	465
Fines and forfeitures.....	6,450	5,468	6,216			
Investment earnings.....	19,500	20,821	22,002			
Other intergovernmental.....	11,632	10,530	11,737	225,885	348,272	299,421
Miscellaneous.....	2,950	2,845	3,332	1,945	2,417	728
TOTAL REVENUES.....	308,102	316,604	322,219	229,651	352,404	300,614
EXPENDITURES						
Current:						
General government.....	55,434	55,896	47,481			
Judicial.....	200,081	211,595	209,872			
Development.....	1,976	2,452	2,387			
Social services.....	7,578	7,956	7,770	300,533	333,075	322,130
Health and safety.....	9,529	9,544	9,501			
Public works.....						
TOTAL EXPENDITURES.....	274,598	287,443	277,011	300,533	333,075	322,130
EXCESS (DEFICIENCY) OF						
REVENUES OVER EXPENDITURES.....	33,504	29,161	45,208	(70,882)	19,329	(21,516)
OTHER FINANCING SOURCES (USES)						
Transfers in.....		2,297	2,297	70,794	77,295	77,528
Transfers out:						
Debt retirement.....	(8,353)	(9,131)	(9,131)			
Other.....	(30,283)	(81,331)	(80,097)			
TOTAL OTHER FINANCING SOURCES (USES).....	(38,636)	(88,165)	(86,931)	70,794	77,295	77,528
NET CHANGE IN FUND BALANCES.....	(5,132)	(59,004)	(41,723)	(88)	96,624	56,012
FUND BALANCES (DEFICITS) AT						
BEGINNING OF YEAR.....	141,623	141,623	141,623	(89,536)	(89,536)	(89,536)
FUND BALANCES (DEFICITS) AT						
END OF YEAR.....	\$ 136,491	\$ 82,619	\$ 99,900	\$ (89,624)	\$ 7,088	\$ (33,524)

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

Health and Human Services Levies			County Board of Mental Retardation			Health and Community Services		
Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
Original	Final		Original	Final		Original	Final	
\$ 122,337	\$ 119,292	\$ 119,292	\$ 86,944	\$ 88,439	\$ 86,295	\$ 12,000	\$ 12,300	\$ 12,422
	60	47	26	26	31			
						1,109	1,047	1,156
			320	320		13,759	17,071	16,064
						206	251	132
			120	120	25	416	388	451
13,927	16,854	16,835	78,453	79,133	78,908	163,546	169,592	165,363
			2,600	33	1,161	3,332	5,079	1,262
<u>136,264</u>	<u>136,206</u>	<u>136,174</u>	<u>168,463</u>	<u>168,071</u>	<u>166,420</u>	<u>194,368</u>	<u>205,728</u>	<u>196,850</u>
						16,481	17,045	16,647
						41,214	44,193	42,074
						4,906	4,817	4,267
			171,593	190,843	159,951	95,894	111,942	113,043
13,750	13,750	13,750				125,696	131,615	129,610
						1,952	1,919	1,699
<u>13,750</u>	<u>13,750</u>	<u>13,750</u>	<u>171,593</u>	<u>190,843</u>	<u>159,951</u>	<u>286,143</u>	<u>311,531</u>	<u>307,340</u>
122,514	122,456	122,424	(3,130)	(22,772)	6,469	(91,775)	(105,803)	(110,490)
			19,250	19,250	32	80,616	108,040	119,642
<u>(122,514)</u>	<u>(122,079)</u>	<u>(121,934)</u>				<u>(1,976)</u>	<u>(4,454)</u>	<u>(4,290)</u>
<u>(122,514)</u>	<u>(122,079)</u>	<u>(121,934)</u>	<u>19,250</u>	<u>19,250</u>	<u>32</u>	<u>78,640</u>	<u>103,586</u>	<u>115,352</u>
	377	490	16,120	(3,522)	6,501	(13,135)	(2,217)	4,862
<u>(148)</u>	<u>(148)</u>	<u>(148)</u>	<u>4,184</u>	<u>4,184</u>	<u>4,184</u>	<u>13,449</u>	<u>13,449</u>	<u>13,449</u>
<u>\$ (148)</u>	<u>\$ 229</u>	<u>\$ 342</u>	<u>\$ 20,304</u>	<u>\$ 662</u>	<u>\$ 10,685</u>	<u>\$ 314</u>	<u>\$ 11,232</u>	<u>\$ 18,311</u>

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

**DECEMBER 31, 2002
(Amounts in 000's)**

	BUSINESS-TYPE ACTIVITIES -			
	ENTERPRISE FUNDS			Governmental Activities- Internal Service Funds
	Sanitary Engineer	Other Enterprise Funds	Total Enterprise Funds	
ASSETS				
Current assets:				
Equity in pooled cash and investments.....	\$ 6,660	\$ 1,514	\$ 8,174	\$ 60,749
Receivables:				
Accounts (net of allowance for uncollectibles).....	12	98	110	7
Special assessments (net of allowance for uncollectibles).....	243		243	
Net receivables.....	255	98	353	7
Due from other funds.....		18	18	5,744
Due from other governments.....		682	682	
Inventory of supplies.....		9	9	24
Total current assets.....	6,915	2,321	9,236	66,524
Noncurrent assets:				
Special assessments receivable (net of allowance for uncollectibles)....	2,756		2,756	
Other assets.....	35		35	
Capital assets (net of accumulated depreciation):				
Land.....	522	5,280	5,802	
Land improvements.....	562	2,796	3,358	
Utility plant.....	20,329		20,329	
Buildings, structures and improvements.....	3,205	4,785	7,990	
Furniture, fixtures and equipment.....	537	37	574	3,851
Vehicles.....	742	44	786	776
Construction in progress.....	6,943	23	6,966	
Net capital assets.....	32,840	12,965	45,805	4,627
Total noncurrent assets.....	35,631	12,965	48,596	4,627
TOTAL ASSETS.....	42,546	15,286	57,832	71,151
LIABILITIES				
Current liabilities:				
Accounts payable.....	163	421	584	2,963
Due to other funds.....	76	76	152	3,991
Due to other governments.....	26		26	17,654
Accrued wages and benefits.....	452	134	586	2,916
Other liabilities.....	394		394	
Capital lease obligations.....				95
Special termination benefits.....	430	43	473	2,646
Loans payable.....	320		320	
Notes payable.....	6,083		6,083	
Bonds payable.....	150		150	
Total current liabilities.....	8,094	674	8,768	30,265
Noncurrent liabilities:				
Capital lease obligations.....				54
Special termination benefits.....	1,421	126	1,547	8,124
Loans payable.....	5,725		5,725	
Bonds payable.....	2,345		2,345	
Total noncurrent liabilities.....	9,491	126	9,617	8,178
TOTAL LIABILITIES.....	17,585	800	18,385	38,443
NET ASSETS				
Invested in capital assets, net of related debt.....	18,217	12,965	31,182	4,478
Unrestricted.....	6,744	1,521	8,265	28,230
TOTAL NET ASSETS.....	\$ 24,961	\$ 14,486	\$ 39,447	\$ 32,708
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.....			(333)	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES.....			\$ 39,114	

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

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

**FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			Governmental Activities- Internal Service Funds
	Sanitary Engineer	Other Enterprise Funds	Total Enterprise Funds	
OPERATING REVENUES				
Charges for services.....	\$ 9,644	\$ 5,098	\$ 14,742	\$ 64,168
Other revenue.....	36	34	70	2,036
TOTAL OPERATING REVENUES.....	9,680	5,132	14,812	66,204
OPERATING EXPENSES				
Personal services.....	5,438	1,392	6,830	37,562
Contractual services and claims.....	342	1,386	1,728	5,543
Commodities.....	707	130	837	9,559
Depreciation.....	1,605	812	2,417	2,569
Other expenses.....	2,674	2,636	5,310	17,638
TOTAL OPERATING EXPENSES.....	10,766	6,356	17,122	72,871
OPERATING LOSS.....	(1,086)	(1,224)	(2,310)	(6,667)
NONOPERATING REVENUES (EXPENSES)				
Interest income.....	22		22	
Interest expense.....	(356)		(356)	(18)
Grants.....		106	106	
Loss on disposal of capital assets.....	(130)	(19)	(149)	(181)
TOTAL NONOPERATING REVENUES (EXPENSES).....	(464)	87	(377)	(199)
LOSS BEFORE TRANSFERS AND CONTRIBUTIONS	(1,550)	(1,137)	(2,687)	(6,866)
Transfers in.....		836	836	
Transfers out:				
Debt retirement.....		(644)	(644)	
Other.....		(85)	(85)	(500)
CHANGE IN NET ASSETS.....	(1,550)	(1,030)	(2,580)	(7,366)
TOTAL NET ASSETS				
BEGINNING OF YEAR.....	26,511	15,516		40,074
TOTAL NET ASSETS END OF YEAR.....	\$ 24,961	\$ 14,486		\$ 32,708
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds.....			(333)	
CHANGE IN NET ASSETS-BUSINESS-TYPE ACTIVITIES.....			\$ (2,913)	

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

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

**FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			Governmental Activities- Internal Service Funds
	Sanitary Engineer	Other Enterprise Funds	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from customers.....	\$ 10,167	\$ 4,839	\$ 15,006	\$ 2,037
Other operating cash receipts.....	36	34	70	68,036
Cash payments to suppliers for goods and services.....	(2,927)	(3,951)	(6,878)	(27,763)
Cash payments to employees for services.....	(5,684)	(1,406)	(7,090)	(38,009)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	1,592	(484)	1,108	4,301
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in (out) from (to) other funds.....		107	107	(500)
Receipts from noncapital grants.....		51	51	
Proceeds from short-term interfund loan.....		30	30	511
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES.....		188	188	11
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from long-term debt.....	12,146		12,146	
Receipts from capital grants.....	268	55	323	
Proceeds from sale of capital assets.....	29		29	
Acquisition and construction of capital assets.....	(631)	(261)	(892)	(96)
Principal paid on long-term debt.....	(12,597)		(12,597)	(288)
Interest paid on long-term debt.....	(326)		(326)	(19)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,111)	(206)	(1,317)	(403)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments.....	25		25	
NET CASH PROVIDED BY INVESTING ACTIVITIES.....	25		25	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	506	(502)	4	3,909
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	6,154	2,016	8,170	56,840
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 6,660	\$ 1,514	\$ 8,174	\$ 60,749

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

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			Governmental Activities- Internal Service Funds
	Sanitary Engineer	Other Enterprise Funds	Total Enterprise Funds	
	<u>Sanitary Engineer</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating loss.....	\$ (1,086)	\$ (1,224)	\$ (2,310)	\$ (6,667)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Depreciation.....	1,605	812	2,417	2,569
Changes in assets and liabilities:				
Accounts receivable-net.....	63	27	90	11
Due from other funds.....		21	21	3,396
Due from other governments.....	131	(369)	(238)	465
Inventory of supplies.....		(1)	(1)	21
Accounts payable.....	(125)	125		724
Due to other funds.....	(124)	(6)	(130)	(666)
Due to other governments.....	(12)		(12)	(936)
Accrued wages and benefits.....	(123)	(8)	(131)	(676)
Special termination benefits.....	1,263	139	1,402	6,060
TOTAL ADJUSTMENTS.....	<u>2,678</u>	<u>740</u>	<u>3,418</u>	<u>10,968</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	<u>\$ 1,592</u>	<u>\$ (484)</u>	<u>\$ 1,108</u>	<u>\$ 4,301</u>

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

**DECEMBER 31, 2002
(Amounts in 000's)**

		<u>Agency Funds</u>
ASSETS		
Equity in pooled cash and investments.....	\$	126,922
Cash and investments-segregated accounts.....		40,678
Taxes receivable.....		1,206,550
TOTAL ASSETS.....		<u>1,374,150</u>
LIABILITIES		
Due to other governments.....		1,330,302
Other liabilities.....		43,848
TOTAL LIABILITIES.....		<u>1,374,150</u>
NET ASSETS.....	\$	<u>0</u>

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

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COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

NOTE A - Description of Cuyahoga County and Basis of Presentation

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

With this 2002 financial report, the County has changed its financial reporting by implementing 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* and GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, an Amendment of GASB Statements No. 21 and No. 34, effective January 1, 2002. These "Reporting Model" statements affect the way the County prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports. As part of the implementation of GASB Statements No. 34 and No. 37, the County has also opted for implementation of infrastructure reporting as prescribed by GASB Statement No. 34 and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, which rescinds some and modifies other financial statement disclosure requirements. Implementation of these GASB Statements resulted in a restatement of beginning fund balances and fund equity as previously reported in the basic financial statements (see Note R).

Basis of Presentation: The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance or equity, revenues and expenditures or expenses, as appropriate. The County uses the following fund types:

Governmental Funds:

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

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

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

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

Permanent Funds: Permanent funds are for the purpose of accounting for resources that are legally restricted to the extent that earnings, and not principal, may be used for purposes that support the reporting government's programs. The County does not utilize permanent funds at this time.

Proprietary Funds:

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

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

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

Fiduciary Funds:

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

Private-purpose Trust Funds: Private-purpose trust funds are used to account for other trust arrangements which benefit individuals, private organizations, or other governments. For accounting measurement purposes, the private-purpose trust funds are accounted for in essentially the same manner as proprietary funds. The County does not utilize private-purpose trust funds at this time.

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

NOTE B - Summary of Significant Accounting Policies

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

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

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

Basic Financial Statements: GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. Financial information of the County is presented as a set of basic financial statements in the following format:

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

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

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

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

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

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

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

The County reports the following major governmental funds:

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

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

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

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

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

COUNTY OF CUYAHOGA, OHIO

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The County reports the following major proprietary fund:

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

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

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

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

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

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

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

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

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

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

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

Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses (Amounts in 000's)					
	General Fund	Human Services	Health and Human Services Levies	County Board of Mental Retardation	Health and Community Services
GAAP basis	\$ (16,544)	\$ 0	\$ 18	\$ 8,000	\$ (9,349)
Increase/decrease:					
Accrued receivables at 12/31/02 not recognized in the 2002 budget	(117,621)	(29,076)	(131,237)	(98,312)	(37,872)
Accrued receivables at 12/31/01 recognized in the 2002 budget	157,475	84,092	130,200	97,889	49,395
Expenditures accrued as liabilities at 12/31/02 not recognized in the 2002 budget	70,571	19,605	129,620	101,508	48,469
Expenditures accrued as liabilities at 12/31/01 recognized in the 2002 budget	(96,029)	(27,847)	(128,488)	(101,537)	(49,495)
Encumbrances at 12/31/02 recognized as expenditures in the 2002 budget	(10,717)	(24,053)		(7,693)	(12,837)
Encumbrances at 12/31/01 not recognized as expenditures in the 2002 budget	17,490	33,291	377	7,116	16,551
Other GAAP adjustments ⁽¹⁾	<u>(46,348)</u>			<u>(470)</u>	
Budget basis	<u>\$ (41,723)</u>	<u>\$ 56,012</u>	<u>\$ 490</u>	<u>\$ 6,501</u>	<u>\$ 4,862</u>
(1) Change in the amount of short-term interfund loans by the General fund, unrealized gain on investments, net expenses for the Brownfield project, Gateway debt and agency funds reclassified as cash for financial reporting purposes.					

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

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

Investments: The County accounts for its investments under the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which established accounting and financial reporting standards for government investments and investment pools, requiring most investments to be recorded at fair value and the recognition of unrealized gains and losses in the financial statements. The County has the ability and intent to hold all investments to maturity. Interest on investments is

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

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

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

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

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets.

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

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

Land improvements	5 to 20 years
Utility plant	20 to 50 years
Buildings, structures and improvements	5 to 40 years
Furniture, fixtures and equipment	6 to 22 years
Vehicles	4 to 9 years
Infrastructure	20 to 69 years

Capitalization of Interest: The County's policy is to capitalize interest on construction projects in the proprietary funds until substantial completion of the project. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. During 2002, the County capitalized interest amounting to \$.2 million.

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

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

Net Patient Service Revenue: Net patient service revenue of the Hospital is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Hospital's classification of patients under the Medicare and Medicaid programs and the appropriateness of their admission are subject to an independent review by a peer review organization. Differences between the estimated amounts accrued at interim and final settlements are reported in the Statement of Revenues, Expenses and Changes in Net Assets in the year of settlement. The Hospital recorded a favorable adjustment of \$4.2 million in 2002 and an unfavorable adjustment of \$1.2 million in 2001, due to prior year retroactive adjustments to amounts previously estimated.

Net revenue from the Medicare and Medicaid programs accounted for approximately 24% and 32%, respectively, of the Hospital's net patient service revenue for the year ended December 31, 2002. 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 an adequate provision has been made in the financial statements for any adjustments that may result from final settlements.

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

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

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

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

Derivative Financial Instruments and Hedging Activities: The Hospital adopted the provisions of Financial Accounting Standard Board Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which requires the Hospital to recognize all of its derivative instruments as either assets or liabilities in its financial statements. The Hospital entered into an interest rate swap agreement in 1999 to effectively convert a portion of its fixed rate debt to a variable rate basis. This derivative instrument is not designated as a hedging instrument; therefore, gains and losses are recognized for the Component Unit in the accompanying statement of activities as

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changes in the fair value of the instrument occur. Net amounts periodically receivable or payable as a result of the swap agreement are accrued as adjustments to interest expense on the related debt.

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

During March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No.3)*. This statement amends GASB Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principal areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. The County has not determined the impact, if any, that this statement will have on its financial statement disclosures.,

During June 2003, the GASB issued Statement No. 41, *Budgetary Comparison Schedules-Perspective Differences (an amendment of GASB Statement No. 34)*. Generally, governments present budgetary comparisons for the activities that are reported in the general fund and each major special revenue fund. This statement requires governments to present budgetary comparison schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. The County has not determined the impact, if any, that this statement will have on its required supplementary information.

NOTE C - Cash and Investments

Cash and Investments:

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

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

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A summary of the Pooled Cash and Investments account balance by fund type at December 31, 2002, follows:

Fund Type	(Amounts in 000's)	
	Due To	Equity In
General	\$	\$ 104,054
Due From:		
Special Revenue	9,471	
Capital Projects	12,980	
Enterprise	58	
Internal Service.....	<u>3,425</u>	<u>(25,934)</u>
Net General		78,120
Other major governmental		50,338
Other governmental		44,170
Major enterprise.....		6,660
Other enterprise.....		1,514
Internal Service.....		<u>60,749</u>
Total government-wide		241,551
Agency.....		<u>126,922</u>
Total Equity in Pooled Cash and Investments		\$ <u>368,473</u>

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

Deposits and Investments:

Primary Government

Deposits: At year-end, the carrying amount of the County's deposits, including certificates of deposit, was \$97 million and the bank balances were \$136.5 million. Any differences between the account bank balances and investments and the cash and investments recorded in the financial statements are due to normal reconciling items. Of the bank balances, \$.4 million was covered by federal depository insurance and \$136.1 million was uncollateralized as defined by the GASB. These deposits were, however, covered by collateral held by the pledging institution's agent in the name of the depository or the Federal Reserve Bank of Cleveland in pooled securities accounts that were not in the County's name, as permitted under Ohio law. The pooled securities serve as collateral for all public deposits held by the banks, including the County's deposits. The Ohio Revised Code requires that the market value of securities held in the pool be at least equal to 105% of the public deposits held by the banks. Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. County policy is to utilize federally insured banks and savings institutions located in the County.

Component Unit

Deposits: At December 31, 2002, the financial statement carrying amount of the Hospital's deposits was \$.6 million and the actual bank balances, including accrued interest, totaled \$.6 million. Federal depository insurance covered approximately \$.1 million of the Hospital's deposits at year-end and are thus a category (1) deposit risk in accordance with the provisions of GASB Statement No. 3. The remainder was uncollateralized as defined by the GASB as it was secured by collateral pools of U.S. Government and municipal securities held by the pledging institution's agent or the Federal Reserve Bank of Cleveland in the name of the depository.

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Primary Government and Component Unit

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

GASB Statement No. 3 *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* requires the County to categorize its deposits and investments into one of three credit risk categories. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Risk category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent but not in the County's name.

At December 31, 2002, the County's Primary Government investments were as follows:

Investment Type	(Amounts in 000's)	
	Category 1	Fair Value/Carrying Value
U.S. Treasury Notes	\$ 6,232	\$ 6,232
U.S. Agency Obligations	282,582	282,582
Municipal Revenue Anticipation Bonds	<u>17,500</u>	<u>17,500</u>
	<u>\$ 306,314</u>	306,314
Money Market Funds		182
Star Ohio		<u>46,003</u>
Total Primary Government Investments		<u>\$ 352,499</u>

At December 31, 2002, the County's Component Unit investments were as follows:

Investment Type	(Amounts in 000's)		
	Category 1	Category 3	Fair Value/Carrying Value
U.S. Treasury Notes	\$ 20,839	\$	\$ 20,839
U.S. Agency Obligations	108,690		108,690
Repurchase Agreements		<u>8,791</u>	<u>8,791</u>
	<u>\$ 129,529</u>	<u>\$ 8,791</u>	138,320
Money Market Funds			<u>156,180</u>
Total Hospital Investments			<u>\$ 294,500</u>

Amounts invested in the State Treasurer's Investment Pool (Star Ohio) and money market funds are not classified by risk category because they are not evidenced by securities that exist in physical or book entry form. Star Ohio is rated AAAM by Standard & Poor's. It is the objective of the fund to stabilize the net asset value per unit at \$1.00 for the purpose of sale and redemption of units of the fund, but it is not guaranteed. Star Ohio is not a registered fund subject to regulatory oversight as the fund is only offered to Ohio public subdivisions with investment authority. Star Ohio is authorized under Section 135.45 of the Ohio Revised Code and has been used by Ohio public entities since its inception in 1986 as a short-term investment vehicle to meet daily liquidity needs.

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NOTE D - Interfund Receivables and Payables

Individual interfund receivable and payable balances as of December 31, 2002 follow:

Fund Types	(Amounts in 000's)	
	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 25,934	\$ 7,352
Human Services		10,416
County Board of Mental Retardation		1,148
Health and Community Services	5,116	448
Other governmental funds		<u>13,305</u>
Total Governmental Funds	31,050	32,669
Proprietary Funds:		
Enterprise Funds:		
Sanitary Engineer		76
Other enterprise funds	<u>18</u>	<u>76</u>
Total Enterprise Funds	18	152
Internal Service Funds	<u>5,744</u>	<u>3,991</u>
Totals	\$ <u>36,812</u>	\$ <u>36,812</u>

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

Fund Types	(Amounts in 000's)	
	Receivables	Payables
Major Governmental Funds:		
Human Services	\$ 9,471	\$
Health and Community Services		<u>5,116</u>
Total Major Governmental Funds	<u>9,471</u>	5,116
Nonmajor Governmental Funds:		
Capital Projects Fund	<u>12,980</u>	-----
Total Nonmajor Governmental Funds	12,980	
Nonmajor Enterprise Funds:		
County Airport	58	
Cuyahoga County Information System		<u>18</u>
Total Nonmajor Enterprise Funds	58	18
Internal Service Funds:		
Maintenance Garage	212	39
Data Processing Center		283
Printing, Reproduction and Supplies		59
Communication	3,213	147
Self-Funded Workers' Compensation		<u>1,690</u>
Total Internal Service Funds	<u>3,425</u>	<u>2,218</u>
Totals	\$ <u>25,934</u>	\$ <u>7,352</u>

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The receivables represent amounts overdrawn from the pooled cash account which are owed to the General fund.

The amount payable to the Health and Community Services fund represents additional subsidies due to the fund. The amount payable to the Cuyahoga County Information System is for computer charges from various General fund agencies. The amounts payable to Internal Service funds represent unpaid charges at December 31, 2002.

NOTE E - Capital Assets

A summary of changes in capital assets follows:

Governmental Activities:	(Amounts in 000's)			Balance December 31, 2002
	Balance January 1, 2002	Additions	Deductions	
Capital assets, not being depreciated:				
Land	\$ 33,472	\$ 438	\$ 1,136	\$ 32,774
Construction in progress.....	<u>62,417</u>	<u>29,644</u>	<u>4,770</u>	<u>87,291</u>
Total capital assets, not being depreciated	<u>95,889</u>	<u>30,082</u>	<u>5,906</u>	<u>120,065</u>
Capital assets, being depreciated:				
Land improvements.....	2,888	473		3,361
Buildings, structures and improvements.....	444,904	21,844	44	466,704
Furniture, fixtures and equipment.....	44,637	1,670	2,822	43,485
Vehicles.....	17,201	177	2,278	15,100
Infrastructure	<u>424,768</u>	<u>1,070</u>	<u>49</u>	<u>425,789</u>
Total capital assets, being depreciated	<u>934,398</u>	<u>25,234</u>	<u>5,193</u>	<u>954,439</u>
Less accumulated depreciation for:				
Land improvements.....	814	222		1,036
Buildings, structures and improvements.....	197,119	13,666	44	210,741
Furniture, fixtures and equipment.....	32,662	3,264	2,627	33,299
Vehicles.....	12,211	1,369	2,251	11,329
Infrastructure	<u>202,518</u>	<u>12,912</u>	<u>49</u>	<u>215,381</u>
Total accumulated depreciation.....	<u>445,324</u>	<u>31,433</u>	<u>4,971</u>	<u>471,786</u>
Total capital assets, being depreciated, net	<u>489,074</u>	<u>(6,199)</u>	<u>222</u>	<u>482,653</u>
Governmental activities capital assets, net.....	<u>\$ 584,963</u>	<u>\$ 23,883</u>	<u>\$ 6,128</u>	<u>\$ 602,718</u>

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Business-type Activities:	(Amounts in 000's)			Balance December 31, 2002
	Balance January 1, 2002	Additions	Deductions	
Capital assets, not being depreciated:				
Land	\$ 5,802	\$	\$	\$ 5,802
Construction in progress.....	<u>7,989</u>	<u>700</u>	<u>1,723</u>	<u>6,966</u>
Total capital assets, not being depreciated	<u>13,791</u>	<u>700</u>	<u>1,723</u>	<u>12,768</u>
Capital assets, being depreciated:				
Land improvements	10,647	244	41	10,850
Utility plant	44,950	1,687	1,057	45,580
Buildings, structures and improvements.....	14,608	26	10	14,624
Furniture, fixtures and equipment	3,228		14	3,214
Vehicles.....	<u>3,432</u>	<u>154</u>	<u>94</u>	<u>3,492</u>
Total capital assets, being depreciated	<u>76,865</u>	<u>2,111</u>	<u>1,216</u>	<u>77,760</u>
Less accumulated depreciation for:				
Land improvements.....	7,151	363	22	7,492
Utility plant.....	25,275	878	902	25,251
Buildings, structures and improvements.....	5,952	686	4	6,634
Furniture, fixtures and equipment.....	2,536	118	14	2,640
Vehicles.....	<u>2,429</u>	<u>372</u>	<u>95</u>	<u>2,706</u>
Total accumulated depreciation.....	<u>43,343</u>	<u>2,417</u>	<u>1,037</u>	<u>44,723</u>
Total capital assets, being depreciated, net	<u>33,522</u>	<u>(306)</u>	<u>179</u>	<u>33,037</u>
Business-type activities capital assets, net.....	<u>\$ 47,313</u>	<u>\$ 394</u>	<u>\$ 1,902</u>	<u>\$ 45,805</u>

Component Unit:	(Amounts in 000's)			Balance December 31, 2002
	Balance January 1, 2002	Additions	Deductions	
Capital assets, not being depreciated:				
Land	\$ 8,954	\$	\$	\$ 8,954
Construction in progress.....	<u>6,270</u>	<u>18,041</u>	<u>5,644</u>	<u>18,667</u>
Total capital assets, not being depreciated	<u>15,224</u>	<u>18,041</u>	<u>5,644</u>	<u>27,621</u>
Capital assets, being depreciated:				
Land improvements	8,177	6	484	7,699
Buildings, structures and improvements.....	369,451	2,892	311	372,032
Furniture, fixtures and equipment	178,363	9,542	525	187,380
Vehicles.....	<u>7,068</u>	<u>291</u>		<u>7,359</u>
Total capital assets, being depreciated	<u>563,059</u>	<u>12,731</u>	<u>1,320</u>	<u>574,470</u>
Less accumulated depreciation for:				
Land improvements.....	6,337	526	479	6,384
Buildings, structures and improvements.....	212,452	18,281	311	230,422
Furniture, fixtures and equipment.....	140,952	11,600	541	152,011
Vehicles.....	<u>1,494</u>	<u>293</u>		<u>1,787</u>
Total accumulated depreciation.....	<u>361,235</u>	<u>30,700</u>	<u>1,331</u>	<u>390,604</u>
Total capital assets, being depreciated, net	<u>201,824</u>	<u>(17,969)</u>	<u>(11)</u>	<u>183,866</u>
Component unit capital assets, net.....	<u>\$ 217,048</u>	<u>\$ 72</u>	<u>\$ 5,633</u>	<u>\$ 211,487</u>

**COUNTY OF CUYAHOGA, OHIO
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Depreciation expense was charged to functions of the government as follows:

Governmental Activities:	(Amounts in 000's)	
General government.....	\$	2,583
Judicial.....		7,602
Development.....		4
Social services.....		5,334
Health and safety.....		53
Public works.....		13,288
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets.....		<u>2,569</u>
Total depreciation expenses charged to governmental activities.....	\$	<u>31,433</u>
 Business-type Activities		
Sanitary Engineer.....	\$	1,605
County Airport.....		420
Huntington Park Garage.....		391
Cuyahoga County Information System.....		<u>1</u>
Total depreciation expenses charged to business-type activities.....	\$	<u>2,417</u>

A summary of construction commitments for governmental activities at December 31, 2002 follows:

Function	(Amounts in 000's)		
	Authorized Project Amount	Expended as of December 31, 2002	Future Commitments
General government.....	\$ 11,779	\$ 8,570	\$ 3,209
Judicial.....	103,544	61,558	41,986
Social services.....	1,448	833	615
Health and safety.....	6,646	6,486	160
Public works.....	<u>20,739</u>	<u>9,844</u>	<u>10,895</u>
Totals.....	\$ <u>144,156</u>	\$ <u>87,291</u>	\$ <u>56,865</u>

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

A summary of construction commitment for business-type activities at December 31, 2002 follows:

Business-type Activity	(Amounts in 000's)		
	Authorized Project Amount	Expended as of December 31, 2002	Future Commitments
Sanitary Engineer.....	\$ 10,893	\$ 6,943	\$ 3,950
Airport.....	<u>298</u>	<u>23</u>	<u>275</u>
Totals.....	\$ <u>11,191</u>	\$ <u>6,966</u>	\$ <u>4,225</u>

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

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

NOTE F - Debt and Other Obligations

Notes Payable and Long-Term Liabilities:

A summary of the County's notes payable and long-term liabilities at December 31, 2002 is provided below:

(Amounts in 000's)							
Year Issued	County Obligation, [Original Issue Amount]	Interest Rate	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Governmental Activities:							
	Compensated Absences.....		\$ 22,135	\$ _____	\$ 2,030	\$ 20,105	\$ 2,010
2001	Special Termination Benefits—Due thru 2007.....	7.75%	25,915	58,118	14,740	69,293	16,810
Various	Capital Lease Obligations—Due thru 2023.....		9,611	18,063	1,329	26,345	1,215
1999	Installment Purchase Agreement—Due thru 2009, [\$17,665].....	5.26%-5.75%	15,368	---	1,673	13,695	1,765
Loans Payable:							
1989	Environmental Protection Agency—Due thru 2007, [\$494].....	None	138	---	28	110	28
1997	Ohio Department of Development Loan						
	- Due thru 2016, [\$5,000].....	None	3,750	---	250	3,500	250
	Total Loans Payable.....		3,888	---	278	3,610	278
General Obligation Bonds-Unvoted:							
1983	Building Improvements—Due thru 2004 ⁽¹⁾	9.375%	2,625	---	875	1,750	875
1983	Health Service Facilities—Due thru 2004 ⁽¹⁾	9.375%	1,110	---	370	740	370
1983	Auditorium—Due thru 2004 ⁽¹⁾	9.375%	525	---	175	350	175
1983	Street Improvements—Due thru 2004 ⁽¹⁾	9.375%	150	---	50	100	50
1983	Sanitary Improvements—Due thru 2004 ⁽¹⁾	9.375%	600	---	200	400	200
1993	Various Purpose Refunding Bonds—Due thru 2012, [\$75,395].....	2.20%-5.25%	35,015	---	3,145	31,870	3,285
1993	Rock and Roll Hall of Fame—Due thru 2018, [\$12,000].....	2.75%-5.65%	9,625	---	360	9,265	375
1995	Various Purpose Improvements—Due thru 2015, [\$35,145].....	3.75%-5.50%	23,220	---	2,305	20,915	2,415
2000	Capital Improvements—Due thru 2020, [\$96,615].....	4.30%-5.75%	94,060	---	3,135	90,925	3,275
	Total General Obligation Bonds-Unvoted.....		166,930	---	10,615	156,315	11,020
General Obligation Bonds-Voted:							
1991	Jail II Series — Due thru 2006, [\$5,086].....	6.95%-7.05%	5,086	---	---	5,086	---
1993	Jail Facilities and Various Purpose Refunding Bonds						
	-Due thru 2013, [\$65,254].....	2.20%-5.25%	33,349	---	5,605	27,744	5,875
	Total General Obligation Bonds-Voted.....		38,435	---	5,605	32,830	5,875
	Total Tax Supported Bonds.....		205,365	---	16,220	189,145	16,895
Revenue Bonds:							
1992	Gateway Economic Development—Due thru 2022, [\$40,000].....	Variable	33,600	---	1,600	32,000	1,600
1992	Gateway Economic Development—Due thru 2022, [\$35,000].....	8.625%	35,000	---	---	35,000	---
1994	Gateway Economic Development—Due thru 2023, [\$45,000].....	4.45%-7.60%	37,405	---	1,350	36,055	1,440
1994	Cleveland Foundation Economic Development						
	-Due thru 2002, [\$1,750].....	3.00%	143	---	143	---	---
1998	Brownfield Economic Redevelopment						
	-Due thru 2018, [\$15,465].....	5.31%-6.75%	14,125	---	485	13,640	515
2000	Shaker Square Redevelopment—Due thru 2030, [\$2,855].....	6.75%	2,855	---	10	2,845	10
	Total Revenue Bonds.....		123,128	---	3,588	119,540	3,565
	Total Bonds Payable.....		328,493	---	19,808	308,685	20,460
Capital Projects Fund:							
Bond Anticipation Notes:							
2001	Orange Place Extension—Due in 2002, [\$2,440].....	4.50%	2,440	---	2,440	---	---
2002	Capital Improvement Notes—Due in 2003, [\$2,440].....	1.65%	---	2,440	---	2,440	2,440
	Total Capital Projects Fund.....		2,440	2,440	2,440	2,440	2,440
Internal Service Funds:							
	Compensated Absences.....		2,142	---	554	1,588	159
2001	Special Termination Benefits—Due thru 2007.....	7.75%	4,709	8,398	2,338	10,769	2,646
Various	Capital Lease Obligation—Due through 2005.....		437	---	288	149	95
	Total Internal Service Funds.....		7,288	8,398	3,180	12,506	2,900
	Total Governmental Activities.....		\$415,138	\$ 87,019	\$ 45,478	\$ 456,679	\$ 47,878

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

(CONTINUED)

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

DECEMBER 31, 2002

(Amounts in 000's)							
Year Issued	County Obligation, [Original Issue Amount]	Interest Rate	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Business-type Activities:							
2001	Compensated Absences		\$ 469	\$ —	\$ 125	\$ 344	\$ 35
	Special Termination Benefits—Due thru 2006	7.75%	<u>619</u>	<u>1,808</u>	<u>407</u>	<u>2,020</u>	<u>473</u>
Various	Loans Payable	4.04% - 7.00%	<u>6,357</u>	—	<u>312</u>	<u>6,045</u>	<u>320</u>
Bond Anticipation Notes:							
2001	Olmsted Township and Shady Road Improvements						
	-Due in 2002, [\$5,845]	3.00%	5,845	6,040	11,885		
2001	Chagrin Falls Waterline—Due in 2002, [\$260]	5.00%	260		260		
2002	Capital Improvement Notes—Due in 2003, [\$1,155]	1.65%		1,155		1,155	1,155
2002	Olmsted Township Water and Sewer						
	-Due in 2003, [\$4,928]	2.00%		<u>4,928</u>		<u>4,928</u>	<u>4,928</u>
	Total Notes Payable		<u>6,105</u>	<u>12,123</u>	<u>12,145</u>	<u>6,083</u>	<u>6,083</u>
Self-Supporting Bonds Payable:							
1992	Sewer Improvement—Due thru 2012, [\$2,360]	3.50%-6.50%	1,625		105	1,520	98
2000	Sewer Improvement—Due thru 2020, [\$1,040]	4.55%-5.55%	<u>1,010</u>		<u>35</u>	<u>975</u>	<u>52</u>
	Total Self-Supporting Bonds Payable		<u>2,635</u>		<u>140</u>	<u>2,495</u>	<u>150</u>
	Total Business-type Activities		\$ 16,185	\$ 13,931	\$ 13,129	\$ 16,987	\$ 7,061
Component Unit							
	Compensated absences		\$ 18,366	\$ 3,955	\$ 1,805	\$ 20,516	\$ 1,895
	Amounts due third party payors (See Note B)		<u>45,404</u>	<u>815</u>	<u>631</u>	<u>45,588</u>	<u>9,441</u>
	Claims payable (See Note J)		<u>29,471</u>	<u>20,826</u>	<u>13,630</u>	<u>36,667</u>	<u>15,089</u>
Capital Lease Obligation:							
Various	Equipment Obligations—Due thru 2007	4.958%-4.96%	<u>10,552</u>	—	<u>2,933</u>	<u>7,619</u>	<u>3,081</u>
Bonds:							
1997	Hospital Improvement and Refunding						
	Revenue Bonds—Due Thru 2027, [\$70,000]	3.90%-5.80%	58,653		3,814	54,839	4,195
1997	Hospital Refunding Revenue Bonds						
	-Due thru 2019, [\$77,525]	4.10%-5.50%	68,385	309	230	68,464	240
1999	Hospital Improvement Revenue Bonds						
	-Due thru 2029, [\$56,995]	6.125%-6.15%	<u>56,791</u>	<u>7</u>		<u>56,798</u>	
	Total Bonds		<u>183,829</u>	<u>316</u>	<u>4,044</u>	<u>180,101</u>	<u>4,435</u>
	Total Component Unit		\$ 287,622	\$ 25,912	\$ 23,043	\$ 290,491	\$ 33,941

Capital Lease Information: The following summarizes future minimum lease payments under the capital leases, and the present values of net minimum lease payments for the Primary Government at December 31, 2002:

(Amounts in 000's)		
Year	Governmental Activities	Internal Service funds
2003	\$ 3,565	\$ 100
2004	3,543	33
2005	3,499	25
2006	3,486	
2007	3,514	
2008-2012	16,432	
2013-2017	9,452	
2018-2022	28	
2023	<u>1</u>	
Total Minimum Lease Payments	43,520	158
Amount Representing Interest	<u>(17,175)</u>	<u>(9)</u>
Present Value of Net Minimum Lease Payments	\$ 26,345	\$ 149

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The following summarizes future minimum payments and the present values of net minimum lease payments for the Component Unit's equipment capital leases at December 31, 2002:

Year	(Amounts in 000's) Equipment Obligation
2003.....	\$ 3,388
2004.....	2,529
2005.....	780
2006.....	780
2007.....	780
Total Minimum Lease Payments.....	8,257
Amount Representing Interest.....	(638)
Present Value of Net Minimum Lease Payments.....	\$ <u>7,619</u>

As of December 31, 2002, the net book value of the capital assets recorded as capital leases in the governmental activities funds and Component Unit were \$55.8 million and \$12.6 million, respectively.

Future Debt Service Requirements: A summary of the County's future debt service requirements for its outstanding long-term bonds, notes, installment purchase agreement and loans payable at December 31, 2002 are as follows:

Due In	(Amounts in 000's)			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2003.....	\$ 24,943	\$ 19,014	\$ 6,553	\$ 427
2004.....	21,118	20,064	483	293
2005.....	20,331	19,718	502	275
2006.....	19,493	18,836	521	255
2007.....	22,065	14,695	541	236
2008-2012	82,919	83,585	3,033	838
2013-2017	70,671	40,593	1,919	294
2018-2022	58,780	12,786	1,071	396
2023-2027	7,710	558		
2028-2030	400	49		
Totals.....	\$ <u>328,430</u>	\$ <u>229,898</u>	\$ <u>14,623</u>	\$ <u>3,014</u>

COUNTY OF CUYAHOGA, OHIO
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Due In	(Amounts in 000's) Component Unit Principal and Interest
2003	\$ 14,770
2004	14,769
2005	14,768
2006	14,746
2007	14,746
2008-2012	73,571
2013-2017	73,351
2018-2022	59,520
2023-2027	50,388
2028-2029	<u>20,289</u>
Total	350,918
Amount representing interest	(160,988)
Unamortized difference between reacquisition price and the net carrying amount of previously defeased debt.....	(7,848)
Unamortized discount.....	<u>(1,981)</u>
Present value of net minimum payments.....	\$ <u>180,101</u>

Component Unit Swap Agreement: In 1999, the Component Unit entered into a 15 year interest rate swap agreement for a notional amount of \$56 million of its fixed rate general obligation bonds. Based on the swap agreement, the Component Unit makes payments calculated at a variable rate equal to the BMA Swap Index to the counterparty to the swap. In return, the counterparty makes payments to the Component Unit based on the fixed rate of 5.41%. Only the net difference in payments is exchanged with the counterparty. The \$56 million in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The net interest savings for 2002 was \$2.3 million and is included as a reduction to interest expense. At December 31, 2002, the fair value of the swap agreement based on current settlement price is \$4.3 million due from the counterparty and is included in other assets. The increase of \$2.3 million in the fair value of the swap is recorded as unrestricted investment earnings in the statement of activities.

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

Under the Uniform Bond Act of the Ohio Revised Code, the County has the capacity to issue approximately \$129.1 million of additional unvoted general obligation debt.

Accrued Wages and Benefits: County employees become eligible to receive one-fourth of their accumulated unpaid sick leave upon retirement after a minimum of ten years of service. Certain agencies may have policies that vary with regard to payment of accrued sick leave upon retirement. Termination of employment must be by retirement to receive accumulated unpaid sick leave. Employees with a minimum of one year of service become vested in accumulated unpaid vacation time. Vacation time may not be accumulated for more than three years. Unused vacation time is payable upon termination of employment. In general, employees are eligible to be paid for unpaid overtime and unused compensatory time upon termination of employment. All sick, vacation, compensatory and overtime payments are made at the employee's current wage rate.

**COUNTY OF CUYAHOGA, OHIO
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The accumulated unpaid sick, vacation, compensatory and overtime hours for which the \$21.7 million liability recorded in the statement of net assets (Governmental Activities) at December 31, 2002 was based were as follows:

Governmental Activities	Hours	Amount (in 000's)
Sick	32,327	\$ 592
Vacation	1,071,914	19,629
Overtime	<u>80,371</u>	<u>1,472</u>
Total	<u>1,184,612</u>	<u>\$ 21,693</u>

The accumulated unpaid sick, vacation, compensatory and overtime hours for which the \$.3 million liability recorded in the statement of net assets (Business-type Activities) at December 31, 2002 was based were as follows:

Business-type Activities	Hours	Amount (in 000's)
Sick	549	\$ 10
Vacation	17,534	303
Overtime	<u>1,811</u>	<u>31</u>
Total	<u>19,894</u>	<u>\$ 344</u>

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

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

COUNTY OF CUYAHOGA, OHIO
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Payments are made to PERS in quarterly installments over the life of the purchased service credit. The following summarizes the future payment requirements to fund the cost of the special termination benefits for the employees who had elected to participate in the plan by December 31, 2002:

Year	Governmental Activities	Business-type Activities
2003.....	\$ 25,236	\$ 620
2004.....	24,323	605
2005.....	23,293	592
2006.....	18,274	467
2007.....	<u>2,568</u>	<u>88</u>
Total Termination Benefit Payments.....	93,694	2,372
Amount Representing Interest.....	<u>(13,632)</u>	<u>(352)</u>
Net Amount.....	\$ <u>80,062</u>	\$ <u>2,020</u>

Advance Refunding of General Obligation Bonds: On March 19, 1993, the County issued general obligation bonds amounting to \$140.7 million with interest rates ranging from 2.2% to 5.25%. The issues consisted of voted and unvoted refunding debt as well as new voted debt. The unvoted refunding debt amounted to \$75.4 million, the voted refunding debt amounted to \$49.4 million and the additional voted debt amounted to \$15.9 million. The refunding debt proceeds were used to advance refund outstanding debt of \$115.6 million which consisted of \$49.6 million and \$66 million of voted and unvoted debt, respectively. The County advance refunded the bonds to reduce its total debt service payments over the next 20 years by \$1.5 million and \$2.9 million on voted and unvoted debt, respectively, and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1.2 million and \$2.2 million on voted and unvoted debt, respectively. The aggregate amount of the defeased General Obligation Bonds outstanding at December 31, 2002 is \$30.8 million. The remaining proceeds from the issuance were used to fund various capital projects.

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

Effective November 1, 1997, the County issued \$77.5 million of Hospital Refunding Revenue Bonds, Series 1997A. The proceeds of the Series 1997A Bonds were used to advance refund \$73.7 million of Series 1989 Bonds scheduled to mature on February 15, 2019. The 1997 refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$9.8 million. This unamortized difference (\$7.8 million at December 31, 2002) is reported in the accompanying financial statements as a deduction from long-term debt and is being charged to operations through the year 2019 using the effective interest method.

Other Financial Obligations

Operating Leases: During the year 2002, the County had approximately 73 operating leases for office space and equipment. At December 31, 2002, there were 51 remaining with future obligations. The operating lease agreements range in length from one month to ten years. Total rental payments for 2002 amounted to \$6 million, of which \$.8 million was expended from proprietary funds. Rental obligations for the years 2003 through 2007 are \$8.6 million of which \$.5 million represents the amount to be paid from proprietary funds. Rental payments for the years 2003, 2004, 2005, 2006 and 2007 will be \$4.8 million, \$2.2 million, \$.8 million, \$.6 million and \$.2 million, respectively. Operating lease payments are recorded as an expenditure in the period to which they apply.

The Hospital has entered into operating lease agreements for a parking facility, medical space and office space which expire through 2011. Certain leases contain rent escalation clauses and renewal options for additional periods ranging from two to five years. Rent expense totaled \$1.5 million in 2002. Minimum rental commitments under operating leases extending beyond one year at December 31, 2002 are as follows: 2003 - \$1.5 million; 2004 - \$1.4 million; 2005 - \$11.7 million; 2006 - \$.3 million; 2007 - \$.3 million, 2008-2011 - \$.6 million.

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

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Gateway Loan Guarantees: The County currently guarantees the repayment of \$33.3 million of bonded debt of Gateway. This amount represents the outstanding par amount of bonds of two issues, the original outstanding amount of which was \$38.4 million of Subordinate Excise Tax Revenue Bonds and \$31 million of Stadium Revenue Bonds. As of December 31, 2002, the outstanding balance on these Gateway bond guarantees, including future interest payments, was \$10.4 million on the Subordinate Excise Tax Revenue Bonds (payable through September 1, 2005), and \$36.1 million on the Stadium Revenue Bonds payable through September 15, 2014). The County has not been required to make any payments on behalf of the Gateway bonds.

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

As of December 31, 2002, the aggregate principal amounts outstanding for the Industrial Development, Hospital Revenue and Mortgage Revenue Bonds were \$168.2 million, \$1.4 billion and \$138.7 million, respectively.

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

Primary Government

PERS PLAN DESCRIPTION: All full-time employees of the County, except teachers employed by the County Board of Mental Retardation, participate in the Public Employees Retirement System of Ohio (PERS). It is a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefits to the PERS Board of Trustees. PERS issues a stand-alone financial report. A copy of the report may be obtained by making a written request to the Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085.

PERS FUNDING POLICY: The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 8.5% of covered payroll, except for law enforcement employees. In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits as follows: (1) The law enforcement classification which consists of sheriffs and deputy sheriffs with an employee contribution rate of 10.1% and (2) all other members of the law enforcement program who were placed in a newly named public safety division and are required to contribute 9%. The employer contribution rate is 13.55% of covered payroll, except for law enforcement which is 16.70%. There was a temporary employer contribution rate rollback effective July 2000 through December 2000. The rates were 8.13% of covered payroll except for law enforcement personnel for which the contribution rate was 14.70%. The total employer contributions from the County to PERS (excluding amounts paid in 2001 and 2002 for ERIP – See Note F) for the years 2002, 2001, and 2000 were \$47.9 million, \$51.5 million and \$40.3 million, respectively, equal to the required contributions for each year.

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

A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The portion of the employer contribution rate used to fund postretirement health care for 2002 and 2001 was 5% and 4.3% of covered payroll, respectively. During 2002 and 2001, \$17.6 million and \$16.3 million, respectively, of the County's total contribution to PERS was used for postretirement benefits. At

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

December 31, 2002, the County was not responsible for paying premiums, contributions, or claims for OPEB under PERS for any retirees, terminated employees or other beneficiaries.

The OPEB is advance-funded on an actuarially determined basis through employer contributions and investment earnings thereon. The principal assumptions used for the 2001 actuarial computations (latest available) were as follows:

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

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

Investment Return: The investment return assumption for 2001 was 8%.

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

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

At December 31, 2001, (latest information available), there were 402,041 active participants contributing to the plan. The County's actuarially required OPEB contribution for 2001 equaled the actual amount contributed to PERS by the County. In addition, at December 31, 2001, the actuarial value of the plan's net assets available for OPEB approximated \$11.6 billion and the actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial method used, were \$16.4 billion and \$4.8 billion, respectively.

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

STRS PLAN DESCRIPTION: Teachers employed by the County Board of Mental Retardation (CBMR) participate in the State Teachers Retirement System Of Ohio (STRS). It is a cost-sharing multiple-employer defined benefit pension plan. STRS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Chapter 3307 of the Ohio Revised Code assigns the authority to establish and amend benefits to the STRS Board of Trustees. STRS issues a stand-alone financial report. A copy of the report may be obtained by making a written request to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

STRS FUNDING POLICY: The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 9.3% of covered payroll. Effective July 1, 2003, the employee contribution rate will increase to 10% of covered payroll. The employer contribution rate is 14% of annual covered payroll. The employer contributions from the County Board of Mental Retardation to STRS for the years 2002, 2001 and 2000 were \$2 million, \$1.9 million and \$1.9 million, respectively, equal to the required contributions for each year.

OPEB: STRS also provides OPEB to plan members. The qualifications required to receive benefits replicate PERS. STRS has established a Health Care Reserve fund to accumulate monies for OPEB. The portion of the employer contribution rate allocated to the Health Care Reserve fund was 4.5% of covered payroll. Effective July 1, 2002, 1% of covered payroll was allocated to the fund. The County's contributions for OPEB for the years 2002, 2001 and 2000 were \$.6 million, \$.6 million and \$.8 million, respectively, equal to the required contributions for each year.

COUNTY OF CUYAHOGA, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

The balance in the Health Care Reserve Fund was \$3 billion at June 30, 2002 (latest information available). For the year ended June 30, 2002, the net health care costs paid by STRS were \$354.7 million and there were 105,300 eligible recipients.

Component Unit

Retirement and OPEB benefits for Hospital employees are provided through PERS in the same manner as employees of the County's primary government. The Hospital's total contributions to PERS for the years 2002, 2001 and 2000 were \$34.6 million, \$32.5 million and \$24.3 million, respectively, equal to the required contributions for each year. The portion of the Hospital's total contribution to PERS which was used to fund OPEB for the years 2002 and 2001 was \$12.8 million and \$10.5 million, respectively.

NOTE H - Deficit Balances

At December 31, 2002, the Capital Projects, Central Custodial Services and Communications funds had net assets deficits of \$18.6 million, \$7 million and \$4 million, respectively. The deficit in Capital Projects fund will be eliminated by a future debt issue. The Central Custodial Services and Communications funds are Internal Service funds. The deficits will be eliminated through adjustment of the related fee schedules and subsidies as necessary.

NOTE I - Fund Equity

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

Reserve accounts used by the County include:

Reserved for Restricted Assets: This account represents the portion of the General fund's equity that includes certificates of deposit that support the County's Housing Enhancement Loan Program (H.E.L.P.) and the unspent proceeds of the County's Brownfield Economic Redevelopment bonds. At December 31, 2002, the balance in this account was \$35.8 million of which \$24.5 million represents the fund equity related to the certificates of deposit and \$11.3 million represents the fund equity related to the Brownfield Redevelopment bond proceeds.

Reserved for Loans Receivable: This account is used to separate the portion of fund equity that pertains to long-term loans receivable and is not available for current expenditure. At December 31, 2002, \$14.7 million has been reserved for loan repayments.

Reserved for Debt Service: This account is used to separate the portion of fund equity that must be used to fund principal and interest on Gateway Economic Development Revenue Bonds in the succeeding year as well as the equity balance in the Debt Service fund. At December 31, 2002, \$10.7 million has been reserved for debt service.

Designation accounts used by the County include:

Designated for Self-Insurance: This account is used to designate resources which management has earmarked to fund any claims or judgments against the County which are not covered by insurance. At December 31, 2002, \$1.1 million has been designated for self-insurance.

Designated for Proprietary Funds: This account is used to designate resources which management has earmarked to retire outstanding Enterprise and Internal Service funds' deficits. At December 31, 2002, \$11 million has been designated for future Internal Service funds' subsidies.

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

NOTE J - Risk Management and Other Contingencies

Primary Government

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

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

Self-Insurance: The County has designated \$1.1 million of the fund balance of the General fund, pursuant to Ohio law, to provide monies for claims and judgements not covered by the various County insurance policies. Settled claims from risks covered by the County's insurance policies have not exceeded the insurance coverage for the past three fiscal years. Actual expenditures for claims and judgements against the County in 2002 and estimates for unsettled claims at December 31, 2002, including those incurred but not reported, were immaterial. The County is also self-insured with respect to unemployment and workers' compensation benefits. Self-insurance expenditures were immaterial for unemployment compensation in 2002. Since 1992, the County has maintained an Internal Service fund for its self-insured workers' compensation benefits administered through a retrospective rating plan with the State of Ohio. Prior to 1992, the County was fully insured for workers' compensation benefits. The County uses a payroll-based rate to charge its various funds for workers' compensation benefits. These charges are contributed into the Self-Funded Workers' Compensation fund and are based on estimates needed to pay current claims and establish a reserve for claims incurred but not reported. Changes to the estimated claims payable recorded in the Self-Funded Workers' Compensation fund during the years ended December 31, 2002 and 2001 were:

	(Amounts in 000's)	
Estimated Claims Payable	2002	2001
Estimated claims payable beginning of year.....	\$ 18,590	\$ 18,827
Plus: Current year claims and changes in estimates	2,638	4,833
Less: Claim payments	<u>3,574</u>	<u>5,070</u>
Estimated claims payable end of year	<u>\$ 17,654</u>	<u>\$ 18,590</u>

Component Unit

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

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

DECEMBER 31, 2002

Losses from asserted claims and from unasserted claims identified under the Hospital's incident reporting system are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. The reserve for estimated self-insured claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported, discounted at a rate of 6%. The changes in the reserve were as follows during the years ended December 31, 2002 and 2001:

	(Amounts in 000's)	
Estimated Claims Payable	2002	2001
Estimated claims payable beginning of year.....	\$ 29,471	\$ 29,685
Plus: Current year claims and changes in estimates	20,826	18,169
Less: Claim payments	13,630	18,383
Estimated claims payable end of year	<u>\$ 36,667</u>	<u>\$ 29,471</u>
Due within one year.....	<u>\$ 15,089</u>	<u>\$ 14,700</u>

NOTE K - Encumbrances

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

At December 31, 2002, encumbrances outstanding in Governmental funds and Proprietary funds which were reappropriated in the 2003 budget were:

Fund Type	(Amounts in 000's)	
General fund	\$ 13,145	
Human Services fund	25,575	
County Board of Mental Retardation fund	8,673	
Health and Community Services fund	13,433	
Other Governmental funds	105,584	
Sanitary Engineer fund	2,198	
Other Enterprise funds	590	
Internal Service funds.....	<u>8,800</u>	
Total	<u>\$ 177,998</u>	

On a GAAP basis, a portion of these encumbrances represented liabilities of the County. At December 31, 2002, encumbrances recorded as liabilities were:

Fund Type	(Amounts in 000's)	
General fund.....	\$ 2,267	
Human Services fund	2,998	
County Board of Mental Retardation fund	2,714	
Health and Community Services fund	8,502	
Other Governmental funds	9,463	
Sanitary Engineer fund	68	
Other Enterprise funds	305	
Internal Service funds.....	<u>1,308</u>	
Total	<u>\$ 27,625</u>	

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

NOTE L - Property Tax Revenues

Property taxes include amounts levied against real, tangible (used in business) and public utility property. The assessed value upon which the 2002 tax collection was based follows:

Property Type	(Amounts in 000's)	
Real property	\$	24,689,595
Personal tangible property		3,032,064
Tangible public utility property		<u>977,713</u>
Total assessed value	\$	<u>28,699,372</u>

Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Presently, the County levies 1.45 mills of the first 10 mills of assessed value of which .59 is designated for debt service and the remainder is credited to the County's General fund. In addition to the 1.45 mills, 10.27 voted mills have been levied for debt service, mental retardation, health and human services and health and welfare. A summary of voted millage follows:

Purpose	Voter Authorized Rate (1)	Rates Levied for Current Year Collection (2)		Final Collection Year
		Agricultural/ Residential	Commercial/ Industrial	
Debt service	\$.27	\$.27	\$.27	2013
Mental retardation	3.90	3.48	3.44	2005
Health and human services	3.00	1.82	2.16	2004
Health and welfare ⁽³⁾	<u>3.10</u>	<u>2.76</u>	<u>2.73</u>	2003
Total voted millage	\$ <u>10.27</u>	\$ <u>8.33</u>	\$ <u>8.60</u>	

(1) In mills per \$1,000 of assessed valuation.
(2) Ohio law provides for a credit to certain voted levies to offset inflation in the value of real property. The mental retardation, health and human services and health and welfare levies are subject to this credit.
(3) A replacement levy of 3.1 mills and an increase of 1.8 mills was approved by voters in May 2003 to be collected in 2004 through 2008.

Real property taxes are levied each December on the assessed values as of the preceding January 1st, the lien date. Assessed values are established the preceding year by the County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was completed in 2000. Public utility property taxes are assessed on tangible personal property, as well as land and land improvements at true value, which is, in general, net book value. Tangible property is assessed at 25% of true value except for inventories which are assessed at 23% of average value. Personal property (other than public utility property) taxes are levied in October of the preceding calendar year based on tax rates determined in the preceding year and assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Under Ohio law, personal property taxes do not attach as a lien on the personal property. Public utility real and tangible personal property taxes collected in one calendar year are levied in October of the preceding calendar year on assessed values determined as of January 1 of that preceding year, the lien date.

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

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

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

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

Property tax revenues were recorded in the following funds in 2002:

Governmental Funds	(Amounts in 000's)
General.....	\$ 20,983
Health and Human Services Levies.....	119,185
County Board of Mental Retardation	86,215
Health and Community Services	12,432
Other Governmental.....	<u>21,077</u>
Total property tax revenues.....	\$ <u>259,892</u>

Property tax revenues include levies collected from both the current levy and delinquent levies. The cumulative delinquency as of December 31, 2002 for Cuyahoga County was \$35.0 million.

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

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

DECEMBER 31, 2002

NOTE M – Other Intergovernmental Revenue

A summary of the principal components of other intergovernmental revenue for the year ended December 31, 2002 follows:

Fund Type	(Amounts in 000's)
General fund:	
State Public Defender reimbursement	\$ 5,548
State property tax reimbursement	3,409
Other	<u>3,263</u>
Total General fund	<u>12,220</u>
Special Revenue funds:	
U.S. Department of Housing and Urban Development	16,974
U.S. Department of Justice	4,782
U.S. Department of Labor	1,375
Federal and State Mental Health and Retardation	156,886
Ohio Department of Alcohol and Drug Addiction Services	21,428
Ohio Department of Job and Family Services	325,682
Ohio Department of Rehabilitation and Corrections	4,196
Ohio Department of Transportation	206
Ohio Department of Youth Services	9,204
State property tax reimbursement	16,835
Other	<u>7,635</u>
Total Special Revenue funds	<u>565,203</u>
Debt Service fund:	
State property tax reimbursement	<u>3,767</u>
Capital Projects fund:	
Ohio Department of Transportation	<u>24,719</u>
Total Other Intergovernmental	\$ <u>605,909</u>

NOTE N - Interfund Transactions

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

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

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

A summary of interfund transfers by fund type follows for the year ended December 31, 2002:

Fund Type	(Amounts in 000's)						Total
	Transfer To						
Transfer From	General	Human Services	County Board of Mental Retardation	Health and Community Services	Other Governmental Funds	Other Enterprise Funds	
Transfers:							
Major Governmental Funds:							
General Fund	\$	\$ 16,473	\$	\$ 35,501	\$ 13,567	\$ 836	\$ 66,377
Human Services					716		716
Health and Human Service Levies		46,140		75,794			121,934
Health and Community Services	1,300				2,389		3,689
Other Governmental Funds	379		32	412	4,423		5,246
Other Enterprise Funds					729		729
Internal Services Funds					500		500
Total Transfers.....	<u>\$ 1,679</u>	<u>\$ 62,613</u>	<u>\$ 32</u>	<u>\$ 111,707</u>	<u>\$ 22,324</u>	<u>\$ 836</u>	<u>\$ 199,191</u>

NOTE O - Transactions with Gateway

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

The County and Gateway also entered into a revolving loan agreement whereby the County agreed to issue bonds and loan the bond proceeds to Gateway to pay arena construction costs. As part of this agreement, the County issued taxable Economic Development Revenue Bonds of \$75 million on September 24, 1992 and \$45 million on February 1, 1994. At December 31, 2002, the County has \$103.1 million of debt outstanding relating to these bond issues (See Note F).

The amount due from Gateway under the revolving loan agreement is \$186.6 million at December 31, 2002, including unpaid accrued interest. During 2002, Gateway repaid the County over \$3.6 million and the remaining amount is fully reserved due to the uncertainty of the repayment from Gateway.

The County, Gateway and the Convention and Visitors Bureau of Greater Cleveland (the Bureau) entered into a cooperative agreement on September 15, 1992, which included a provision that allowed a credit to be given to Gateway for the incremental amount the Bureau receives from the County Transient Occupancy Tax to use as payment to the County for the bonds issued. This agreement was amended on December 22, 1998 to redefine the annual incremental credit and to provide for the deposit by the Bureau for the years 1994 through 1998. The County received \$1 million from this agreement during the year ended December 31, 1999. The County will receive \$.2 million during each subsequent year, subject to certain adjustments. The County received \$.2 million for the year ended December 31, 2002.

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

Gateway has experienced significant losses in the last five years and has relied on short and long-term borrowings, as well as nonrecurring revenue, to pay its obligations as they come due. In addition, Gateway has been unable to fund the capital maintenance account required under certain facility leases. Although the County believes that the revenue sources that secure the repayment of the revenue bonds the County has guaranteed will be adequate to provide for the future debt service requirements under the bonds, if Gateway was to become insolvent, the impact on the County's future financial condition and operations cannot presently be determined because of uncertainties regarding the amount of Gateway's future cash needs and the extent (if any) of the County's funding of such needs.

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

NOTE P – Loans

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

NOTE Q – Subsequent Event

In May 2003 the voters of Cuyahoga County approved a health and human services levy to be collected beginning in 2004 through 2008. The levy consisted of a replacement of an existing levy of 3.1 mills and an increase of 1.8 mills for a total 4.9 mills. The levy is estimated to generate an additional \$58.8 million of tax billings for a total amount levied of \$137.2 million.

In May 2003 the County Commissioners authorized by resolution a loan in the amount of \$10 million from the Ohio Department of Transportation (ODOT). The money is provided through the state infrastructure bank fund, which are federal funds, to be used to improve a road and reconstruct a bridge. The loan will carry a 0% interest rate for the first 12 months and 3% rate thereafter through 2013 when it will be fully repaid. The County pledges its motor vehicle license tax as the source of repayment.

In February 2003, the MetroHealth System Board of Trustees adopted a resolution authorizing issuance and sale of approximately \$31 million of Ohio Hospital Improvement Variable Rate Demand Revenue Bonds. The proceeds from the bonds will be used to pay commitments on the new Critical Care Pavilion and build a new business administration facility.

COUNTY OF CUYAHOGA, OHIO
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

NOTE R – Change in Accounting Method

Effective January 1, 2002 the County implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, an amendment of GASB Statement No. 21 and No. 34. Implementation of these GASB Statements resulted in an adjustment in beginning balances as reported in the financial statements. The following balances were adjusted:

(Amounts in 000's)	
Fund Balance January 1, 2002	
Governmental Activities:	
Governmental funds:	
General	\$ 181,435
Health and Human Services Levies	1,941
County Board of Mental Retardation	7,652
Health and Community Services	29,900
Other Governmental.....	<u>58,397</u>
Total Governmental funds	279,325
Internal Service funds	40,074
Adjustments to convert to accrual accounting from modified accrual accounting:	
Capital assets.....	577,682
Long-term liabilities	(405,408)
Accrued interest	(1,560)
Deferred revenue	<u>32,355</u>
Net Assets January 1, 2002 (as restated)	\$ <u>522,468</u>

	(Amounts in 000's)		
	Sanitary Engineer Fund	Other Enterprise Funds	Total Enterprise Funds
Retained Earnings at January 1, 2002 as previously reported.....	\$ 18,308	\$ 5,195	\$ 23,503
Contributed Capital at January 1, 2002.....	<u>8,203</u>	<u>10,321</u>	<u>18,524</u>
Net Assets at January 1, 2002 (as restated).....	\$ <u>26,511</u>	\$ <u>15,516</u>	\$ <u>42,027</u>

Financial Section

Part II

Combining and Individual Fund Statements and Schedules



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**COUNTY OF CUYAHOGA, OHIO
NONMAJOR GOVERNMENTAL FUNDS**

NONMAJOR GOVERNMENTAL FUNDS ARE USED TO ACCOUNT FOR SPECIFIC GOVERNMENTAL REVENUES (OTHER THAN MAJOR CAPITAL PROJECTS) REQUIRING SEPARATE ACCOUNTING BECAUSE OF LEGAL OR REGULATORY PROVISIONS OR ADMINISTRATIVE ACTION AND EXPENDITURES FOR SPECIFIED PURPOSES.

Motor Vehicle Gas Tax	To account for Motor Vehicle Gas Tax federal and state revenues which are distributed to various municipalities and townships for repair and building of streets and bridges.
County Board of Mental Retardation	To account for revenues primarily from the State and the special mental retardation levy and expenditures thereof which are used for the benefit of the mentally retarded and developmentally disabled.
Health and Community Services	To account for revenues from the Federal, State and County governments and expenditures thereof as prescribed under the various health and community service functions including mental health and alcohol and drug programs.
Community Development	To account for revenue from the Federal government and expenditures as prescribed under the Community Development Block Grant Program and Housing and Urban Development Programs (HUD).
Other	To account for miscellaneous special revenue grants received by the county. Health and Community Services Grants have been combined with this special revenue fund.
Debt Service	To account for revenues received and used to pay principal and interest on all long-term bonded debt except those payable from Enterprise funds. Revenues are derived primarily from property taxes.
Capital Projects	To account for financial resources to be used for the acquisition or construction of all county land and buildings, major improvements and road improvements. (Other than those financed by proprietary funds).

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

**DECEMBER 31, 2002
(Amounts in 000's)**

	Special Revenue			
	Motor Vehicle Gas Tax	Community Development	Other	Total
ASSETS				
Equity in pooled cash and investments.....	\$ 33,401	\$ 4,755	\$ 6,014	\$ 44,170
Cash and investments-segregated accounts.....				
Receivables:				
Taxes (net of allowance for uncollectibles).....				
Accounts (net of allowance for uncollectibles).....	25			25
Accrued interest.....	109			109
Loans (net of allowance for uncollectibles).....		13,728		13,728
Net receivables.....	134	13,728		13,862
Due from other governments.....	11,109	2,555		13,664
TOTAL ASSETS.....	\$ 44,644	\$ 21,038	\$ 6,014	\$ 71,696
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	\$ 2,415	\$ 2,212	\$ 2,905	\$ 7,532
Deferred revenue.....	7,845		2,580	10,425
Due to other funds.....	262	8	55	325
Due to other governments.....		2,000		2,000
Accrued wages and benefits.....	488	67	256	811
Short-term notes payable.....				
Matured bonds payable.....				
TOTAL LIABILITIES.....	11,010	4,287	5,796	21,093
Fund Balances				
Reserved for:				
Loans receivable.....		13,728		13,728
Debt service.....				
Unreserved, Undesignated.....	33,634	3,023	218	36,875
TOTAL FUND BALANCES.....	\$ 33,634	\$ 16,751	\$ 218	\$ 50,603
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 44,644	\$ 21,038	\$ 6,014	\$ 71,696

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
\$	\$	\$
587		44,170
		587
23,238		23,238
		25
	15	124
		<u>13,728</u>
<u>23,238</u>	<u>15</u>	<u>37,115</u>
1,390	1,707	16,761
<u>\$ 25,215</u>	<u>\$ 1,722</u>	<u>\$ 98,633</u>

\$	\$	\$
24,326	4,888	12,420
		34,751
	12,980	13,305
		2,000
		811
	2,440	2,440
14		14
<u>24,340</u>	<u>20,308</u>	<u>65,741</u>

		13,728
875		875
	(18,586)	<u>18,289</u>
<u>\$ 875</u>	<u>\$ (18,586)</u>	<u>\$ 32,892</u>
<u>\$ 25,215</u>	<u>\$ 1,722</u>	<u>\$ 98,633</u>

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

**FOR THE YEAR ENDED DECEMBER 31, 2002
 (Amounts in 000's)**

	Special Revenue			
	Motor Vehicle Gas Tax	Community Development	Other	Total
REVENUES				
Property taxes.....	\$	\$	\$	\$
Other tax.....	28,518			28,518
Fines and forfeitures.....	282			282
Investment earnings.....	1,461			1,461
Other intergovernmental.....	4,788	16,974	26,796	48,558
Miscellaneous.....	116	20	3,497	3,633
TOTAL REVENUES.....	35,165	16,994	30,293	82,452
EXPENDITURES				
Current:				
General government.....				
Judicial.....			21,221	21,221
Development.....		16,215	308	16,523
Social services.....			9,013	9,013
Health and safety.....			2,519	2,519
Public works.....	29,735		428	30,163
Capital outlay.....				
Debt service:				
Principal retirement.....				
Interest.....				
TOTAL EXPENDITURES.....	29,735	16,215	33,489	79,439
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	5,430	779	(3,196)	3,013
OTHER FINANCING SOURCES (USES)				
Transfers in.....	831	1,800	3,657	6,288
Transfers out:				
Other.....	(4,232)	(373)	(450)	(5,055)
TOTAL OTHER FINANCING SOURCES (USES).....	(3,401)	1,427	3,207	1,233
NET CHANGE IN FUND BALANCES.....	2,029	2,206	11	4,246
FUND BALANCES AT BEGINNING OF YEAR.....	31,605	14,545	207	46,357
FUND BALANCES (DEFICITS) AT END OF YEAR.....	\$ 33,634	\$ 16,751	\$ 218	\$ 50,603

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental</u>
\$ 21,077	\$	\$ 21,077
7		28,525
		282
	583	2,044
3,767	24,719	77,044
126	196	3,955
<u>24,977</u>	<u>25,498</u>	<u>132,927</u>
2		2
		21,221
		16,523
		9,013
		2,519
	30,441	60,604
	28,656	28,656
19,323	1,673	20,996
15,213	763	15,976
<u>34,538</u>	<u>61,533</u>	<u>175,510</u>
(9,561)	(36,035)	(42,583)
9,775	6,261	22,324
	(191)	(5,246)
<u>9,775</u>	<u>6,070</u>	<u>17,078</u>
214	(29,965)	(25,505)
<u>661</u>	<u>11,379</u>	<u>58,397</u>
<u>\$ 875</u>	<u>\$ (18,586)</u>	<u>\$ 32,892</u>

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**COUNTY OF CUYAHOGA, OHIO
INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE/FUND EQUITY
- BUDGET (NON GAAP) AND ACTUAL**

COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)

	General Fund		
	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Property taxes.....	\$ 21,529	\$ 21,195	\$ 21,021
Sales and use tax.....	154,888	157,801	158,432
Other tax.....	12	12	7
State local government fund.....	38,999	38,999	39,000
Licenses and permits.....	150	87	101
Charges for services.....	51,992	58,846	60,371
Fines and forfeitures.....	6,450	5,468	6,216
Investment earnings.....	19,500	20,821	22,002
Other intergovernmental.....	11,632	10,530	11,737
Miscellaneous.....	2,950	2,845	3,332
TOTAL REVENUES.....	308,102	316,604	322,219
EXPENDITURES			
Current:			
GENERAL GOVERNMENT			
Vital Statistics			
Other.....	24	24	23
Total Vital Statistics.....	24	24	23
Bureau of Inspection			
Other.....	406	424	424
Total Bureau of Inspection.....	406	424	424
Auditor			
Personnel.....	5,106	5,146	5,146
Other.....	3,789	3,256	3,514
Capital.....	19	19	6
Total Auditor.....	8,914	8,421	8,666
Board of Elections			
Personnel.....	5,183	5,688	5,683
Other.....	5,165	4,942	5,065
Capital.....	31	(54)	(55)
Total Board of Elections.....	10,379	10,576	10,693
Board of Revision			
Personnel.....	426	447	446
Other.....	188	176	172
Capital.....	3		
Total Board of Revision.....	617	623	618

(Continued)

COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts in 000's)

	General Fund		
	Budgeted Amounts		Actual Amounts
	Original	Final	
County Commissioners			
Personnel.....	1,047	1,047	1,027
Other.....	282	338	336
Capital.....	3	1	1
Total County Commissioners.....	<u>1,332</u>	<u>1,386</u>	<u>1,364</u>
County Administrator			
Personnel.....	767	794	794
Other.....	512	647	564
Capital.....	2	2	
Total County Administrator.....	<u>1,281</u>	<u>1,443</u>	<u>1,358</u>
Human Resources			
Personnel	1,754	1,934	1,929
Other.....	1,685	1,506	1,506
Total Human Resources.....	<u>3,439</u>	<u>3,440</u>	<u>3,435</u>
Employment Relations			
Personnel.....	834	767	767
Other.....	255	280	273
Total Employment Relations.....	<u>1,089</u>	<u>1,047</u>	<u>1,040</u>
Benefits			
Personnel.....	457	464	460
Other.....	252	281	238
Capital.....	2	2	
Total Benefits.....	<u>711</u>	<u>747</u>	<u>698</u>
Labor Relations.....			
Personnel.....	411	361	357
Other.....	31	31	31
Total Labor Relations	<u>442</u>	<u>392</u>	<u>388</u>
Office of Budget and Management			
Personnel.....	1,013	972	972
Other.....	397	583	581
Capital.....	3	3	
Total Office of Budget and Management.....	<u>1,413</u>	<u>1,558</u>	<u>1,553</u>
Clerk of the Board			
Personnel.....	368	434	426
Other.....	70	74	69
Capital.....	2	2	
Total Clerk of the Board	<u>440</u>	<u>510</u>	<u>495</u>

(Continued)

COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts in 000's)

	General Fund		
	Budgeted Amounts		Actual Amounts
	Original	Final	
Procurement and Diversity			
Personnel.....	847	832	829
Other.....	256	356	309
Capital.....	3	3	
Total Procurement and Diversity.....	<u>1,106</u>	<u>1,191</u>	<u>1,138</u>
Risk and Property Management			
Personnel.....	509	556	545
Other.....	1,812	2,209	2,190
Capital.....	1	1	(2)
Total Risk and Property Management.....	<u>2,322</u>	<u>2,766</u>	<u>2,733</u>
Archives			
Personnel.....	159	177	154
Other.....	598	612	602
Capital.....	2	2	
Total Archives.....	<u>759</u>	<u>791</u>	<u>756</u>
Recorder			
Personnel.....	3,944	4,005	4,004
Other.....	1,083	1,107	1,047
Capital.....		37	37
Total Recorder.....	<u>5,027</u>	<u>5,149</u>	<u>5,088</u>
Treasurer			
Personnel.....	3,450	3,606	3,603
Other.....	2,166	2,000	2,008
Capital.....	13	20	4
Total Treasurer.....	<u>5,629</u>	<u>5,626</u>	<u>5,615</u>
Reserve/Contingencies			
Other.....	7,083	7,083	
Total Reserve/Contingencies.....	<u>7,083</u>	<u>7,083</u>	
Agricultural Society			
Other.....	3	3	3
Total Agricultural Society.....	<u>3</u>	<u>3</u>	<u>3</u>
Memorial Day Allowances			
Other.....	41	61	59
Total Memorial Day Allowances.....	<u>41</u>	<u>61</u>	<u>59</u>
Soldiers and Sailors Monument			
Personnel.....	64	72	72
Other.....	9	49	49
Capital.....	2		
Total Soldiers and Sailors Monument.....	<u>75</u>	<u>121</u>	<u>121</u>

(Continued)

COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts in 000's)

	General Fund		
	Budgeted Amounts		Actual Amounts
	Original	Final	
Cuyahoga County School District			
Other.....	83	98	96
Total Cuyahoga County School District.....	83	98	96
Self Insurance			
Other.....	1,139	1,139	66
Total Self Insurance.....	1,139	1,139	66
Miscellaneous			
Personnel.....	206	205	205
Other.....	595	1,205	979
Total Miscellaneous.....	801	1,410	1,184
Data Systems Development			
Personnel.....	450		
Total Data Systems Development.....	450		
Capital Improvement G/F Subsidy			
Other.....	429	(133)	(133)
Total Capital Improvement G/F Subsidy.....	429	(133)	(133)
TOTAL GENERAL GOVERNMENT.....	55,434	55,896	47,481
JUDICIAL			
Board & Care of Prisoners			
Other.....	2,965	5,243	5,417
Total Board & Care of Prisoners.....	2,965	5,243	5,417
Court of Appeals			
Personnel.....	1,141	1,384	1,383
Other.....	649	594	589
Capital.....	10	4	4
Total Court of Appeals.....	1,800	1,982	1,976
Clerk of Courts			
Personnel.....	5,451	6,065	6,064
Other.....	2,893	2,347	2,087
Capital.....	26	26	20
Total Clerk of Courts.....	8,370	8,438	8,171
Court of Common Pleas - Law Library			
Personnel.....	171	206	202
Other.....	1	1	
Capital.....	2	2	
Total Court of Common Pleas - Law Library.....	174	209	202

(Continued)

**COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)**

FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts in 000's)

	General Fund		
	Budgeted Amounts		Actual Amounts
	Original	Final	
Common Pleas Legal Research			
Other.....	102	102	48
Total Common Pleas Legal Research.....	102	102	48
Common Pleas-Judicial Administration			
Personnel.....	5,395	5,967	5,965
Other.....	13,489	15,396	15,448
Capital.....	19	19	19
Total Common Pleas-Judicial Administration.....	18,903	21,382	21,432
Common Pleas-Referees			
Personnel.....	657	717	713
Other.....	146	205	191
Capital.....	3	3	1
Total Common Pleas-Referees.....	806	925	905
Common Pleas-Court Services			
Personnel.....	5,738	5,972	5,971
Other.....	428	714	679
Capital.....	19	(11)	(14)
Total Common Pleas-Court Services.....	6,185	6,675	6,636
Common Pleas-Probation/Psychiatric			
Personnel.....	7,707	6,988	6,986
Other.....	2,623	1,857	1,832
Capital.....	32	(31)	(28)
Total Common Pleas-Probation/Psychiatric.....	10,362	8,814	8,790
Coroner			
Personnel.....	4,328	4,228	4,148
Other.....	1,568	1,045	1,010
Capital.....	2	2	2
Total Coroner.....	5,898	5,275	5,160
Domestic Relations Court			
Personnel.....	2,484	2,438	2,437
Other.....	1,053	965	963
Capital.....	8	8	8
Total Domestic Relations Court.....	3,545	3,411	3,408
Domestic Relations-Bureau of Support			
Personnel.....	2,529	2,591	2,591
Other.....	651	608	605
Capital.....	9	9	9
Total Domestic Relations-Bureau of Support.....	3,189	3,208	3,205

(Continued)

COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts in 000's)

	General Fund		
	Budgeted Amounts		Actual Amounts
	Original	Final	
Justice Affairs Administration			
Personnel.....	410	585	585
Other.....	335	361	298
Capital.....	2	2	
Total Justice Affairs Administration.....	747	948	883
Justice Affairs-Criminal Justice			
Personnel.....	467	467	453
Other.....	265	133	36
Capital.....	3	3	3
Total Justice Affairs-Criminal Justice.....	735	603	492
Witness Victim Services			
Personnel.....	452	465	462
Other.....	177	192	180
Capital.....	3		1
Total Witness Victim Services.....	632	657	643
Criminal Justice Intervention Services			
Personnel.....	42	66	60
Other.....	96	75	81
Capital.....	2	2	2
Total Criminal Justice Intervention Services.....	140	143	143
Domestic Violence One-Stop Program			
Personnel.....			(59)
Other.....			(557)
Capital.....			(2)
Total Domestic Violence One-Stop Program.....			(618)
Juvenile Court-Administration			
Personnel.....	2,468	1,851	1,850
Other.....	5,504	5,657	5,605
Capital.....	10	5	5
Total Juvenile Court-Administration.....	7,982	7,513	7,460
Juvenile Court-Legal			
Personnel.....	5,066	5,806	5,795
Other.....	3,506	4,521	4,488
Capital.....	21	12	12
Total Juvenile Court-Legal.....	8,593	10,339	10,295
Juvenile Court-Probation			
Personnel.....	5,610	5,249	5,246
Other.....	4,144	4,119	4,117
Capital.....	21	4	4
Total Juvenile Court-Probation.....	9,775	9,372	9,367

(Continued)

COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts in 000's)

	General Fund		
	Budgeted Amounts		Actual Amounts
	Original	Final	
Juvenile Court-Child Support			
Personnel.....	2,289	2,588	2,588
Other.....	393	391	405
Capital.....	8	2	8
Total Juvenile Court-Child Support.....	<u>2,690</u>	<u>2,981</u>	<u>3,001</u>
Juvenile Court-Detention Home			
Personnel.....	7,251	7,733	7,733
Other.....	3,391	3,650	3,646
Capital.....	52	28	28
Total Juvenile Court-Detention Home.....	<u>10,694</u>	<u>11,411</u>	<u>11,407</u>
Municipal Judicial Costs			
Personnel.....	2,029	2,462	2,464
Other.....	322	562	540
Capital.....			
Total Municipal Judicial Costs.....	<u>2,351</u>	<u>3,024</u>	<u>3,004</u>
Village and Township Costs			
Other.....	5	5	5
Total Village and Township Costs.....	<u>5</u>	<u>5</u>	<u>5</u>
Probate Court			
Personnel.....	4,492	4,558	4,540
Other.....	1,510	1,392	1,350
Capital.....	19	19	4
Total Probate Court.....	<u>6,021</u>	<u>5,969</u>	<u>5,894</u>
Public Defender			
Personnel.....	4,666	4,894	4,891
Other.....	1,826	2,205	2,201
Total Public Defender.....	<u>6,492</u>	<u>7,099</u>	<u>7,092</u>
Prosecutor-General Office			
Personnel.....	11,839	13,432	13,066
Other.....	1,470	1,669	1,686
Capital.....	36	4	4
Total Prosecutor-General Office.....	<u>13,345</u>	<u>15,105</u>	<u>14,756</u>
Prosecutor-Child Support			
Personnel.....	2,002	2,237	2,227
Other.....	102	87	85
Capital.....	8		
Total Prosecutor-Child Support.....	<u>2,112</u>	<u>2,324</u>	<u>2,312</u>

(Continued)

**COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)**

FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts in 000's)

	General Fund		
	Budgeted Amounts		Actual Amounts
	Original	Final	
Prosecutor-Children and Family Services			
Personnel.....	1,839	2,317	2,316
Other.....	59	58	53
Capital.....	8		
Total Prosecutor-Children and Family Services.....	<u>1,906</u>	<u>2,375</u>	<u>2,369</u>
Sheriff			
Personnel.....	46,507	50,243	50,242
Other.....	11,108	9,922	9,812
Capital.....	147	40	24
Total Sheriff.....	<u>57,762</u>	<u>60,205</u>	<u>60,078</u>
Sheriff-Inmate Services			
Personnel.....	3,018	3,101	3,100
Other.....	2,771	2,756	2,839
Capital.....	11	1	
Total Sheriff-Inmate Services.....	<u>5,800</u>	<u>5,858</u>	<u>5,939</u>
TOTAL JUDICIAL.....	<u>200,081</u>	<u>211,595</u>	<u>209,872</u>
DEVELOPMENT			
Development-Administration			
Personnel.....	116	96	95
Total Development-Administration.....	<u>116</u>	<u>96</u>	<u>95</u>
Economic Development			
Personnel.....	574	594	587
Other.....	1,086	1,561	1,506
Total Economic Development.....	<u>1,660</u>	<u>2,155</u>	<u>2,093</u>
NOACA			
Other.....	134	134	134
Total NOACA.....	<u>134</u>	<u>134</u>	<u>134</u>
Soil Conservation			
Other.....	66	67	65
Total Soil Conservation.....	<u>66</u>	<u>67</u>	<u>65</u>
TOTAL DEVELOPMENT.....	<u>1,976</u>	<u>2,452</u>	<u>2,387</u>
SOCIAL SERVICES			
Cooperative Extension			
Other.....	327	327	327
Total Cooperative Extension.....	<u>327</u>	<u>327</u>	<u>327</u>

(Continued)

**COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)**

**FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)**

	General Fund		
	Budgeted Amounts		Actual Amounts
	Original	Final	
Graves for Indigents			
Other.....	12	12	11
Total Graves for Indigents.....	12	12	11
Children Who Witness Violence			
Personnel.....	210	95	95
Other.....	316	301	310
Capital.....	2	2	
Total Children Who Witness Violence.....	528	398	405
Ombudsman Program			
Other.....	219	219	219
Total Ombudsman Program.....	219	219	219
Veterans Service Commission			
Personnel.....	1,367	1,609	1,601
Other.....	5,119	5,385	5,203
Capital.....	6	6	4
Total Veterans Service Commission.....	6,492	7,000	6,808
TOTAL SOCIAL SERVICES.....	7,578	7,956	7,770
HEALTH AND SAFETY			
Agriculture and Apiary Inspection			
Other.....	1	1	
Total Agriculture and Apiary Inspection.....	1	1	
Treatment Service Division			
Personnel.....	133	180	179
Other.....	200	161	147
Capital.....	2	2	
Total Treatment Service Division.....	335	343	326
CECOMS Center			
Personnel.....	519	599	594
Other.....	335	263	252
Capital.....	3	3	2
Total CECOMS Center.....	857	865	848
Hospital Operations			
Other.....	8,336	8,335	8,327
Total Hospital Operations.....	8,336	8,335	8,327
TOTAL HEALTH AND SAFETY.....	9,529	9,544	9,501
TOTAL EXPENDITURES.....	274,598	287,443	277,011
EXCESS OF REVENUES OVER EXPENDITURES	33,504	29,161	45,208

(Continued)

**COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)**

**FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)**

	<u>General Fund</u>		
	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
OTHER FINANCING SOURCES (USES)			
Transfers in.....		2,297	2,297
Transfers out:			
Debt retirement.....	(8,353)	(9,131)	(9,131)
Other.....	(30,283)	(81,331)	(80,097)
TOTAL OTHER FINANCING USES.....	<u>(38,636)</u>	<u>(88,165)</u>	<u>(86,931)</u>
NET CHANGE IN FUND BALANCES.....	(5,132)	(59,004)	(41,723)
FUND BALANCES AT BEGINNING OF YEAR.....	<u>141,623</u>	<u>141,623</u>	<u>141,623</u>
FUND BALANCES AT END OF YEAR.....	<u>\$ 136,491</u>	<u>\$ 82,619</u>	<u>\$ 99,900</u>

(Continued)

**COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
MOTOR VEHICLE GAS TAX FUND
(NON-GAAP BUDGETARY BASIS)**

**FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)**

	<u>Motor Vehicle Gas Tax</u>	
	<u>Final Budget</u>	<u>Actual</u>
REVENUES		
Other tax.....	\$ 28,622	\$ 28,551
Fines and forfeitures.....	322	266
Investment earnings.....	1,349	1,467
Other intergovernmental.....	3,853	4,790
Miscellaneous.....	<u>261</u>	<u>92</u>
TOTAL REVENUES.....	<u>34,407</u>	<u>35,166</u>
EXPENDITURES		
Current:		
PUBLIC WORKS		
Personnel.....	15,619	14,466
Other.....	8,826	1,647
Capital.....	<u>19,212</u>	<u>12,816</u>
TOTAL PUBLIC WORKS.....	<u>43,657</u>	<u>28,929</u>
TOTAL EXPENDITURES	<u>43,657</u>	<u>28,929</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(9,250)	6,237
OTHER FINANCING SOURCES (USES)		
Transfers in.....	641	831
Transfers out:		
Other	<u>(4,282)</u>	<u>(4,232)</u>
TOTAL OTHER FINANCING USES.....	<u>(3,641)</u>	<u>(3,401)</u>
NET CHANGE IN FUND BALANCES.....	(12,891)	2,836
FUND BALANCES AT BEGINNING OF YEAR.....	<u>19,724</u>	<u>19,724</u>
FUND BALANCES AT END OF YEAR.....	<u>\$ 6,833</u>	<u>\$ 22,560</u>

**COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
DEBT SERVICE FUND
(NON-GAAP BUDGETARY BASIS)**

**FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)**

	<u>Debt Service Fund</u>	
	<u>Final Budget</u>	<u>Actual</u>
REVENUES		
Property taxes.....	\$ 21,055	\$ 21,079
Other tax.....	4	7
Other intergovernmental.....	3,951	3,767
Miscellaneous.....	126	126
TOTAL REVENUES.....	<u>25,136</u>	<u>24,979</u>
EXPENDITURES		
Current:		
General government.....	2	2
Debt service:		
Principal retirement.....	22,069	21,763
Interest.....	15,620	15,213
TOTAL EXPENDITURES.....	<u>37,691</u>	<u>36,978</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES.....	(12,555)	(11,999)
OTHER FINANCING SOURCES (USES)		
Transfers in.....	9,773	9,775
Proceeds from notes.....	2,440	2,440
TOTAL OTHER FINANCING SOURCES.....	<u>12,213</u>	<u>12,215</u>
NET CHANGE IN FUND BALANCES.....	(342)	216
FUND BALANCES AT BEGINNING OF YEAR.....	<u>371</u>	<u>371</u>
FUND BALANCES AT END OF YEAR.....	<u>\$ 29</u>	<u>\$ 587</u>

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**COUNTY OF CUYAHOGA, OHIO
PROPRIETARY FUNDS**

ENTERPRISE FUNDS ARE ESTABLISHED TO ACCOUNT FOR OPERATIONS THAT ARE FINANCED AND OPERATED IN A MANNER SIMILAR TO BUSINESS IN THE PRIVATE SECTOR. THE EXPENSES (INCLUDING DEPRECIATION) OF PROVIDING GOODS AND SERVICES PRIMARILY OR SOLELY TO THE GENERAL PUBLIC ARE FINANCED OR RECOVERED PRIMARILY THROUGH USER CHARGES.

Sanitary Engineer	The Sanitary Engineer's primary operating function is the maintenance of county sewer lines. The office also enforces compliance of county sanitary regulations.
County Airport	The airport provides landing and storage facilities for commercial flights, private business aircraft and recreational aircraft for the general public.
Huntington Park Garage	The garage provides parking facilities to nearby County Administration, Courthouse and Justice Center buildings for the general public.
Cuyahoga County Information System	The system provides computerized information on criminal records and court cases to communities within the county.

INTERNAL SERVICE FUNDS ARE ESTABLISHED TO ACCOUNT FOR THE FINANCING OF GOODS OR SERVICES PROVIDED BY ONE DEPARTMENT OF THE COUNTY TO OTHER DEPARTMENTS OF THE COUNTY ON A COST-REIMBURSEMENT BASIS.

Central Custodial Services	The Central Custodial Services division is responsible for all maintenance, cleaning and upkeep of county buildings and offices. It also bills all rents to county offices and agencies.
Maintenance Garage	The Maintenance Garage is responsible for the upkeep of all county owned vehicles and equipment.
Data Processing Center	The Data Processing Center provides centralized data processing for the entire county.
Printing, Reproduction and Supplies	The Printing, Reproduction and Supplies division provides the county with all printing and reproduction services and central purchasing of supplies.
Communications	The Communications division provides all telephone service in addition to mail and delivery services for the county.
Self-Funded Workers' Compensation	The Self-Funded Workers' Compensation fund provides self-insurance to the County through a retrospective rating plan with the State of Ohio for workers' compensation.

**COUNTY OF CUYAHOGA, OHIO
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS**

**DECEMBER 31, 2002
(Amounts in 000's)**

	<u>County Airport</u>	<u>Huntington Park Garage</u>	<u>Cuyahoga County Information System</u>	<u>Totals</u>
ASSETS				
Current assets:				
Equity in pooled cash and investments.....	\$	\$ 1,149	\$ 365	\$ 1,514
Accounts receivable (net of allowance for uncollectibles).....	60		38	98
Due from other funds.....			18	18
Due from other governments.....			682	682
Inventory of supplies.....	9			9
Total current assets.....	<u>69</u>	<u>1,149</u>	<u>1,103</u>	<u>2,321</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation):				
Land.....	5,280			5,280
Land improvements.....	2,796			2,796
Buildings, structures and improvements.....	413	4,372		4,785
Furniture, fixtures and equipment.....	30	5	2	37
Vehicles.....	14	30		44
Construction in progress.....	23			23
Net capital assets.....	<u>8,556</u>	<u>4,407</u>	<u>2</u>	<u>12,965</u>
Total noncurrent assets.....	<u>8,556</u>	<u>4,407</u>	<u>2</u>	<u>12,965</u>
TOTAL ASSETS.....	<u>8,625</u>	<u>5,556</u>	<u>1,105</u>	<u>15,286</u>
LIABILITIES				
Current liabilities:				
Accounts payable.....	140	16	265	421
Due to other funds.....	63	11	2	76
Accrued wages and benefits.....	49	69	16	134
Special termination benefits.....	31		12	43
Total current liabilities.....	<u>283</u>	<u>96</u>	<u>295</u>	<u>674</u>
Noncurrent liabilities:				
Special termination benefits.....	119		7	126
Total noncurrent liabilities.....	<u>119</u>		<u>7</u>	<u>126</u>
TOTAL LIABILITIES.....	<u>402</u>	<u>96</u>	<u>302</u>	<u>800</u>
NET ASSETS				
Invested in capital assets, net of related debt.....	8,556	4,407	2	12,965
Unrestricted.....	(333)	1,053	801	1,521
TOTAL NET ASSETS.....	<u>\$ 8,223</u>	<u>\$ 5,460</u>	<u>\$ 803</u>	<u>\$ 14,486</u>

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

**FOR THE YEAR ENDED DECEMBER 31, 2002
 (Amounts in 000's)**

	<u>County Airport</u>	<u>Huntington Park Garage</u>	<u>Cuyahoga County Information System</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services.....	\$ 607	\$ 2,406	\$ 2,085	\$ 5,098
Other revenue.....	34			34
TOTAL OPERATING REVENUES.....	641	2,406	2,085	5,132
OPERATING EXPENSES				
Personal services.....	575	570	247	1,392
Contractual services.....	25	122	1,239	1,386
Commodities.....	101	24	5	130
Depreciation.....	420	391	1	812
Other expenses.....	813	760	1,063	2,636
TOTAL OPERATING EXPENSES.....	1,934	1,867	2,555	6,356
OPERATING INCOME(LOSS).....	(1,293)	539	(470)	(1,224)
NONOPERATING REVENUE (EXPENSES)				
Grants.....	55		51	106
Loss on disposal of capital assets.....	(19)			(19)
TOTAL NONOPERATING REVENUES.....	36		51	87
INCOME(LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS.....	(1,257)	539	(419)	(1,137)
Transfers in.....	836			836
Transfers out:				
Debt retirement.....		(644)		(644)
Other.....			(85)	(85)
CHANGE IN NET ASSETS.....	(421)	(105)	(504)	(1,030)
TOTAL NET ASSETS BEGINNING OF YEAR.....	8,644	5,565	1,307	15,516
TOTAL NET ASSETS END OF YEAR.....	\$ 8,223	\$ 5,460	\$ 803	\$ 14,486

**COUNTY OF CUYAHOGA, OHIO
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts in 000's)

	<u>County Airport</u>	<u>Huntington Park Garage</u>	<u>Cuyahoga County Information System</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from customers.....	\$ 526	\$ 2,406	\$ 1,907	\$ 4,839
Other operating cash receipts.....	34			34
Cash payments to suppliers for goods and services.....	(622)	(967)	(2,362)	(3,951)
Cash payments to employees for services.....	(598)	(564)	(244)	(1,406)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	(660)	875	(699)	(484)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in(out) from(to) other funds.....	836	(644)	(85)	107
Receipts from noncapital grants.....			51	51
Proceeds from short-term interfund loan.....	30			30
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES.....	866	(644)	(34)	188
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Receipts from capital grants.....	55			55
Acquisition and construction of capital assets.....	(261)			(261)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES.....	(206)			(206)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....		231	(733)	(502)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....		918	1,098	2,016
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 0	\$ 1,149	\$ 365	\$ 1,514
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss).....	\$ (1,293)	\$ 539	\$ (470)	\$ (1,224)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Depreciation.....	420	391	1	812
Changes in assets and liabilities:				
Accounts receivable-net.....	8		19	27
Due from other funds.....			21	21
Due from other governments.....			(369)	(369)
Inventory of supplies.....	(1)			(1)
Accounts payable.....	79	(61)	107	125
Due to other funds.....	(1)	(5)		(6)
Accrued wages and benefits.....	(22)	11	3	(8)
Special termination benefits.....	150		(11)	139
TOTAL ADJUSTMENTS.....	633	336	(229)	740
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	\$ (660)	\$ 875	\$ (699)	\$ (484)

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**COUNTY OF CUYAHOGA, OHIO
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS**

**DECEMBER 31, 2002
(Amounts in 000's)**

	<u>Central Custodial Services</u>	<u>Maintenance Garage</u>	<u>Data Processing Center</u>
ASSETS			
Current assets:			
Equity in pooled cash and investments.....	\$ 4,477	\$	\$ 1,820
Accounts receivable (net of allowance for uncollectibles).....			7
Due from other funds.....		77	289
Inventory of supplies.....		16	
Total current assets.....	<u>4,477</u>	<u>93</u>	<u>2,116</u>
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Furniture, fixtures and equipment.....	127	5	3,422
Vehicles.....	30	746	
Net capital assets.....	<u>157</u>	<u>751</u>	<u>3,422</u>
Total noncurrent assets.....	<u>157</u>	<u>751</u>	<u>3,422</u>
TOTAL ASSETS.....	<u>4,634</u>	<u>844</u>	<u>5,538</u>
LIABILITIES			
Current liabilities:			
Accounts payable.....	1,779	19	739
Due to other funds.....	517	217	20
Due to other governments.....			
Accrued wages and benefits.....	2,107	21	668
Capital lease obligations.....			43
Special termination benefits.....	1,776		645
Total current liabilities.....	<u>6,179</u>	<u>257</u>	<u>2,115</u>
Noncurrent liabilities:			
Capital lease obligations.....			
Special termination benefits.....	5,453		1,943
Total noncurrent liabilities.....	<u>5,453</u>		<u>1,943</u>
TOTAL LIABILITIES.....	<u>11,632</u>	<u>257</u>	<u>4,058</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	157	751	3,379
Unrestricted.....	(7,155)	(164)	(1,899)
TOTAL NET ASSETS.....	<u>\$ (6,998)</u>	<u>\$ 587</u>	<u>\$ 1,480</u>

<u>Printing Reproduction and Supplies</u>	<u>Communications</u>	<u>Self-Funded Workers Compensation</u>	<u>Totals</u>
\$ 3,436	\$	\$ 51,016	\$ 60,749
121	217	5,040	7
8			5,744
<u>3,565</u>	<u>217</u>	<u>56,056</u>	<u>24</u>
			66,524
163	133	1	3,851
<u>163</u>	<u>133</u>	<u>1</u>	<u>776</u>
<u>163</u>	<u>133</u>	<u>1</u>	<u>4,627</u>
<u>3,728</u>	<u>350</u>	<u>56,057</u>	<u>4,627</u>
			71,151
236	182	8	2,963
8	3,229		3,991
		17,654	17,654
30	77	13	2,916
24	28		95
47	178		2,646
<u>345</u>	<u>3,694</u>	<u>17,675</u>	<u>30,265</u>
	54		54
<u>141</u>	<u>587</u>		<u>8,124</u>
<u>141</u>	<u>641</u>		<u>8,178</u>
486	4,335	17,675	38,443
139	51	1	4,478
3,103	(4,036)	38,381	28,230
<u>\$ 3,242</u>	<u>\$ (3,985)</u>	<u>\$ 38,382</u>	<u>\$ 32,708</u>

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

**FOR THE YEAR ENDED DECEMBER 31, 2002
 (Amounts in 000's)**

	Central Custodial Services	Maintenance Garage	Data Processing Center	Printing Reproduction and Supplies
OPERATING REVENUES				
Charges for services.....	\$ 43,761	\$ 1,206	\$ 14,535	\$ 2,661
Other revenue.....	<u>96</u>	<u>10</u>	<u>4</u>	<u>10</u>
TOTAL OPERATING REVENUES.....	<u>43,857</u>	<u>1,216</u>	<u>14,539</u>	<u>2,671</u>
OPERATING EXPENSES				
Personal services.....	28,656	230	6,990	490
Contractual services and claims	1,046		2,642	934
Commodities.....	7,796	257	295	1,205
Depreciation.....	35	519	1,805	188
Other expenses.....	<u>8,088</u>	<u>383</u>	<u>5,791</u>	<u>143</u>
TOTAL OPERATING EXPENSES.....	<u>45,621</u>	<u>1,389</u>	<u>17,523</u>	<u>2,960</u>
OPERATING LOSS.....	<u>(1,764)</u>	<u>(173)</u>	<u>(2,984)</u>	<u>(289)</u>
NONOPERATING EXPENSES				
Interest expense.....			(9)	(2)
Loss on disposal of capital assets.....		<u>(25)</u>	<u>(1)</u>	<u>(155)</u>
TOTAL NONOPERATING EXPENSES.....		<u>(25)</u>	<u>(10)</u>	<u>(157)</u>
LOSS BEFORE TRANSFERS.....	(1,764)	(198)	(2,994)	(446)
Transfers out:				
Other.....	<u>(500)</u>			
CHANGE IN NET ASSETS.....	<u>(2,264)</u>	<u>(198)</u>	<u>(2,994)</u>	<u>(446)</u>
TOTAL NET ASSETS				
BEGINNING OF YEAR.....	<u>(4,734)</u>	<u>785</u>	<u>4,474</u>	<u>3,688</u>
TOTAL NET ASSETS				
END OF YEAR.....	<u><u>\$ (6,998)</u></u>	<u><u>\$ 587</u></u>	<u><u>\$ 1,480</u></u>	<u><u>\$ 3,242</u></u>

	Self-Funded Workers	
<u>Communications</u>	<u>Compensation</u>	<u>Totals</u>
\$ 2,968	\$ (963)	\$ 64,168
2	1,914	2,036
2,970	951	66,204
1,085	111	37,562
16	905	5,543
5	1	9,559
20	2	2,569
3,199	34	17,638
4,325	1,053	72,871
(1,355)	(102)	(6,667)
(7)		(18)
(7)		(181)
(1,362)	(102)	(6,866)
		(500)
(1,362)	(102)	(7,366)
(2,623)	38,484	40,074
\$ (3,985)	\$ 38,382	\$ 32,708

**COUNTY OF CUYAHOGA, OHIO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts in 000's)

	<u>Central Custodial Services</u>	<u>Maintenance Garage</u>	<u>Data Processing Center</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers.....	\$ 96	\$ 10	\$ 4
Other operating cash receipts.....	44,211	1,262	14,318
Cash payments to suppliers for goods and services.....	(12,505)	(629)	(7,634)
Cash payments to employees for services.....	(28,828)	(233)	(7,176)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	<u>2,974</u>	<u>410</u>	<u>(488)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers out to other funds.....	(500)		
Proceeds from (repayment of) short-term interfund loan-net.....		(410)	
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES.....	<u>(500)</u>	<u>(410)</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets.....			(96)
Principal paid on long-term debt.....			(226)
Interest paid on long-term debt.....			(10)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES.....			<u>(332)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	2,474		(820)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	2,003		2,640
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 4,477</u>	<u>\$ 0</u>	<u>\$ 1,820</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating loss.....	\$ (1,764)	\$ (173)	\$ (2,984)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Depreciation.....	35	519	1,805
Changes in assets and liabilities:			
Accounts receivable-net.....			11
Due from other funds.....	32	57	(228)
Due from other governments.....	418		
Inventory of supplies.....		2	
Accounts payable.....	1,101	9	(347)
Due to other funds.....	(586)	(3)	(49)
Due to other governments.....			
Accrued wages and benefits.....	(477)	(1)	(138)
Special termination benefits.....	4,215		1,442
TOTAL ADJUSTMENTS.....	<u>4,738</u>	<u>583</u>	<u>2,496</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	<u>\$ 2,974</u>	<u>\$ 410</u>	<u>\$ (488)</u>

<u>Printing, Reproduction and Supplies</u>	<u>Communications</u>	<u>Self-Funded Workers Compensation</u>	<u>Totals</u>
\$ 10	\$ 2	\$ 1,915	\$ 2,037
2,753	3,032	2,460	68,036
(2,359)	(2,758)	(1,878)	(27,763)
(498)	(1,164)	(110)	(38,009)
<u>(94)</u>	<u>(888)</u>	<u>2,387</u>	<u>4,301</u>
			(500)
	921		511
	921		11
			(96)
(36)	(26)		(288)
<u>(2)</u>	<u>(7)</u>		<u>(19)</u>
<u>(38)</u>	<u>(33)</u>		<u>(403)</u>
(132)		2,387	3,909
3,568		48,629	56,840
<u>\$ 3,436</u>	<u>\$ 0</u>	<u>\$ 51,016</u>	<u>\$ 60,749</u>

\$ (289)	\$ (1,355)	\$ (102)	\$ (6,667)
188	20	2	2,569
			11
93	65	3,377	3,396
		47	465
19			21
(52)	15	(2)	724
(9)	(19)		(666)
		(936)	(936)
(1)	(60)	1	(676)
<u>(43)</u>	<u>446</u>		<u>6,060</u>
<u>195</u>	<u>467</u>	<u>2,489</u>	<u>10,968</u>
<u>\$ (94)</u>	<u>\$ (888)</u>	<u>\$ 2,387</u>	<u>\$ 4,301</u>

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**COUNTY OF CUYAHOGA, OHIO
AGENCY FUNDS**

AGENCY FUNDS ARE ESTABLISHED TO ACCOUNT
FOR ASSETS RECEIVED AND HELD BY THE
COUNTY ACTING IN THE CAPACITY OF AN AGENT
OR CUSTODIAN.

Payroll Agency Fund

To account for payroll taxes and other related payroll deductions collected for other governmental units or funds.

Undivided Tax Agency Fund

To account for all undivided taxes collected by the county and their distribution to the proper beneficiaries.

Other Agency Fund

To account for all other monies held by the county as custodian.

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**COUNTY OF CUYAHOGA, OHIO
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 ALL AGENCY FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2002
 (Amounts in 000's)**

	<u>Payroll</u>	<u>Undivided Tax</u>	<u>Other</u>	<u>Total Agency Funds</u>
ASSETS				
Equity in pooled cash and investments.....	\$ 13,164	\$ 103,830	\$ 9,928	\$ 126,922
Cash and investments-segregated accounts.....			40,678	40,678
Taxes receivable.....		1,206,550		1,206,550
TOTAL ASSETS.....	<u>13,164</u>	<u>1,310,380</u>	<u>50,606</u>	<u>1,374,150</u>
LIABILITIES				
Due to other governments.....	13,047	1,309,605	7,650	1,330,302
Other liabilities.....	117	775	42,956	43,848
TOTAL LIABILITIES.....	<u>13,164</u>	<u>1,310,380</u>	<u>50,606</u>	<u>1,374,150</u>
NET ASSETS.....	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**COUNTY OF CUYAHOGA, OHIO
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)**

PAYROLL

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
ASSETS				
Equity in pooled cash and investments.....	\$ 16,508	\$ 553,006	\$ 556,350	\$ 13,164
TOTAL ASSETS.....	16,508	553,006	556,350	13,164
LIABILITIES				
Due to other governments.....	16,446	112,921	116,320	13,047
Other liabilities.....	62	440,085	440,030	117
TOTAL LIABILITIES.....	16,508	553,006	556,350	13,164
NET ASSETS.....	\$ 0	\$ 0	\$ 0	\$ 0

UNDIVIDED TAX

ASSETS				
Equity in pooled cash and investments.....	\$ 125,007	\$ 2,089,225	\$ 2,110,402	\$ 103,830
Taxes receivable.....	1,133,725	1,206,550	1,133,725	1,206,550
TOTAL ASSETS.....	1,258,732	3,295,775	3,244,127	1,310,380
LIABILITIES				
Due to other governments.....	1,258,116	3,277,043	3,225,554	1,309,605
Other liabilities.....	616	18,732	18,573	775
TOTAL LIABILITIES.....	1,258,732	3,295,775	3,244,127	1,310,380
NET ASSETS.....	\$ 0	\$ 0	\$ 0	\$ 0

OTHER

ASSETS				
Equity in pooled cash and investments.....	\$ 15,877	\$ 34,559	\$ 40,508	\$ 9,928
Cash and investments-segregated accounts.....	38,230	286,152	283,704	40,678
TOTAL ASSETS.....	54,107	320,711	324,212	50,606
LIABILITIES				
Due to other governments.....	11,105	196,027	199,482	7,650
Other liabilities.....	43,002	124,684	124,730	42,956
TOTAL LIABILITIES.....	54,107	320,711	324,212	50,606
NET ASSETS.....	\$ 0	\$ 0	\$ 0	\$ 0

**COUNTY OF CUYAHOGA, OHIO
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2002
 (Amounts in 000's)**

	Beginning of Year	Additions	Deductions	Balance at End of Year
ASSETS				
Equity in pooled cash and investments.....	\$ 157,392	\$ 2,676,790	\$ 2,707,260	\$ 126,922
Cash and investments-segregated accounts.....	38,230	286,152	283,704	40,678
Taxes receivable.....	1,133,725	1,206,550	1,133,725	1,206,550
TOTAL ASSETS.....	1,329,347	4,169,492	4,124,689	1,374,150
LIABILITIES				
Due to other governments.....	1,285,667	3,585,991	3,541,356	1,330,302
Other liabilities.....	43,680	583,501	583,333	43,848
TOTAL LIABILITIES.....	1,329,347	4,169,492	4,124,689	1,374,150
NET ASSETS.....	\$ 0	\$ 0	\$ 0	\$ 0

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**COUNTY OF CUYAHOGA, OHIO
CAPITAL ASSETS USED IN THE
OPERATIONS OF GOVERNMENTAL FUNDS**

**COUNTY OF CUYAHOGA, OHIO
CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE ⁽¹⁾**

**DECEMBER 31, 2002
(Amounts in 000's)**

GOVERNMENTAL FUNDS CAPITAL ASSETS:	<u>2002</u>	<u>2001</u>
Land	\$ 32,774	\$ 33,472
Land improvements	3,361	2,888
Buildings, structures and improvements	466,704	444,904
Furniture, fixtures and equipment	20,426	19,400
Vehicles	10,770	12,798
Infrastructure	425,789	424,768
Construction in progress	<u>87,291</u>	<u>62,417</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ <u>1,047,115</u>	\$ <u>1,000,647</u>
INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:		
General fund revenues	\$ 108,322	\$ 107,842
Special revenue fund revenues	528,315	519,434
Capital projects:		
General obligation bonds	354,757	317,660
Federal and state grants	55,706	55,696
Donations	<u>15</u>	<u>15</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ <u>1,047,115</u>	\$ <u>1,000,647</u>

(1) This schedule presents only the capital asset balances related to governmental funds, excluding accumulated depreciation. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**COUNTY OF CUYAHOGA, OHIO
CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY ⁽¹⁾**

**DECEMBER 31, 2002
(Amounts in 000's)**

Function and Activity	Land	Land Improvements	Buildings, Structures and Improvements	Furniture, Fixtures and Equipment	Vehicles	Infrastructure	Totals
GENERAL GOVERNMENT:							
Administration	\$ 2,903	\$ 506	\$ 78,270	\$ 62	\$ 19	\$	\$ 81,760
Fiscal management			965	1,390			2,355
Records and elections	450	200	4,847	2,574			8,071
Supportive services	424	138	3,022	23			3,607
TOTAL GENERAL GOVERNMENT	3,777	844	87,104	4,049	19		95,793
JUDICIAL:							
Adjudication	10,688	165	106,866	1,501			119,220
Legal services		389	17,856	2,317			20,562
Adult offender management	1,333		85,391	1,867	59		88,650
Juvenile offender management	4,290	1,359	17,150	241			23,040
Support enforcement			422	148			570
TOTAL JUDICIAL	16,311	1,913	227,685	6,074	59		252,042
DEVELOPMENT:							
Economic			30	6			36
Community	443			14			457
TOTAL DEVELOPMENT	443		30	20			493
SOCIAL SERVICES:							
Financial assistance	1,521	9	42,790	1,292			45,612
Protective services	106	39	3,475	991			4,611
Support services	9,531	556	77,894	4,200	6,704		98,885
Employment and training	337		26,601	226	54		27,218
TOTAL SOCIAL SERVICES	11,495	604	150,760	6,709	6,758		176,326
HEALTH AND SAFETY:							
Mental health	94		379	541			1,014
Emergency assistance				1,220	258		1,478
Alcohol and drug abuse				56			56
Animal control	356			6	146		508
TOTAL HEALTH AND SAFETY	450		379	1,823	404		3,056
PUBLIC WORKS:							
Public works	298		746	1,751	3,530	425,789	432,114
TOTAL PUBLIC WORKS	298		746	1,751	3,530	425,789	432,114
CONSTRUCTION IN PROGRESS			87,291				87,291
TOTAL GOVERNMENTAL FUNDS							
CAPITAL ASSETS	\$ 32,774	\$ 3,361	\$ 553,995	\$ 20,426	\$ 10,770	\$ 425,789	\$ 1,047,115

(1) This schedule presents only the capital asset balances related to governmental funds, excluding accumulated depreciation. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

COUNTY OF CUYAHOGA, OHIO
CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY⁽¹⁾

FOR THE YEAR ENDED DECEMBER 31, 2002
(Amounts in 000's)

Function and Activity	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
GENERAL GOVERNMENT:				
Administration.....	\$ 81,545	\$ 215	\$	\$ 81,760
Fiscal management	1,929	426		2,355
Records and elections	7,876	195		8,071
Supportive services	<u>3,607</u>			<u>3,607</u>
TOTAL GENERAL GOVERNMENT	94,957	836		95,793
JUDICIAL:				
Adjudication.....	118,926	384	90	119,220
Legal services.....	19,931	657	26	20,562
Adult offender management	88,604	46		88,650
Juvenile offender management	22,373	667		23,040
Support enforcement.....	<u>158</u>	<u>412</u>		<u>570</u>
TOTAL JUDICIAL	249,992	2,166	116	252,042
DEVELOPMENT:				
Economic.....	36			36
Community	<u>457</u>			<u>457</u>
TOTAL DEVELOPMENT	493			493
SOCIAL SERVICES:				
Financial assistance	45,199	413		45,612
Protective services	3,306	1,305		4,611
Support services.....	97,542	1,351	8	98,885
Employment and training	<u>9,155</u>	<u>18,063</u>		<u>27,218</u>
TOTAL SOCIAL SERVICES.....	155,202	21,132	8	176,326
HEALTH AND SAFETY:				
Mental health.....	1,014			1,014
Emergency assistance	1,507		29	1,478
Alcohol and drug abuse.....	125		69	56
Animal control.....	<u>508</u>			<u>508</u>
TOTAL HEALTH AND SAFETY	3,154		98	3,056
PUBLIC WORKS:				
Public works	<u>434,432</u>	<u>1,442</u>	<u>3,760</u>	<u>432,114</u>
TOTAL PUBLIC WORKS	434,432	1,442	3,760	432,114
CONSTRUCTION IN PROGRESS.....	62,417	29,644	4,770	87,291
TOTAL GOVERNMENTAL FUNDS				
CAPITAL ASSETS.....	<u>\$ 1,000,647</u>	<u>\$ 55,220</u>	<u>\$ 8,752</u>	<u>\$ 1,047,115</u>

(1) This schedule presents only the capital asset balances related to governmental funds, excluding accumulated depreciation. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Statistical Section

The information presented in the schedules and tables in this section is provided to reflect social and economic data, financial trends and the general fiscal capacity of the County.



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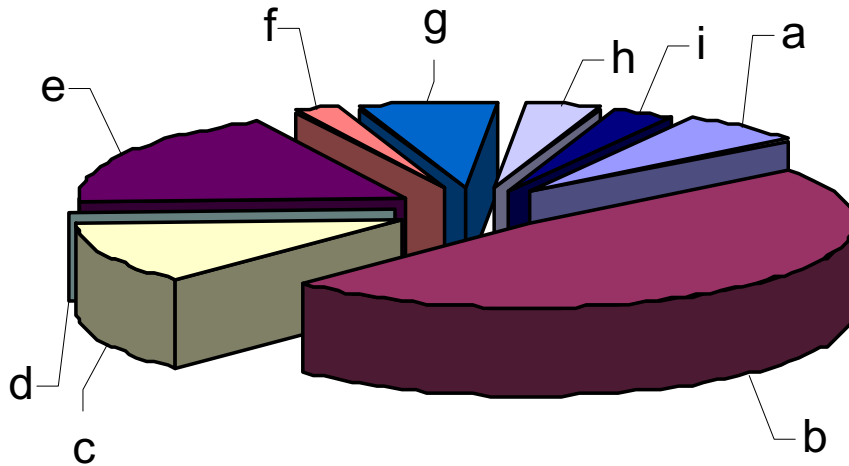
**COUNTY OF CUYAHOGA, OHIO
STATISTICAL SECTION
STATISTICAL DATA TABLES**

THE STATISTICAL SECTION PROVIDES SELECTED
FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION
WHICH MAY BE USED TO INDICATE TRENDS
FOR COMPARATIVE FISCAL PERIODS.
THE STATISTICAL TABLES INCLUDE INFORMATION
ON GENERAL FUND RATIOS AND TRENDS,
ASSESSMENTS AND TAXES, LONG-TERM DEBT
AND MISCELLANEOUS DATA.

**COUNTY OF CUYAHOGA, OHIO
SCHEDULE OF STATISTICS-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

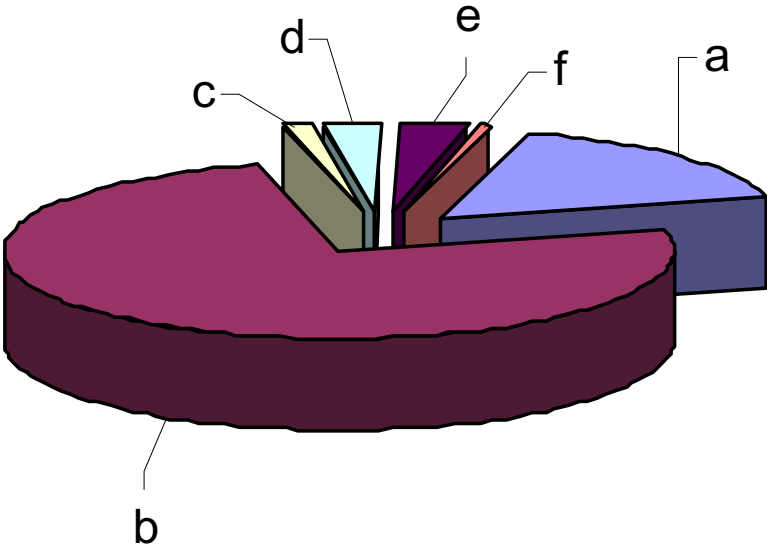
**OPERATING RATIOS-GENERAL FUND-GAAP BASIS
FOR 2002**

REVENUE DOLLAR BY SOURCE



Where the money came from:		%
a.	Property taxes.....	6.4
b.	Sales, use and other tax.....	47.6
c.	State local government fund.....	11.8
d.	Licenses and permits.....	.1
e.	Charges for services.....	18.3
f.	Fines and forfeitures.....	2.1
g.	Investment earnings.....	7.0
h.	Other intergovernmental.....	3.7
i.	Miscellaneous.....	3.0
	Total.....	<u>100.0</u>

EXPENDITURE DOLLAR BY FUNCTION



Where the money was spent:		%
a.	General government.....	16.9
b.	Judicial	75.1
c.	Development	1.3
d.	Social services	2.7
e.	Health and safety	3.5
f.	Debt.....	.5
	Total.....	<u>100.0</u>

**COUNTY OF CUYAHOGA, OHIO
GENERAL FUND CASH RECEIPTS BY SOURCE AND
CASH DISBURSEMENTS BY FUNCTION**

**LAST TEN YEARS
(Amounts in 000's)**

RECEIPTS:	<u>1993</u>	<u>1994</u>	<u>1995</u>
Property taxes	\$ 18,121	\$ 18,826	\$ 19,065
Sales and use tax	104,589	117,698	126,790
Other tax	7	19	14
State local government fund	27,190	29,593	31,794
Licenses and permits	158	155	146
Charges for services	39,553	41,745	36,075
Fines and forfeitures	4,006	4,400	5,166
Investment earnings	23,368	28,833	39,584
Other intergovernmental	10,812	12,200	7,370
Miscellaneous	4,800	3,078	1,333
Proceeds from loan			
Proceeds from notes	39,690	82,117	
Operating transfers in	1,980	16,553	2,707
Residual equity transfers in			
TOTAL RECEIPTS	\$ <u>274,274</u>	\$ <u>355,217</u>	\$ <u>270,044</u>
DISBURSEMENTS:			
General government	\$ 34,124	\$ 36,797	38,604
Judicial	139,209	143,343	133,474
Development	1,099	1,120	1,038
Social services	3,996	3,756	3,793
Health and safety	5,342	1,035	827
Miscellaneous ⁽¹⁾	2,608	44,231	2,922
Debt retirement			
Operating transfers out	83,105	136,375	56,615
Residual equity transfers out			
TOTAL DISBURSEMENTS	\$ <u>269,483</u>	\$ <u>366,657</u>	\$ <u>237,273</u>

Source: Cuyahoga County Auditor's Office, Financial Reporting Section. Budgetary basis.

⁽¹⁾ Miscellaneous disbursements for 2002 have been reclassified and are included in the General government function.

⁽²⁾ Disbursements have been adjusted for current and prior year encumbrances.

	1996	1997	1998	1999	2000	2001	2002 ⁽²⁾
\$	16,952	\$ 16,531	\$ 24,094	\$ 22,064	\$ 19,328	\$ 22,571	\$ 21,021
	130,830	137,113	144,339	151,168	160,664	158,018	158,432
	15	13	16	12	10	13	7
	33,432	35,559	37,530	39,800	40,922	41,048	39,000
	130	129	130	128	124	104	101
	42,529	44,684	46,919	47,564	55,070	61,163	60,371
	4,731	5,840	5,896	6,075	5,458	6,013	6,216
	22,682	23,106	28,157	26,549	26,325	28,750	22,002
	7,073	7,531	9,421	8,010	10,257	10,343	11,737
	6,864	13,179	2,357	1,890	3,783	5,286	3,332
	5,000						
	20	195	579	10,894	938	6,680	2,297
			7			68	
\$	<u>270,258</u>	<u>283,880</u>	<u>299,445</u>	<u>314,154</u>	<u>322,879</u>	<u>340,057</u>	<u>324,516</u>
\$	34,224	\$ 40,621	\$ 40,732	\$ 43,118	\$ 49,100	\$ 50,689	\$ 47,481
	140,267	159,080	177,836	190,004	199,371	212,289	209,872
	941	1,019	4,245	1,659	2,169	2,328	2,387
	4,325	3,990	4,080	5,836	9,473	11,167	7,770
	945	880	1,033	796	1,376	1,368	9,501
	23,180	5,874	2,656	1,289	978	1,438	
	25,449	34,405	78,678	42,162	55,210	54,668	89,228
		298			245		
\$	<u>229,331</u>	<u>246,167</u>	<u>309,260</u>	<u>284,864</u>	<u>317,922</u>	<u>333,947</u>	<u>366,239</u>

**COUNTY OF CUYAHOGA, OHIO
GENERAL GOVERNMENTAL REVENUES BY
SOURCE AND EXPENDITURES BY FUNCTION**

**LAST TEN YEARS
(Amounts in 000's)**

	1993	1994	1995
REVENUES			
Property taxes	\$ 183,670	\$ 185,102	\$ 190,172
Sales and use tax.....	108,060	117,931	127,585
Other tax	25,313	26,238	26,562
State local government fund	27,479	29,739	31,804
Licenses and permits	985	1,107	1,454
Charges for services	47,283	49,826	48,861
Fines and forfeitures	4,276	4,860	5,606
Investment earnings.....	26,767	44,268	26,783
Other intergovernmental	279,435	292,575	318,497
Miscellaneous	<u>9,804</u>	<u>9,180</u>	<u>5,869</u>
TOTAL REVENUES	\$ <u>713,072</u>	\$ <u>760,826</u>	\$ <u>783,193</u>
EXPENDITURES			
General government	\$ 43,561	\$ 54,105	\$ 49,704
Judicial	159,482	180,528	168,323
Development.....	9,446	12,186	11,815
Social services	308,615	336,488	335,864
Health and safety	95,698	82,371	83,779
Public works.....	39,358	39,180	28,256
Miscellaneous	3,054	56,227	3,130
Capital outlay	46,819	71,651	10,065
Debt service:			
Principal retirement	12,680	10,620	11,450
Interest.....	<u>13,793</u>	<u>19,012</u>	<u>14,818</u>
TOTAL EXPENDITURES	\$ <u>732,506</u>	\$ <u>862,368</u>	\$ <u>717,204</u>

Note: Includes all governmental fund types from the fund financial statements on a GAAP basis.

	1996	1997	1998	1999	2000	2001	2002
\$	199,469	\$ 201,941	\$ 206,595	\$ 231,433	\$ 232,684	\$ 259,610	\$ 259,892
	131,551	138,519	146,123	151,304	161,910	157,747	156,713
	26,950	27,452	28,346	29,334	29,130	28,920	28,610
	33,723	35,791	37,607	39,841	40,967	41,050	38,988
	1,352	1,318	1,297	1,199	1,581	1,089	1,258
	55,595	59,056	62,241	62,272	72,366	76,238	76,868
	5,224	6,416	6,330	6,535	6,311	6,120	7,464
	24,771	26,647	34,219	20,583	41,567	37,772	25,689
	338,396	356,972	392,280	495,421	626,857	611,693	605,909
	13,517	17,069	6,070	8,351	14,014	11,993	16,979
\$	<u>830,548</u>	<u>871,181</u>	<u>921,108</u>	<u>1,046,273</u>	<u>1,227,387</u>	<u>1,232,232</u>	<u>1,218,370</u>
\$	41,936	\$ 50,363	\$ 53,826	\$ 58,923	\$ 65,886	\$ 68,563	\$ 63,613
	179,380	205,085	226,932	245,738	263,619	278,414	276,089
	11,801	15,099	37,321	23,155	29,910	23,278	24,493
	351,515	380,983	422,274	467,961	587,963	678,881	630,304
	87,282	96,225	100,445	102,427	121,977	131,028	156,515
	35,625	35,533	35,100	36,800	46,023	58,565	62,181
	24,093	5,864	2,522	1,550	1,235	1,493	
	11,327	15,339	39,624	38,589	34,032	34,392	28,656
	13,320	13,468	14,885	16,251	17,909	19,232	21,481
	16,870	14,696	13,693	13,937	12,528	18,539	16,874
\$	<u>773,149</u>	<u>832,655</u>	<u>946,622</u>	<u>1,005,331</u>	<u>1,181,082</u>	<u>1,312,385</u>	<u>1,280,206</u>

**COUNTY OF CUYAHOGA, OHIO
PROPERTY TAX LEVIES AND COLLECTIONS
REAL, UTILITY AND TANGIBLE TAXES**

LAST TEN YEARS

Tax Year/ Collection Year	Current Levy	Delinquent Levy	Total Levy	Current Collection
1992/1993	\$ 268,786,789	\$ 28,349,555	\$ 297,136,344	\$ 258,841,389
1993/1994	270,428,700	29,171,681	299,600,381	259,797,166
1994/1995	274,774,712	25,601,379	300,376,091	264,518,998
1995/1996	297,638,447	25,611,370	323,249,817	287,496,258
1996/1997	301,687,315	31,450,099	333,137,414	289,324,803
1997/1998	313,161,002	30,893,055	344,054,057	299,707,825
1998/1999	342,827,633	30,486,779	373,314,412	328,339,476
1999/2000	346,727,681	30,840,744	377,568,425	330,024,233
2000/2001	380,845,885	36,977,909	417,823,794	356,858,712
2001/2002	378,302,265	47,209,848	425,512,113	352,660,711

Source: Cuyahoga County Auditor's Office, Budget Commission. Includes all direct and overlapping governments.

Current Levy Collected	Delinquent Collection	Total Collections	Total Collections As A Percent Of Current Levy	Cumulative Delinquency
96.3%	\$ 7,324,031	\$ 266,165,420	99.0%	\$ 27,381,660
96.1%	7,770,629	267,567,795	98.9%	24,211,070
96.3%	7,242,257	271,761,255	98.9%	23,173,179
96.6%	7,571,570	295,067,828	99.1%	25,477,278
95.9%	8,003,728	297,328,531	98.6%	28,804,510
95.7%	9,084,528	308,792,353	98.6%	30,524,427
95.8%	12,015,150	340,354,626	99.3%	28,126,723
95.2%	12,083,354	342,107,587	98.7%	35,029,786
93.7%	13,366,910	370,225,622	97.2%	43,663,793
93.2%	18,825,104	371,485,815	98.2%	47,009,696

**COUNTY OF CUYAHOGA, OHIO
 ASSESSED AND ESTIMATED ACTUAL VALUE
 OF TAXABLE PROPERTY**

**LAST TEN YEARS
 (Amounts in 000's)**

Tax Year/ Collection Year	REAL PROPERTY		PERSONAL PROPERTY	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1993/1994	\$ 16,923,520	\$ 48,352,914	\$ 2,529,616	\$ 10,118,464
1994/1995	18,770,759	53,630,740	2,541,031	10,164,124
1995/1996	18,983,267	54,237,906	2,603,148	10,412,592
1996/1997	19,291,442	55,118,406	2,728,871	10,915,484
1997/1998	20,838,304	59,538,011	2,791,334	11,165,336
1998/1999	21,173,385	60,495,385	2,855,467	11,421,868
1999/2000	21,493,369	61,409,625	2,916,480	11,665,920
2000/2001	24,341,838	69,548,110	3,011,512	12,046,046
2001/2002	24,689,595	70,541,702	3,032,064	12,128,255
2002/2003	24,799,145	70,854,700	2,802,833	11,211,332

Source: Cuyahoga County Auditor's Office, Budget Commission.

(1) Percentages for valuing the estimated actual value of Public Utility properties vary by class, type and age.

PUBLIC UTILITY		TOTAL		
Assessed Value	Estimated Actual Value⁽¹⁾	Assessed Value	Estimated Actual Value	Ratio of Assessed To Estimated Actual Value
\$ 1,446,154	\$ 2,892,306	\$ 20,899,290	\$ 61,363,684	34.1%
1,468,399	2,936,796	22,780,189	66,731,660	34.1%
1,355,615	2,711,230	22,942,030	67,361,728	34.1%
1,337,936	2,675,872	23,358,249	68,709,762	34.0%
1,323,512	2,647,024	24,953,150	73,350,371	34.0%
1,326,935	2,653,870	25,355,787	74,571,123	34.0%
1,223,332	2,446,664	25,633,181	75,522,209	33.9%
1,218,900	2,437,800	28,572,250	84,031,956	34.0%
977,713	1,955,426	28,699,372	84,625,383	33.9%
943,736	1,887,472	28,545,714	83,953,504	34.0%

**COUNTY OF CUYAHOGA, OHIO
PROPERTY TAX RATES
ALL DIRECT AND OVERLAPPING GOVERNMENTS**

**LAST TEN YEARS
(Per \$1,000 of Assessed Valuation)**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
CUYAHOGA COUNTY:										
General operating.....	1.04	0.96	0.85	0.82	1.12	1.00	0.87	0.93	0.86	0.81
Debt (bond retirement).....	0.68	0.76	0.87	0.90	0.60	0.72	0.85	0.79	0.86	0.91
Mental retardation.....	3.20	3.20	3.00	3.00	3.00	3.00	3.00	3.90	3.90	3.90
Health and human services	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Health and welfare.....	4.40	4.40	4.40	4.40	4.40	3.10	3.10	3.10	3.10	3.10
SUB-TOTAL	12.32	12.32	12.12	12.12	12.12	10.82	10.82	11.72	11.72	11.72
METROPARKS	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55
CUYAHOGA COMMUNITY COLLEGE.....	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.80
PORT AUTHORITY	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
TOTAL	16.80	16.80	16.60	16.60	16.60	15.30	15.30	16.20	16.20	16.20

Source: Cuyahoga County Auditor's Office, Budget Commission-tax year data.

**COUNTY OF CUYAHOGA, OHIO
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND
NET BONDED DEBT PER CAPITA**

LAST TEN YEARS

Tax Year	Population⁽¹⁾	Assessed Value⁽²⁾ (Amounts in 000's)	Gross General Bonded Debt⁽³⁾ (Amounts in 000's)	Less: Balance Debt Service Fund⁽⁴⁾ (Amounts in 000's)	Net General Bonded Debt (Amounts in 000's)	Ratio of Net Bonded Debt To Assessed Value	Net Debt Per Capita
1993	1,414,041	\$ 20,899,290	\$ 172,410	\$ 4,952	\$ 167,458	0.80%	\$ 118.43
1994	1,403,239	22,780,189	161,980	919	161,061	0.71%	114.78
1995	1,396,169	22,942,030	186,800	1,070	185,730	0.81%	133.03
1996	1,401,552	23,358,249	174,640	660	173,980	0.74%	124.13
1997	1,386,803	24,953,150	162,385	5,502	156,883	0.63%	113.13
1998	1,380,696	25,355,787	150,325	1,659	148,666	0.59%	107.67
1999	1,371,717	25,633,181	137,775	968	136,807	0.53%	99.73
2000	1,393,978	28,572,250	220,640	4,010	216,630	0.76%	155.40
2001	1,380,421	28,699,372	205,365	661	204,704	0.71%	148.29
2002	1,379,049	28,545,714	189,145	875	188,270	0.66%	136.52

(1) Estimates - Various sources. 2000 population figure based on actual United States Department of Commerce, Bureau of Census.

(2) Cuyahoga County Auditor's Office, Budget Commission-tax year data.

(3) Tax supported debt outstanding December 31.

(4) Balance outstanding December 31, Financial Reporting Section.

**COUNTY OF CUYAHOGA, OHIO
COMPUTATION OF
LEGAL DEBT MARGIN**

**DECEMBER 31, 2002
(Amounts in 000's)**

Total of all County Debt Outstanding	\$	311,180
Debt Exempt from Computation:		
Sewer Improvement Bonds.....	\$	2,495
County Jail Facilities General Obligation Bonds		32,670
Gateway Economic Development Bonds.....		103,055
Brownfield Economic Redevelopment Bonds		13,640
Shaker Square Redevelopment Bonds.....		<u>2,845</u>
Total Exempt Debt		<u>154,705</u>
Net Indebtedness(Voted and Unvoted)		156,475
Less: Available funds in Debt Service fund as of December 31, 2002 ⁽¹⁾		<u>875</u>
Total Net Indebtedness Subject to Direct Debt Limitation.....	\$	<u>155,600</u>
Assessed Valuation of County(2002 tax year)	\$	28,545,714
Direct Debt Limitation-ORC 133.02 and ORC 133.05 (3% of first \$100 million assessed valuation; 1 1/2% amount in excess of \$100 million not in excess of \$300 million; 2 1/2% of amount in excess of \$300 million).....	\$	712,143
Total Net Indebtedness(Voted and Unvoted)		<u>155,600</u>
DIRECT DEBT MARGIN.....	\$	<u>556,543</u>
Unvoted Debt Limitation(1% of County Assessed Valuation).....	\$	285,457
Total Unvoted Net Indebtedness Subject to 1% Debt Limitation		<u>156,315</u>
UNVOTED DEBT MARGIN	\$	<u>129,142</u>

(1) GAAP basis.

**COUNTY OF CUYAHOGA, OHIO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

**DECEMBER 31, 2002
(Amounts in 000's)**

	Gross Debt	Debt Service Fund	Net Debt	Percent Applicable	County Share ⁽³⁾
County of Cuyahoga ⁽¹⁾	\$ 200,163	\$ 587	\$ 199,576	100%	\$ <u>199,576</u>
Total Net Direct Debt.....					199,576
Cuyahoga County Cities, Villages, Townships ⁽¹⁾	928,611	185,750	742,861	100%	742,861
Cuyahoga County School Districts ⁽²⁾	644,482	281,774	<u>362,708</u>	100%	<u>362,708</u>
Total Net Overlapping Debt.....					1,105,569
Total Net Direct and Overlapping Debt.....			\$ <u>1,305,145</u>		\$ <u>1,305,145</u>

(1) 2003 Tax Budgets filed in July, 2002 and certified unencumbered 2003 balances filed in January, 2003 with Cuyahoga County Budget Commission. Budgetary basis.

(2) Cuyahoga County School Districts file on fiscal year ending June 30, 2002. Budgetary basis.

(3) Percent applicable to the County of Cuyahoga calculated using assessed valuation of County divided by assessed valuation of taxing district. Assessed valuation of taxing districts furnished by Cuyahoga County Budget Commission.

**COUNTY OF CUYAHOGA, OHIO
RATIO OF ANNUAL DEBT SERVICE
FOR GENERAL BONDED DEBT TO TOTAL
GENERAL EXPENDITURES**

**LAST TEN YEARS
(Amounts in 000's)**

Year	Debt Service on General Tax Supported Debt	Debt Service on Self-Supporting Debt	General Expenditures ⁽¹⁾	Ratio of Tax Supported Debt Service to General Expenditures	Ratio of Self-Supported Debt Service To General Expenditures
1993	\$ 17,751	\$ 6,383	\$ 732,506	2.42%	0.87%
1994	18,986	487	862,368	2.20%	0.06%
1995	18,522	7,747	717,204	2.58%	1.08%
1996	21,647	8,544	773,149	2.80%	1.11%
1997	20,912	7,252	832,655	2.51%	0.87%
1998	20,132	8,445	946,622	2.13%	0.89%
1999	21,503	8,685	1,005,331	2.14%	0.86%
2000	22,083	8,354	1,181,082	1.87%	0.71%
2001	27,094	10,677	1,312,385	2.06%	0.81%
2002	26,592	11,763	1,280,206	2.08%	.92%

(1) GAAP basis. Includes all governmental fund types.

Source: Cuyahoga County Auditor's Office, Financial Reporting Section.

**COUNTY OF CUYAHOGA, OHIO
REVENUE BOND COVERAGE – HOSPITAL BONDS**

**LAST TEN YEARS
(Amounts in 000's)**

Year	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal ⁽³⁾	Interest	Total	
1993	\$ 353,782	\$ 328,705	\$ 25,077	\$ 1,650	\$ 7,090	\$ 8,740	2.87
1994	329,922	317,136	12,786	1,755	6,981	8,736	1.46
1995	320,124	302,279	17,845	1,870	6,863	8,733	2.04
1996	327,711	308,873	18,838	1,990	6,737	8,727	2.16
1997	367,125	334,816	32,309	2,120	8,805	10,925	2.96
1998	387,220	360,642	26,578	4,982	6,863	11,845	2.24
1999	423,981	407,070	16,911	1,955	8,702	10,657	1.59
2000	448,458	434,191	14,267	3,850	10,861	14,711	.97
2001	476,331	449,970	26,361	4,035	10,664	14,699	1.79
2002	508,954	476,321	32,633	4,240	10,469	14,709	2.22

(1) Gross revenue is total operating revenue plus interest income and contributions.

(2) Operating expenses is exclusive of depreciation and bond interest expense.

(3) 1997 principal payment exclusive of refunded bonds.

Source: MetroHealth System. GAAP basis.

**COUNTY OF CUYAHOGA, OHIO
PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS**

LAST TEN YEARS

Year	Assessed Value⁽¹⁾ (Amounts in 000's)	Bank Deposits At December 31⁽²⁾ (Amounts in 000's)	Building Permits Issued⁽³⁾
1993	\$ 20,899,290	\$ 21,009,421	19,795
1994	22,780,189	20,885,453	21,480
1995	22,942,030	22,458,573	23,585
1996	23,358,249	27,068,211	21,700
1997	24,953,150	53,941,971	20,612
1998	25,355,787	58,904,596	24,244
1999	25,633,181	57,816,942	23,428
2000	28,572,250	61,942,764	24,272
2001	28,699,372	63,893,769	22,827
2002	28,545,714	95,760,917	18,680

- Sources: (1) Cuyahoga County Auditor's Office, Budget Commission-tax year data for real, personal and public utility property.
 (2) Banks deposits at year-end for banks headquartered in City of Cleveland-Federal Reserve Bank of Cleveland (Total demand, time and savings deposits). Federal Reserve Bank of Cleveland.
 (3) Cuyahoga County Auditor's Office, Real Estate Assessment Division.

COUNTY OF CUYAHOGA, OHIO DEMOGRAPHIC STATISTICS

POPULATION⁽¹⁾

	<u>County</u>	<u>MSA</u>
1940	1,217,250	1,319,734
1950	1,389,532	1,532,574
1960	1,647,895	1,909,483
1970	1,721,300	2,063,729
1980	1,498,400	1,898,825
1990	1,412,140	1,831,122
2002	1,379,049	1,859,472

AGE DISTRIBUTION⁽²⁾

	<u>2000</u>	
	<u>Number</u>	<u>Percentage</u>
Under 5 yrs	90,996	6.5
5 - 9 yrs	101,372	7.3
10 - 14 yrs	99,235	7.1
15 - 19 yrs	89,960	6.5
20 - 24 yrs	77,515	5.6
25 - 34 yrs	188,873	13.5
35 - 44 yrs	219,449	15.7
45 - 54 yrs	187,601	13.5
55 - 59 yrs	65,599	4.7
60 - 64 yrs	56,217	4.0
65 - 74 yrs	107,327	7.7
75 - 84 yrs	82,469	5.9
85 yrs and over	<u>27,365</u>	<u>2.0</u>
TOTAL	1,393,978	100.00
Median age	37.3	
Males	658,481	
Females	735,497	

DISTRIBUTION OF FAMILIES BY INCOME BRACKET⁽³⁾

	<u>2000</u>	
	(Average 3.06 persons)	
	<u>Number</u>	<u>Percentage</u>
\$0 - 10,000	25,261	7.1
\$10,000 - 14,999	15,018	4.2
\$15,000 - 24,999	38,075	10.7
\$25,000 - 34,999	41,222	11.5
\$35,000 - 49,999	60,077	16.9
\$50,000 - 74,999	78,607	22.1
\$75,000 - 99,999	45,341	12.7
\$100,000 - 149,999	32,877	9.2
\$150,000 - 199,000	8,824	2.5
Over \$200,000	<u>10,919</u>	<u>3.1</u>
TOTAL	356,221	100.00
Median Family Income	\$ 49,559	
Per Capita Income	\$ 22,272	

Source: (1) Ohio Department of Development-The Metropolitan Statistical Area (MSA), as defined by the Department of Development, includes Cuyahoga, Geauga, Lake and Medina Counties. Population totals for 2001 are estimates provided by the U.S. Census Bureau.

(2) U.S. Census Bureau, Census 2000.

(3) U.S. Census Bureau, Census 2000

**COUNTY OF CUYAHOGA, OHIO
DEMOGRAPHIC STATISTICS**

LAST TEN YEARS

Employment - Annual Average⁽¹⁾	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Total Civilian Labor Force	673,900	675,600	676,600	678,800
Total Employed*	627,900	636,300	644,200	643,800
Total Unemployed	46,000	39,300	32,400	35,000
Unemployment Rate	6.8%	5.8%	4.8%	5.2%

**Employment By Sector⁽¹⁾
(Amounts in 000's)**

	Manufacturing		Wholesale Retail Trade		Professional and Related Services		State and Local Government	
	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
1993	140.9	19.1	176.4	24.3	219.8	29.9	82.2	11.1
1994	139.5	18.6	181.0	24.1	227.3	30.2	83.6	11.1
1995	140.0	18.3	187.7	24.5	236.3	30.8	80.1	10.5
1996	137.1	17.8	188.8	24.5	236.8	30.7	81.1	10.5
1997	136.3	17.3	192.9	24.5	242.8	30.9	84.1	10.7
1998	136.5	17.0	195.1	24.4	252.9	31.6	84.8	10.6
1999	133.3	16.5	195.5	24.2	259.6	32.2	83.3	10.3
2000	128.8	16.0	189.3	23.6	264.4	32.9	83.9	10.4
2001	121.4	15.3	182.4	23.0	262.3	33.0	88.4	11.1
2002	96.5	12.6	118.5	15.6	320.5	42.1	86.3	11.3

Source: (1) Ohio Bureau of Employment Services.

* Difference due to non-county residents employed in county.

<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
676,800	699,200	681,200	691,000	692,600	669,700
637,400	668,500	649,900	659,900	661,700	624,900
39,400	30,700	31,300	31,100	30,900	44,800
5.8%	4.4%	4.6%	4.5%	4.5%	6.7%

Finance, Insurance, Real Estate		Transportation and Public Utilities		Other		TOTAL*	
<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
53.7	7.3	31.8	4.3	30.2	4.0	735.0	100.0
56.7	7.5	33.1	4.4	30.5	4.1	751.7	100.0
57.6	7.5	33.2	4.3	31.2	4.1	766.1	100.0
59.8	7.8	33.8	4.4	32.8	4.3	770.2	100.0
62.2	7.9	34.4	4.4	33.4	4.3	786.1	100.0
63.7	7.9	34.9	4.4	32.9	4.1	800.8	100.0
67.9	8.4	34.7	4.3	33.1	4.1	807.4	100.0
68.4	8.5	34.8	4.3	34.7	4.3	804.3	100.0
70.3	8.9	35.8	4.5	33.1	4.2	793.7	100.0
68.3	9.0	23.4	3.1	47.6	6.3	761.1	100.0

COUNTY OF CUYAHOGA, OHIO SCHEDULE OF INSURANCE COVERAGE

DECEMBER 31, 2002

Name of Carrier/ Type of Coverage	Policy Number	Policy Period	Annual Premium	Details of Coverage	Liability Limit
Clarendon American Insurance Company (CIG) Auto Liability	XSR39306429	08/01/02 - 08/01/03	\$454,000	Motor vehicle liability insurance covering licensed and unlicensed county vehicles.	\$900,000 Ultimate net loss in excess of \$100,000 retention/ occurrence: Bodily injury and property damage.
FM Global Insurance Company	NB369	07/01/02 - 07/01/03	\$740,328	All risk coverage on county owned properties, boilers and machinery and data processing equipment.	\$1,511,688,000 Blanket replacement. Cost limit \$250,000 deductible.
Western Heritage	SCP0287812	02/06/03 - 02/06/04	\$9,472	Liability insurance for private voting places for the Board of Elections.	\$1,000,000 combined single limit per occurrence. Bodily injury and property damage - \$2,000,000 aggregate.
Fidelity and Deposit Insurance Company of Maryland Blanket Bond	CPP0034534-04	07/01/99 - continual	\$12,054	Blanket Bond-Form P including faithful performance. Covers all employees except public officials who require individual bonds, treasurers, and tax collectors by whatever title known.	\$250,000 per person. \$500 deductible limit of coverage per person.
Excess Blanket Bond				Excess Blanket Bond – Form O Covers Treasurers' Department and Human Services.	\$100,000 per loss.
Money and Securities				Monies and Securities all departments.	\$400,000 limit Form C all departments except Treasurer at \$1,000,000.
Western World Insurance Company	NPP717202	07/01/02- 07/01/03	\$3,864	Liability insurance for Home Health and Nurses Assistance Training.	\$1,000,000 combined single limit per occurrence. Bodily injury and property damage - \$1,000,000 aggregate.
Ohio Casualty Group Insurance	3508782	01/01/03- 12/31/03	\$500	Medical Bond SAS	\$50,000 Continuous.
Ohio Casualty Group Insurance	3508783	01/01/03- 12/31/03	\$500	Medical Bond SAS	\$50,000 Continuous.

Source: Department of Central Services, Risk and Property Management.

**COUNTY OF CUYAHOGA, OHIO
PRINCIPAL TAXPAYERS**

DECEMBER 31, 2002

Name of Taxpayer	Nature of Business	Assessed Valuation	% of Total Assessed Valuation
Cleveland Electric Illuminating Company	Electric Utility	\$ 401,046,110	1.40%
City of Cleveland	Enterprise Activities	124,570,495	0.44%
Ford Motor Company	Automotive Manufacturing	122,142,640	0.43%
Ohio Bell Telephone Company	Telephone Utility	113,399,030	0.40%
American Transmission System	Telephone Utility	81,281,690	0.28%
Duke Realty	Real Estate	68,592,440	0.24%
Adelphia of the Midwest	Cable Company	55,075,590	0.19%
Beachwood Place LTD/George Zeigler	Shopping Mall and Offices	52,721,235	0.18%
Cleveland Clinic Foundation	Hospital	48,588,610	0.17%
ISG Cleveland Inc.	Steel Manufacturing	<u>47,241,565</u>	<u>0.17%</u>
		\$ <u>1,114,659,405</u>	<u>3.90%</u>

These taxpayers were selected based solely upon a review of the 200 taxable parcels of real, personal and public utility property with the highest assessed valuation. A taxpayer owning many smaller parcels would not be included in this list even if the aggregate assessed valuation of such parcels exceeded that of one or more taxpayers on the list.

Source: Cuyahoga County Auditor's Office, IST Division-tax year data.

**COUNTY OF CUYAHOGA, OHIO
MISCELLANEOUS STATISTICS**

DECEMBER 31, 2002

Date of Incorporation.....	1810
Twenty-fifth most populous County in the United States ⁽¹⁾	
Form of Government: Three member elected Board of County Commissioners with legislative and executive powers. Eight other elected officials with administrative powers.	
Area-Square Miles	459
Number of Political Subdivisions Located in the County	
Municipalities	57
Townships	2
School Districts.....	33
Special Districts	13
Total Number of County Employees	9,446
Voter Statistics, Election of November, 2002 ⁽²⁾	
Number of Registered Voters	861,351
Number of Voters-Last General Election	395,050
Percentage of Registered Voters Voting	45.9%
MetroHealth System	
Total Patient Days-2002	287,530
Total Number of Beds-2002.....	1,169
Average Percent Occupancy-2002.....	67%
Sanitary Engineer	
Miles of Sewer Line Operated	600
Wastewater Treatment Plants Operated	6
Pump Stations Operated	40
Airport	
Hangars	16
Aircraft	302
Traffic(Takeoffs and Landings).....	67,662
Office Buildings.....	8
Other	
Number of Colleges and Universities in County	8

Source: (1) U.S. Department of Commerce, Bureau of Census, 2001 estimate.
(2) Cuyahoga County Board of Elections.

**COUNTY OF CUYAHOGA, OHIO
ACKNOWLEDGEMENTS**

This report was prepared by the following members of the County Auditor's Office, General Accounting Division:

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FINANCIAL CONDITION

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 18, 2003**