NEW ISSUE -BOOK-ENTRY-ONLY

RATINGS: Moody's "Aa3"
Standard & Poor's "AA-"
See **RATINGS**

*In the opinion of Squire Sanders (US) LLP, Special Counsel, under existing law (i) assuming renewal of the Lease through the final renewal term and continuing compliance with certain covenants and the accuracy of certain representations, the portion of the Base Rent paid and denominated as interest under the Lease and received by the owners of the Series 2014 Certificates (the "Interest Portion") is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations, and (ii) the Interest Portion, and any profit made on the sale, exchange or other disposition of the Series 2014 Certificates, are exempt from all Ohio state and local taxation, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax. The Interest Portion may be subject to certain federal taxes imposed only on certain corporations, including the imposition of the corporate alternative minimum tax on a portion of that Interest Portion. For a more complete discussion of tax aspects, including the consequences of nonrenewal of the Lease, see **TAX MATTERS**.*

$230,885,000
Certificates of Participation, Series 2014
(Convention Hotel Project)
Evidencing Proportionate Interests in Certain Base Rent to be Paid by the County of Cuyahoga, Ohio

Dated: Date of Delivery

Due: December 1, as shown on the inside front cover

The Series 2014 Certificates are being issued pursuant to the Trust Agreement dated as of May 1, 2014 (the "Trust Agreement") between the Cleveland-Cuyahoga County Port Authority (the "Port Authority") and U.S. Bank National Association, as trustee (the "Trustee"). The Series 2014 Certificates, and any additional Certificates of Participation issued under the Trust Agreement, evidence proportionate interests in Base Rent to be paid by the County of Cuyahoga, Ohio (the "County") pursuant to the Lease-Purchase Agreement dated as of May 1, 2014 (the "Lease"), between the Port Authority, as lessor and the County, as lessee. The County is not a party to the Trust Agreement. The Port Authority is assigning certain rights under the Lease to the Trustee pursuant to the Assignment of Rights Under Lease-Purchase Agreement, dated as of May 1, 2014 (the "Assignment"). The Series 2014 Certificates will be initially issued only as fully registered certificates, one for each maturity, issuable under a book-entry system, registered initially in the name of The Depository Trust Company or its nominee ("DTC"). There will be no distribution of Series 2014 Certificates to the ultimate purchasers. The Series 2014 Certificates in certificated form as such will not be transferable or exchangeable, except for transfer to another nominee of DTC or as otherwise described in this Offering Circular. See **THE SERIES 2014 CERTIFICATES – Book-Entry System**.

The Series 2014 Certificates will bear interest that is compounded semi-annually on June 1 and December 1 of each year, commencing December 1, 2014. Principal of and interest on the Series 2014 Certificates will be payable to the registered owner at maturity in the amounts shown on the inside cover page upon presentation and surrender of the Certificates at the Cleveland, Ohio corporate trust office of U.S. Bank National Association. So long as the Series 2014 Certificates are in book-entry form, principal and interest payable with respect to the Series 2014 Certificates will be paid to DTC for credit to the accounts of the DTC participants and, in turn, to the accounts of the owners of the beneficial interests in the Series 2014 Certificates.

The Series 2014 Certificates are subject to redemption prior to maturity in certain events. See **THE SERIES 2014 CERTIFICATES – Prior Redemption**.

The Series 2014 Certificates are being sold to fund a portion of the costs of the construction of an approximately 600 room convention headquarters hotel (the "Hotel") adjacent to the Cleveland Convention Center and Global Center for Health Innovation. The Project Site and the Project Facilities will be leased to the County by the Port Authority pursuant to the Lease, and certain of the Port Authority's rights under the Lease have been and will be assigned to the Trustee pursuant to the Assignment. Pursuant to the Lease, the County is required to make lease payments, including Base Rent, during the current lease term at times and in amounts sufficient to pay the principal of and interest on the Series 2014 Certificates and to pay certain other expenses (the "Lease Payments").

THE COUNTY'S OBLIGATION TO MAKE LEASE PAYMENTS AND ANY OTHER OBLIGATIONS OF THE COUNTY UNDER THE LEASE ARE SUBJECT TO AND DEPENDENT UPON ANNUAL APPROPRIATIONS BEING MADE BY THE COUNTY FOR SUCH PURPOSE AND CERTIFICATION AS TO THE AVAILABILITY OF FUNDS FROM THOSE APPROPRIATIONS. The County, through its Fiscal Officer, intends to do all things lawfully within that officer's power to obtain and maintain funds from which Lease Payments may be made. In the event no such appropriation is made, the Lease will terminate.

THE COUNTY'S OBLIGATION TO MAKE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE COUNTY. CERTIFICATE PAYMENTS WILL BE MADE SOLELY FROM AMOUNTS DERIVED UNDER THE TERMS OF THE LEASE, INCLUDING LEASE PAYMENTS, AND AMOUNTS FROM TIME TO TIME ON DEPOSIT UNDER THE TERMS OF THE TRUST AGREEMENT. See CERTIFICATE HOLDERS' RISKS.

The Series 2014 Certificates are offered when, as and if signed and delivered, subject to the legal opinion of Squire Sanders (US) LLP, Special Counsel. Certain legal matters will be passed upon for the County by Majeed Makhlouf, Esq., Director of Law, for the Underwriters by their counsel, Roetzel & Andress, A Legal Professional Association and for the Port Authority by its counsel, Climaco, Wilcox, Peca, Tarantino & Garofoli Co., L.P.A. It is expected that the Series 2014 Certificates will be available for delivery to DTC or its agent on May 29, 2014. The date of this Offering Circular is May 28, 2014, and the information speaks only as of that date.

STIFEL, NICOLAUS & COMPANY, INC.

KEYBANC CAPITAL MARKETS **WELLS FARGO SECURITIES**

THE HUNTINGTON INVESTMENT COMPANY **FIFTH THIRD SECURITIES, INC.**

LOOP CAPITAL MARKETS

$230,885,000
Certificates of Participation, Series 2014
(Convention Hotel Project)
Evidencing Proportionate Interests of the Owners Thereof
in Certain Base Rent to be Paid by the
County of Cuyahoga, Ohio

PRINCIPAL MATURITY SCHEDULE ON DECEMBER 1

$158,760,000 SERIAL CERTIFICATES

Year	Amount	Interest Rate	Price	CUSIP©(a) Number_	Year	Amount	Interest Rate	Price	CUSIP©(a) Number_
2017	$ 9,300,000	5.00%	114.117%	23225P AA3	2024	$13,675,000	5.00%	118.220%	23225P AH8
2018	10,200,000	5.00	116.474	23225P AB1	2025	14,350,000	5.00	116.612	23225P AJ4
2019	10,700,000	5.00	117.849	23225P AC9	2026	15,075,000	5.00	115.122	23225P AK1
2020	11,250,000	5.00	118.617	23225P AD7	2027	15,825,000	5.00	114.020	23225P AL9
2021	11,800,000	5.00	118.818	23225P AE5	2028	16,600,000	5.00	113.201	23225P AM7
2022	12,400,000	5.00	119.048	23225P AF2	2029	3,300,000	5.00	112.660	23225P AN5
2023	13,015,000	5.00	118.892	23225P AG0	2032	1,270,000	5.00	110.876	23225P AR6

$7,025,000 3.750% TERM CERTIFICATES DUE 2031, Price 97.737% CUSIP©(a) No. 23225P AQ8

$10,350,000 4.000% TERM CERTIFICATES DUE 2034, Price 98.621% CUSIP©(a) No. 23225P AT2

$3,050,000 5.000% TERM CERTIFICATES DUE 2036, Price 108.867% CUSIP©(a) No. 23225P AU9

$5,725,000 4.000% TERM CERTIFICATES DUE 2036, Price 97.390% CUSIP©(a) No. 23225P AP0

$45,975,000 4.375% TERM CERTIFICATES DUE 2044, Price 100.000% CUSIP©(a) No. 23225P AV7

(a) CUSIP Global Services (see **Regarding This Offering Circular**).

.

REGARDING THIS OFFERING CIRCULAR

This Offering Circular does not constitute an offering of any security other than the original offering of the Series 2014 Certificates identified on the cover hereof. No person has been authorized by the County to give any information or to make any representations other than those contained in this Offering Circular and, if given or made, such other information or representations not so authorized should not be relied upon as having been given or authorized by the County. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Series 2014 Certificates by any person, in any jurisdiction, in which it is unlawful to make such offer, solicitation or sale.

The information in this Offering Circular is provided by the County in connection with the original offering of the Series 2014 Certificates. Reliance should not be placed on any other information publicly provided, in any format including electronic, by the County for other purposes, including general information provided to the public or to portions of the public. The information in this Offering Circular is subject to change without notice. Neither the delivery of this Offering Circular nor any sale made under it shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the County since its date.

This Offering Circular contains statements that the County believes may be "forward-looking statements." Words such as "plan," "estimate," "project," "budget," "anticipate," "expect," "intend," "believe" and similar terms are intended to identify forward-looking statements. The achievement of results or other expectations expressed or implied by such forward-looking statements involve known and unknown risks, uncertainties and other factors that are difficult to predict, may be beyond the County's control and could cause actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. The County undertakes no obligation, and does not plan, to issue any updates or revisions to such forward-looking statements.

UPON ISSUANCE, THE SERIES 2014 CERTIFICATES WILL NOT BE REGISTERED BY THE COUNTY UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY OR AGENCY WILL HAVE AT THE REQUEST OF THE COUNTY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR OR APPROVED OR DISAPPROVED THE SERIES 2014 CERTIFICATES FOR SALE.

CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by Standard & Poor's. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the District and are included solely for the convenience of the holders of the Series 2014 Certificates. The County, the Trustee, Special Counsel, the Port Authority and the Underwriters are not responsible for the selection or uses of these CUSIP numbers, and make no representation as to their correctness on the Series 2014 Certificates or the Cover or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2014 Certificates as a result of various subsequent actions and events.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2014 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL

IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2014 CERTIFICATES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER, WHICH PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

The Underwriters have provided the following sentence for inclusion in this Offering Circular. The Underwriters have reviewed the information in this Offering Circular in accordance with, and as part of its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guaranty the accuracy or completeness of such information.

This Offering Circular includes the cover pages immediately preceding this page and all appendices hereto.

TABLE OF CONTENTS

	Page
REGARDING THIS OFFERING CIRCULAR	i
INTRODUCTION	1
THE SERIES 2014 CERTIFICATES	2
SOURCE OF PAYMENT FOR THE CERTIFICATES	5
BASE RENT SCHEDULE	7
SECURITY FOR THE CERTIFICATES	8
THE HOTEL	10
PLAN OF FINANCE	11
MANAGER AND MANAGEMENT AGREEMENT	13
THE COUNTY	13
CERTIFICATE HOLDERS' RISKS	13
THE PORT AUTHORITY	15
THE TRUSTEE	15
INDEPENDENT AUDITORS	16
FINANCIAL ADVISOR	16
UNDERWRITING	16
RATINGS	17
ABSENCE OF LITIGATION	17
LEGAL MATTERS	18
TAX MATTERS	18
CONTINUING DISCLOSURE	21
CONCLUDING STATEMENT	22

APPENDIX A - Description of Documents

APPENDIX B – The County

APPENDIX C – General Purpose Financial Statements/Basic Financial Statements for the Year Ended December 31, 2012 of the County

APPENDIX D - Form of Special Counsel Opinion

APPENDIX E - Base Rent Schedule

APPENDIX F – Book-Entry System; DTC

APPENDIX G – Proposed Form of Continuing Disclosure Agreement

[This Page Is Intentionally Left Blank.]

OFFERING CIRCULAR
Relating to
$230,885,000
CERTIFICATES OF PARTICIPATION, SERIES 2014
(Convention Hotel Project)
Evidencing Proportionate Interests
in Base Rent to be Paid by the
County of Cuyahoga, Ohio

INTRODUCTION

This Offering Circular, including the cover page and Appendices (the "Offering Circular"), is provided to furnish information with respect to the offering, sale and delivery of the Certificates of Participation referenced above (the "Series 2014 Certificates"), representing proportionate interests in the Base Rent to be paid by the County of Cuyahoga, Ohio (the "County") for lease of an approximately 600-room convention center hotel (the "Hotel") pursuant to a Lease-Purchase Agreement dated as of May 1, 2014, between the Cleveland-Cuyahoga County Port Authority (the "Port Authority"), as lessor, and the County, as lessee, (the "Lease").

In order to enhance the ability of the Cleveland Convention Center and Global Center for Health Innovation (the "Convention Center") to attract large meetings to the Convention Center and additional visitors to the region, the County intends to develop the Hotel on property immediately adjacent to and in support of the Convention Center.

The Port Authority has assigned substantially all of its rights, title and interest under the Lease, including but not limited to its right to receive the Base Rent under the Lease, to U.S. Bank National Association, as trustee (the "Trustee"), pursuant to an Assignment of Rights under the Lease-Purchase Agreement dated as of May 1, 2014 (the "Assignment"). The Series 2014 Certificates are being executed and delivered by the Trustee pursuant to a Trust Agreement dated as of May 1, 2014 (the "Trust Agreement"). The County is not a party to the Trust Agreement. The Port Authority is not a party to the Certificates.

Capitalized terms used and not defined herein have the meanings set forth in **APPENDIX A - Definitions**.

The Lease will require the County to make periodic lease payments (the "Lease Payments"), consisting of the Base Rent and Additional Rent (see **APPENDIX A - Definitions** and **APPENDIX A - The Lease-Purchase Agreement**). If the Lease is renewed successively through December 31, 2044, the Base Rent to be paid by the County under the Lease will be sufficient in both time and amount to pay, when due, the principal of and interest on the Series 2014 Certificates (the "Certificate Payments").

The renewal of the Lease, and the obligation of the County to make Lease Payments, including the Base Rent, and other obligations of the County under the Lease are subject to and dependent upon the County Council making lawful annual appropriations for such purpose and certification by the Fiscal Officer as to the availability of funds from those appropriations to make the Lease Payments. The Series 2014 Certificates, the Lease and the obligation to make Lease Payments under the Lease, including the Base Rent, do not represent or constitute a debt of the County or a pledge of the full faith and credit of the County. (For a further discussion of these and related matters, see **SECURITY FOR THE CERTIFICATES - Nonappropriation; Effect on Tax Status** and **CERTIFICATE HOLDERS' RISKS.**)

THE SERIES 2014 CERTIFICATES

General Provisions

The County and the Port Authority are not parties to the Series 2014 Certificates. The Series 2014 Certificates are dated their date of delivery and mature on the dates and in the amounts shown on the inside cover page hereof. Each Series 2014 Certificate represents an undivided proportionate interest in the portion of the Base Rent paid by the County and denominated as principal under the Lease in the calendar year which includes the maturity date thereof (the "Principal Portion"), and in the portion of the Base Rent paid by the County and denominated as interest under the Lease in the calendar year which includes the maturity date thereof and in which interest is payable (the "Interest Portion").

So long as the Series 2014 Certificates are held in a book-entry system as summarized in **APPENDIX F**, the principal of and interest on any Series 2014 Certificate will be payable upon presentation and surrender of such Series 2014 Certificate to the Trustee. If the Trustee fails to make payment or provisions for payment of interest at maturity, that interest shall cease to be payable to the Registered Owner and when money becomes available for payment of such interest, upon proper notice, the Trustee shall establish a special record date for the payment of such interest pursuant to the Trust Agreement.

U.S. Bank National Association has been designated to act as registrar and as transfer, authenticating and paying agent for the Series 2014 Certificates (the "Registrar").

The Series 2014 Certificates will be delivered in book-entry-only form and, when issued, registered in the name of The Depository Trust Company (DTC), New York, New York, or its nominee Cede & Co., which will act as a securities depository for the Series 2014 Certificates. For a discussion of the book-entry system and DTC and the replacement of Series 2014 Certificates in the event that the book-entry system is discontinued, see **APPENDIX F**.

Prior Redemption

Optional Redemption

The Series 2014 Certificates maturing on or after December 1, 2024 are subject to redemption prior to maturity at the sole option of the County, in whole or in part, as selected by the County, on any date on or after June 1, 2024, at a redemption price of 100% of the principal amount redeemed, plus interest accrued to the redemption date.

Mandatory Redemption

Unless previously called for optional redemption, the Term Certificates are subject to mandatory redemption by the Trustee, upon notice in the form and manner described in the Trust Agreement given by the Trustee to Holders thereof not less than thirty (30) days prior to such redemption date, from moneys on deposit in the Lease Payment Account, at a redemption price of 100% of the principal amount redeemed plus interest accrued to the redemption date, on the Principal Payment Dates in each of the years and in the principal amounts set forth below:

2031 Term Certificates		2034 Term Certificates		2036† Term Certificates	
Year	Amount	Year	Amount	Year	Amount
2030	$3,450,000	2032	$2,450,000	2035	$1,450,000
2031	3,575,000[(a)]	2033	3,875,000	2036	1,600,000[(a)]
		2034	4,025,000[(a)]		

2036 Term Certificates		2044 Term Certificates	
Year	Amount	Year	Amount
2035	$2,750,000	2037	$4,775,000
2036	2,975,000[(a)]	2038	4,975,000
		2039	5,200,000
		2040	5,650,000
		2041	5,900,000
		2042	6,150,000
		2043	6,425,000
		2044	6,900,000[(a)]

(a) Final maturity.
† The 2036 Term Certificates bearing interest at 5.00%.

The aggregate of the Base Rent payments specified in Section 7 of the Lease, which are to be deposited into the Lease Payment Account on each Lease Payment Date, are sufficient to redeem the principal amount of Term Certificates set forth opposite the respective dates in the immediately preceding table (less the amount of any reduction as provided for in the next succeeding paragraph).

The principal amount of Term Certificates (i) to be redeemed on the respective dates set forth in the immediately preceding table or (ii) remaining to be paid at maturity if Term Certificates are retired only by such mandatory redemption will be subject to reduction by the principal amount of any Term Certificates of the same maturity that will have been theretofore redeemed by the Trustee pursuant to optional redemption in accordance with the provisions of the Trust Agreement. Each Term Certificate that is redeemed pursuant to optional redemption will be credited by the Trustee at one hundred percent (100%) of the principal amount thereof, first, against the remaining principal amount due on the maturity date of the Term Certificates, if such Term Certificates are retired only by such mandatory redemption, until such principal amount has received a credit equal to such principal amount and , thereafter, second, against the mandatory redemption obligations in descending order, i.e. from the latest to the earliest mandatory redemption obligation. Upon the application of the credit provided for in this paragraph, the Trustee will consent to the amendment of, and, as Lessor by assignment, will amend, the schedule of Base Rent, as set forth in Exhibit B to the Lease, so that such amended schedule sets forth new aggregate Base Rent for each semiannual period ending June 1 or December 1 equal to (i) the remaining outstanding principal due (whether at maturity or pursuant to mandatory redemption) with respect to, and (ii) the adjusted interest on, the Term Certificates after the application of such credit. In the event that Series 2014 Certificates are redeemed by optional redemption, the Trustee will consent to the substitution of, and, as Lessor by assignment, will revise and substitute, the schedule of Base Rent, as set forth in Exhibit B to the Lease, so that such revised schedule sets forth new aggregate Base Rent for each semiannual period ending June 1 or December 1 equal to (i) the remaining outstanding principal due at maturity for each such semiannual period with respect to, and (ii) the adjusted interest on, such Certificates.

Special Redemption

In the event (i) the Lease is terminated because the County does not appropriate sufficient money to pay Lease Payments with respect to the Hotel for any immediately succeeding Renewal Term or the Fiscal Officer does not certify as to the availability of the funds appropriated, or (ii) there is total destruction of the Project Facilities and termination of the Lease caused by the County exercising its purchase option under the Lease, the Series 2014 Certificates are subject to special redemption at any time for which the required notice can be given, in whole or in part, at a price equal to par plus accrued interest to the redemption date, from any available funds.

Notice of Redemption; Effect

If fewer than all of the Certificates maturing on the same date are to be redeemed, the Trustee will select by lot, in any manner which it deems fair in its sole discretion, the Certificates to be redeemed, or portions thereof. So long as all Certificates are held under a book-entry system by the Depository, a notice of redemption will be sent by the Trustee only to the Depository or its nominee. Selection of book-entry interests in the Certificates called, and notice of the call to the owners of those interests called, is the responsibility of the Depository pursuant to its Rules and Procedures and of its Participants and Indirect Participants. Any failure of the Depository to advise any Participant, or of any Participant or any Indirect Participant to notify the book-entry interest owners, of any such notice and its content or effect will not affect the validity of any proceedings for the redemption of any Certificates.

If the Certificates are not held under a book-entry system, notice of redemption of any Certificate will be given by first class mail, postage prepaid, to the Holder of such Certificate at the address of such Holder as it appears on the books of registry, provided that notices of redemption to Holders of $1,000,000 or more of Certificates and to any Depository for the Certificates will be given by established Depository operating procedures; provided further, however, that failure to receive such notice mailed in accordance with these provisions, or any defect in that notice will not affect the validity of the proceedings for the redemption of any Certificate.

Each notice of redemption will state the following with respect to identification of the Certificates to be redeemed: (1) the full designated name of the issue, (2) the CUSIP number, (3) the principal amounts of each Certificate to be redeemed, (4) the date of redemption, (5) the redemption price, (6) the name of the Trustee and the address and phone number of the Trustee's office handling the redemption, (7) the date of the Certificates, (8) the interest rate of the Certificates to be redeemed, and (9) the maturity date of the Certificates to be redeemed. The notice of redemption will further state (i) that the interest on such Certificates, or on the principal amount thereof to be redeemed, designated in such notice for redemption will cease to accrue from and after such redemption date, (ii) that on said date there will become due and payable on each such Certificate the principal amount thereof to be redeemed at the then applicable redemption price and the interest accrued on such principal amount to the redemption date, and (iii) that each affected Certificate must be surrendered to the Trustee in exchange for payment of such redemption price and the issuance of a new Certificate or Certificates of the same date equal in aggregate principal amount to that portion, if any, of the principal sum of such Certificate not to be redeemed. Upon such surrender, the Trustee will sign and deliver to the Holder of the Certificate surrendered at the designated corporate trust office of the Trustee a new Certificate or Certificates of the same date and of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Certificate surrendered.

If notice of redemption of a Certificate has been duly given as hereinbefore provided and if money for the payment of such Certificate (or of the principal amount thereof to be redeemed) at the then applicable redemption price and the interest to accrue to the redemption date on such Certificate (or the principal amount thereof to be redeemed) are held for the purpose of such payment by the Trustee, then such Certificate (or the principal amount thereof to be redeemed) so called for redemption will become due and payable on the redemption date designated in such notice, and such interest on such Certificate (or the principal amount thereof to be redeemed) so called for redemption will become due and payable on the redemption date designated in such notice, and such interest will cease to accrue from and after the date of redemption.

SOURCE OF PAYMENT FOR THE CERTIFICATES

The Series 2014 Certificates are payable from Revenues received by the Trustee pursuant to the Assignment and the Trust Agreement. The Revenues consist of (a) the Base Rent paid under the Lease, (b) all other moneys, received or to be received by the Trustee under the Lease, including without limitation, all income or other moneys realized from the lease or other disposition of the Leased Property, (c) any moneys and investments in the Project Fund to the extent provided in the Trust Agreement and any moneys and investments in the Certificate Fund (including the Lease Payment Account and the Redemption Account), and any moneys in the Contribution Fund, and (d) any moneys in the Operating Reserve Account of the Operations and Improvement Fund, to the extent provided in the Trust Agreement, and (e) all income and profit from the investment of the foregoing moneys; provided, however, that any investment income required under the Code to be rebated to the United States will not be, and will not be deemed to be, Revenues, and the Holders will have no claim or interest in that income. Amounts in the Rebate Fund will not be included in the Revenues assigned to the Trustee for the benefit of the Holders of the Certificates. See **APPENDIX A - The Trust Agreement**.

The Lease establishes Lease Payments in aggregate amounts which are equal to the Principal Portions and Interest Portions evidenced by the Series 2014 Certificates and Additional Rent in amounts sufficient to pay Trustee fees and other enumerated expenses. The County is to make monthly payments to the Trustee during the Lease Term. Such payments will be in such amounts as will, together with the amounts deposited in the Contribution Fund (described below) and any investment income transferred to the Lease Payment Account and credited as Base Rent, result in the aggregate annual Base Rent being paid in full on or prior to the Lease Payment Date. See **APPENDIX A - The Lease-Purchase Agreement.**

The amounts to be deposited in the Contribution Fund consist of certain moneys to be paid to the Trustee by the City and the County pursuant to the Cooperative Agreement among the City, the County and the Port Authority (the "Cooperative Agreement"). Providing the conditions precedent under the Cooperative Agreement are met, those moneys held on deposit by the Trustee in the Contribution Fund are to be credited against Base Rent in accordance with the Trust Agreement. See **PLAN OF FINANCE – Deposits to Contribution Fund** and **APPENDIX A - The Trust Agreement.**

The Operating Reserve Account of the Operations and Improvement Fund held by the Trustee under the Trust Agreement will be initially funded with a deposit of $4,750,000 after the opening of the Hotel, representing the Manager's contribution to the Hotel project. Thereafter, the Operating Reserve Account of the Operations and Improvement Fund will be funded from time to time by the deposit of net Hotel revenues, after payment of amounts due to the County and the Manager. See **MANAGER AND MANAGEMENT AGREEMENT** and **APPENDIX A – The Trust Agreement**. If on any Payment Date the aggregate amount in the Lease Payment Account of the Certificate Fund is less than the Certificate Payments due and payable on that Payment Date, the Trustee will transfer from the Operating Reserve Account to the Lease Payment Account of the Certificate Fund an amount sufficient to make up such deficiency, provided that only amounts on deposit in the Operating Reserve Account in excess of twenty five percent (25%) of the Operating Expenses in the Operating Budget applicable to such Operating Year will be available to make such transfer. See **APPENDIX A - The Trust Agreement.**

The Lease provides that the County's obligation to pay the Lease Payments during a Lease Term is absolute and unconditional, subject to and dependent upon annual appropriations by the County to pay Lease Payments and certification by the Fiscal Officer as to the availability of funds from appropriations to make Lease Payments. During each Lease Term, Lease Payments are payable without any right of set-off or counterclaim regardless of any contingencies. The County's obligation to pay Lease Payments during each Lease Term will continue until all Lease Payments and all other amounts due under the Lease have been paid, unless sooner terminated in accordance with the provisions of the Lease. See **CERTIFICATE HOLDERS' RISKS - Risks Associated with Nonappropriation of Lease Payments** and **SECURITY FOR THE CERTIFICATES - Nonappropriation; Effect on Tax Status.**

The payments of Base Rent evidenced by the Certificates cannot be accelerated under the Lease or the Trust Agreement.

The renewal of the Lease and the County's obligation to pay Lease Payments are subject to and dependent upon annual appropriations by the County sufficient to pay Lease Payments and certification by the Fiscal Officer as to the availability of funds from those appropriations to make Lease Payments. The County's obligation to pay Lease Payments does not constitute a debt of the County within the meaning of any constitutional or statutory limitation. Payments with respect to the Certificates will be made solely from amounts derived under the terms of the Lease, including the Lease Payments, and amounts from time to time on deposit under the terms of the Trust Agreement.

BASE RENT SCHEDULE

If the Lease is renewed annually for each Lease Term, the Lease requires that the Base Rent be paid on the dates and in the amounts set forth in Appendix E hereto, and the Trust Agreement provides that such amounts be deposited in, or credited to, the Lease Payment Account of the Certificate Fund and applied to pay amounts due with respect to the Certificates. See **APPENDIX A - The Trust Agreement.** The aggregate annual Base Rent is as follows:

	Base Rent		
Lease Term ending December 31	Principal Component	Interest Component	Total Annual Base Rent
2014		5,565,329.34	5,565,329.34
2015		11,008,343.76	11,008,343.76
2016		11,008,343.76	11,008,343.76
2017	9,300,000.00	11,008,343.76	20,308,343.76
2018	10,200,000.00	10,543,343.76	20,743,343.76
2019	10,700,000.00	10,033,343.76	20,733,343.76
2020	11,250,000.00	9,498,343.76	20,748,343.76
2021	11,800,000.00	8,935,843.76	20,735,843.76
2022	12,400,000.00	8,345,843.76	20,745,843.76
2023	13,015,000.00	7,725,843.76	20,740,843.76
2024	13,675,000.00	7,075,093.76	20,750,093.76
2025	14,350,000.00	6,391,343.76	20,741,343.76
2026	15,075,000.00	5,673,843.76	20,748,843.76
2027	15,825,000.00	4,920,093.76	20,745,093.76
2028	16,600,000.00	4,128,843.76	20,728,843.76
2029	3,300,000.00	3,298,843.76	6,598,843.76
2030	3,450,000.00	3,133,843.76	6,583,843.76
2031	3,575,000.00	3,004,468.76	6,579,468.76
2032	3,720,000.00	2,870,406.26	6,590,406.26
2033	3,875,000.00	2,708,906.67	6,583,906.26
2034	4,025,000.00	2,553,906.26	6,578,906.26
2035	4,200,000.00	2,392,906.26	6,592,906.26
2036	4,575,000.00	2,210,406.26	6,785,406.26
2037	4,775,000.00	2,011,406.26	6,786,406.26
2038	4,975,000.00	1,802,500.26	6,777,500.00
2039	5,200,000.00	1,584,843.76	6,784,843.76
2040	5,650,000.00	1,357,343.76	7,007,343.76
2041	5,900,000.00	1,110,156.26	7,010,156.26
2042	6,150,000.00	852,031.26	7,002,031.26
2043	6,425,000.00	582,968.76	7,007,968.76
2044	6,900,000.00	301,875.00	7,201,875.00

SECURITY FOR THE CERTIFICATES

General

Each Series 2014 Certificate evidences a proportionate interest in Base Rent to be paid by the County to the Trustee under the Lease. See **THE SERIES 2014 CERTIFICATES - General Provisions** herein.

All moneys and investments held by the Trustee under the Trust Agreement (except moneys and investments in the Rebate Fund) are irrevocably held in trust for the benefit of the Certificate Holders and the County, as their interests appear, and for the purposes specified in the Trust Agreement. Such money, and any income or interest earned thereon, will be expended only as provided in the Trust Agreement and will not be subject to levy or attachment by lien by or for the benefit of any creditor of the Trustee, the County, the Port Authority or any Holder.

Under the terms of the Lease, the County is obligated during each Lease Term to pay on each Lease Payment Date an amount which, when combined with moneys in the Contribution Fund and any investment income transferred to the Lease Payment Account, as provided in the Trust Agreement, will equal the Lease Payment then due. The Lease Payment due on each Lease Payment Date equals the sum of (i) the Base Rent set forth in Appendix E hereto (equal to the aggregate amount of the Principal Portion and the Interest Portion evidenced by the Certificates becoming payable on the ensuing payment date), plus (ii) any Additional Rent constituting fees or expenses or other obligations that the County has sufficient notice will be due and owing to enable the County to make provision for their payment in the appropriation resolution appropriating funds for Lease Payments due on such date. The Lease Term consists of an Initial Term (May 29, 2014 through December 31, 2014) and each subsequent 12-month Renewal Term (January 1 to December 31) for which appropriation and certification of funds has been made in accordance with the provisions of the Lease. See **APPENDIX A - The Lease-Purchase Agreement.**

The renewal of the Lease beyond a current Lease Term and the County's obligations to pay Lease Payments and any other obligations of the County under the Lease are subject to and dependent upon annual appropriations of funds to make Lease Payments and to pay such other obligations and certification by the Fiscal Officer as to the availability of funds from those appropriations for such purposes. If the County Council does not make an appropriation of money sufficient to pay Lease Payments in any succeeding Lease Term or the Fiscal Officer does not certify as to the availability of the funds appropriated, the Lease will terminate subject to reinstatement as herein described, and the County is required to vacate and return possession of the Leased Property to the Trustee, all in accordance with and subject to the terms of the Lease and the Trust Agreement. In that event, the Trustee would be entitled to exercise all available remedies. See **SECURITY FOR THE CERTIFICATES - Nonappropriation; Effect on Tax Status, CERTIFICATE HOLDERS' RISKS** and **APPENDIX A - The Lease-Purchase Agreement.**

Nonappropriation; Effect on Tax Status

The Lease provides that the renewal of the Lease and the obligation of the County to make Lease Payments is subject to annual appropriation by the County Council and certification by the Fiscal Officer as to the availability of funds from those appropriations for such purpose. Such obligation is a current expense of the County, payable exclusively from appropriated money, and is not an indebtedness of the County. If the Council fails to appropriate money to pay Lease Payments or the Fiscal Officer fails to certify the availability of funds, then the County is relieved of any subsequent obligation under the Lease. The Fiscal Officer agrees in the Lease to do all things lawfully within his power to obtain and maintain funds to pay Lease Payments including requesting provision for such payments in the appropriation resolution before County Council, but the Lease acknowledges that appropriating County money is a legislative act performed by Council.

If prior to the beginning of any Renewal Term, sufficient funds have not been appropriated for the purpose of paying the Lease Payments scheduled to be paid during that ensuing Renewal Term in accordance with the Lease or if the Fiscal Officer fails to certify the availability of funds (see **APPENDIX A - The Lease-Purchase Agreement**), the Lease will terminate on such last day of the then current Lease Term; provided, however, that if by January 30 of the next Fiscal Year an Appropriation and Certification is made that would have caused the Lease to have continued in effect if the Appropriation had been made prior to the date of termination, then the Lease will be reinstated and deemed renewed as of the day following the date of such termination.

In the event the Lease is terminated due to nonappropriation or failure to certify without reinstatement, the County is under no obligation to make any future Lease Payments. Under such circumstances the Trustee will have all legal and equitable rights and remedies to take possession of the Leased Property, subject to a non-disturbance agreement with the Manager.

In addition, upon termination of the Lease due to nonappropriation of funds or failure to certify without reinstatement and upon the occurrence and continuance of an Event of Default, the Trustee may, subject in all events to the provisions of the Trust Agreement, use any amounts available in the Project Fund, the Certificate Fund and the Contribution Fund, and amounts in Operating Reserve Account of the Operations and Improvement Fund in excess of twenty five percent (25%) of the Operating Expenses in the Operating Budget applicable to such Operating Year, to make the Certificate Payments and to pay expenses that it may incur in carrying out its responsibilities under the Certificate Documents.

Special Counsel expresses no opinion as to treatment for federal income tax purposes or for Ohio state and local income tax purposes of money received by the owners of Series 2014 Certificates following termination of the Lease as a consequence of an event of nonappropriation of funds and/or failure to certify the availability of funds.

The enforceability of the Lease and the Trust Agreement is subject to bankruptcy laws and other laws affecting creditor's rights and to the exercise of judicial discretion. See **CERTIFICATE HOLDERS' RISKS - Risks Associated with Enforceability of Remedies.** The Leased Property will remain subject to the Management Agreement even in the event the Lease is not renewed or is otherwise terminated (see **MANAGER AND MANAGEMENT AGREEMENT**). Therefore, it should not be assumed that the remedies available to the Trustee with respect to taking possession of the Leased Property will provide additional money to pay the Series 2014 Certificates.

Before taking certain actions under the Certificate Documents, the Trustee may require that a satisfactory indemnity or indemnity bond or other assurance be furnished to it by the Certificate Holders for the reimbursement of all expenses that it may incur and to protect it against all liability by reason of any action so taken, except liability that is adjudicated to have resulted from its negligence or willful misconduct. The Trustee may take action without that indemnity, and in that case the Trustee will be entitled to reimbursement for Ordinary Expenses and reasonable Extraordinary Expenses as provided for in the Lease and for those expenses it incurs in carrying out its responsibilities under the Certificate Documents.

Additional Certificates

So long as the Lease remains in effect, the County may direct the Trustee to sign and deliver Additional Certificates from time to time to provide funds to pay costs of the Project Facilities not paid with the proceeds of the Series 2014 Certificates, to pay the costs of refunding outstanding Certificates or to pay the costs of making any modifications or improvements to the Leased Property as the County deems necessary or desirable; provided, however, that if an Event of Default under the Trust Agreement or an event of nonappropriation or failure to certify under the Lease has occurred and is continuing, no Additional Certificates will be signed and delivered by the Trustee.

Defeasance

The Series 2014 Certificates are subject to defeasance and may be paid, or provision for their payment may be made, from money or specified investment securities provided by the County in connection with the County's exercise of its option to purchase the Hotel prior to the maturity of all Series 2014 Certificates or the advance refunding of the Series 2014 Certificates. See **APPENDIX A - The Trust Agreement.**

THE HOTEL

Cooperative Support for Hotel

In support of the Hotel project and other projects to enhance public spaces and the connectivity of public spaces in downtown Cleveland, the County, the City of Cleveland (the "City") and the Port Authority entered into a Cooperative Agreement dated December 17, 2013. Pursuant to the Cooperative Agreement, each party agreed to participate in activities in support of the Hotel project, including, an $8 million contribution from the City and the contributions of certain excise taxes from the County and the City and payments in lieu of taxes related to the Hotel from the City. See **PLAN OF FINANCE – Deposits to Contribution Fund**.

Project Facilities

The Hotel will be located in downtown Cleveland on the site of the former County administration building. The Hotel is immediately adjacent to the Convention Center and will have underground access to the convention center facilities. It will consist of approximately 575,000 square feet over thirty-two floors with approximately 600 guest rooms. The Hotel also will feature ballrooms, meeting rooms, an indoor pool and fitness center, along with a restaurant, bar and retail facilities available to Hotel guests and the general public.

The Hotel will be designed and constructed using the bridging design-build method of project delivery. The Bridging Consultant for the Hotel is Cooper Carry, Inc. The Bridging Consultant has prepared the schematic design and design development documents for the Hotel. The Guaranteed Maximum Price ("GMP") construction contract has been finalized between the County and the Design-Builder. Upon that occurrence, the Bridging Consultant became the County's representative to ensure that the construction documents and construction of the Hotel comply with the design intent expressed in the design development documents.

The Design-Builder for the Hotel is Turner/Ozanne/VAA a Joint Venture. The Design-Builder has a contract with the County and is responsible to the County for the completion of the construction drawings and the construction of the Hotel. The Architect-of-Record for the Hotel is VOA Associates Inc. The Architect-of-Record has a contract with the Design-Builder and is responsible to the Design-Builder for completing the construction documents and ensuring that they meet the design intent expressed in the design-development documents.

To protect against development costs of the Hotel exceeding amounts included in the approved Hotel development budget, the Design-Builder will provide the County with the following: (i) a GMP for the work; (ii) a completion guaranty from the Design-Builder to the County that is backed up by liquidated damages for late completion; and (iii) a corporate guaranty from Turner Construction Company's parent corporation, Turner Corporation. The Design-Builder will be responsible for any cost overruns in excess of the GMP for the work. Further, included in the Hotel construction budget is a 6% construction contingency (within the GMP), an additional 4% design contingency, a 5% County development cost contingency, builder's risk insurance covering 100% replacement value plus delay in completion insurance, a Contractor Controlled Insurance Program including employer's liability coverage, general liability coverage, excess liability coverage of over $200,000,000 in the aggregate, and contractor pollution liability; also, subcontractor default insurance and liquidated damages to be paid to the County upon late completion.

The Hotel is scheduled to open to the public on or about June 1, 2016.

PLAN OF FINANCE

General

On November 26, 2013, County Council adopted Resolution No. R2013-0245 authorizing the County to enter into the Cooperative Agreement. See **APPENDIX A – The Cooperative Agreement**. In furtherance of those cooperative activities and in order to finance the Hotel project, County Council adopted Resolution No. R2014-0090 on April 22, 2014, which resolution authorized the County to acquire the Leased Property by a lease transaction with the Port Authority and approving the issuance and sale by the Trustee, as assignee of certain of the Port Authority's rights under the Lease, of certificates of participation in the County's rent payments to fund the construction of the Hotel. Additional legislation was adopted on April 22, 2014 approving the Management Agreement and authorizing the County to enter into an agreement with the general contractor for a guaranteed maximum price.

Sources and Uses of Funds

The current estimate of the sources and uses of funds for the Hotel follows. Sources from the sale of the Series 2014 Certificates are net of the underwriters' discount, and other issuance expenses.

<u>Estimated Sources of Funds</u>

Net Certificate Proceeds	$230,885,000
Original Issue Premium Deposit to Certificate Fund	23,812,000
County Cash Contribution	51,788,000
City of Cleveland Cash Contribution	8,000,000
Hilton Cash Contribution	4,750,000
Total Sources	$319,235,200

Estimated Uses of Funds

Estimated Cost to Complete Hotel Development	$272,253,000
Additional County Design Contingency	4,000,000
Interest During Construction	23,812,200
Pre-opening Operating Costs and Taxes	8,770,000
Operating Reserve Account	4,750,000
Other Reserves	5,650,000
Total Uses	$319,235,200

Deposits to Contribution Fund

City Contributions

In addition to the City contribution of $8 million identified in **PLAN OF FINANCE - Sources and Uses of Funds** above, the City has agreed in the Cooperative Agreement to support the Hotel project by contributing the amount of payments in lieu taxes that is payable to the City from the Hotel property (i.e. the amount the City would receive following statutory payments to the Cleveland Metropolitan School District) (the "City PILOT Contribution"). The City further has agreed under the Cooperative Agreement that the County, after collecting those payments in lieu of taxes, and delivering the required amounts to the Cleveland Metropolitan School District, may deliver the City PILOT Contribution directly to the Trustee.

The City levies an excise tax on transactions by which lodging by a hotel is or is to be furnished to transient guests within the City (the "City Bed Tax"). The City has agreed under the Cooperative Agreement to deliver to the Trustee on a semi-annual basis, the amount of the City Bed Tax it receives from the Hotel from the date of its first collection through the maturity date of the Series 2014 Certificates. The City Bed Tax Contribution is subject to annual appropriation by the City.

County Bed Tax Contribution

The County levies an excise tax on transactions by which lodging by a hotel is or is to be furnished to transient guests within the County (the "County Bed Tax"). The County has agreed under the Cooperative Agreement to deliver to the Trustee the amount of the County Bed Tax it receives from the Hotel for use in paying a portion of the Certificate Payments.

Use of Deposits to Contribution Fund

The City PILOT Contribution, the City Bed Tax Contribution and the County Bed Tax Contribution will be deposited in the Contribution Fund. Amounts deposited in the Contribution Fund will be transferred to the Lease Payment Account of the Certificate Fund on each November 16 to be credited as lease payments and will be used for paying a portion of the Certificate Payments.

Deposits to Net Revenues Fund

There will be deposited in the Net Revenues Fund on a quarterly basis, all amounts received by the Trustee from the Manager pursuant to the terms of the Management Agreement (each as defined below). The Trustee will disburse those amounts in the following order of priority: first, amounts will be transferred to the Certificate Fund in an amount equal to certain amounts payable to the County (the "Owner's Priority Payment") for each operating year, plus any previously unpaid amounts of the Owner's Priority Payment; second, amounts will be transferred to the FF&E Account of the Operations and

Improvement Fund as required by the Management Agreement; third, amounts will be transferred to a fund established for payment of the Manager's subordinate management Fee under the Management Agreement; and fourth, any remaining amounts will be transferred to the Operating Reserve Account of the Operations and Improvement Fund.

MANAGER AND MANAGEMENT AGREEMENT

Manager

The Hotel will be managed by Hilton Management LLC, a Delaware limited liability company (the "Manager"), under the Hilton brand. The Manager is a wholly-owned subsidiary of Hilton Worldwide Holdings, Inc., a Delaware corporation. Hilton Worldwide Holdings, Inc. is guaranteeing the performance of the Manager's obligations under the Management Agreement. Hilton Worldwide Holdings, Inc. is engaged, together with its subsidiaries, in the ownership, leasing, management, development and franchising of hotels, resorts and timeshare properties. The principal executive offices for Hilton Worldwide Holdings, Inc. (NYSE:HLT) are located at 7930 Jones Branch Drive, Suite 1100, McLean, Virginia 22102.

Management Agreement

Upon closing of the Series 2014 Certificates, the County and the Manager will enter into a qualified management agreement (the "Management Agreement") to provide for the operation and maintenance of the Hotel. Under the Management Agreement, the Manager will operate the Hotel as a full-service, first-class convention-oriented hotel pursuant to the terms of the Management Agreement in exchange for payment of Manager's fees and expenses. After paying operating expenses and other identified costs and expenses, including the Manager's base management fee and Hilton brand service fees, the Manager will deliver net Hotel revenue to the Trustee on a quarterly basis and the Trustee will deposit those revenues, pursuant to the terms of the Trust Agreement, to be used first to provide certain amounts payable to the County (the "Owner's Priority Payment") to fund a portion of the Certificate Payments for each operating year, and then to provide certain amounts for deposit in reserve accounts and to pay the Manager's subordinate management fee. See **APPENDIX A – The Trust Agreement**.

The Management Agreement will be for an initial term of fifteen years. The Management Agreement may be extended for three successive periods of fifteen years upon the written agreement of the Manager and the County.

THE COUNTY

General Introduction

The County is a county and political subdivision of the State of Ohio. It is located in northeastern Ohio, on the southern shore of Lake Erie. For further information regarding the County, see **APPENDIX B – THE COUNTY**.

CERTIFICATE HOLDERS' RISKS

This discussion of risk factors is not, is not intended to be, and cannot be exhaustive; see also **SECURITY FOR THE CERTIFICATES - Nonappropriation; Effect on Tax Status** and **TAX MATTERS**.

Risks Associated with Nonappropriation of Lease Payments

As set forth under **SOURCE OF PAYMENT FOR THE CERTIFICATES,** the Series 2014 Certificates are payable from the Base Rent (including moneys, if any, provided by the County and other moneys held by the Trustee that are credited as Base Rent). Under the Lease, the County's obligation to make the Lease Payments (including the Base Rent) during a Lease Term and to renew the Lease Term are subject to and dependent upon annual appropriations by the County sufficient to pay Lease Payments and certification by the Fiscal Officer as to the availability of the appropriated funds. While the County's Fiscal Officer is required under the Lease to include in the annual budget requests to the County Council sufficient money for the County to make Lease Payments, there is no assurance that a County Council will approve such budget appropriations. The failure of the County to make annual appropriations for Lease Payments or the failure of the Fiscal Officer certify available funds would cause the Lease to terminate as of the end of its current annual Lease Term, requiring the County to vacate and return the Leased Property to the Trustee.

The Management Agreement is not, nor is it intended to be, the primary source of money for the County to meet its obligations under the Lease, nor is the Leased Property intended to be a source of substantial revenue for the County. The Owner's Priority Payment to be received by the County from the Manager under the Management Agreement will not be sufficient for the County to meet its Lease Payment obligations under the Lease. If the Lease were to terminate, the only sources of payment for the Certificates would be (i) moneys in the Project Fund, the Certificate Fund, the Net Revenues Fund, the Operations and Improvement Fund and the Contribution Fund to the extent available for such payments under the Trust Agreement and (ii) rent or other moneys received by the Trustee from the reletting of the Leased Property. Termination of the Lease does not result in a termination of the Management Agreement. A reletting or sale of the Project Facilities by the Trustee is subject to the right of quiet enjoyment of the Manager under the Management Agreement. Since the total of the expected Owner's Priority Payment and the amounts deposited in the Contribution Fund is substantially less than the Base Rent to be paid by the County under the Lease, the encumbrance of the Management Agreement would be expected to impact the value which a third party would pay to the Trustee to lease or otherwise purchase the Leased Property. There is no assurance, therefore, that the Trustee could replace the County with a tenant who would lease the Project Facilities for a rental on terms as favorable as those agreed to by the County, or that the Trustee could sell the Project Facilities for the remaining amount of principal of and interest due on the Certificates.

A termination of the Lease would allow the Trustee to redeem the Series 2014 Certificates under the special redemption provisions of the Trust Agreement. The Trustee, however, has no obligation under the Trust Agreement to call for a special redemption of Certificates. Holders have no right to accelerate the maturities of the Series 2014 Certificates in the event of a nonrenewal of the Lease Term due to nonappropriation of Lease Payments by the County or failure to certify. Certificate holders, including holders of Series 2014 Certificates, might be left without an adequate remedy in such an event.

Special Counsel is expressing no opinion as to the treatment for federal income tax purposes or for Ohio state and local income tax purposes of money received by holders of Series 2014 Certificates following a termination of the Lease as a consequence of an event of nonappropriation. Each Holder should carefully examine the tax implications of such an event. See **TAX MATTERS.**

Risks Associated with Enforceability of Remedies

Enforcement of remedies under the Certificate Documents may be limited or restricted by laws relating to bankruptcy, insolvency, reorganization, moratorium on rights of creditors and by application of general principles of equity. The enforceability of the liens under the Trust Agreement and the Lease may be subject to subordination or priority of claims in certain instances other than bankruptcy proceedings. Examples of possible limitations on enforceability and a possible subordination of prior claims include (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in exercise of its equitable jurisdiction, (v) claims that might arise with respect to certain property if appropriate financing or continuation statements are not filed in accordance with the Ohio Uniform Commercial Code (the "UCC") from time to time in effect or as a result of the UCC not providing for perfection of a security interest in those elements of Revenues that can be perfected under UCC only by taking possession of such collateral, and (vi) federal bankruptcy laws, including, without limitation, those relating to limitations on the payment of future rentals under leases of real property and those affecting payments made after and within 90 days prior to any institution of bankruptcy proceedings by or against the obligor.

Risks Associated with Moneys to be Provided by the City

The City has agreed to contribute the City PILOT Contribution and has further agreed that the County may forward such amounts directly to the Trustee. The amount to be received from the City PILOT Contribution will be dependent on the assessed value assigned to the Hotel. There is no guaranty as to what value the County Fiscal Office will assign to the Hotel. The City also has agreed to contribute the City Bed Tax Contribution from the date of its first collection through the maturity date of the Series 2014 Certificates. The City agreement to make the City Bed Tax Contribution is subject to and dependent upon annual appropriation by the City. The failure of the County to receive all these funds would require the County to make available other funds in order to provide for the payment of Base Rent. See **PLAN OF FINANCE – Deposits to Contribution Fund.** See also, **APPENDIX A - The Trust Agreement.**

THE PORT AUTHORITY

The Port Authority is a political subdivision and body corporate and politic, duly created and validly existing under the laws of the State of Ohio. The Port Authority was created pursuant to Section 4582.02 of the Ohio Revised Code and by a 1968 joint agreement of the County and the City, to own, lease and operate real property, issue bonds and create or preserve jobs and employment opportunities and improve the economic welfare of the Greater Cleveland area among other powers under Sections 4582.01-4582.20 of the Ohio Revised Code The Port Authority conducts its activities through a Board of Directors composed of nine members appointed by the City and the County and a staff, headed by a President & CEO, which is responsible for day-to-day operations of the Port Authority.

The Port Authority is organized into two operating groups, Maritime and Real Estate and Development Finance. The Real Estate and Development Finance group manages and monitors the financial affairs and construction and development of various economic development projects throughout Greater Cleveland and will oversee the Port Authority's involvement in the Hotel.

THE TRUSTEE

The Trustee, U.S. Bank National Association, is a national banking association organized and existing under and by virtue of the laws of the United States of America and duly authorized to exercise corporate trust powers under the laws of the State of Ohio. The Trustee is a member of the Federal Reserve System and FDIC. The Trustee serves as the trustee for various revenue bond issues of the County's and serves as a depository bank for various County funds and accounts, including accounts for the Convention Center.

The Trustee will, prior to the occurrence of an Event of Default and after the cure of any Events of Default that may have occurred, undertake to perform only such duties as are specifically set forth in the Trust Agreement. At the time of an Event of Default and during its continuation, the Trustee will exercise the rights and powers vested in the Trustee by the Trust Agreement and is to use the same degree of care and skill in their exercise as a prudent corporate trustee would exercise or use under the circumstances in the conduct of its own affairs.

INDEPENDENT AUDITORS

The general purpose financial statements of the County, for the year ended December 31, 2012, included in this Offering Circular as **APPENDIX C**, have been audited by the State of Ohio Office of the Auditor under authority granted by Ohio law.

FINANCIAL ADVISOR

PRISM Municipal Advisors, LLC (the "Financial Advisor") is serving as the financial advisor to the County in connection with the issuance and sale of the Series 2014 Certificates. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Offering Circular.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated, on behalf of itself and the underwriters named in the Certificate Purchase Agreement (the "Underwriters"), has agreed to purchase the Series 2014 Certificates at an aggregate purchase price of $255,841,367.75 (111.251947% of the principal amount thereof), and to offer the Series 2014 Certificates to the public at an initial public reoffering price of $256,864,057.75, resulting in a gross underwriting spread, including certain expenses, of $1,022,690.00. The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2014 Certificates to the public. The Underwriters may offer and sell Series 2014 Certificates to certain dealers (including dealer banks and dealers depositing Series 2014 Certificates into investment trusts) and others at prices lower than the public offering prices stated on the cover of this Offering Circular. Such initial public offering prices may be changed from time to time by the Underwriters.

The obligation of the Underwriters to accept delivery of the Series 2014 Certificates is subject to various conditions of the agreement between the Trustee and the Underwriters. The Underwriters are obligated to purchase all of the Series 2014 Certificates if any of such Series 2014 Certificates are purchased.

Loop Capital Markets LLC ("LCM"), one of the Underwriters of the Bonds, has entered into distribution agreements (each a "Distribution Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Deutsche Bank Securities Inc. ("DBS") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement, each of UBSFS and DBS will purchase Bonds from LCM at the original issue prices less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the

Certificates, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Certificates. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Certificates. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Certificates. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

RATINGS

Moody's Investors Service and Standard and Poor's Ratings Services have assigned their municipal bond ratings of Aa3 and AA-, respectively, to the Series 2014 Certificates. No application for a rating has been made by the County to any other rating service.

The ratings reflect only the respective views of the rating services, and any explanation of the meaning or significance of the ratings may only be obtained from the respective rating service. The County furnished to each rating service certain information and materials, some of which may not have been included in this Offering Circular, relating to the Series 2014 Certificates and the County. Generally, rating services base their ratings on such information and materials and on their own investigation, studies and assumptions.

There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating service if in its judgment circumstances warrant. Any lowering or withdrawal of a rating may have an adverse effect on the marketability or market price of the Series 2014 Certificates.

The County expects to furnish the rating services with information and materials that may be requested. However, the County assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. Failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the Series 2014 Certificates.

ABSENCE OF LITIGATION

To the knowledge of appropriate officials of the Port Authority, the Trustee and the County, no litigation or administrative action or proceeding is pending or threatened, contesting or questioning the proceedings or authority under which the Lease was authorized or the validity of the Lease. To the knowledge of the Trustee, no litigation or administrative action or proceeding is pending or threatened concerning the issuance, validity or delivery of the Series 2014 Certificates. To the knowledge of the Port Authority and the Trustee, no litigation or administrative action or proceeding is pending or threatened concerning the validity of the Trust Agreement or the Assignment. To the knowledge of the County and the Port Authority, no litigation or administrative action or proceeding is pending or threatened concerning the validity or enforceability of the Cooperative Agreement. Certifications to such effect will be delivered at the time of the original delivery of the Series 2014 Certificates.

The County is a party to various legal proceedings seeking damages or injunctive or other relief generally incidental to its operations. Such proceedings are unrelated to the Lease, and their ultimate disposition is not now determinable. It is the opinion of the County's Director of Law, based on his present understanding and knowledge of such proceedings, that their disposition, in the aggregate, will not result in liability of the County in an amount which, in the opinion of the County's Fiscal Officer, would have a material adverse effect on the Lease.

LEGAL MATTERS

Legal matters incident to the signing and delivery of the Series 2014 Certificates and with regard to the tax-exempt status of the interest portion of the Base Rent payments with respect thereto (see **TAX MATTERS** herein) are subject to the legal opinion of Squire Sanders (US) LLP, whose legal services as Special Counsel have been retained by the City. The signed legal opinion, dated and premised on law in effect as of the date of original delivery of the Series 2014 Certificates, will be delivered to the Underwriters at the time of original delivery.

The proposed text of the legal opinion is set forth as **APPENDIX D**. The legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Offering Circular or otherwise shall create no implication that Special Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date.

While Special Counsel has participated in the preparation of portions of this Offering Circular, it has not been engaged to confirm or verify, and expresses and will express no opinion as to, the accuracy, completeness or fairness of any statements in this Offering Circular, or in any other reports, financial information, offering or disclosure documents or other information pertaining to the County or the Certifications that may be prepared or made available by the County, the Underwriters or others to the Holders of the Series 2014 Certificates.

In addition to rendering the legal opinion, Special Counsel will assist in the preparation of and advise the County concerning documents for the Series 2014 Certificate transcript.

The County has also retained the legal service of Squire Sanders (US) LLP from time to time as special counsel in connection with matters that do not relate to certificates of participation or County bonds or notes.

Certain legal matters will be passed upon for the County by its Director of Law, for the Underwriters by Roetzel & Andress, A Legal Professional Association, for the Port Authority by Climaco, Wilcox, Peca, Tarantino & Garofoli Co., L.P.A.

TAX MATTERS

In the opinion of Squire Sanders (US) LLP, Special Counsel to the County, under existing law: (i) the portion of the Base Rent paid as interest under the Lease is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) the interest portion of the Base Rent, and any profit made on the sale, exchange or other disposition of, the Series 2014 Certificates are exempt from exempt from all Ohio state and local taxation, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax. Under certain circumstances, interest paid for periods following termination of the Lease by nonappropriation and/or failure to certify the availability of funds to make Lease Payments may not be excluded from gross income for federal income tax purposes. Special Counsel will express no opinion on the federal income tax or Ohio state or local income tax treatment of amounts paid to owners of the Series 2014 Certificates in the event of termination of the Lease by nonappropriation and/or failure to certify the availability of funds to make Lease Payments or as to any other tax consequences regarding the Series 2014 Certificates. See also **SECURITY FOR THE CERTIFICATES - Nonappropriation; Effect on Tax Status**.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the County contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the interest portion of the Base Rent paid under the Lease is and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Special Counsel will not independently verify the accuracy of the County's certifications and representations or the continuing compliance with the County's covenants.

The opinion of Special Counsel is based on current legal authority and cover certain matters not directly addressed by such authority. It represents Special Counsel's legal judgment as to exclusion of the interest portion of the Base Rent from gross income for federal income tax purposes but are not guaranties of that conclusion. The opinion is not binding on the Internal Revenue Service (IRS) or any court. Special Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the County may cause loss of such status and result in the interest portion of the Base Rent being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2014 Certificates. The County has covenanted to take the actions required of it for the interest portion of the Base Rent to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. Notwithstanding the foregoing, in the event of termination of the Lease by nonappropriation and/or failure to certify the availability of funds to make Lease Payments, use of the Leased Property in a manner that would cause the Lease to constitute a "private activity bond" under Section 141 of the Code may cause the interest portion of the Base Rent to be included in gross income for federal income tax purposes, retroactively to the date of delivery. After the date of issuance of the Series 2014 Certificates, Special Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Special Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of the interest portion of the Base Rent or the market value of the Series 2014 Certificates.

A portion of the interest portion of the Base Rent earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, the interest portion of the Base Rent may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2014 Certificates. Special Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2014 Certificates, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2014 Certificates. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2014 Certificates will not have an adverse effect on the tax status of interest or other income on the Series 2014 Certificates or the market value or marketability of the Series 2014 Certificates. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of the interest portion of the Base Rent paid under the Lease from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, both the American Jobs Act of 2011 proposed by President Obama on September 12, 2011, and introduced into the Senate on September 13, 2011, and the federal budget for fiscal year 2013 as proposed by President Obama on February 13, 2012, contain provisions that could, among other things, result in additional federal income tax for tax years beginning after 2012 on taxpayers that own tax-exempt obligations, including the Series 2014 Certificates, if they have incomes above certain thresholds. Additionally, in connection with the current federal budget situation (the so-called "fiscal cliff") other tax reform proposals have been put forth by various legislators and other groups that would eliminate, reduce or otherwise alter the tax benefits currently provided to certain owners of state and local government Series 2014 Certificates. Although all pending bills expire at the end of the Congress in which they were introduced, similar or alternative revenue-raising proposals may be introduced in the current Congress.

Prospective purchasers of the Series 2014 Certificates should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Series 2014 Certificates at other than their original issuance at the respective prices indicated on the inside cover of this Offering Circular should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Special Counsel expresses no opinion.

Special Counsel's engagement with respect to the Series 2014 Certificates ends with the issuance of the Series 2014 Certificates, and, unless separately engaged, Special Counsel is not obligated to defend the County or the owners of the Series 2014 Certificates regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2014 Certificates, under current IRS procedures, the IRS will treat the County as the taxpayer and the beneficial owners of the Series 2014 Certificates will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2014 Certificates for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Series 2014 Certificates.

Original Issue Discount and Original Issue Premium

Certain of the Series 2014 Certificates ("Discount Certificates") as indicated on the cover of this Offering Circular were offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Certificate. The issue price of a Discount Certificate is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Certificates of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Certificate over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Certificate (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Series 2014 Certificates, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Certificate. The amount of OID that accrues each year to a corporate owner of a Discount Certificate is taken into account in computing the corporation's liability for federal alternative minimum tax. A purchaser of a Discount Certificate in the initial public offering at the price for that Discount Certificate stated on the cover of this Offering Circular who holds that Discount Certificate to maturity will realize no gain or loss upon the retirement of that Discount Certificate.

Certain of the Series 2014 Certificates ("Premium Certificates") as indicated on the cover of this Offering Circular were offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Certificate, based on the yield to maturity of that Premium Certificate (or, in the case of a Premium Certificate callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Certificate), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Certificate. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Certificate, the owner's tax basis in the Premium Certificate is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Certificate for an amount equal to or less than the amount paid by the owner for that Premium Certificate. A purchaser of a Premium Certificate in the initial public offering at the price for that Premium Certificate stated on the cover of this Offering Circular who holds that Premium Certificate to maturity (or, in the case of a callable Premium Certificate, to its earlier call date that results in the lowest yield on that Premium Certificate) will realize no gain or loss upon the retirement of that Premium Certificate.

Owners of Discount and Premium Certificates should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium Certificates and as to other federal tax consequences and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

CONTINUING DISCLOSURE

The County has agreed, for the benefit of the holders and Beneficial Owners from time to time of the Series 2014 Certificates, in accordance with SEC Rule 15c2-12 (the "Rule"), to provide or cause to be provided to the Municipal Securities Rulemaking Board such annual financial information and operating data, audited financial statements and notices of the occurrence of certain events in such manner as may be required for purposes of the Rule (the "Continuing Disclosure Agreement"). See **Appendix G** for the proposed form of the Continuing Disclosure Agreement. The foregoing information, data and notices can be obtained from W. Christopher Murray II, Interim Director, Office of Budget and Management, Reserve Square, 1701 E. 12th Street, Lower Level, Cleveland, Ohio 44114. (telephone 216-443-7448; email cmurray@cuyahogacounty.us).

The performance by the County of the Continuing Disclosure Agreement will be subject to the annual appropriation by the County of any funds that may be necessary to perform it. The Continuing Disclosure Agreement will remain in effect only for such period that the Series 2014 Certificates are outstanding in accordance with their terms and the County remains an obligated person with respect to the Series 2014 Certificates within the meaning of the Rule.

In connection with its prior issuance of obligations, the County entered into agreements to provide certain annual financial information and operating data, audited financial statements and notices of the occurrence of certain events for purposes of the Rule. In the past five years, the County's only failure to comply with those agreements occurred in 2012 with respect to information regarding Fiscal Year 2011. In 2012, the County failed to timely file the information because certain agreements required the inclusion of the County's audited and unaudited basic financial statements to be filed by the 270th day of 2012 and those financial statements were not completed by that date.

It has come to the attention of the County that CUSIP numbers for certain of the County's outstanding bonds, as well as the Development Revenue Bonds, Series 2013 (Administrative Headquarters Project) (Cuyahoga County, Ohio, Lessee) issued by the Cleveland-Cuyahoga County Port Authority for which the County is an "obligated person" within the meaning of the Rule, were not associated with all of the County's prior continuing disclosure filings. The County has rectified the omission (of the association of CUSIP numbers) with its filings for the past five years.

The County has instituted procedures to ensure future compliance with all its prior agreements for purposes of the Rule.

CONCLUDING STATEMENT

To the extent that any statements made in this Offering Circular involve matters of opinion, forecasts or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of those statements have been or will be realized. Information in this Offering Circular has been derived by the County from official and other sources and is believed by the County to be accurate and reliable. Information other than that obtained from official records of the County has not been independently confirmed or verified by the County and its accuracy is not guaranteed. So far as any statements made in this Offering Circular involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. Information pertaining to the County of Cuyahoga contained in this Offering Circular, including Appendices B and C hereto, has been furnished by officials of the County. Such information is unaudited (unless otherwise indicated) and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters or the Trustee.

The foregoing references to and summaries or descriptions of provisions of the Resolution, the Series 2014 Certificates, the Lease, the Trust Agreement, the Assignment and the Cooperative Agreement and all references to other documents and materials not stated to be quoted in full are only brief outlines of some of the provisions thereof, do not purport to summarize or describe all of the provisions thereof, and are qualified in their entirety by reference to the complete provisions of the documents and other materials summarized or described. Copies of the Lease, the Trust Agreement, the Assignment and the Cooperative Agreement may be obtained during the offering period upon request directed to the Underwriters.

Neither this Offering Circular nor any statements that may have been or that may be made orally or in writing is to be construed as a contract with the purchasers of the Series 2014 Certificates.

This Offering Circular has been prepared and delivered by the County and executed for and on behalf of the County by its officials identified below.

COUNTY OF CUYAHOGA, OHIO

By: /s/ Edward FitzGerald
County Executive

And By: /s/ Mark A. Parks, Jr., CPA
County Fiscal Officer

[This Page Is Intentionally Left Blank.]

APPENDIX A

DESCRIPTION OF DOCUMENTS

DEFINITIONS

The following descriptions of provisions of the documents are only brief outlines of some of the provisions thereof, and do not purport to summarize or describe all of the provisions thereof. Reference is made to the Lease, the Assignment, and the Trust Agreement relating to the Certificates. The following terms are used in the documents and have the meanings given below unless the context clearly requires otherwise.

"**Additional Certificates**" means Certificates that may be signed and delivered pursuant to the Trust Agreement.

"**Additional Rent**" means any amounts denominated as such in the Lease.

"**Appropriation**" means the designating out of the general resources of the County of a certain amount for a particular purpose in an ordinance or resolution enacted or adopted by the Council of the County.

"**Assignment**" means the Assignment of Rights Under Lease-Purchase Agreement dated as of May 1, 2014, from the Port Authority to the Trustee, as supplemented from time to time.

"**Authorized Denomination**" means, as to Series 2014 Certificates, $5,000 or any integral multiple thereof.

"**Authorized County Official**" means the Fiscal Officer of the County or any other official of the County designated in writing by such Fiscal Officer as an "Authorized Officer" pursuant to the Lease to act on behalf of the County.

"**Available Money**" means amounts on deposit in the Operating Reserve Account of the Operations and Improvement Fund in excess of twenty-five percent (25%) of the Hotel operating expenses in the Approved Budget applicable to such Operating Year.

"**Base Rent**" means the payments, including the principal and interest component of those payments, designated as Base Rent in Exhibit B to the Lease.

"**Book-entry form**" or "**book entry system**" means, with respect to the Series 2014 Certificates, a form or system, as applicable, under which (i) the ownership of beneficial interests in Series 2014 Certificates and Certificate Payments may be transferred only through a book-entry and (ii) physical Series 2014 Certificates in fully registered form are registered only in the name of a Depository or its nominee as Holder, with the physical Series 2014 Certificates "immobilized" in the custody of the Depository. The book-entry system is maintained by and is the responsibility of the Depository and not the Port Authority or the Trustee. The book-entry is the record that identifies, and records the transfer of the interests of, the owners of beneficial (book-entry) interests in the Series 2014 Certificates.

"**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in the Cleveland, Ohio are authorized by law or executive order to close, (iii) any day on which the Federal Reserve Bank of Cleveland is closed or (iv) a day on which the Depository is closed.

"**Certificate Fund**" means the Certificate Fund established under the Trust Agreement and held by the Trustee.

"**Certificate Payments**" means, for any period or payable at any time, the principal of and interest and any premium on the Certificates for that period or payable at that time whether due at maturity or pursuant to or upon redemption or otherwise.

"**Certificates**" means the Series 2014 Certificates, and any Additional Certificates issued subsequent to the issuance of the Series 2014 Certificates.

"**Certified/Certification**" means the certification by the Fiscal Officer of the County that the money required for the payment of a particular contract, agreement or other obligation is in the treasury of the County or in the process of collection to the credit of the fund from which it is to be drawn and not appropriated for any other purpose.

"**City**" means the City of Cleveland, Ohio.

"**City Bed Tax**" means the excise tax on transactions by which lodging by a hotel is or is to be furnished to transient guests within the City levied by the City pursuant to Section 193 of the Codified Ordinances of the City.

"**City Bed Tax Contribution**" means the amount received by the City from the City Bed Tax levied on the Leased Property and delivered by the City to the Trustee pursuant to the terms of the Cooperative Agreement.

"**City Cooperative Contribution**" means the City's $8 million contribution in support of the construction of the Project Facilities, to be delivered to the Trustee pursuant to the terms of the Cooperative Agreement.

"**City PILOT Contribution**" means the City PILOT Receipts delivered to the Trustee pursuant to the terms of the Cooperative Agreement.

"**City PILOT Receipts**" means amounts paid or payable to the City from the payments in lieu of taxes attributable to the Leased Property.

"**Closing Date**" means, as to the Series 2014 Certificates, May 29, 2014, being the date of initial delivery of the Series 2014 Certificates to the Depository or its agent and of payment of the purchase price for the Series 2014 Certificates by the original purchaser.

"**Code**" means the Internal Revenue Code of 1986, as amended from time to time; references to the Code and sections thereof include relevant applicable regulations and temporary regulations thereunder and any successor provisions to those sections, regulations or temporary regulations.

"**Commencement Date**" means May 29, 2014.

"**Contribution Fund**" means the Contribution Fund established under the Trust Agreement and held by the Trustee.

"**Cooperative Agreement**" means the Cooperative Agreement dated as of December 17, 2013, among the County, the City and the Port Authority.

"**Counsel**" means an attorney or a firm of attorneys admitted to practice law before the highest court of the State.

"**County**" means the County of Cuyahoga, Ohio, a body corporate and politic and political subdivision of the State organized and existing under the Charter of Cuyahoga County effective January 1, 2010, as the same may have been amended, supplemented and modified to the effective date hereto

"**County Bed Tax**" means the excise tax on transactions by which lodging by a hotel is or is to be furnished to transient guests within the County levied by the County pursuant to Section 5739.09 of the Ohio Revised Code.

"**County Bed Tax Contribution**" means the amount received by the County from the County Bed Tax levied on the Leased Property and delivered by the County to the Trustee pursuant to the terms of the Cooperative Agreement.

"**County Capital Repair Fund**" means the County Capital Repair Fund established under the Trust Agreement and held by the Trustee.

"**Defeasance Obligations**" means:

(i) direct non-callable obligations of the United States of America (the "Government Obligations"); and

(ii) evidences of ownership of proportionate interests in future interest and principal payments on Government Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Government Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated (collectively, the "U.S. Obligations").

"**Depository**" means The Depository Trust Company (a limited purpose trust company), New York, New York, until any successor Depository shall have become such pursuant to the applicable provisions of the Trust Agreement and, thereafter, "Depository" shall mean the successor Depository. Any Depository shall be a securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of beneficial interests in Certificates or Certificate Payments, and to effect transfer of Certificates, in a book entry form.

"**Electronic Means**" means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by another method set forth in this definition; provided, that for purposes of the Trust Agreement, an e-mail does not constitute a notice, request or other communication hereunder but rather the portable document format or similar attachment attached to such e-mail shall constitute notice, request or other communication under the Trust Agreement.

"**Eligible Investments**" means, to the extent permitted by applicable law:

(1) Direct obligations of the Department of the Treasury of the United States of America.

(2) Obligations of federal agencies that represent the full faith and credit of the United States of America, including the Export-Import Bank, Farm Credit System Financial Assistance Corporation,

Rural Economic Community Development Administration (formerly the Farmers Home Administration), General Services Administration, U.S. Maritime Administration, Government National Mortgage Association ("GNMA"), U.S. Department of Housing & Urban Development ("PHA's"), Federal Housing Administration and Federal Financing Bank.

(3) Direct obligations of the following federal agencies that are not fully guaranteed by the full faith and credit of the United States of America: obligations rated on the date of purchase in the highest long-term rating category by Moody's and S&P issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, obligations of the Resolution Funding Corporation (REF CORP) and senior debt obligations of the Federal Home Loan Bank System.

(4) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks that have a rating on their short term certificates of deposit on the date of purchase in the highest short-term category by any Rating Agency and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank).

(5) Investments in money market funds rated "AAAm" or "AAAmG" or better by S&P, including any such money market funds affiliated with the Trustee.

(6) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations meeting the requirements of 12 CFR Part 0, Sec 9.10(b)).

(7) Commercial paper rated at the time of purchase of the single highest classification "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase.

(8) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; provided that any Pre-refunded Municipal Obligations meeting the requirements of subsection (B) hereof may be used as Permitted Investments only with the prior written approval of S&P.

(9) General obligations of the states of the United States of America with a rating of at least "A2/A" or higher by both Moody's and S&P.

Investments or deposits in certificates of deposit or investment contracts shall not be made without complying with Treasury Regulations Section 1.148-5(d)(6)(ii) and (iii), respectively, or with any successor provisions thereto or other similar applicable provisions. In determining whether the rating assigned by Moody's, Fitch or S&P to an investment complies with the rating categories provided in this definition, the rating category shall be determined without regard to any numerical or plus or minus modifier, unless otherwise expressly provided in this definition.

"**Event of Default**" means an Event of Default under the Lease or the Trust Agreement, as applicable.

"**Extraordinary Services**" and "**Extraordinary Expenses**" mean all services rendered and all reasonable fees and expenses properly incurred by the Trustee, as such and as Registrar and Paying Agent, under the Trust Agreement, including without limitation any claims, losses, damages, penalties and reasonable attorneys' fees and expenses incurred by Trustee hereunder, subject to the provisions of Article VII of the Trust Agreement, other than Ordinary Services and Ordinary Expenses.

"**FF&E Account**" means the FF&E Account of the Operations and Improvement Fund established under the Trust Agreement.

"**Fitch**" means Fitch Investors Service, Inc.

"**Holder**" or "**Owner**" means the Person in whose name a Certificate is registered on the Register.

"**Initial Term**" means the period from the Commencement Date to December 31, 2014, inclusive.

"**Interest Payment Date**" means, as to the Series 2014 Certificates, June 1 and December 1 of each year, commencing December 1, 2014.

"**Issuance Expense Fund**" means the Issuance Expense Fund established under the Trust Agreement.

"**Lease**" the Lease-Purchase Agreement dated as of May 1, 2014 between the Port Authority, as lessor, and the County, as lessee

"**Lease Payment Account**" means the Lease Payment Account of the Certificate Fund established under the Trust Agreement.

"**Lease Payment Date**" means the first Business Day of each of the months of each month during a Lease Term, commencing June 2, 2014.

"**Lease Payments**" means, for each Lease Term, the sum of (i) the Base Rent due during such Lease Term, plus (ii) any Additional Rent for fees or expenses or other obligations that the County has sufficient notice will be due and owing to enable the County to make provision for their payment in the appropriation ordinance appropriating funds for Lease Payments for the applicable Lease Term, being the total lease payment obligation of the County for such Lease Term.

"**Lease Term**" means, individually and not collectively, the Initial Term, each Renewal Term, and any other renewal term during which the terms and conditions of the Lease are in force.

"**Leased Property**" means the Project Site and the Project Facilities as described in the Lease, as revised from time to time in accordance with the terms of the Lease.

“**Lessee**” means the County, as lessee at the time under the Lease.

“**Lessor**” means the Port Authority, as lessor at the time under the Lease.

“**Manager**” means the Manager under the Management Agreement, initially Hilton Management LLC.

“**Management Agreement**” means the Management Agreement between the Manager and the Lessee, dated May 29, 2014, as the same may be amended or modified.

“**Moody’s**” means Moody’s Investors Service, Inc.

“**Net Revenues Fund**” means the Net Revenues Fund established under the Trust Agreement.

“**Opening Date**” means the date on which the Hotel is fully operational with all guest rooms and all other areas of the Hotel having been completed, subject to certain conditions of the Manager.

“**Operating Period**” means the period from the opening date of the Hotel through the termination of the Management Agreement.

“**Operating Reserve Account**” means the Operating Reserve Account of the Operations and Improvement Fund established under the Trust Agreement.

“**Operating Year**” means each calendar year during the Operating Period, except that: (a) the first Operating Year (if not commencing on January 1) shall be the period from the Opening Date through December 31 of such calendar year; and (b) the last Operating Year shall be the period from January 1 of the year in which the Management Agreement is terminated through the date of termination.

“**Operations and Improvement Fund**” means the Operations and Improvement Fund established under the Trust Agreement.

“**Ordinary Services**” and “**Ordinary Expenses**” mean those services normally rendered, and those fees, advances, counsel fees and other expenses normally incurred, by a trustee, registrar or paying agent under instruments similar to the Trust Agreement.

“**Outstanding Certificates**”, “**Certificates outstanding**” or “**outstanding**” as applied to Certificates mean, as of the applicable date, all Certificates that have been signed and delivered, or which are being delivered by the Trustee under the Trust Agreement, except

(a) Certificates canceled upon surrender, exchange or transfer, or canceled because of payment or redemption on or prior to that date;

(b) Certificates, or the portion thereof, for the payment, redemption or purchase for cancellation of which sufficient money has been deposited and credited with the Trustee on or prior to that date for that purpose (whether upon or prior to the maturity date of those Certificates);

(c) Certificates, or the portion thereof, that are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of the Trust Agreement; and

(d) Certificates in lieu of which others have been signed and delivered under Section 3.07 of the Trust Agreement.

"**Paying Agent**" means the Trustee acting in that capacity.

"**Person**" means any natural person, firm, joint venture, association, partnership, limited liability company, business, trust, corporation, public body, agency or political subdivision thereof or any other similar entity.

"**Port Authority**" means the Cleveland-Cuyahoga County Port Authority.

"**Predecessor Certificate**" of any particular Certificate means every previous Certificate evidencing all or a portion of the same obligation as that evidenced by the particular Certificate. For the purposes of this definition, any Certificate signed and delivered under Section 3.06 of the Trust Agreement in lieu of a lost, stolen or destroyed Certificate shall except as otherwise provided in Section 3.06 of the Trust Agreement, be deemed to evidence the same obligation as the lost, stolen or destroyed Certificate.

"**Project Facilities**" means the real property (excluding the Project Site) and personal property described in the Lease, together with any additions, modifications and substitutions thereto.

"**Project Fund**" means the Project Fund by that name established under the Trust Agreement and held by the Trustee.

"**Project Site**" means the real estate upon which the Project Facilities are to be constructed as described in the Lease.

"**Purchase Date**" means any date on or after June 1, 2017 on which the County may purchase the Leased Property by payment of the applicable Purchase Price to the Port Authority.

"**Purchase Price**" means, as of any Purchase Date, an amount equal to (i) all Lease Payments (excluding any Base Rent) due on such Purchase Date, plus (ii) an amount equal to any then unpaid Base Rent due and payable on or prior to the Purchase Date, plus (iii) an amount equal to the sum of (1) 100% of the principal component of the Base Rent due during the period from the Purchase Date through the first Business Day of December 2044, plus (2) interest on those principal components through the date of redemption of the Series 2014 Certificates.

"**Rating Agency**" means each nationally recognized securities rating agency then maintaining a rating on the Series 2014 Certificates at the request of the County, and initially means Moody's and S&P.

"**Rebate Fund**" means the Rebate Fund established under the Trust Agreement and held by the Trustee.

"**Redemption Account**" means the account by that name established under the Trust Agreement as an account within the Certificate Fund.

"**Register**" means the books kept and maintained by the Registrar for registration and transfer of Certificates, pursuant to the Trust Agreement.

"**Registrar**" means the Trustee acting in that capacity, as a transfer agent registered in accordance with Section 17A(c) of the Securities Exchange Act of 1934.

"**Renewal Term**" means, individually and not collectively, the Renewal Terms designated in the Lease.

"**Required Property Insurance Coverage**" means comprehensive general accident and public liability insurance of the type generally carried by owners and operators of hotels similar to the Leased Property and consistent with the usage thereof, including amounts as to which the County is a self-insurer.

"**Required Public Liability Insurance Coverage**" means comprehensive general accident and public liability insurance, including amounts as to which the County is a self-insurer.

"**Revenues**" means (a) the Base Rent, (b) all other moneys received or to be received by the Trustee under the Lease, including without limitation, all income or other money realized from the lease, sale or other disposition of the Leased Property, (c) any moneys and investments in the Project Fund to the extent provided in Section 5.01 and in the Certificate Fund (including the Lease Payment Account and the Redemption Account) and any moneys in the Contribution Fund, (d) any Available Money in the Operating Reserve Account of the Operations and Improvement Fund, to the extent available, and (e) all income and profit from the investment of the foregoing moneys; provided, however, that any investment income required under the Code to be rebated to the United States shall not be, and shall not be deemed to be, Revenues and the Holders shall have no claim or interest in that income. Amounts in the Rebate Fund shall not be included in the Revenues assigned to the Trustee for the benefit of the Holders of the Certificates.

"**S&P**" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"**Series 2014 Certificates**" means the Certificates of Participation, Series 2014 (Convention Hotel Project), Evidencing the Proportionate Interests in Base Rent to be Paid by the County of Cuyahoga, Ohio dated the Closing Date and issued pursuant to the Trust Agreement.

"**Special Counsel**" means an independent attorney or firm of attorneys admitted to practice law before the highest court of the State and nationally recognized as municipal bond counsel.

"**State**" means the State of Ohio.

"**Subject To Appropriation**" means subject to the County's making Appropriations.

"**Supplemental Agreement**" means any agreement supplemental to the Trust Agreement.

"**Tax Opinion**" means the opinion of Special Counsel selected by the County, to the effect that the action or event referred to will not result in the interest payable on the Certificates becoming subject to federal income taxation.

"**Termination Date**" means, as to the Lease, with respect to any Lease Term the Termination Date set forth in Section 6(b) of the Lease.

"**Trust Agreement**" means the Trust Agreement dated as of May 1, 2014 between the Port Authority and the Trustee, as the same may be amended or supplemented from time to time in accordance with its terms.

"**Trust Estate**" means the right, title and interest of the Port Authority in and to (i) the Revenues, and (ii) the Lease (except the Unassigned Rights), granted to the Trustee pursuant to the granting clauses of the Trust Agreement.

"**Trustee**" means U.S. Bank National Association, or any successor Trustee that may become the Trustee pursuant to the applicable provisions of the Trust Agreement.

"**Unassigned Rights**" means the Unassigned Rights of the Port Authority set forth in the Assignment.

THE LEASE-PURCHASE AGREEMENT

General

The Lease contains the terms and conditions under which the Leased Property has been and will be leased to the County for the Lease Term. The Leased Property is comprised of the Project Facilities and the Project Site. The County is financing the acquisition of the Leased Property by lease-purchase pursuant to the terms of the Lease. The Port Authority, by the Trust Agreement and the Assignment, will assign to the Trustee all its rights, title and interest in and to the Lease and the Leased Property (except for the Unassigned Rights pertaining to the Lease) described in **The Assignment** below.

Lease Term; Renewals, Termination

The initial Lease Term will commence on the Commencement Date of the Lease and will expire on December 31, 2014, subject to renewal as provided under the Lease. The Lease may be renewed under the provisions of the Lease for up to thirty (30) consecutive Renewal Terms of one year each commencing on January 1 and terminating on December 31. The final Renewal Term will terminate on December 31, 2044. The Lease may be renewed in accordance with the following:

(a) In order to exercise its right of renewal for a Renewal Term, the County, on or prior to the tenth day of the calendar year immediately following the Termination Date of the then current Lease Term, will appropriate sufficient funds which, when included with those moneys transferred to the Lease Payment Account of the Certificate Fund from the Contribution Fund, will enable it to pay all of the Lease Payments due during the Renewal Term immediately succeeding such Termination Date. The County will affirmatively include in the County's annual operating budget a line item supporting that Appropriation of funds for paying such Lease Payments.

There will be no partial renewal of the Lease and the County will not be deemed to have exercised its right of renewal if it appropriates insufficient funds to pay all of the Lease Payments due during the applicable Renewal Term. Such Appropriation will constitute the County's exercise of its right to renew the Lease for that Renewal Term. As evidence of the County's exercise of its right of renewal of the Lease for that Renewal Term, the County will, on or prior to January 15 of the Fiscal Year immediately following the Termination Date of the immediately preceding Lease Term, deliver to the Trustee (i) a certified copy of the appropriation ordinance, (ii) an excerpt of the actual operating budget supporting that Appropriation and (iii) a statement of the Fiscal Officer certifying that the County has appropriated sufficient funds to enable the County to pay all of the Lease Payments due during the applicable Renewal Term.

(b) If a Lease Term terminates without a renewal of the Lease for a succeeding Renewal Term pursuant to paragraph (a) above and if within 30 days after the applicable

Termination Date the County appropriates sufficient funds which, when included with those moneys to the Lease Payment Account of the Certificate Fund as described in paragraph (a) above, will enable it to pay all the Lease Payments due during that Fiscal Year, then the Lease will be reinstated and deemed renewed as of the day following the Termination Date of the preceding Lease Term and any payments of Lease Payments that would have been due and payable had the Lease been renewed on the first day of the Renewal Term will be paid on the date of reinstatement.

(c) The County will endeavor to give the Trustee 120 days prior written notice of its intent not to renew the Lease, but failure to do so will not constitute an Event of Default under the Lease and will not impair its right of renewal thereunder.

(d) The County intends and reasonably believes that legally available funds in an amount sufficient (together with moneys in the Contribution Fund) to make all Lease Payments during each Lease Term can be appropriated and obtained. In that regard, the County in the Lease represents that the Leased Property and the County's use of the Leased Property is essential to the economic development and the well-being of the County. Further, the County through its Fiscal Officer, intends to do all things lawfully within that officer's power to obtain and maintain funds from which Lease Payments may be made, including requesting provision for such payments to the extent necessary in each annual budget and in the appropriation ordinance for presentation to the County Council. The County presently intends to renew the Lease through 2044, although such renewal remains Subject To Appropriation by each future Council of the County and Certification by the Fiscal Officer.

The Lease Term with respect to the Leased Property will terminate upon the occurrence of the first of the following events:

(i) the termination of the Lease prior to December 31, 2044, as a result of the Lessee not exercising its right to renew the Lease in accordance with the Lease;

(ii) the Trustee's election to terminate the Lease pursuant to the remedial provisions of the lease upon the occurrence of an Event of Default; or

(iii) the payment or deemed payment, by defeasance pursuant to the Lease, by the County of all Lease Payments and all other amounts authorized or required to be paid by the County under the Lease.

Lease Payments

During each Lease Term and Subject To Appropriation and Certification, the County will pay to the Trustee or such other Person as specified below, the Lease Payments, including the Base Rent for such Lease Payment Date as set forth in the schedule attached as Exhibit B to the Lease as amended, supplemented or replaced as provided for in the Lease (and included herein in **APPENDIX E - Base Rent Schedule**) and the Additional Rent described below; provided that credit will be given for amounts on deposit in the Lease Payment Account.

Except as described in the following sentence, the obligation of the County to make Lease Payments and all other amounts required to be paid by the County under the Lease and to perform its obligations under the Lease will be absolute and unconditional and will not be subject to abatement, set-off, defense, recoupment or counterclaim. The obligations of the County under the Lease are Subject To Appropriation and Certification for such purposes. The obligations of the County under the Lease, including the obligation to pay the Lease Payments in any Lease Term for which the Lease is in effect, will constitute a current expense of the County for such Lease Term and will not constitute a general obligation indebtedness of the County within the meaning of the Constitution and laws of the State.

Lease Payments will be payable in immediately available funds to the Port Authority at the designated office of the Trustee or at such other place as the Port Authority may from time to time designate in writing. The Trustee will apply the amount received first to payment of the interest component of the respective Base Rent payment and second to the payment of the principal component of the respective Base Rent payment. Moneys on deposit in the Lease Payment Account will be credited against the Base Rent due on that Lease Payment Date.

Additional Rent

The County will pay to the Port Authority, if and whenever applicable, the following amounts as Additional Rent:

(a) amounts set forth in an invoice from the Trustee delivered pursuant to the terms governing the Rebate Fund in the Trust Agreement. See **The Trust Agreement - *Rebate Fund*** below;

(b) the fees of the Trustee under the Trust Agreement and Ordinary Expenses and Extraordinary Expenses, and Financing Costs relating to Certificates;

(c) taxes and other governmental charges as provided under the Lease;

(d) any premium due for insurance as required under the Lease; and

(e) all costs of maintenance and repair required by the Lease.

The County's obligation to pay Additional Rent in each Lease Term is Subject To Appropriation and Certification. If Appropriations are not made or Certification is not performed for payment of all or any part of that Additional Rent, the Port Authority has the right, but not the obligation, to pay or advance the amount of such Additional Rent. If the Port Authority advances any amount of Additional Rent, the County will, Subject To Appropriation and Certification, repay the Port Authority with interest and according to the schedule established in the Lease. If the Port Authority pays or advances such Additional Rent and is repaid (with interest as required) as provided in the Lease, the Lease will not be deemed terminated as a result of such nonpayment of Additional Rent.

Prepayment and Purchase Option

Provided that no Event of Default or imminent Event of Default exists and upon proper notification, the County has the right to purchase the Port Authority's right, title and interest in the Leased Property on a Purchase Date by paying to the Port Authority all Lease Payments then due, together with the applicable Purchase Price relating to that Purchase Date. The County will pay to the Port Authority such amount at least thirty (30) days prior to the applicable Purchase Date.

Title

The Port Authority will retain title to the Leased Property during the Lease Term. The Port Authority and the County will agree that the Lease or any other appropriate documents will be filed or recorded in the appropriate places to evidence the parties' respective interests in the Leased Property and the Lease. The rights and interest of the Port Authority in those documents have been and will be assigned to the Trustee except the Unassigned Rights pertaining to the Lease.

The Leased Property will become the property of the County and title to the Leased Property will pass to the County in accordance with the Lease terms without further cost, upon the County's exercise of the applicable purchase option granted in the Lease; provided that the County will be deemed to have exercised that option without any further act or notice on its part upon the payment in full of all applicable Lease Payments, by the County, as they shall have come due in accordance with the Lease, so long as there shall be no Event of Default in existence at that time.

Modifications, Maintenance and Improvements

The County, at its expense but Subject To Appropriation and Certification, will keep or cause to be kept the Leased Property in good order and condition (ordinary wear and tear excepted), and make, or cause to be made, all necessary, proper or appropriate repairs, replacements and renewals thereof, interior, exterior, structural and nonstructural, ordinary and extraordinary, foreseen and unforeseen. The Port Authority agrees, however, that during the Lease Term and for the applicable period of time designated in the Lease after termination of the Lease, it will not impair the County's ability to operate or maintain the Leased Property in sound operating condition.

The County, at its discretion and at its expense, may make any additions, modifications or improvements to the Project Facilities that it deems desirable for the purposes of the Project Facilities, provided that (i) no such additions, modifications or improvements will adversely affect the structural integrity of the Project Facilities, and (ii) the undertaking and completion of such addition, modification and improvement will not cause the aggregate value of the Project Facilities to be reduced below the value of the Project Facilities immediately prior to the undertaking and completion of any such addition, modification and improvement. All additions, modifications and improvements so made to the Project Facilities by the County will become and be deemed to constitute a part of the Project Facilities.

Personal Property

Any personal property included in the Project Facilities is and will remain personal property of the acquiring party under all circumstances. The County may from time to time, in its discretion and at its expense, install the County's own personal property as an addition to the Project Facilities, in or upon the Leased Property. All such items so installed by the County will remain the sole property of the County and will not be deemed part of the Leased Property. The County may, at any time, remove from the Leased Property any such personal property. If any such removal causes damage to any portion of the Leased Property, the County will restore the same or repair such damage at its expense. The County may permit the Manager under the Management Agreement to install and remove its or their own personal property under the terms and conditions set forth in the Management Agreement

Substitutions and Removals

(a) If the County, in its reasonable discretion, determines that any item of personal property constituting a part of the Project Facilities has become inadequate, obsolete, worn-out, unsuitable, undesirable, or unnecessary or should be replaced, the County may remove such item, provided that such removal (taking into account any substitutions) will not impair the operative unity of the Project Facilities and will not damage the Project Facilities, and provided further that the County will:

(i) substitute and install other items of property having an equal or greater utility and value (but not necessarily the same property function in the operation of the Project Facilities) as the removed property; or

(ii) in the case of removal of property without substitution, promptly pay to the Port Authority for application as provided in the Trust Agreement an amount equal to: (1) if the removed property is sold or scrapped, the proceeds of such sale or the scrap value; (2) if the removed property is used as a trade- in, credit received by the County; or (3) in the case of the retention of such removed property by the County for other purposes, the fair market value of such property.

(b) The County shall promptly report to the Port Authority each such removal, substitution, sale or other disposition. In addition, the County shall pay to the Port Authority such amounts as are required by the provisions of the preceding subparagraph (a)(ii) to be paid to the Port Authority promptly after the sale, trade-in or other disposition requiring such payment. However, no such report or payment need be made until the amount to be paid to the Port Authority on account of all such sales, trade-ins or the dispositions not previously paid aggregates at least $250,000 in each Fiscal Year.

(c) Notwithstanding any other provisions of the Lease, individual items of personal property included in the Project Facilities that have a value in excess of $250,000 will not be removed from the Project Facilities in any one Fiscal Year without the Port Authority's prior written consent, which consent will not be unreasonably withheld unless such property will be replaced. Personal property valued at less than $250,000 may be removed from the Project Facilities without the Port Authority's consent whether or not such property will be replaced.

(d) No removal of personal property under the Lease will adversely affect the County's obligation to make Lease Payments.

Insurance

The County agrees to keep the Leased Property continuously insured during each Lease Term with Required Property Insurance Coverage in the amount not less than the greater of (i) 100% of the replacement cost of the Project Facilities, or (ii) the then outstanding principal amount of the Certificates plus any amounts owed to the Manager under the Management Agreement from the proceeds of property insurance in the event of damage or destruction of the Project Facilities. Insurance may be obtained with any loss deductible commonly used by the County. The County may self-insure to the extent required to cover any loss deductible under such casualty insurance.

The County will during each Lease Term cause the Manager under the Management Agreement to keep and maintain Required Public Liability Insurance Coverage with reference to the entire facility, including the Leased Property that shall include the County and the Port Authority as additional insureds.

Any insurance will be obtained and maintained by means of policies with nationally recognized responsible insurance companies or in conjunction with other companies through an insurance trust or other arrangements. Each policy of insurance will be written so as not to be subject to cancellation or substantial modification upon less than forty-five days' advance written notice to the Port Authority. The County will deposit with the Trustee certificates or other evidence satisfactory to the Trustee that the insurance required by the Lease has been obtained and is in full force and effect and that all premiums on the insurance have been paid in full.

All insurance policies providing the Required Property Insurance Coverage will contain standard mortgage clauses, will be in amounts and with deductibles generally maintained nationally for such type of property and will name the Trustee as an additional loss payee. All settlements resulting from any claim for loss or damage shall be adjusted with the County and made payable to the County subject to the provisions of the Lease. Any proceeds of policies providing Required Public Liability Insurance Coverage will be applied toward the extinguishment or satisfaction of the liability with respect to which such insurance proceeds have been paid and any excess will be retained by the County.

All insurance policies providing the Required Property Insurance Coverage will be obtained from insurance companies with a rating not lower than "A" from A.M. Best, will contain standard mortgage clauses, shall be in amounts and with deductibles generally maintained nationally for such type of property and shall name the Trustee and the Port Authority as additional loss payees. All settlements resulting from any claim for loss or damage shall be adjusted with the Lessee and made payable to the Lessee subject to the provisions hereof. Any proceeds of policies providing Required Public Liability Insurance Coverage shall be applied toward the extinguishment or satisfaction of the liability with respect to which such insurance proceeds have been paid and any excess shall be retained by the Lessee.

Risk of Loss, Indemnification

The County assumes all risk of loss of or damage to the Leased Property. No loss of or damage to, or appropriation by governmental authorities of, or defect in or unfitness or obsolescence of, the Leased Property will relieve the County of the obligation to make Lease Payments during a Lease Term or to perform any other obligation under the Lease.

To the extent permitted by law and Subject To Appropriation and Certification, the County will indemnify the Port Authority and the Trustee against any claims, losses, damages, penalties, actions and expenses (including reasonable attorneys' fees) in any case in which the County, its agents or employees are liable to a claimant arising with respect to the possession, use or operation by the County of the Leased Property during a Lease Term.

Eminent Domain

If title to or the temporary use of the Leased Property is taken under the exercise of the power of eminent domain, the County will promptly notify the Port Authority and describe the nature and extent of such taking. No exercise of eminent domain by the County to take the Leased Property will relieve Lessee of its obligations to make Lease Payments during the Lease Term. Any net proceeds received from any eminent domain award that are not used to acquire replacement property constituting part of the Leased Property will, if received prior to the end of the Lease Term, be paid to the Trustee and applied to the payment of Certificates in accordance with the Trust Agreement and any excess will be disbursed by the Trustee to satisfy any claims to such Net Proceeds under the Management Agreement..

Assignments

The County may not without the written consent of the Trustee: (i) assign, transfer, pledge, hypothecate or grant any security interest in or otherwise dispose of the Lease, or the Leased Property (without replacement or substitution as provided in the Lease) or any interest in the Lease or the Leased Property, or (ii) sublease the Leased Property or permit it to be operated by anyone other than the County, the County's employees or persons authorized by the County in connection with the County's operation and maintenance of the Leased Property, except as provided in the Management Agreement. Except pursuant to the Trust Agreement and the Assignment, the Port Authority may not assign or grant a security interest in its interest in the Lease or the Leased Property without the County's prior written consent.

Defaults and Remedies

The following are Events of Default under the Lease.

(a) The County's failure to pay any Lease Payment as it becomes due in accordance with the terms of the Lease, if the failure is not cured by the earlier of (i) 90 days after the Lease Payment Date or (ii) 15 days before the next Interest Payment Date relating to the Series 2014 Certificates; or

(b) The County's failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under the Lease, except as provided in the Lease, if the failure is not cured or steps satisfactory to the Port Authority are not taken to cure the failure within 30 days after written notice of the failure to the County by the Port Authority, unless the Port Authority agrees to an extension of time to cure.

Notwithstanding the foregoing, if, by reason of Force Majeure, the County is unable to perform or observe any agreement, terms or condition of the Lease, other than its obligation to make Lease Payments, the County will not be deemed in default during the continuance of such inability. However, the County is required to promptly give notice to the Port Authority of the existence of any event of Force Majeure and to use its best efforts to eliminate or mitigate the effects thereof.

Upon the occurrence and continuance of an Event of Default, the Port Authority may, pursuant to the Lease, exercise any one or more of the following remedies:

(a) by written notice to the County, terminate the Lease and direct the County to (and the County agrees that it will), at the County's expense, promptly return possession of the Leased Property to the Port Authority, or, as to the County's personal property included in the Project Facilities, and at the Port Authority's option, enter upon the Leased Property and take immediate possession of and remove any or all of such personal property;

(b) sell or lease the Port Authority's interest in the Leased Property or sublease the Leased Property for the account of the County pursuant to the terms of the Lease, holding the County liable for all applicable Lease Payments and other payments due during the then-current Fiscal Year to the effective date of such sale, lease or sublease and for the difference between the purchase price, rental and other amounts paid by the purchaser, County or sublessee pursuant to such sale, lease or sublease and the amounts payable during the then-current Fiscal Year by the County under the Lease; and

(c) exercise any other right, remedy or privilege that may be available to it under the applicable laws of the State or any other applicable law or proceed by appropriate court action to enforce the terms of the Lease or to recover damages for the breach of the Lease or to rescind the Lease as to the Leased Property.

The County's foregoing payment obligations are Subject To Appropriation and Certification.

Amendments to Lease

Except as provided elsewhere in the Lease and the Trust Agreement, the Lease may not be modified, amended, altered or changed except with the written consent of the County, the Port Authority, and of the Certificate Holders as provided for in the Trust Agreement. See **The Trust Agreement - Amendments to Lease** below.

THE ASSIGNMENT

The Assignment will be entered into between the Port Authority as assignor and the Trustee as assignee, in its capacity as Trustee pursuant to the Trust Agreement between the Port Authority and the Trustee, its successors and assigns. Under the Assignment, the Port Authority will assign to the Trustee all its rights and interest under the Lease, except the Unassigned Rights. The Unassigned Rights consist of the rights of the Port Authority to receive Additional Rent; to be held harmless and indemnified to the extent permitted by law; to be reimbursed, to the extent permitted by law, for attorneys' fees and expenses, to receive notice, and to enforce those rights.

The Port Authority will authorize and direct the County, or any other or future lessees under the Lease or other users of a portion of the premises leased by the County, to recognize the Trustee upon its entry upon and taking possession of the Leased Property as lessor under the Lease. By accepting the Assignment, the Trustee assumes no obligation, except as Lessor by assignment as set forth in Section 10.01(e) of the Trust Agreement, or liability of any kind in connection with the Lease. Unless provided otherwise in the Trust Agreement, the County will be permitted to possess, use and enjoy the Leased Property to enable it to observe and perform its covenants, agreements and obligations under the Lease.

The Assignment continues in effect for the term of the Lease including any extension or renewal thereof.

THE TRUST AGREEMENT

Security Interest

In order to secure the payment of the Certificates and the performance of the obligations contained in the Trust Agreement, the Port Authority has granted in the Trust Agreement, to the Trustee a security interest in all its right, title and interest under the Lease in and to (i) the Revenues, and (ii) the Lease (except the Unassigned Rights pertaining to the Lease).

Project Fund

The Trust Agreement establishes a Project Fund as a separate deposit account in the custody of the Trustee consisting of a Certificate Proceeds Account and a Cash Proceeds Account. Except with respect to Pre-Opening Expenses, any disbursement from the Project Fund will be made first from the Certificate Proceeds Account. Upon depletion of the Certificate Proceeds Account, any disbursement from the Project Fund will be made from the Cash Proceeds Account. Money in the Project Fund will be disbursed in accordance with the provisions of the Trust Agreement and the Lease. All Project Costs relating to the original execution and delivery of the Certificates will be paid from the Project Fund upon submission of statements by the County and approval by the Trustee. All other disbursements from the Project Fund will be made by the Trustee upon receipt of a requisition requesting disbursement approved by an Authorized County Officer in substantially the form of the Disbursement Request set forth in the Trust Agreement or as otherwise required under the Trust Agreement.

Net Revenues Fund

The Trust Agreement establishes a Net Revenues Fund as a separate deposit account in the custody of the Trustee. There will be deposited in the Net Revenues Fund on a quarterly basis all amounts received by the Trustee from the Manager pursuant to the terms of the Management Agreement. Those amounts will be disbursed by the Trustee in the following order: *first*, there will be transferred to the Lease Payment Account of the Certificate Fund an amount equal to the Owner's Priority Payment for such Operating Year; *second*, there will be transferred to the FF&E Account of the Operations and Improvement Fund an amount equal to the scheduled FF&E deposit under the Management Agreement for the Operating Year; *third*, there will be transferred to the Subordinate Management Fee Fund, an amount equal to the scheduled Subordinate Management Fee to be paid under the Management Agreement; provided, however, if in any calendar quarter the amount deposited pursuant to this clause third is be less than the amount equal to the scheduled Subordinate Management Fee to be paid for such Operating Year, plus any unpaid amount from any previous Operating Year, such deficiency will be added to the amount required to be transferred pursuant to this clause third in the immediately succeeding quarter; and *fourth*, any remaining amounts will be transferred to the Operating Reserve Account of the Operations and Improvement Fund.

Certificate Fund

The Trust Agreement created the Certificate Fund as a separate deposit account in the custody of the Trustee consisting of a Lease Payment Account and a Redemption Account. There will be deposited in the Lease Payment Account amounts transferred from the Net Revenues Fund representing the Owner's Priority Payment. There also will be deposited in the Certificate Fund (and credited, as required by the Trust Agreement or the Lease, to appropriate Accounts therein) the Lease Payments to be made by the County to the Trustee under the terms of the Lease and the Assignment and amounts transferred from the Contribution Fund to be credited as Lease Payments, any amounts transferred from the Operating Reserve Account of the Operations and Improvement Fund pursuant to Section 5.04(d)(3) of the Trust Agreement and any amounts transferred from the Project Fund pursuant to Sections 5.02(e) and 5.03 of the Trust Agreement. The Certificate Fund (and the Accounts therein) and the moneys and Eligible Investments therein will be used solely and exclusively for the payment of Certificate Payments as they become due, except as otherwise provided in the Trust Agreement. The Trustee will transmit to itself as Paying Agent from moneys in the Certificate Fund, amounts sufficient to make timely payments of Certificate Payments. Certificate Payments, except to the extent paid from proceeds of the Certificates representing accrued interest, will be payable as they become due in the following order: (i) in the first instance from (A) moneys transferred from the Contribution Fund to the Lease Payment Account, (B) the Lease Payments to be made directly by the County to the Trustee pursuant to the terms of the Lease and Assignment and to be deposited in the Lease Payment Account in the Certificate Fund and (C) any amounts transferred to the Lease Payment Account in accordance with Section 5.02(f) of the Trust Agreement, (ii) if those Lease Payments are not made or if moneys then on deposit in the Certificate Fund, and available for that purpose, are not sufficient to pay the Certificate Payments, from Available Money on deposit in the Operating Reserve Account of the Operations and Improvement Fund, (iii) if those Lease Payments are not made or if moneys then on deposit and available for that purpose in the Certificate Fund and the Operating Reserve Account of the Operations and Improvement Fund are not sufficient to pay the Certificate Payments, then from other Revenues to the extent then available, and (iv) from any other source lawfully available to the Trustee, including, without limitation, proceeds from the lease, sale or liquidation of the Leased Property in accordance with the Lease. Payments of Base Rent under the Lease, proceeds of insurance, if any, or condemnation and all other money derived from the Lease, sale, sublease or other disposition of the Leased Property, and such other amounts as may be paid to the Trustee as assignee of the Port Authority pursuant to the Lease and to the Assignment will be immediately deposited by the Trustee in the Lease Payment Account.

On any applicable Interest Payment Date, the Trustee will apply amounts in the Redemption Account to redeem the Certificates pursuant to optional redemption provisions of the Trust Agreement. Upon the occurrence and continuance of an Event of Default, the Trustee will apply the money in the Redemption Account in accordance with the provisions of Section 7.05 of the Trust Agreement.

Issuance Expense Fund

The Trust Agreement establishes an Issuance Expense Fund as a separate deposit account in the custody of the Trustee Project Fund as a separate deposit account in the custody of the Trustee. There will be deposited into the Issuance Expense a portion of the proceeds of the Series 2014 Certificates. Except for the payment of the Lease Administration Fee, which will be paid by the Trustee directly to the Port Authority after closing, money in the Issuance Expense Fund will be disbursed by the Trustee upon receipt of a requisition delivered to the Trustee and signed by the Authorized County Officer in the form set forth in the Trust Agreement. Any moneys remaining in the Issuance Expense Fund will be transferred to the Project Fund.

Contribution Fund

The Trust Agreement created the Contribution Fund as a separate deposit account in the custody of the Trustee. There will be deposited in the Contribution Fund and credited, as required by the Trust Agreement and the Cooperative Agreement, to the appropriate accounts therein, the City PILOT Contributions, the City Bed Tax Contributions and the County Bed Tax Contribution.

The City PILOT Contributions received by the Trustee from or on behalf of the City under the Cooperative Agreement will be deposited by the Trustee in the Contribution Fund and held there throughout the Lease Term in which they are received. The City Bed Tax Contributions received by the Trustee from or on behalf of the City under the Cooperative Agreement will be deposited by the Trustee in the Contribution Fund and held there throughout the Lease Term in which they are received. The County Bed Tax Contributions received by the Trustee from or on behalf of the County under the Cooperative Agreement will be deposited by the Trustee in the Contribution Fund and held there throughout the Lease Term in which they are received. Amounts deposited in the Contribution Fund will be transferred to the Lease Payment Account of the Certificate Fund on November 16 of that Lease Term.

Operations and Improvement Fund

The Trust Agreement establishes the Operations and Improvement Fund as a separate deposit account in the custody of the Trustee consisting of a FF&E Account and an Operating Reserve Account. There will be deposited in the Operations and Improvement Fund and credited, as required by the Trust Agreement and the Management Agreement, to the appropriate accounts therein, the amount transferred pursuant to Section 5.04(a)(2) of the Trust Agreement. Following the Opening Date, there will be deposited in the Operating Reserve Account, the amount received by the Trustee from the Manager, representing the financial contribution of the Manager under the Management Agreement.

The FF&E Account and the moneys therein will be used to pay for FF&E as defined and provided in the Management Agreement. All disbursements from the FF&E Account for FF&E expenses shall be made by the Trustee upon receipt of a requisition requesting disbursement in substantially the form of the disbursement request set forth in the Trust Agreement and certifying as to matters set forth therein. The Trustee will promptly honor all requisitions delivered to it so long as no Event of Default under Section 7.01 has occurred and is continuing. Provided that the Trustee relies in good faith upon the requisitions provided for above, it shall have no liability on account of disbursements from the FF&E Account to effect payment of such requisition.

The Operating Reserve Account and the moneys therein will be used (i) to make up any deficiency in the Lease Payment Account, and (ii) to make up for any deficiency in the amounts available to pay Hotel operating expenses, to pay for any FF&E Expenses, to the extent funds are not available in the FF&E Account, or to pay for Capital Expenditures and other costs and expenses as defined and provided in the Management Agreement. Any improvements funded from the Operating Reserve Account shall become part of the Leased Property. The Trustee will cause to be kept and maintained adequate records pertaining to the Operating Reserve Account and all investments and disbursements of money in the Operations and Improvement Fund. All disbursements from the Operating Reserve Account will be made by the Trustee upon receipt of a requisition requesting disbursement in substantially the form of the disbursement request set forth in the Trust Agreement, certifying as to matters set forth therein. The Trustee will promptly honor all requisitions delivered to it so long as no Event of Default under Section 7.01 has occurred and is continuing. Provided that the Trustee relies in good faith upon the requisitions provided for above, it will have no liability on account of disbursements from the Operating Reserve Account to effect payment of such requisition. If on any Payment Date the aggregate amount in the Lease Payment Account of the Certificate Fund is less than the Certificate Payments due and payable on that Payment Date, the Trustee will immediately transfer from the Operating Reserve Account to the Lease Payment Account of the Certificate Fund an amount sufficient to make up such deficiency, provided that the Trustee will transfer to the Lease Payment Account of the Certificate Fund only such amounts in excess of twenty-five percent (25%) of the Hotel operating expenses in the Approved Budget applicable to such Operating Year.

Subordinate Management Fee Fund

The Trust Agreement establishes the Subordinate Management Fee Fund as a separate deposit account in the custody of the Trustee. There will be deposited in the Subordinate Management Fee Fund all amounts to be transferred pursuant to Section 5.04(a)(2) of the Trust Agreement. All disbursements from the Subordinate Management Fee Fund will be made by the Trustee upon receipt of a requisition requesting disbursement in substantially the form of the disbursement request set forth in the Trust Agreement and approved by an Authorized County Officer. Upon expiration or earlier termination of the Management Agreement, all amounts on deposit in the Subordinate Management Fee Fund will be disbursed to the Manager all amounts in respect of the Subordinate Management Fee earned but unpaid; provided, however, if on such date, the amount theretofore deposited in the Subordinate Management Fee Fund exceeds the amount due and payable to the Manager under the Management Agreement, such excess will be transferred to the Operating Reserve Account of the Operations and Improvement Fund.

County Capital Repair Fund

The Trust Agreement establishes the County Capital Repair Fund as a separate deposit account in the custody of the Trustee. There will be deposited in the County Capital Repair Fund any amounts as may be appropriated by the County, from time to time, and delivered to the Trustee with direction to deposit in the County Capital Repair Fund. Amounts in the County Capital Repair Fund are expected to be used to provide for the capital repair needs of the Hotel. Notwithstanding the foregoing, the County may, at its sole option, determine to use amounts in the County Capital Repair Fund to provide for Hotel operating costs or to make Lease Payments. Money in the County Capital Repair Fund will be disbursed to the County, or transferred to the appropriate Fund at the direction of the County, upon the written request of the Authorized County Officer.

Rebate Fund

After the fifth bond year, and every fifth bond year thereafter for each series of Certificates and within five (5) days after the payment in full of all outstanding Certificates of a series, the Trustee is required to furnish information to the County and the County will engage an independent certified public accounting firm or a law firm to calculate the amount of arbitrage earnings (the "Rebate Amount") as of the end of that year or the date of any final payment. If the amount on deposit in the Rebate Fund, which is created by the Trust Agreement and held by the Trustee, is less than the Rebate Amount, the Trustee will transfer from the Project Fund or the County will pay the amount of the deficiency to the Trustee for deposit into the Rebate Fund. If the amount on deposit in the Rebate Fund is in excess of the Rebate Amount, the Trustee will pay the excess to the County. The Trustee is required to use the money in the Rebate Fund to make payment of the Rebate Amount to the United States in accordance with provisions of the Code.

The amounts on deposit in the Rebate Fund will not be part of the Revenues assigned under the Trust Agreement to the Trustee.

Investment of Funds

Any money held in the Net Revenues Fund, the Certificate Fund, the Project Fund, the Rebate Fund, the Contribution Fund, the Operations and Improvement Fund, the Subordinate Management Fee Fund or the County Capital Repair Fund will, at the direction of the County, be invested or reinvested by the Trustee in Eligible Investments.

An investment made from money credited to the Lease Payment Account in the Certificate Fund, the Project Fund, the Rebate Fund, the Contribution Fund, the Operations and Improvement Fund, the Subordinate Management Fee Fund or the County Capital Repair Fund will constitute part of that respective Fund and such respective Fund will be credited with all proceeds of the sale of and income from such investment. Any investment income from moneys credited to the Redemption Account in the Certificate Fund will be transferred to the Lease Payment Account in the Certificate Fund.

Defeasance

When all the Certificate Payments have been paid or provision has been made for such payment of all amounts of Outstanding Certificates and provision has been made for payment of all Lease Payments and other amounts due under the Lease and the Trust Agreement, then the Trust Agreement (except for certain provisions thereof that need to remain operative, such as those relating to the holding of funds for the benefit of particular Holders or for the County) will cease, determine and become null and void, and the covenants, agreements and other obligations of the Trustee thereunder will be released, discharged and satisfied. Thereupon, the Trustee will release the Trust Agreement and sign and deliver such instruments in writing as will be required to evidence such release and discharge as may be reasonably required or requested. The Trustee will transfer and deliver to the Port Authority any property in its possession that is, at that time, subject to the assignment to the Trustee under the Trust Agreement, the lien of the Trust Agreement, except amounts remaining in the Certificate Fund that are required pursuant to the Trust Agreement to be paid to the County, held by the Trustee or otherwise for payment of Certificate Payments.

All or any part of the outstanding Certificates will be deemed to have been paid and discharged within the meaning of the Trust Agreement if the Trustee has received, in trust for and irrevocably committed thereto, Defeasance Obligations that are certified by an independent public accounting firm to be of such maturities or redemption dates and payment dates and to bear such interest, as will be sufficient together with moneys held by the Trustee, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom together with a Tax Opinion, for the payment of all Certificate Payments on those Certificates, at their maturity or redemption dates, including all payments, if any, due but not paid as a result of a default in payment.

Additional Certificates

So long as the Lease remains in effect, the Trust Agreement permits the issuance of Additional Certificates secured by payments of Base Rent on a parity basis with other series of Certificates issued and outstanding under the Trust Agreement to provide funds to pay any one or more of the following: (i) the costs of the Project Facilities not paid with the proceeds of Certificates (including the refunding of obligations issued for the purpose); (ii) the costs of refunding outstanding Certificates; (iii) and the costs of making any modifications or improvements to the Leased Property as the County as lessee may deem necessary or desirable.

The issuance of Additional Obligations is subject to certain conditions precedent, including the receipt of certain documentation that may be required in connection with the issuance of the Additional Certificates, including appropriate opinions of counsel regarding compliance with the requirements under the Trust Agreement, enforceability of any supplements or amendments to the Lease, and a Tax Opinion that the Additional Certificates will not affect the tax exempt status of any outstanding Certificates.

Events of Default

The following are Events of Default under the Trust Agreement:

(a) Payment of any principal of or interest evidenced by any Certificate or any premium thereon is not made when and as that principal or interest becomes due and payable, whether at stated maturity or by redemption;

(b) The occurrence and continuance of an Event of Default as defined in the Lease (see **The Lease-Purchase Agreement - *Events of Default*** above);

(c) The Lease is not renewed for any Renewal Term as provided for in the Lease.

Remedies

Upon the occurrence and continuance of an Event of Default, the Trustee may pursue any available remedy to enforce the payment of Certificate Payments or the observance and performance of any other covenant, agreement or obligation under the Trust Agreement, the Lease or any other instrument providing security, directly or indirectly, for the Certificates; provided, however, that there will be no right under any circumstances to accelerate the maturities of the Certificates or otherwise to declare any Lease Payment not then past due or in default to be immediately due and payable. If, upon the occurrence and continuance of an Event of Default, the Trustee is requested to do so by the Holders of at least 25% in aggregate principal amount of Certificates outstanding, the Trustee will exercise one or more rights and powers conferred by the Trust Agreement as the Trustee advised by Counsel deems to be in the interests of the Holders of those Certificates.

No remedy conferred upon or reserved to the Trustee (or to the Holders) by the Trust Agreement is intended to be exclusive of any other remedy. Each remedy will be cumulative and will be in addition to every other remedy given under the Trust Agreement or otherwise to the Trustee or to the Holders now or hereafter existing.

No delay in exercising or omission to exercise any remedy, right or power accruing upon any default or Event of Default will impair that remedy, right or power or will be construed to be a waiver of any default or Event of Default or acquiescence therein. Every remedy, right and power may be exercised from time to time and as often as may be deemed to be expedient.

Right of Certificate Holders to Direct Proceedings

The Holders of at least a majority in aggregate principal amount of Certificates then outstanding will have the right at any time to direct, by instruments or documents in writing signed and delivered to the Trustee, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Trust Agreement or any other proceedings under the Trust Agreement. However, each such direction must be in accordance with the provisions of law and the Trust Agreement, and the Trustee must be indemnified to its satisfaction and the Trustee may take any other action that it deems to be proper and that is not inconsistent with the direction.

Rights and Remedies of Certificate Holders

The Holder of any Certificate will not have any right to institute any suit, action or proceeding for the enforcement of the Trust Agreement, for the execution of any trust under the Agreement or for the exercise of any other remedy under the Agreement, unless (i) an Event of Default under the Trust Agreement has occurred and is continuing, of which the Trustee has been notified or is deemed to have notice, (ii) the Holders of not less than 25% in aggregate principal amount of Certificates then outstanding have made written request to the Trustee and have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers provided in the Trust Agreement or to institute such action, suit or proceeding in its own name and have offered to the Trustee indemnity as provided in the Trust Agreement, and (iii) the Trustee thereafter has failed or refused to exercise its remedies, rights and powers under the Trust Agreement or to institute such action, suit or proceeding in its own name.

Waivers of Events of Default

Except as described in the next succeeding paragraph, at any time, the Trustee may waive any Event of Default under the Trust Agreement and its consequences. The Trustee will do so upon the written request of the Holders of (a) at least a majority in aggregate principal amount of all Certificates then outstanding in respect of which an Event of Default in the payment of Certificate Payments exists or (b) at least 25% percent in aggregate principal amount of all Certificates then outstanding, in the ease of any other Event of Default under the Trust Agreement.

There will not be so waived, however, any Event of Default described in item (a) of **The Trust Agreement - *Events of Default*** above, unless at the time of that waiver payments of all Certificate Payments then due and payable have been made or provision has been made therefor. In the case of the waiver, or in case any suit, action or proceedings taken by the Trustee on account of any Event of Default under the Trust Agreement has been discontinued, abandoned or determined adversely to it, the Trustee and the Holders will be restored to their former positions and rights under the Agreement. No waiver will extend to any subsequent or other Event of Default or impair any right consequent thereon.

Application of Money

All money received by the Trustee pursuant to any remedial action will be applied first to the payment of the costs and expenses of the proceedings resulting in the collection of the money. The balance of such money will be deposited in the Certificate Fund and applied to the payment of principal of, premium, if any, and interest on the Certificates, in the order of priority set forth in the Trust Agreement.

Supplemental Trust Agreements

The Port Authority and the Trustee may enter into supplemental trust agreements, without the consent of or notice to any of the Holders, for any one or more of the following purposes:

(a) to cure any ambiguity, inconsistency or formal defect or omission in the Trust Agreement;

(b) to grant to or confer upon the Trustee for the benefit of the Holders additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Holders or the Trustee;

(c) to assign additional revenues under the Trust Agreement;

(d) to accept security and instruments and documents of further assurance with respect to the Leased Property;

(e) to add to the covenants, agreements and obligations under the Trust Agreement, other covenants, agreements and obligations to be observed for the protection of the Holders, or to surrender or limit any right, power or authority reserved to or conferred in the Trust Agreement;

(f) to evidence any succession to the Trustee and the assumption by its successor of the covenants, agreements and obligations of the Trustee under the Trust Agreement and the Certificates;

(g) to permit the exchange of Certificates, at the option of the Holders thereof, for coupon Certificates payable to bearer, in an aggregate principal amount not exceeding the unmatured and unredeemed principal amount of the Predecessor Certificates bearing interest at the same rate or rates and maturing on the same date or dates, with coupons attached representing all unpaid interest due or to become due thereon, subject to a Tax Opinion relating to that exchange;

(h) to provide for the issuance and registration of the Certificates in other than book-entry form, subject to a Tax Opinion relating to that issuance and registration;

(i) to permit the Trustee to comply with any obligations imposed upon it by law;

(j) to specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar and the Paying Agent;

(k) to achieve compliance of the Trust Agreement with any applicable federal securities or tax law;

(l) to make amendments to the provisions thereof relating to matters under the Code, subject to a Tax Opinion relating to those amendments; and

(m) to permit any other amendment that, in the judgment of the Trustee, is not materially to the prejudice of the Trustee or the Holders.

Exclusive of supplemental agreements for the purposes above stated, the consent of the Holders of not less than a majority in aggregate principal amount of each series of the Certificates then outstanding will be required to approve any supplemental trust agreement, provided that no supplemental trust agreement may permit: (i) an extension of the maturity of the principal of or the interest on any Certificate, or a reduction in the principal amount of any Certificate, or the rate of interest or premium on any Certificate, or a reduction in the amount or extension of the time of payment required by any mandatory sinking fund requirements of the Trust Agreement: without the consent of the Holder of each Certificate so affected; or (ii) the creation of a privilege or priority of any Certificate over any other Certificate, or a reduction in the aggregate principal amount of Certificates required for consent to such supplemental trust agreement, without the consent of the Holders of all of the Certificates then outstanding. In addition, the County must consent to any supplemental trust agreement.

Amendments to Lease

Without the consent of or notice to the Holders, the Lease may be amended, changed or modified as may be required (i) by the provisions of the Lease or the Trust Agreement, including without limitation, supplements to the Lease, (ii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission in the Lease, (iii) in connection with an amendment or to effect any purpose for which there could be an amendment of the Trust Agreement not requiring the consent of Holders, (iv) for the purpose of amending the schedule of Base Rent, as set forth in Exhibit B to the Lease, in connection with the special redemption or partial defeasance of Certificates pursuant to the Trust Agreement, or (v) in connection with any other change therein which in the judgment of the Trustee is not to the prejudice of the Trustee or the Holders of the Certificates.

For a discussion of the Lease, see **The Lease-Purchase Agreement** above.

THE COOPERATIVE AGREEMENT

General

The Cooperative Agreement was entered into by the County, the City and the Port Authority on December 17, 2013. The Cooperative Agreement provides the terms under which the County, the City and the Port Authority will cooperate in the financing and construction of the Hotel and other projects in downtown Cleveland. This description relates only to the cooperative provisions relating to the Hotel project.

Agreements as to Property

In the Cooperative Agreement, the County agreed to convey title to the Project Site to the City in order for the City to implement tax increment financing on the Leased Property. The City agreed to accept title to the Project Site and thereafter transfer the Project Site to the Port Authority. The Port Authority agreed to accept the Project Site and thereafter lease the Leased Property to the County pursuant to the Lease. The County also agreed that, in accordance with the provisions of the Lease, it would be responsible, as lessee, for the payments of all real property taxes and other charges that may be due and payable on the Leased Property, particularly payments in lieu of taxes to be levied on the Leased Property.

Agreements as to Financing

The Port Authority has agreed to participate in the financing of the Hotel project by agreeing to lease the Leased Property to the County under the Lease and by agreeing to enter into the Trust Agreement with the Trustee. The Port Authority will assign its rights thereunder to the Trustee.

The County agreed to provide for the financing the Hotel project by agreeing to make the Base Rent Payments required under the Lease in order to make payments on the Series 2014 Certificates, provided that a credit would be given for amounts available from the City Bed Tax Contribution, the City PILOT Contribution and the County Bed Tax Contribution, and provided further, that the County's agreement to make such payments is subject to Appropriation and Certification. The County also agreed to provide the County Bed Tax Contribution.

The City agreed to deliver City Cooperative Contribution to the Trustee. The City also agreed to contribute the City PILOT Receipts from the Leased Property and further agreed that the County could forward the City PILOT Receipts directly to the Trustee for the Hotel project financing. Additionally, the City agreed to contribute the City Bed Tax receipts from the Hotel and deliver those to the Trustee on a semi-annual basis, provided that the City Bed Tax Contribution is subject to and dependent upon annual appropriation by the City.

Agreements as to Construction and Operation

The County agreed to undertake the construction and operation of the Hotel project in accordance with the cooperative purposes of the parties and further agreed to construct or cause the Hotel project to be constructed in accordance with the plans and specifications provided to the City and the Port Authority. The Port Authority and the City acknowledged that the County would be the party responsible for the development, construction and management of the Hotel project.

The County agreed in the Cooperative Agreement that it would engage a qualified and experienced operator for the Hotel. The County further agreed that the contract to be entered into in connection with the operation and management of the Hotel would not result in private business use.

[This Page Is Intentionally Left Blank.]

APPENDIX B

THE COUNTY

TABLE OF CONTENTS

THE COUNTY B-1
General Information B-1
COUNTY GOVERNMENT STRUCTURE B-2
Government Structure Prior to January 1, 2011 ..... B-2
Government Structure Effective January 1, 2011 ..... B-2
Financial Management B-4
Management of County Facilities B-4
Administration B-4
Certain County Officials B-5
General Government B-6
Employees B-7
COUNTY SERVICES AND RESPONSIBILITIES B-10
Public Assistance and Social Services B-10
Health B-12
Administration of Justice B-13
Arts and Culture B-14
COUNTY FACILITIES, UTILITY AND OTHER ENTERPRISES B-14
COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION B-17
General B-17
Population B-20
Employment B-20
Largest Employers B-22
Corporate Headquarters B-22
Building Permits B-23
Personal Income B-23
Home Values and Housing Units B-24
Utilities, Energy and Water Resources B-24
Solid Waste Management B-25
FINANCIAL MATTERS B-25
Introduction B-25
Budgeting, Tax Levy and Appropriations Procedures B-26
Financial Reports and Examinations of Accounts B-27
Investment and Management of County Funds B-31
General Fund and Financial Outlook B-32
AD VALOREM PROPERTY TAXES B-36
Assessed Valuation B-36
Tax Rates B-40
Collections B-44
Delinquency Procedures B-45
General Fund Receipts From Ad Valorem Property Taxes B-47
OTHER MAJOR COUNTY GENERAL FUND REVENUE SOURCES B-47
Permissive Taxes B-48
County Sales and Use Tax B-48
Real Property Transfer Tax B-49
Local Government Assistance Funds B-49
COUNTY DEBT AND OTHER LONG-TERM OBLIGATIONS B-49
General Obligation Debt B-50
Statutory Direct Debt Limitations B-51
Indirect Debt and Unvoted Debt Limitations B-53
Special Obligation Sales Tax Supported Debt B-55
Hospital Revenue Bonds B-56
Nontax Revenue Obligations B-57
Nontax Revenue Guaranty B-58
Economic Development Guaranty B-58
Future Financings B-58
Long-Term Financial Obligations Other Than Bonds And Notes B-59
Retirement Obligations B-59
LEGAL MATTERS B-60
DEBT TABLE A B-62

THE COUNTY

General Information

The County is located on the southern shore of Lake Erie in northeastern Ohio. It covers an area of 458.3 square miles and contains 2 townships and 57 cities and villages, the largest of which is the City of Cleveland, the county seat of the County. The State established the County on February 8, 1808, and the first meeting of the Cuyahoga County Board of County Commissioners was held in June 1810. The County is substantially fully developed and, according to the 2010 census, had a population of 1,280,122, making it the most populous county in the State and the 29th most populous county in the United States. The population estimate for the County in 2012 was 1,265,111.

In the 2010 Census classifications, the County was in the Cleveland-Elyria-Mentor Metropolitan Statistical Area ("MSA"), which consists of Cuyahoga, Geauga, Lake, Lorain and Medina Counties. In 2010, the MSA had a population of 2,077,240, making it the 28th most populous MSA in the United States. The County was previously part of the Cleveland-Lorain-Elyria Primary Metropolitan Statistical Area ("PMSA") and the Cleveland-Akron Consolidated Metropolitan Statistical Area ("CMSA") until June 2003 when the U.S. Census Bureau ceased using the PMSA and CMSA distinctions. The CMSA was re-classified as the Cleveland-Akron-Elyria Combined Statistical Area ("CSA"). Only limited statistics are now available for the new MSA and CSA. For more detailed information concerning the economic and demographic characteristics of the County, see **APPENDIX B – COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION**.

As described below, cities, villages and townships in the County, together with the various special districts and other governmental entities operating in the County, are responsible for many local governmental services and make significant expenditures to provide such services to County residents. The County, nonetheless, has significant responsibilities in the areas of general government, administration of justice, road and bridge maintenance, health care, sanitation, public assistance and social services. The County also operates wastewater collection and treatment facilities, water lines, parking facilities, a hospital system (through an appointed Board of Hospital Trustees), an airport and a computer information system for law enforcement agencies in the County. See **APPENDIX B – COUNTY SERVICES AND RESPONSIBILITIES** and **COUNTY FACILITIES, UTILITY AND OTHER ENTERPRISES**.

Cities and villages in the County provide various services pursuant to statutory authorizations and to the constitutional "home rule" grant of "all powers of local self-government." Among the services provided and powers generally exercised by cities and villages within the State are the following: public safety, including police and fire functions; construction, maintenance and repair of streets and sidewalks; certain sanitation and health activities; recreation, including parks, playgrounds and swimming pools; certain public service enterprises such as collection, recycling and disposal of solid wastes and operation of sewer and water systems, airports and hospitals; and certain planning and zoning functions. Some of these services and powers may also be provided and exercised by counties, regional water and sewer districts and solid waste management districts.

In addition to the services provided by municipalities (and to some extent, townships) and the educational services provided by the various school districts within the County and State, there are other special districts and governmental entities currently performing various public service functions in the County. These include, among others, the Cleveland Metropolitan Park District (park and recreation facilities and programs), the Greater Cleveland Regional Transit Authority (mass transit), the Cleveland-Cuyahoga County Port Authority (lake port facilities and economic development activities), the Cuyahoga Community College District (two-year community college), the Cuyahoga County Library District (library facilities), the Cuyahoga County Solid Waste Management District (solid waste management), the Cuyahoga Metropolitan Housing Authority (low-income housing), the Northeast Ohio Regional Sewer District (wastewater collection and treatment) and the Cuyahoga Arts & Culture (support for the arts).

COUNTY GOVERNMENT STRUCTURE

Government Structure Prior to January 1, 2011

Prior to January 1, 2011, a three-member Board of County Commissioners (the "Board"), elected at large in even-numbered years for four-year overlapping terms, was the primary legislative and executive body of the County.

In addition to the County Commissioners, there were eight other elected administrative officials of the County, each of whom was independent within the limits provided by the State statutes affecting the particular office. Those officials, elected to four-year terms, included the County Auditor, County Treasurer, Clerk of Courts, County Recorder, County Engineer, Sheriff, Prosecuting Attorney and Coroner.

Government Structure Effective January 1, 2011

Under the State Constitution, the electors of a county have authority to adopt a charter that provides an organization for their county government that differs from that under State statutes and, under certain circumstances, for the county government to exercise powers in addition to those vested in counties by statute.

On November 6, 2009, the voters of the County adopted a County Charter that changed the form of the County's government. The Charter was effective January 1, 2010, with 2010 being a year of transition to the new form of government.

The Charter eliminated the elected positions of County Commissioners, County Auditor, County Treasurer, County Recorder, Clerk of Courts, County Coroner, County Engineer and Sheriff. In place of the previously elected officers, the Charter provides for an elected County Executive, an elected 11-member County Council (the "Council") and an elected Prosecuting Attorney. The County Executive and the Prosecuting Attorney are elected by all the voters of the County, and each member of Council is elected by voters in one of 11 districts established by the Charter. Consistently with the authority and requirements provided in the State Constitution for charter counties, the Charter provides for the County to exercise all powers vested in and perform all duties imposed upon counties and county officers from time to time by the

Constitution and laws of the State, but also powers specifically conferred by the Charter or incidental to those specific powers and all other powers that counties are not prohibited to exercise by the Constitution or laws, including powers that may be concurrently exercised by the County and municipalities.

At an election in November 2010, Ed FitzGerald was elected as the first County Executive for a four-year term commencing January 1, 2011. At that same election, eleven members of the new Council were elected, six members to serve four-year terms and five members to serve two-year terms, all also commencing on January 1, 2011. Commencing January 1, 2013, all members were and will be elected to four-year terms.

The County Executive, with the approval of the Council, appoints the following: (i) a Fiscal Officer who has the duties of an elected county auditor, an elected county recorder and an elected Clerk of Courts (other than those related to the operations of the County Courts) under State law; (ii) a Medical Examiner who performs the duties of an elected county coroner under State law; (iii) a Clerk of Courts to carry out the duties of an elected clerk of courts related to the operations of the Courts under State law; (iv) a Director of Public Works who performs the duties an elected county engineer and a sanitary engineer under State law; (v) a Director of Law who serves as the legal advisor and representative to the County Executive and Council; (vi) a Treasurer who performs the duties of an elected county treasurer under State law; (vii) a Sheriff who performs the duties an elected county sheriff under State law; and (viii) a Director of Health and Human Services who manages the administration of the County's various human service agencies, programs and activities.

The County Executive has powers and duties of an executive and administrative nature, including, but not limited to, overseeing most personnel and collective bargaining matters, executing contracts, conveyances and indebtedness on behalf of the County, introducing ordinances and resolutions for Council's consideration and submitting tax and operating budgets, capital improvement plans, a five-year financial forecast for County operating funds and a related written message annually. The County Executive also has veto power over Council's actions.

The Council holds the legislative power and is the taxing authority of the County. The Council elects a President, has a Clerk and other assistants, and has authority to establish procedures governing the making and administration of County contracts and public improvements. Council also has authority to adopt the annual tax budget and the County's operating and capital budgets, to make appropriations to provide for the acquisition, construction and maintenance of property and to establish a procedure for the levying of special assessments. The Council may override a veto of the County Executive if at least eight members of Council vote to approve the vetoed measure. The Council may investigate any financial transaction relating to any matter upon which it is authorized to act, and has investigative as well as legislative powers.

The County Budget Commission, consisting of the County Executive, the Fiscal Officer and the Prosecuting Attorney, exercises all powers and performs all duties performed by a county budget commission under State law.

A County Department of Development oversees economic development in the County with a Director of Development appointed by the County Executive, subject to confirmation by Council. An appointed Economic Development Commission is required to present a five-year economic development plan in June of each year.

The County Audit Committee appoints a Director of Internal Audit to provide internal auditing and review County programs for efficiency and effectiveness.

County employment practices and the classification of employee positions are monitored by an appointed County Personnel Review Commission.

Financial Management

The County Executive is responsible for providing and managing the funds used to support various County activities. The Council exercises its legislative powers in budgeting, appropriating money, levying taxes, issuing securities and letting contracts for public works and services.

The County's Office of Budget and Management performs financial analysis and administrative functions for the County Executive. That Office's staff assists the County Executive and County Fiscal Officer in the budget process and monitors the operations of the County departments and independent boards and agencies. Its responsibilities include revenue forecasting, operating budget development and review, policy and legislative analysis, fiscal transaction processing, capital budgeting, systems analysis, federal programs review, cost effectiveness studies and financial consultation services.

Management of County Facilities

The County Executive has responsibility for the management of most County facilities, including various public assistance and social services, court, correctional and administrative facilities, and general County government facilities. See **APPENDIX B – COUNTY FACILITIES, UTILITY AND OTHER ENTERPRISES**.

Administration

Independent boards and commissions administer a large variety of services within the County. Those boards and commissions include, among others, the Alcohol, Drug Addiction and Mental Health Services Board, the Veterans Service Commission, the Board of Developmental Disabilities, the County Planning Commission and the Board of County Hospital Trustees.

Some of these boards and commissions are appointed entirely by the County Executive and are subject to complete fiscal control by the County Executive and, through the appropriations process, the Council. Others have no members appointed by the County Executive and may, to varying extents, be independent of fiscal control by the County Executive and the Council. There are also others for which the County Executive does not have appointment powers but does have extensive fiscal responsibilities. For example, the County Executive has extensive financing, funding, budgeting and accounting responsibilities for the

Board of Elections and for various courts, but does not appoint the members of the Board of Elections or the judges or employees of the courts.

The County Executive appoints three of ten members of the Board of Trustees of the Greater Cleveland Regional Transit Authority, three of nine members of the Board of Directors of the Cleveland-Cuyahoga County Port Authority, six of nine members of the Board of Trustees of the Cuyahoga Community College District, one of seven members of the Board of Trustees of the Northeast Ohio Regional Sewer District and all three members of the Board of Trustees of Cuyahoga Arts & Culture. Those entities are separate political subdivisions for which the County has no fiscal or administrative responsibilities other than as taxing authority. The County Executive also appoints two of five members, and shares with the City of Cleveland one joint appointment, to the Board of the Gateway Economic Development Corporation of Greater Cleveland, a nonprofit corporation organized for the purpose of developing and maintaining the Gateway Project, which consists of a 42,300-seat outdoor baseball stadium (Progressive Field), a 20,500-seat multipurpose arena (Quicken Loans Arena), a parking garage and related common areas in downtown Cleveland. The County Executive also appoints four of sixteen members of the Board of Directors of Senior Transportation Connection of Cuyahoga County, a nonprofit corporation organized for the purpose of increasing and improving the availability and quality of, and access to, sufficient transportation services for senior citizens in the County (the "STC"). The County Executive currently has no fiscal or administrative responsibilities with respect to the STC.

Certain County Officials

Certain of the current elected County officials, and some of the major officials who are appointed by and serve at the pleasure of the County Executive, are:

Elected Officials	Name of Incumbent	Years in Office	Expiration Date of Present Term
County Executive	Edward FitzGerald	2	December 31, 2014
Council	Dave Greenspan	2	December 31, 2014
	Dale Miller	2	December 31, 2016
	Dan Brady (b)	2	December 31, 2014
	Chuck Germana	2	December 31, 2016
	Michael J. Gallagher	2	December 31, 2014
	Jack Schron	2	December 31, 2016
	Yvonne M. Conwell	2	December 31, 2014
	Pernel Jones, Jr.	2	December 31, 2016
	C. Ellen Connally (a)	2	December 31, 2014
	Anthony T. Hairston (c)	1/12	December 31, 2014
	Sunny M. Simon	2	December 31, 2014
Prosecuting Attorney	Timothy McGinty	2	December 31, 2016

(a) President of Council.
(b) Vice President of Council.
(c) Appointed to fill vacancy.

Appointed Officials	Name of Incumbent	Years in Office
Medical Examiner	Thomas P. Gilson, M.D.	2
Clerk of Courts	Andrea F. Rocco	1/4
Sheriff	Frank Bova	2/3
Fiscal Officer	Mark A. Parks, CPA, MBA	1/2
Clerk of Council	Jeanne Schmotzer	7
Inspector General	Nailah Byrd	2
Director of Law	Majeed G. Makhlouf	2
Interim Treasurer	Jeannet Wright	1/2
Director of Internal Audit	Valerie Harry, CPA	2
Director, Public Works	Bonnie Teeuwen	2

Executive Senior Staff	Name	Years in Office
Chief of Staff	Matt Carroll	2
Deputy Chief of Staff, Operations	Sharon Cole	2
Deputy Chief of Staff, Justice	Norberto Colon	2
Deputy Chief of Staff, Human Services	David Merriman	1
Deputy Chief of Staff, Development	Nathan Kelly	2
Director, Human Resources	Elise Hara	2
Director, Development	Larry Benders	2
Director, Regional Collaboration	Edward Jerse	2
Chief Administrator, Children & Family Services	Patricia Rideout, J.D.	1
Director, Job and Family Services, Employment and Family Services and Cuyahoga Support Enforcement Agency	Joseph Gauntner	16
Administrator, Senior & Adult Services	Tracey N. Mason	1
Controller	Amy Baugman	1/2
Interim Director, Office of Budget & Management	Christopher Murray	1/6
Director, Office of Procurement & Diversity	Lenora Lockett	5
Chief Information Officer	Jeff Mowry	2

General Government

Of the officers that can be grouped under the category of general government, in addition to the County Executive, two, the Fiscal Officer and the Treasurer, are of particular pertinence to the financial affairs of the County. See also **APPENDIX B – FINANCIAL MATTERS – Introduction**.

The Fiscal Officer has assumed the duties performed by elected county auditors and county recorders under the statutory form of county government. The Treasurer, who is now appointed by the County Executive and reports to the Fiscal Officer, performs the duties of an elected county treasurer under the statutory form of county government.

One of the most important functions of the Fiscal Officer is the responsibility of assessing real property for taxing purposes. Under State law, a complete reappraisal must be conducted every six years (as was last completed in 2012) and updated after three years (as occurred in 2009 and will occur in 2015). The Fiscal Officer is the fiscal officer of the County and, in general, no County contract or obligation (other than contracts and obligations entered into in connection with the operation of The MetroHealth System, the County's public hospital system) may be made without his certification that funds for payment are available or are in the process of collection. In addition, no account may be paid except by his warrant drawn upon the Treasurer. The Fiscal Officer is responsible for preparation and disbursement of the County payroll and has statutory accounting responsibilities. He is a member, and the Secretary, of the County Board of Revision and the County Budget Commission and serves as the chair of the County Audit Committee.

The Treasurer collects certain taxes to distribute to various governmental units. The Treasurer prepares and mails tax bills to real property owners in the County and is the disbursing agent for expenditures authorized by the County Executive and Council. The Treasurer makes daily reports showing receipts, payments and balances to the Fiscal Officer. The Treasurer is also charged with the responsibility of investing County funds. See **APPENDIX B – FINANCIAL MATTERS – Investment and Management of County Funds** and **– OTHER MAJOR COUNTY GENERAL FUND REVENUE SOURCES**.

The County Executive, the Fiscal Officer and the Prosecuting Attorney form the County Budget Commission, which plays an important part in the financial administration of local governments throughout the County. For a discussion of the role and function of the County Budget Commission, see **APPENDIX B – FINANCIAL MATTERS – Budgeting, Tax Levy and Appropriations Procedures**.

Employees

As of December 31, 2013, the County had approximately 7,449 full-time equivalent employees (excluding employees of The MetroHealth System) in various job classifications who were employed by the County Executive, other elected County officials and County-funded boards and commissions.

A statewide public employee collective bargaining law applies to public employee relations and collective bargaining.

As of December 31, 2013, 4,042 County employees were represented in bargaining units. The following table lists the bargaining units representing the indicated County employees and the expiration dates of the respective labor agreements:

Employees	Organization	Members of Bargaining Unit	Labor Agreement Expiration Date
Development			
County Airport	Teamsters Local 436	6	November 30, 2013[(a)]
Health & Human Services			
Cuyahoga Support Enforcement Agency	American Federation of State, County and Municipal Employees, Ohio Council 8, Local 27	237	December 31, 2014
Fraud Investigation	Teamsters 407	19	June 30, 2015
Health and Human Services	American Federation of State, County and Municipal Employees, Council 8, Local 1746	1,164	June 30, 2014
Division of Children and Family Services	Laborers International Union of North America, Local 860	13	[(b)]
Public Safety & Justice Affairs			
CECOMS	Ohio Patrolmen's Benevolent Assn.	13	March 31, 2013[(a)]
Clerical	Communication Workers of America, Local 4340	55	December 31, 2014
Cooks, Custodial, Laundry	United Auto Workers, Region 2	17	June 30, 2015
Corrections Officer Corporals	United Auto Workers, Region 2	32	December 31, 2014
Corrections Officers	Ohio Patrolmen's Benevolent Assn.	533	December 31, 2013[(a)]
Deputy Sheriffs	Ohio Patrolmen's Benevolent Assn.	143	December 31, 2014
Inmate Services	American Federation of State, County, and Municipal Employees, Ohio Council 8, Local 2927	33	December 31, 2014
Court Security Officers	United Auto Workers, Region 2	8	June 30, 2012[(a)]
Protective Services - Security Officers	Ohio Patrolmen's Benevolent Assn.	127	December 31, 2014
Protective Services - Security Sergeants	Ohio Patrolmen's Benevolent Assn.	12	December 31, 2014
Registered Nurses	United Auto Workers, Region 2	22	April 30, 2016
Deputy Sergeants	Ohio Patrolmen's Benevolent Assn	16	December 31, 2012[(a)]
Deputy Lieutenants	Ohio Patrolmen's Benevolent Assn.	3	December 31, 2012[(a)]
Correction Officer - Sergeants	Ohio Patrolmen's Benevolent Assn	16	December 31, 2014

Public Works

Sanitary Engineers Maintenance	Teamsters Local 436 Affiliated with IBT	58	December 31, 2015
Technicians	Teamsters Local 185	4	October 31, 2013[(a)]
County Engineer - Heavy Equipment Operators	International Union of Operating Engineers Local 18-S	9	December 31, 2015
Division of Sanitary Engineers	International Union of Operating Engineers Local 18	17	April 30, 2015
County Engineers - Maintenance	Teamsters Local 436	31	December 31, 2014
Consolidated: Trades Council – Central Services, County Engineer and Carpenters	Cleveland Building & Construction Trades Council	85	June 30, 2015
Kennel	Teamsters Local 244	8	December 31, 2014
Custodians	SEIU District 1199	109	December 31, 2014
Print Shop	Graphic Communications Conference, IBT Local 546M	6	January 31, 2015

Board of Developmental Disabilities

Adult Services & Adult Employment Services Direct Care Employee and Nurses	Service Employees International Union, District 1199-AS	395	December 31, 2015
Bus Drivers, Bus Monitors & Mechanics	Ohio Association of Public School Employees, Local 744	95	December 31, 2015
Support Administrators, Investigative Agents, and Forensic Liaisons	Service Employees International Union, District 1199-SA	167	December 31, 2015
Teachers, Assistants, Custodians, Children's Services Administrative Assistants, Development Specialists and All Therapy Services	Association of Cuyahoga County Educators of Special Students	113	August 31, 2015

Public Defender's Office

Public Defenders	American Federation of State, County, and Municipal Employees, Ohio Council #8, Local 3631	64	December 31, 2013[(a)]

Court of Common Pleas

Probation Officers	Communications Workers of America, Local 4309	152	August 2, 2013[(a)]

Juvenile Court

Probation Officers, Clerical & Transportation	Laborers Local 860	112	October 31, 2015
Detention Center	Laborers Local 860	124	December 31, 2015

(a) Agreement has expired; a new contract is currently being negotiated. The employees in this bargaining unit are continuing to work under the terms of the prior agreement.

(b) Unit recently certified and contract is currently being negotiated.

The remaining full-time County employees are not members of a bargaining unit.

Generally, the terms of the salaries, wages and other economic benefits have been the products of negotiations with representatives of the employees or bargaining units and increases in economic benefits have been provided on an annual basis. The County's most recent contracts with the collective bargaining units for its employees have provided for annual wage and salary increases up to 3% in 2013 and for the employees to participate in the County's health care plans.

The County's non-bargaining unit employees have not been allocated wage and salary cost of living increases during the period from 2008 through 2012, but did receive a 1% cost of living increase in 2013.

A five-day furlough was instituted for all County employees in both Fiscal Year 2010 and Fiscal Year 2011 in order to achieve budgetary savings in the respective Fiscal Year. The County has maintained a voluntary furlough program in Fiscal Years 2012 and 2013. See **APPENDIX B – FINANCIAL MATTERS – General Fund and Financial Outlook**.

In the judgment of the County, its employee relations generally have been and are currently considered to be good.

COUNTY SERVICES AND RESPONSIBILITIES

The following are descriptions of selected County services and responsibilities.

Public Assistance and Social Services

Public assistance and employment training functions within the County are administered by a unified Department of Health and Human Services. There are four autonomous divisions within the Department each with its own administrator, supported and overseen by the Office of Health and Human Services. The director of each such division reports to the Director of Health and Human Services, who serves as the statutorily-mandated County Director of Job and Family Services and is appointed by, and responsible to, the County Executive. The four divisions and their respective functions are identified and described in the following paragraphs. Together, those divisions had 2,009 full-time equivalent employees as of December 31, 2013.

Employment and Family Services ("EFS") administers a variety of programs and services providing assistance to working families, older adults and disabled persons. Those programs and services, which include Healthy Start and other Medicaid health insurance programs, child-care assistance, the Ohio Works First ("OWF") program, food benefits, PRC emergency financial help and financial and medical assistance services for the disabled, are primarily funded from federal and State sources.

EFS's **Cuyahoga Support Enforcement Agency** locates absent parents, helps to establish paternity, works with parents in completing requirements for support orders and collects and distributes child support and spousal support funds from divorced parents. Child Support Enforcement is a division of Employment and Family Services.

Children and Family Services provides child protection activities and support services to strengthen families by investigating allegations of child abuse, neglect and dependency, coordinating child protective services and resources, utilizing foster and adoptive homes or residential treatment facilities as needed and providing services designed to promote family reunification.

Senior and Adult Services provides protective and supportive services to consenting elderly and disabled adults to protect them from abuse, neglect or exploitation. These services are designed to keep individuals in their homes or in the least restrictive environment possible. See **Health** below.

Workforce Development administers the federal Workforce Investment Act program that provides education services and training programs to prepare adults and youth for the workforce and to assist in meeting the community's workforce needs.

As of December 31, 2013, $46.5 million was expended for the public assistance programs and $273.2 million was expended in total for the social service and employment training programs it administers, with approximately 56.6% of the amount for public assistance programs and social service programs coming from the State and Federal governments. Some of the social services are provided directly by Children and Family Services and Senior and Adult Services; other services are provided by Employment and Family Services, Workforce Development and community agencies under contract with these divisions. Cuyahoga Support Enforcement Agency expenditures for Fiscal Year 2013 were $28.7 million, of which approximately 76.1% is expected to come from the State and Federal governments.

The County's local share of expenditures for the activities and programs of these divisions is currently funded with proceeds from two voted health and human services property tax levies of 3.9 mills and 4.8 mills, expiring on December 31, 2018 and 2016, respectively. Approximately $99.5 million from the health and human services tax levies was directed to these purposes in 2013, utilizing a total of $209.4 million for all health and human services purposes combined. See **APPENDIX B – AD VALOREM PROPERTY TAXES – Tax Rates.**

Voters approved a 3.9 mill replacement levy on the November 5, 2013 ballot. The voted levy replaced the 2.9 mill levy that was in effect through 2013. The new levy is expected to generate approximately $103 million in revenue from real property taxes. At an election in March 2012, County voters approved the renewal of the 4.8 mill levy for a period of four years (through collection year 2016).

The Veterans Service Commission (the "Veterans Commission") and the Board of Developmental Disabilities also operate within the area of health and public assistance but apart from the Department of Health and Human Services.

The Veterans Commission assists veterans and their dependents by providing emergency assistance and securing the materials and information needed to apply for and receive assistance under the various programs administered by the United States Department of Veterans Affairs. The five members of the Veterans Commission are appointed by the Judges of the Common Pleas Court and serve five-year terms. The activities of the Veterans Commission are financed from the County's General Fund. Veteran Services spent $6.9 million from the General Fund for those activities in 2013.

The County's program for the developmentally disabled persons, operated through the Board of Developmental Disabilities, provides various services to developmentally handicapped children and adults, including training classes, workshops and home services. Of the seven members of the Board of Developmental Disabilities, five are appointed by the County Executive and two by the Judges of the Probate Court. In addition to receiving State reimbursement and tuition reimbursement from the boards of education in the County, the Board of Developmental Disabilities is currently funded by a 3.9-mill voted property tax levy which was renewed for a continuing period of time in November 2005. That levy generated $102.9 million in 2013.

Health

The County subsidizes the operation of The MetroHealth System (the "System"), the public health care system for the County that includes a general, acute-care hospital, outpatient centers, a skilled and intermediate care nursing facility and a rehabilitation facility. The System is governed by a Board of County Hospital Trustees that is appointed by the County Executive and the senior judges of the County's Probate and Common Pleas Courts. The total bed capacity of the System is 853, and in Fiscal Year 2013 the total operating expenditures of the System were $825.3 million. The County spent $36.1 million from proceeds of the two voted health and human services tax levies referred to above under **Public Assistance and Social Services** to subsidize System expenditures in Fiscal Year 2013. Requests from the County Hospital Trustees for levy fund subsidies are considered by the County each year and allocations of levy funds for operating expenditures of the System are made based on System needs and County resources available for this purpose. The County will continue to consider the provision of funds to the System in subsequent years.

The Alcohol, Drug Addiction and Mental Health Services Board of Cuyahoga County (the "ADAMHS Board") is responsible for the planning, funding and monitoring of public mental health and alcohol and other drug addiction treatment services delivered to the residents of the County. The ADAMHS Board does not provide services directly to consumers, but coordinates and evaluates activities at mental health centers and provides counseling and education services for children and adults. Other services for diagnosis, treatment and counseling for substance abuse are contracted out to provider agencies. In Fiscal Year 2013, the County provided approximately $34.9 million of funding to the ADAMHS Board. The County's sources of that funding are the two voted health and human services tax levies referred to above under **Public Assistance and Social Services**.

The County Health District is a separate political subdivision which is not coterminous with the County. The Board of Health of that District performs various services for villages, cities, townships and school districts contracting with it. Some of the services provided are immunizations, home nursing visits and sanitary inspections. The County provides office space for the Board of Health but has no authority to control the activities of the Board of Health and Council does not appropriate any significant amount of funds for its operations. The Board of Health is supported primarily by the charges it receives from contracting subdivisions.

Administration of Justice

As a part of the administration of the justice system in the County, the County maintains facilities for the Common Pleas Court (the court of general jurisdiction), including the Juvenile Division, the Domestic Relations Division and the Probate Division, and the Eighth District Court of Appeals. The Prosecuting Attorney's office, the Juvenile Justice Center and County Jail facilities are also maintained by the County.

In addition to his responsibilities as a prosecutor of criminal cases, the Prosecuting Attorney is designated by the Charter and Ohio law as the chief legal counsel for all County officers, boards and agencies, including the County Executive, the Council, the Board of Elections, the Fiscal Officer, townships, local school districts and tax-supported public libraries. The Department of Law also provides legal counsel to the County Executive and the Council. The Prosecuting Attorney is also a member of the County Budget Commission.

The Clerk of Courts keeps all official records of the Common Pleas Court and serves as Clerk of Court of the Court of Appeals.

The County Sheriff, the chief law enforcement officer of the County, provides certain specialized services, which include maintaining a special staff of deputies whose duties are to assist local law enforcement officers upon their request and to enforce the law in unincorporated areas of the County. The Sheriff also operates and maintains the County Jail and is responsible for its inmates, including persons detained for trial or transfer to other institutions. As an officer of the County Courts, the Sheriff is in charge of the service of court documents.

Construction of the Cuyahoga County Juvenile Justice Center (CCJJC) began in 2007 on a 12-acre site in Cleveland. The $160 million project features a 630,000 square foot facility providing for the safety and security of all juveniles housed there and manages their care while awaiting disposition in the Cuyahoga County Juvenile Court for charged criminal violations. Following disposition, the juvenile may be committed to a State Training School, sentenced to the Juvenile Detention Center, placed in a residential treatment center, placed on Probation, or released to parents or guardians. Residents continue their education through the Cleveland Metropolitan School District via on-site classrooms and teachers. The CCJJC facility consolidates all court related and detention activities and replaces the former Cuyahoga County Detention Center. The nine-story tower accommodates the Juvenile Court system for the County. Secured parking is provided for Judges, related staff, other employees of the Center, as well as the public. The CCJJC opened in the first quarter of 2011.

In 2008, the County received a grant in the amount of $10.8 million from the State Department of Rehabilitation and Corrections to construct a Community Based Correctional Facility ("CBCF"). CBCFs are residential sanctioned facilities that provide County Courts of Common Pleas a sentencing alternative to prison. The County's new facility is operated by an outside entity with the Ohio Department of Rehabilitation and Corrections providing an annual operating subsidy for the County's internal cost of administering the facility. A CBCF Governing Board was created at the County to oversee the design, siting and construction of the new facility. The County selected a contractor and construction of the facility commenced in early 2010 and was completed on time and under the allotted budget in late 2010. The facility officially opened on January 30, 2011.

Arts and Culture

In November 2006, the voters approved an additional tax on wholesale sales of cigarettes for the purpose of supporting the County's arts and cultural sector. The tax, in the amount of $0.015 per cigarette, became effective February 1, 2007, and is collected by the State. The tax generated $18.9 million for 2013, and the County estimates that it will generate approximately $18.8 million for 2014. The County Executive has appointed the three-person Board of Trustees of Cuyahoga Arts & Culture that makes decisions about the expenditure of such tax revenues. All prior County support for this sector was funded from General Fund revenue sources.

COUNTY FACILITIES, UTILITY AND OTHER ENTERPRISES

The County presently owns the following facilities:

Facility	Use	Square Feet	Acreage	Estimated Value
Mall/Public Square District				
Cleveland Convention Center and Global Center for Health Innovation	Special Events	946,377		425,000,000
Oppman Parking Garage	Future Administration Garage	327,738	1.62	10,327,800
Courthouse and Huntington Park Garage	Courts, Parking Garage	638,792	10.24	38,120,800
Courthouse Square	Justice related programs	100,503	0.45	12,557,500
Marion Building	Justice related programs	101,961	0.44	3,775,800
Men's Homeless Shelter	Men's homeless shelter	29,332	0.92	872,300
Soldiers' & Sailors' Monument	Monument	-0-	2.90	18,961,700
Justice Center				
Courts Tower	Courts	(a)	(b)	(c)
Corrections Center	Courts/Inmate cells	(a)	(b)	(c)
Galleria	Court rooms	(a)	(b)	(c)
Jail II Corrections Facility	Courts/Inmate cells	(a)	(b)	(c)
Parking Garage	Parking garage	(a)	(b)	(c)
East 9th/Erieview District				
Auto/title Building	Title Bureau	31,150	0.63	2,344,600
Central Services Building	Central Services	51,480	1.20	2,162,200
Cleveland State University District				
Whitlatch Building	Juvenile Division	33,404	1.41	2,740,100

Lakeside Industry District				
East 18th Street Building	Maintenance	20,702	0.62	765,700
Virgil E. Brown Building	Child Support Enforcement	250,852	1.26	26,893,700
Glenville District				
Glenville Income Maintenance Center	Entitlement Services	18,088	1.63	752,900
Mid-Town Corridor District				
Board of Elections	Board of Elections	64,149	.72	2,343,700
Jane Edna Hunter Building	Children & Family Services	170,640	2.41	6,105,600
University Circle District				
Coroner Building	Medical Examiner's Office	279,919	3.33	15,737,000
Juvenile Justice Center	Juvenile Court & Detention Ctr.	607,500	15.18	141,340,300
Playhouse Square District				
Ohio Theatre	Theatre productions	(d)	(e)	(f)
State Theatre & Stagehouse	Theatre productions	(d)	(e)	(f)
Ohio City District				
Rhodes House	County archives	(g)	(h)	(i)
Sanford House	Storage	(g)	(h)	(i)
Community College District				
Metzenbaum Child Center	Family Services	26,896	5.81	2,422,300
Richmond Heights District/County Airport				
Safety/Service Building	Administrative Offices and Hangar	86,505	660.00	(j)
Valley View District				
Sanitary Engineer	Sanitary Engineer	44,164	6.03	2,230,200
County Animal Shelter	County Kennel	20,360	3.95	2,325,300
County Fairgrounds	Exhibitor/County Fair	202,799	105.40	7,802,900
Whiskey Island	Marina/Recreation	36,973	63.15	7,008,800

(a) Combined square footage of 1,952,083
(b) These facilities are all located on the same 5.16 acre site.
(c) Combined estimated value of $93,376,100.
(d) Combined square footage of 139,946.
(e) These facilities located on same 1.36 acre site.
(f) Combined estimated value of $15,511,500.
(g) Combined square footage of 48,995.
(h) These facilities located on same 1.42 acre site.
(i) Combined estimated value of $1,167,700.
(j) Combined estimated value of $12,762,200.

Source: County Fiscal Office.

The County Executive has responsibility for the management of most of these facilities and insures all of the buildings and their contents.

The County has recently completed construction of an integrated facility for (a) exhibition space and showrooms for medical devices and equipment and related functions (the Global Center for Health Innovation, previously referred to as the Medical Mart) (the "Global Center"), and (b) exhibition, tradeshow and conference facilities, meeting rooms and related functions (the "Convention Facilities"). The Global Center consists of medical showrooms and meeting rooms and serves as an entrance for the Convention Facilities. The Convention Facilities are located on the site of the former City of Cleveland owned convention center that was demolished to its structural foundation. The Convention Facilities consist of an exhibition hall, associated meeting rooms and other amenities, a ballroom, and a newly designed public mall plaza above. The original project budget was $465 million. The project was financed with proceeds of $343 million of economic development bonds secured by a pledge of the County's Nontax Revenues. The Global Center and the Convention Facilities opened for use in July 2013.

The County sold the former Ameritrust properties to GEIS, Inc. for $27 million in a transaction which involves GEIS overseeing the construction of a new County Headquarters at the corner of East 9th and Prospect in Cleveland, Ohio. The Cleveland-Cuyahoga County Port Authority issued $75,465,000 in bonds to build the new headquarters and will function as the landlord for the building. GEIS is developing and will manage the new headquarters for 27 years. The County will pay base rent to the Port Authority to cover the debt service on the bonds and will pay service rent to GEIS to manage the property. Base rent will commence in 2016 and will start at $4,007,100 per year and will increase 2% each year for 25 years. Service rent will commence in July 2014 and will start at $1,767,120 and increase 2% per year. At the end of the management agreement, the County can purchase the new headquarters for $1.00. The purpose of the County Headquarters is to consolidate personnel from several buildings in the County into one central location. The County has sold 8 buildings and is in the process of selling 4 more buildings. The County will terminate the leases on three buildings after the move takes place. Approximately 700 County employees are expected to move into the new County Headquarters in July, 2014.

The County owns and maintains a network of roads and bridges constituting the County highway system and related roadside drainage facilities and storm or surface water runoff systems. The Director of Public Works, who has assumed the duties previously performed by the elected county engineer and a county sanitary engineer under State law, oversees roads and bridges and serves as the civil engineer for the County and its officials. The Director of Public Works' primary responsibilities relate to the construction, maintenance and repair of those roads, bridges and storm water drainage facilities. The Director of Public Works takes bids on and awards contracts for the projects recommended and approved by the County Executive.

The County also owns and operates certain wastewater collection and treatment facilities, certain water lines, an airport and related facilities and certain off-street parking facilities.

The County's Sanitary Engineer Division has considerable experience in the maintenance of sanitary and storm sewer lines and is often a major source of information and guidance that mayors, municipal engineers and service directors rely on when making infrastructure decisions within their communities. Currently, this operation encompasses over 34 communities and maintains nearly 1,325 miles of sanitary sewers, treats approximately 147 million gallons of wastewater per year and operates 54 sewage pumping stations as well as 3 wastewater treatment plants throughout Cuyahoga County. The Division also has agreements with municipal corporations for the establishment, operation and maintenance of sanitary sewers and facilities. In addition, standards for any system connected to or served by a County-owned improvement are established and enforced.

In July 2012, the County entered into an agreement with the city of Shaker Heights to maintain Shaker's sewer system. Under this agreement, the County oversees the maintenance of Shaker's sanitary sewer system, which has become a district within the County sewer system. The city of Shaker continues to own the sewer lines, and the County collects funds for the maintenance of the city of Shaker's sewer lines. In the first quarter of 2014, the County entered into an agreement with the City of Euclid to operate its jail for $400,000 per year. Also, as part of the agreement, the County has agreed to pay $600,000 for renovations of the jail. The County will be paid back over a period of five years for the refurbishments of the jail by the City of Euclid.

The Cuyahoga County Airport, Robert D. Shea Field (CGF) is situated on 660 acres of land located in Richmond Heights, Highland Heights and Willoughby Hills. The Cuyahoga County Airport is a reliever airport to Cleveland Hopkins International, and serves the people of eastern Cuyahoga County, and western Lake County and Geauga County. The airport primarily services private and business aircraft, with Cleveland Hopkins International Airport serving as the commercial airport for scheduled airline service in the region.

The County's off-street parking facilities include two public parking facilities in the downtown area of the City and employee-only lots at various County-owned locations. The downtown facilities include a major four-level structure that offers 1,000 parking spaces and a two-level structure that offers 279 spaces, for both daily business activity and special events scheduled in the surrounding area.

The County maintains separate funds for each of its sewer districts and parking facilities, and they receive no direct subsidies from the County's General Fund.

COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

General

The County is served by diversified transportation facilities including six U.S. highways and seven interstate highways, CSX, Norfolk Southern and Amtrak railroads, four airports and the Port of Cleveland.

The City is the headquarters for the Fourth District Federal Reserve Bank, which serves Ohio, the western portion of Pennsylvania and portions of Kentucky and West Virginia.

Within the Cleveland metropolitan area are several public and private two-year and four-year colleges and universities, including, among others, Baldwin Wallace University, Case Western Reserve University, Cleveland State University, Cuyahoga Community College, Hiram

College, John Carroll University, Kent State University, Lake Erie College, Lorain County Community College, Notre Dame College, Oberlin College, The University of Akron and Ursuline College.

The area is also noted as the site of many cultural institutions and attractions, including, among others, Severance Hall and Blossom Music Center (winter and summer season homes of The Cleveland Orchestra), The Cleveland Museum of Art, Playhouse Square Center (home of the Great Lakes Theater Festival, the Cleveland Play House and Dance Cleveland), The Cleveland Museum of Natural History, the Botanical Gardens the Rock and Roll Hall of Fame and Museum, the Great Lakes Science Center, the Western Reserve Historical Society (including the History Museum, the Frederick C. Crawford Auto-Aviation Museum and the Library), The Children's Museum of Cleveland and the NASA Lewis Research Center Visitor Center.

Other performing and visual arts offerings include the Beck Center, Karamu House, Fairmount Theatre of the Deaf, the Cleveland Public Theatre, the Cleveland Center for Contemporary Art and Spaces Art Gallery.

The Cleveland metropolitan area is also served by various recreational facilities. The County's location on Lake Erie and the Cuyahoga River provides a setting for many water recreation facilities and offerings, including the Cleveland Lakefront State Park (five lakeshore locations), many power and sail boat marinas and fishing piers and offshore reefs. The City's North Coast Harbor is the site of the William G. Mather Museum, the Rock and Roll Hall of Fame and Museum, the Great Lakes Science Center and the Cleveland Browns Stadium.

Also available to area residents is the Cleveland Metroparks System, a 21,000-acre, 16 recreational system called the "Emerald Necklace" because it surrounds the City, and the Cuyahoga Valley National Park, a 32,860-acre national park in the County and adjacent Summit County. The Cleveland Metroparks Zoo, which features multiple wildlife and educational exhibits, is also located in the City.

The City features the Gateway complex, consisting of Progressive Field (formerly known as Jacobs Field), the home of the Cleveland Indians, Quicken Loans Arena (formerly Gund Arena), the home of the Cleveland Cavaliers and Lake Erie Monsters, and related facilities. First Energy Stadium (formerly Cleveland Brown Stadium) is also located in the City. Cleveland is one of only fifteen cities in the country with three major league sports facilities in its downtown. Original construction of the three professional sports facilities was funded, in part, with the proceeds of a Countywide excise tax on cigarettes, liquor, beer, and wine at wholesale and retail. The tax was first levied for a period of fifteen years, upon approval by voters in the County, in 1990 and was subsequently extended for a period of an additional ten years, through July 31, 2015. On May 6, 2014, voters of the County approved the renewal of the excise tax for a period of an additional twenty years to fund future capital repairs at the three sports facilities.

There are 18 hospitals located in the County, the top ten of which employ approximately 52,396 full-time-equivalent employees and have a total capacity of 4,282 staffed beds in the County.[(a)]

Public mass transit for the area is provided by the Greater Cleveland Regional Transit Authority.

[a] Source: Crains Cleveland 2013 Book of Lists.

(This Space Intentionally Left Blank)

Population

Population of the County, the MSA and the CMSA (see **APPENDIX B – THE COUNTY – General Information**) from 1970 to 2012 is:

Year	County	MSA[(a)]	CMSA[(c)]
1970	1,720,835	2,418,809	3,098,048
1980	1,498,400	2,277,949	2,938,277
1990	1,412,140	2,202,069	2,859,644
2000	1,393,978	2,250,871	2,945,831
2010	1,280,122	2,077,240[(b)]	3,515,646
2012	1,266,049	2,063,535[(b)]	3,497,711
2013	1,263,154	2,053,341[(b)]	3,501,538

(a) Numbers are for the prior PMSA. In 2003, the PMSA was reclassified as an MSA excluding Ashtabula County. Comparable historical Census numbers for the new MSA are not available.
(b) 2010, 2012 and 2013 population represents the current MSA.
(c) The CMSA was re-classified as the Cleveland-Akron-Elyria Combined Statistical Area (CSA). Only limited statistics are now available for the new MSA and CSA.

Source: U.S. Bureau of the Census.

Employment

The following table shows comparative average employment and unemployment statistics for the County, MSA, State and United States for the indicated periods:

	Employed		**Unemployed**		**Unemployment Rate**			
Year[(a)]	County	MSA [(b)]	County	MSA [(b)(c)]	County	MSA [(b)(c)]	State	U.S.
2007	616,100	1,034,400	41,500	66,700	6.3%	6.1%	5.6%	4.6%
2008	604,200	1,020,200	45,700	74,200	7.0	6.8	6.6	5.8
2009	574,600	978,500	57,200	95,600	9.0	8.9	10.2	9.3
2010	575,900	970,100	57,700	94,300	9.1	8.9	10.0	9.6
2011	577,200	975,700	50,900	82,600	8.1	7.8	8.6	8.9
2012	579,600	979,900	45,800	74,900	7.3	7.1	7.2	8.1
2013	567,300	960,900	44,100	72,300	7.2	7.0	6.6	6.5
2014[(c)]	565,700	958,100	45,000	74,700	7.4	7.2	6.2	6.7

Note: Figures have been rounded to hundreds.
(a) Not seasonally adjusted.
(b) Cleveland MSA is defined to include Cuyahoga, Geauga, Lake, Lorain and Medina Counties.
(c) Estimated as of March 2014. Monthly, not seasonally, adjusted.

Source: Ohio Department of Job and Family Services, Local Area Unemployment Statistics. These estimates are prepared in cooperation with the Bureau of Labor Statistics, U.S. Department of Labor, and are by place of residence.

The following table indicates the distribution of employee classifications in the MSA for the years 2008 through 2013:

Distribution of Employees by Sector
(Amounts in 000's)

	2008	2009	2010	2011	2012	2013
Goods Producing Industries						
Mining, Logging, and Construction	**38.4**	**33.2**	**31.6**	**32.8**	**33.4**	**32.4**
Specialty Trade Contractors	25.5	21.7	20.8	21.9	22.7	21.1
Manufacturing	**138.7**	**118.5**	**116.5**	**120.1**	**123.0**	**124.3**
Durable Goods	100.5	84.0	82.5	85.7	88.3	89.1
Primary Metals	10.6	8.2	8.1	8.2	8.7	8.6
Foundries	4.2	3.4	3.0	2.6	2.7	2.2
Fabricated Metal Products	31.3	25.9	25.7	27.2	27.7	27.3
Transportation Equipment	13.6	10.9	11.2	11.3	12.2	12.5
Motor Vehicle Parts	8.2	6.0	6.6	7.1	7.3	7.4
Nondurable Goods	38.2	34.4	34.0	34.4	34.7	35.2
Total Goods Producing Industries	**177.2**	**151.7**	**148.1**	**152.9**	**156.4**	**156.7**
Service Providing Industries						
Trade, Transportation, and Utilities	194.4	180.7	176.0	177.3	180.7	187.2
Wholesale Trade	53.1	48.3	46.6	47.9	49.6	50.1
Merchant Wholesalers, Durable Goods	30.8	27.6	26.7	27.3	27.9	28.1
Merchant Wholesalers, Nondurable Goods	15.9	14.5	13.7	13.8	14.1	14.2
Retail Trade	107.6	101.9	100.2	100.2	101.2	107.4
Food and Beverage Stores	23.1	22.5	22.0	21.9	22.3	22.5
Health and Personal Care Stores	7.9	7.8	7.8	7.9	8.1	8.3
General Merchandise Stores	20.0	19.8	20.0	20.3	19.9	22.4
Transportation, Warehousing, and Utilities	33.6	30.6	29.3	29.2	29.8	29.7
Transportation and Warehousing	33.6	27.0	26.1	26.1	26.8	26.6
Information	17.7	16.5	15.8	15.4	15.3	14.8
Financial Activities	68.8	65.8	64.6	63.4	62.9	64.0
Finance and Insurance	52.9	50.5	49.6	48.4	47.4	46.8
Credit Intermediation and Related Activities	23.9	21.1	19.8	18.5	23.0	17.5
Depository Credit Intermediation	16.5	15.5	14.3	13.1	13.0	12.5
Insurance Carriers and Related Activities	23.9	23.4	23.5	23.4	23.0	23.1
Insurance Carriers	16.8	16.5	16.7	16.6	15.8	15.3
Total Service Producing Industries	**738.5**	**708.6**	**704.4**	**713.0**	**726.7**	**727.4**
Total	**915.7**	**860.3**	**852.5**	**865.9**	**883.1**	**884.1**
Goods Producing Percentage	**19.35%**	**17.63%**	**17.37%**	**17.66%**	**17.71%**	**17.72%**
Service Producing Percentage	**80.65%**	**82.37%**	**82.63%**	**82.34%**	**82.29%**	**82.29%**
Total Nonagricultural	**1,058.5**	**1,000.8**	**991.1**	**1,007.2**	**1,016.6**	**1,016.3**

Source: Ohio Department of Job and Family Services

Largest Employers

The following employers (private and public) had the largest work forces in the County as of June 30, 2013:

Name of Employer	# of Employees	Industry
Cleveland Clinic Health System	30,600	Health care provider
University Hospitals Health System	13,334	Health care provider
U.S. Office of Personnel Management	12,035	Federal government
Progressive Corp.	7,858	Insurance and financial company
Cuyahoga County	7,709	County government
City of Cleveland	7,061	Municipal government
Cleveland Metropolitan School District	6,246	Public school district
KeyCorp	5,983	Bank holding company
MetroHealth System	5,238	Health care provider
Case Western University	4,636	Higher education
Group Management Services, Inc.	4,261	Professional employer organization
Giant Eagle	4,025	Grocery store chain
Swagelok Co.	3,686	Designer & manufacturer of industrial fluid system components
U.S. Postal Service	3,426	U.S. postal service
Sherwin Williams	3,053	Coatings & related products
Lincoln Electric	2,706	Designer, developer and manufacturer of arc welding products
General Motors Co.	2,500	Automotive manufacturing
Cuyahoga Community College	2,332	Higher education
State of Ohio	2,311	State government
Greater Cleveland Regional Transit Authority	2,307	Public transportation
UPS	2,083	Parcel Delivery
American Greetings Corp.	2,050	Greeting cards; character licensing
United	1,954	Airline
Nestle USA in Solon (includes Nestle Prepared Foods and Baking)	1,917	Manufacturer of Stouffer's and Lean Cuisine prepared foods, Buitoni pasta and sauce, Hot Pockets and Lean Pockets
ArcelorMittal	1,860	Steel Manufacturer
Medical Mutual of Ohio	1,820	Mutual company providing health and life insurance, dental, vision products and TPA services
Horseshoe Casino Cleveland	1,793	Horseshoe Casino Cleveland is part of Caesars Entertainment Company, the world's largest casino entertainment company
Southwest General	1,698	Private, not-for-profit 354-bed top 100 hospital with a 90-year history
Kaiser Permanente	1,582	Health care provider and insurance company
Parma City School District	1,517	Public school system

Source: Crain's Cleveland Business Book of Lists 2013

Corporate Headquarters

The County is the location of headquarters of eleven corporations that rank among Fortune Magazine's (2012) 1,000 largest corporations in the United States. The names of those corporations and certain information about them are set forth below.

Corporations Headquartered in County
Among Fortune's Top 1000
Within the 1,000 Largest U.S. Corporations Ranked by Revenues(a)

Rank	Company	Revenues(b)	Major Products
166	Progressive	$17,083.9	Insurance
211	Parker Hannifin Corp	13,145.9	Hydraulic Components
282	The Sherwin Williams Company	9,534.5	Paints & Chemicals
329	TravelCenters of America	7,995.7	National Travel Center Chain
424	Cliffs Natural Resources	6,024.3	Mining, Crude Oil Production
510	KeyCorp	4,742.0	Financial Services
538	Aleris International	4,412.4	Metals
737	Lincoln Electric Holdings	2,853.4	Industrial Equipment
782	Medical Mutual	2,634.4	Health Care Insurance
820	Hyster-Yale Materials Handling	2,469.1	Industrial Machinery
843	Applied Industrial Technologies Inc.	2,375.4	Industrial Components

(a) Source: 2013 Fortune Directory of the Largest U.S. Corporations.
(b) In 1,000s of dollars.

Building Permits

The following table shows information concerning building permits (including those for commercial, industrial, residential and public improvements, and both remodeling and new construction) and the value thereof, filed with the Fiscal Officer.

Year	Number of Permits	Value of Permits
2009	12,118	$1,061,920,320
2010	13,242	730,518,771
2011	12,806	995,071,342
2012	12,599	706,993,843
2013	13,746	922,381,200

Personal Income

According to Census reports, the median income for County families for 2011 was $44,088, compared to State and national medians of $48,071 and $52,262, respectively.

According to the Ohio Department of Taxation, the average federal adjusted gross income for County residents filing Ohio personal income tax returns for calendar year 2011 (the latest year for which the information is available) was $57,105, compared to the averages of $66,744 for all Ohio school districts (for all tax returns filed, the 2011 State average for tax returns that indicated school districts was $53,988).

Home Values and Housing Units

The following is Census information concerning housing in the County, with comparative City and State statistics:

Housing Units

	2000	2011 (est.)	% Change
County	621,763	620,830	-0.2%
City	207,536	218,647	5.4
State	5,127,508	5,133,446	0.1

Fiscal Office figures show the following numbers of sales transactions and average sales prices of residential property in the City, the suburbs in the County and the County in recent years.

	City		Suburbs		County	
	Number of Sales	Average Sales Price	Number of Sales	Average Sales Price	Number of Sales	Average Sales Price
Year						
2009	1,397	$90,345	6,736	$179,354	8,133	$160,635
2010	1,526	78,226	6,721	183,450	8,247	160,889
2011	1,111	88,364	5,887	181,769	6,998	166,940
2012	2,433	55,800	9,483	153,943	11,916	133,141
2013	2,809	59,737	10,865	162,033	13,674	139,750

Utilities, Energy and Water Resources

Water service in the County is provided primarily by the City's Division of Water and other municipal water utilities. The County has a Lake Erie shoreline of approximately 30 miles. Lake Erie is the 12th largest lake in the world by surface area. Fresh water is available to the area for all of its foreseeable needs.

Sanitary sewer service is provided by the Northeast Ohio Regional Sewer District, municipal sanitary sewer utilities and the County. See **APPENDIX B – COUNTY FACILITIES, UTILITY AND OTHER ENTERPRISES**.

The County is well served with energy sources. The principal suppliers of electric energy in the County are The Illuminating Company, a subsidiary of FirstEnergy Corporation, and Cleveland Public Power, a municipal utility operated by the City of Cleveland. The principal suppliers of natural gas are Dominion East Ohio Gas Company, Columbia Gas Company of Ohio, Inc. and Shell Energy Services Co.

Local telephone service is primarily provided by AT&T (successor by merger to SBC Communications, Inc.) and wireless phone and data and cable television service is available by a number of different providers.

Solid Waste Management

The Cuyahoga County Solid Waste District is one of 52 solid waste management districts created by Ohio's counties following the passage of the Ohio Solid Waste Disposal Act in 1988. The District includes all of the territory in the County as well as a portion of the Village of Hunting Valley in neighboring Geauga County. The Ohio Environmental Protection Agency ("Ohio EPA") approved a solid waste management plan for the District in 1994 under which the District is responsible for solid waste management activities previously undertaken by the County. An update to that plan, reflecting projected needs and solutions for a 15-year period, was ratified by 96% of the local legislative bodies in the District and approved by the Ohio EPA in 2000.

Solid waste collection, disposal and recycling services in the County generally are provided by municipalities and private providers. The Solid Waste Management District provides collections for special waste, including phone books, household hazardous waste, scrap tires, computers and mercury.

FINANCIAL MATTERS

Introduction

The County's Fiscal Year corresponds with the calendar year.

The main sources of County revenue are property taxes, sales and use taxes, charges for services, investment earnings, and federal and state distributions, as described under **APPENDIX B – AD VALOREM PROPERTY TAXES** and **– OTHER MAJOR COUNTY GENERAL FUND REVENUE SOURCES**.

The responsibility for the major financial functions of the County is divided among the County Executive, the Fiscal Officer and the Treasurer, with the support of the operational divisions of the County Fiscal Office under the direction of the Fiscal Officer. Those operational divisions are the Office of the Fiscal Officer, the Office of Budget and Management, Financial Reporting, Fiscal Operations (formerly the Office of Recorder and assessment functions performed by the County Auditor) and the Office of Procurement and Diversity.

Important financial functions include general financial recommendations and planning by the Office of Budget and Management; annual budget preparation by the County Executive as prescribed by the Charter, with the assistance of the Office of Budget and Management; and express approval of appropriations by Council.

The Fiscal Officer is the County's fiscal officer and has major accounting responsibilities. He maintains a fund and departmental system of accounts for the County's receipts and expenditures and, on the basis of such accounts, prepares an annual report filed with the Ohio Auditor of State (the "Auditor of State").

The Fiscal Officer is not to allow the amount set aside for any appropriation to be overdrawn, or the amount appropriated for any one item of expense to be drawn upon for any other purpose. The Treasurer is not to allow a voucher to be paid unless sufficient funds are in the County treasury to the credit of the fund upon which the voucher is drawn. The Treasurer also acts as custodian and disbursing agent for County funds and keeps books of account which are to balance with those of the Fiscal Officer on a monthly basis.

The Fiscal Officer is responsible for general policy decisions with respect to most of the financial affairs and borrowing of the County as well as for overall fiscal planning and development. The Council must approve the operating and capital budgets each year and must authorize all appropriations of money for most County activities in accordance with the Charter.

Other important financial functions affecting County government are:

1. Examination of accounts by the Auditor of State as discussed below under **Financial Reports and Examinations of Accounts.**

2. Assessment of real property by the Fiscal Officer, subject to supervision by the State Tax Commissioner.

3. Assessment of public utility property and tangible personal property by the State Tax Commissioner.

4. Billing and collection by the Fiscal Officer and Treasurer, respectively, of property taxes and special assessments.

5. Investment and management of County funds by the Treasurer, in accordance with the County's established investment policy.

Budgeting, Tax Levy and Appropriations Procedures

Detailed provisions for county budgeting, tax levies and appropriations are made in the Revised Code, including a requirement that the taxing authority (Council in the case of the County) levy property taxes in a sufficient amount, together with any other money available for the purpose, to pay the debt service on securities payable from property taxes. The procedures involve collective review by County officials at several steps.

The law generally requires that a subdivision prepare, and then adopt after a public hearing, a tax budget approximately six months before the start of the next Fiscal Year. The tax budget is then presented for review by the County Budget Commission. However, a County Budget Commission may either waive the requirement for a tax budget or permit an alternative form of tax budget with more limited information. In 2002, the Cuyahoga County Budget Commission voted to waive the requirement of preparing and adopting a tax budget for future Fiscal Years and prescribed an alternative form of a tax budget information document that continues to be used by the County and other subdivisions in the County.

Under current requirements, County budgeting for each Fiscal Year formally begins in July with the preparation and submission to the County Budget Commission of tax budget information for the following Fiscal Year. For debt service, the information is to include the net amounts of debt charges for which property tax levies must be made (after application of estimated receipts from other sources) and the portions of those levies to be inside and outside the ten-mill limitation. That tax budget information is then reviewed by the staff of the County Budget Commission.

As part of its review, the County Budget Commission determines and approves levies for debt service outside and inside the ten-mill limitation. *The Revised Code provides that "if any debt charge is omitted from the budget, the commission shall include it therein."*

Upon its approval of the County's tax budget, the County Budget Commission certifies its action to Council together with the estimate by the Fiscal Officer of the tax rates outside and inside the ten-mill limitation. Thereafter and before the end of the then Fiscal Year, Council approves the tax levies and, with the Fiscal Officer, certifies them to the proper County officials. The approved and certified tax rates are then reflected in the tax bills sent to property owners. Real property taxes are payable in two installments, the first usually due in January and the second in July.

Under the Charter, the County Executive is to submit a proposed operating budget to County Council prior to the start of the next fiscal year. In accordance with State law, the Council must adopt a permanent appropriation measure for a Fiscal Year by April 1 and may adopt a temporary appropriation measure for the Fiscal Year to provide for expenditures from January 1 until the permanent appropriation measure is adopted. The County has maintained a policy of adopting the budget before the end of the current fiscal year.

The Council has adopted an ordinance (O2011-0036) to establish a biennial operating and capital budget process. The first such biennial budget covered the 2012-2013 fiscal period and was adopted by Council on December 16, 2011. The biennial budget process calls for a mid-biennium update of the second year of the budget. The County Council adopted the required update to the biennial for Fiscal Year 2013 in December 2012. Both the biennium budget and the update are final annual appropriation measures. Although called "permanent," the appropriation measure may be, and often is, amended during the Fiscal Year. Annual appropriations may not exceed the County Budget Commission's official estimates of resources, and the County Fiscal Officer is to certify that the County's appropriation measures do not appropriate moneys in excess of the amounts set forth in those estimates.

Financial Reports and Examinations of Accounts

The County maintains its accounts, appropriations and other fiscal records in accordance with the procedures established and prescribed by the Auditor of State. The Auditor of State is charged by law with the responsibility of inspecting and supervising the accounts and records of each taxing subdivision (including the County) and most public agencies and institutions in the State.

County receipts and expenditures are compiled on a cash basis, pursuant to accounting procedures prescribed by the Auditor of State that are generally applicable to all Ohio political subdivisions. The records of the County's cash receipts and expenditures are converted annually for audit purposes to a modified and full accrual basis of accounting, as required. These accounting procedures conform to accounting principles generally accepted in the United States of America as applicable to governments, including, among others, those prescribed by the

Government Accounting Standards Board and the American Institute of Certified Public Accountants. Those principles, among other things, provide for (i) a modified accrual basis of accounting for the general fund, all special revenue funds, the debt service (bond retirement) fund, and the capital projects fund, (ii) a full accrual basis of accounting for all other funds, and (iii) the preparation for each fund of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances. The government-wide financial statements are prepared using a full accrual basis of accounting.

The County issued a Comprehensive Annual Financial Report ("CAFR"), including General Purpose Financial Statements/Basic Financial Statements, for its Fiscal Years 1983 through 2006. Each such CAFR was submitted to the Government Finance Officers Association ("GFOA") for consideration for a Certificate of Achievement for Excellence in Financial Reporting, which is awarded to those governmental reporting agencies that comply with the reporting standards of the GFOA. The County was awarded a Certificate for its CAFRs for each Fiscal Years 1983 through 2006, except for its CAFR for Fiscal Year 1993. The County applied for but did not receive such a Certificate with respect to its CAFR for Fiscal Year 1993 due to its presentation of certain information concerning County investments. The County did not prepare CAFR's for Fiscal Years 2007 through 2011 due to the federal investigation relating to certain County government officials. See **APPENDIX B – LEGAL MATTERS**. The County did prepare a CAFR for 2012 and has submitted it for GFOA review. The GFOA is still reviewing the 2012 CAFR.

The County has submitted its budget plan for review in all but four years during the period from 1988 through 2012. For each year it submitted its budget plan to the Government Finance Officers Association (GFOA), including the biennial period of 2012-2013, the County has received the Distinguished Budget Presentation Award from the GFOA. The GFOA established the Distinguished Budget Presentation Award in 1984 to encourage and assist state and local governments to prepare budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's recommended practices on budgeting and then to recognize individual governments that succeed in achieving that goal.

The financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for Fiscal Year 2012, which collectively comprise the County's basic financial statements (the "Basic Financial Statements"), have been audited by the Auditor of State. See **APPENDIX C – General Purpose Financial Statements/Basic Financial Statements for the Year Ended December 31, 2012.** The Basic Financial Statements present financial and other information only as of the dates and for the periods set forth therein. The Basic Financial Statements are the most recent audited financial statements of the County; however, reference to the Basic Financial Statements herein shall not create any implication that either the Auditor of State has undertaken any review or procedures with regards to financial statements or financial information as of any date or for any period beyond December 31, 2012. The Basic Financial Statements, which have been filed with the Municipal Securities Rulemaking Board (the "MSRB") and the Ohio Municipal Advisory Council ("OMAC") through the MSRB's EMMA system, are incorporated herein by reference. Those Basic Financial Statements are also available at the County's website, http://fiscalofficer.cuyahogacounty.us/pdf_fiscalofficer/en-US/Cuyahoga_County_12-Cuyahoga.pdf.

The most recent compliance audit of the County's accounts and records was completed by the Auditor of State through December 31, 2012. The audit included a total of eight findings of material weakness and two findings of significant deficiency. A significant deficiency is noted by the Auditor of State as a determination that is "less severe than a material weakness." Three of the findings relate to federal programs with the remainder applying to governmental and business-type activities. Certain of the 2012 findings were also findings in the audit of County accounts and records completed by the Auditor of State through December 31, 2011. In the case of each finding, the County noted that it agreed with the Auditor's findings and will take action to correct the procedures resulting in the findings. The Auditor of State identified no findings for recovery in its compliance audit through December 31, 2012. See **APPENDIX C – General Purpose Financial Statements/Basic Financial Statements for the Year Ended December 31, 2012**.

Neither an audit of the County's Basic Financial Statements for Fiscal Year 2013, nor the conversion of the County's cash receipts and expenditures for Fiscal Year 2013 to a modified and full accrual basis of accounting, as required, has commenced. The County will file its audited Basic Financial Statements for Fiscal Year 2013 with the MSRB and OMAC through the MSRB's EMMA system when completed.

The most recent audit of the County's public assistance and public children services funds, and CSEA in accordance with federal and State program requirements, was completed by the Auditor of State for the State's Fiscal Year 2012. No material findings were made as a result of that audit.

(This Space Intentionally Left Blank)

The following is an unaudited comparative cash basis summary of General Fund receipts and expenditures (in thousand dollars) for the last five Fiscal Years and Fiscal Year 2013:

	2008	2009	2010	2011	2012	2013
Cash balance at January 1	146,063	180,827	212,609	149,382	178,522	183,385
Encumbrances and Preencumbrances	(21,112)	(17,321)	(15,654)	-	(8,145)	-
Other cash adjustments	2,293		3,867			
Total adjusted cash balance	127,244	163,506	200,822	149,382	170,377	183,385
Receipts (by source)						
Property taxes [a]	19,355	18,933	22,413	14,184	14,818	13,923
Sales and use tax [b]	215,821	193,275	204,063	216,589	226,787	237,307
Other tax [c]	4	4	5	2,472	3,235	3,842
State local government assistance funds [d]	38,002	33,029	33,544	33,704	22,990	17,367
Licenses and permits	69	67	89	55	55	92
Charges for services [e]	60,100	46,368	45,502	43,989	53,155	56,760
Fines and forfeitures	10,754	8,985	10,984	9,598	9,320	9,297
Investment Earnings [f]	29,659	21,064	18,040	12,526	6,638	-
Other intergovernmental	12,718	17,878	17,164	12,788	13,448	12,160
Miscellaneous [g]	9,106	15,712	17,781	10,618	5,340	7,364
Total Receipts	395,588	355,315	369,585	356,523	355,786	358,112
Expenditures (by program)						
General Government [h]	68,434	59,448	57,768	42,017	47,749	55,761
Justice & Public Safety [i]	265,784	237,880	230,272	219,893	233,355	223,480
Development [j]	4,231	5,606	3,570	3,380	3,699	3,648
Social Services	6,401	6,504	6,294	6,263	7,067	6,883
Health & Safety	1,207	386	352	158	752	562
Miscellaneous [k]	2,633	2,817	128,558	29,338	15,068	12,860
Total Expenditures [l]	348,690	312,641	426,814	301,049	307,690	303,194
Excess of Revenues Over Expenditures	46,898	42,674	(57,229)	55,474	48,096	54,918
Other Financing Sources (Uses)						
Operating transfers in	-	-		-	-	-
Other financing uses	(12,134)	(10,892)	(5,998)	(26,334)	(43,233)	(50,890)
Total Other Sources (Uses) [m]	(12,134)	(10,892)	(5,998)	(26,334)	(43,233)	(50,890)
Cash Balance at December 31	180,827	212,609	149,382	178,522	183,385	187,413
Net change in Fund Balance	64,148	31,782	(63,227)	29,140	4,863	4,028
Adjusted Cash Balance						
Encumbrances and preencumbrances [n]	(17,321)	(15,654)	(40,738)	(8,145)	(12,203)	(11,365)
Other cash adjustment		(1,399)	(1,560)	-	-	-
Total adjusted cash balance [o]	163,506	195,556	107,084	170,377	171,182	176,048

(a) Receipts from property taxes within the ten-mill limitation levied for the General Fund. The rates levied for this purpose were 0.71 in 2008, 0.71 in 2009, 0.90 in 2010, 0.58 in 2011, and 0.60 in each of 2012 and 2013.

(b) Sales Tax includes collections from additional 0.25% increase that was effective October 1, 2007. Collections were $42,142,525 in 2008, $38,977,134 in 2009, $40,666,195 in 2010, $43,192,730 in 2011, $45,352,598 in 2012 and $47,437,063 in 2013.

[c] Other taxes include the collections from a 1% bed tax levied to support operations of the Global Center. Collections on a 1% tax on lodging that was enacted in November of 2010 total $2,215,716 in 2011, $3,234,851 in 2012 and $3,770,325 in 2013.

[d] Local Government Fund allocation was reduced by 50% as enacted by the State 2012-2013 biennial budget (HB153).

[e] Includes all receipts (4 mills) from the County's real property transfer tax and fee as well as other charges for services collected by County.

[f] Investment earnings are impacted by historically low interest rates and, in 2013, were recorded as zero due to the full amortization of purchase premium at the time of disposition of certain investments.

[g] 2010 revenue included one-time sources of $9.6 million from legal settlement and restitution payments related to federal corruption investigation prosecutions.

[h] Increase in 2013 General Government expenditures is attributable to the consolidation of the County's Information Technology budget to the General Fund.

[i] Decrease in 2009 Justice expenditures was the result of savings realized from early retirement program instituted in 2009 and the shift of human service related expenses to the Health & Human Services Levy Fund in that same period.

[j] 2010 Development expenditures and other uses include the transfer of cash reserves to fund the Global Center project in December 2010. The General Fund contribution to fund the annual debt service and operating payments for the project are included in the 2011 and 2012 other uses and Development expenditures.

[k] 2010 includes one-time transfers of approximately $117.9 million to project fund for the Global Center.

[l] The decrease in total expenditures in 2011 is due to lower than average contract payment activity and from the impact of various cost saving measures implemented in the approved 2011 operating budget. The 2013 total expenditures include the one-time utilization of cash reserves for planned investments ($5.5 million) and the addition of Health and Humans Services Justice program budgets to the General Fund ($4.1 million).

[m] Other sources include General Fund subsidies to other County operating funds and the General Fund contribution to debt service for nontax revenue bonds.

[n]The following amounts were reserved for encumbrances as of December 31 in each of the years enumerated: $17,321,000 in 2008; $15,654,200 in 2009; $40,738,000 in 2010; $8,145,000 in 2011, $12,203,000 in 2012 and $11,365 in 2013 were reserved for encumbrances and reserves as of December 31, 2013.

[o] Adjusted cash balance incorporates adjustments included in the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget Actual General Fund (Non GAAP Basis) included in the Basic Financial Statements of the County. The 2011 beginning cash balance was restated to include reserves from other County funds that are classified as General fund pursuant to GASB Statement No. 54.

Investment and Management of County Funds

Investments of County funds are governed by provisions of the State's Uniform Depository Act (Revised Code Chapter 135). Under that Act, the Treasurer has day-to-day responsibility for those investments. The County's Investment Advisory Committee (comprised of the County Executive, the Treasurer, and a member of Council) has approved an investment policies and procedures manual, and the Treasurer has retained an investment advisor to provide advice to the Treasurer's office. The County's investments and cash management program are administered in accordance with those investment policies and the recommendations of the County's investment advisor.

Under the Uniform Depository Act and the County's adopted investment policies, investments may be made in (a) direct obligations of the United States and obligations guaranteed by the united States ("U.S. Treasury Obligations"), (b) obligations of agencies and instrumentalities of the United States ("US Agency Obligations"), (c) time certificates of deposit with eligible depository institutions, (d) the Treasurer of State's STAR Ohio program, (e) certain repurchase agreements, (f) certain commercial paper (with a short-term rating of at least A1 or P1), (g) certain bankers' acceptances (with a short-term rating of at least A1 or P1), (h) municipal obligations of the State or its political subdivisions that are wholly or partially in the County, (i) certain open-end, no-load money market mutual funds consisting exclusively of U.S. Treasury Obligations or US Agency Obligations, (j) certain corporate notes that are rated in the second highest or higher category by at least two nationally recognized rating services at the time of purchase and mature not later than two years after purchase, (k) certain foreign notes rated in one of the three highest rating categories by two rating services, denominated and payable in U.S. dollars, and (l) delinquent tax collection anticipation notes issued by the County in anticipation of the collection of current year delinquent taxes.

The County's repurchase agreements are with one of several eligible broker-dealers approved by the County's investment advisor, and relate to U.S. Treasury Obligations and US Agency Obligations that are, in either instance, held by a major Ohio bank as the County's custodian.

Under the County's investment policies, bankers' acceptances and commercial paper can together account for no more than 25% of the County's investment portfolio computed on a 12-month rolling basis. In addition, not more than 15% of the County's total average portfolio is to be invested in corporate notes and not more than 1% is to be invested in foreign notes. The County's investment policies also provide other specific requirements for the diversification of investments and a maximum maturity (five years) for new County investments.

As of January 31, 2014, the County's $1.6 billion investment portfolio was invested as follows: $350.0 million in STAR Ohio and available on one day's notice; $15.4 million in collateralized or FDIC-guaranteed certificates of deposit; $5.0 million in foreign notes, $511.6 million in noncallable U.S. Agency Obligations maturing in 2014 through 2017; $20.0 million in callable U.S. Agency Obligations; $20.1 million in U.S. Treasury Notes and Bonds; $.4 million in municipal securities with maturities throughout 2014; $597.7 million in non-interest-bearing demand deposits and $80.0 million in a savings account at a major U.S. Bank. Although the particular components of the portfolio will necessarily change from time to time as investments mature and money is reinvested, the County does not expect those components or the duration of its investment portfolio to vary materially in the foreseeable future.

General Fund and Financial Outlook

The General Fund is the County's main operating fund, from which most expenditures for County administrative, justice system and public safety purposes and certain expenditures for County economic development purposes are paid and into which most revenues received by the County for those purposes are deposited. The County also expends General Fund money to supplement other amounts available for certain social services and health and safety purposes. The General Fund receives money from many sources, but primarily from sales and use taxes and ad valorem property taxes levied by the County, local government assistance funds from the State and certain charges for services, fines and forfeitures, investment earnings and other miscellaneous non-tax revenues. See **APPENDIX B – AD VALOREM PROPERTY TAXES** and **– OTHER MAJOR COUNTY GENERAL FUND REVENUE SOURCES**.

County officials, including the Fiscal Office and its Office of Budget and Management, closely monitor County revenues and spending. As most local governments, the County is affected by economic conditions (*i.e.* unemployment, inflation, etc.) and changes in revenues received from the State and federal governments for programs for which the County is responsible. As described in detail below, the County's General Fund receipts over the past five Fiscal Years have reflected the difficult economic conditions experienced nationally and some significant changes in State assistance, and County officials have adjusted General Fund expenditures over time in reaction to those conditions and changes. As a result, the County has maintained and expects to continue to maintain strong General Fund cash balances in excess of 25% of annual operating expenditures.

Sales and use tax receipts, the largest source of County General Fund revenues, typically account for over 66% of General Fund revenues. The level of such receipts varies significantly based on economic conditions. Collections were relatively stable between Fiscal Years 2005 and 2007, during which period the average annual rate of nominal growth was approximately 1.6% (including the impact of an expansion in the base that started in 2005). In Fiscal Year 2008, the County began receiving collections from an additional 0.25% sales tax levy approved by the Board. With the additional 0.25% levy, sales and use tax receipts increased to $215.8 million in that Fiscal Year. At the end of Fiscal Year 2008 and into Fiscal Year 2009, total sales and use tax receipts dropped severely as local, regional and national economic conditions worsened. Overall, in Fiscal Year 2009 the County's sales and use tax receipts fell by 10.4% (to $193.3 million). In Fiscal Year 2010, sales and use tax receipts climbed by 5.6% (to $204.1 million), with most of the increase being attributable to an expansion of the sales tax base (managed Medicaid care organizations) by the State that became effective in October of 2009. As the regional economy started to rebound in Fiscal Year 2011, receipts grew by 6.1% in 2011 (to $216.6 million) and increased again by 4.9% in 2012 to $226.8 million. In 2013, Sales tax grew 4.6% to $237.3 million. In Fiscal Year 2012 monthly collections started to exceed the inflation-adjusted average for the first time since before the economic downturn began, signaling growth attributable to economic activity. Sales tax receipts in Fiscal Year 2013 were $237.3 million, a 4.6% increase from the Fiscal Year 2012 level. See **APPENDIX B – OTHER MAJOR COUNTY GENERAL FUND REVENUE SOURCES – County Sales and Use Tax.**

Ad valorem property tax receipts in the General Fund have remained relatively steady since Fiscal Year 2008. Those property tax receipts were $19.3 million in Fiscal Year 2008 and dropped slightly in Fiscal Year 2009 ($18.9 million). The decreases in both those years were due primarily to a change in the State homestead exemption law that decreased the amount of property taxes paid by certain senior citizens, but increased the amount of reimbursements received from the State to make up for the exemption. In Fiscal Year 2010, the County changed the allocation of its unvoted property tax (inside millage) between the General Fund and its Debt Retirement Fund, and General Fund property tax receipts increased to $22.1 million. A triennial adjustment in assessed valuations in 2009 (first effective for collection year 2010), and a shift of property tax dollars to the Debt Retirement Fund decreased the property tax revenue available to the General Fund to $14.2 million in Fiscal Year 2011, $14.8 million in Fiscal Year 2012 and $13.9 million in fiscal year 2013. As described under **APPENDIX B – AD VALOREM PROPERTY TAXES – Assessed Valuation**, the County Fiscal Officer undertook a reappraisal of real property in the County in 2012, which resulted in a 7.2% decrease in its assessed valuation for tax year 2012 (collection year 2013) that will decrease the revenue derived from unvoted property tax collections available to the General Fund. See **APPENDIX B – AD VALOREM PROPERTY TAXES - General Fund Receipts from Ad Valorem Property Taxes**.

County General Fund receipts from the State Local Government Fund ("LGF") distributions averaged just over $38 million for Fiscal Years 2005 through 2008. In Fiscal Year 2009, the County's allocation of those distributions from the State dropped by 13.1% to $33.0

million as the amount of State general tax revenue dollars transferred into the State undivided fund declined severely due to the prevailing economic conditions in the State. The allocations in Fiscal Years 2011 and 2012 were $33.7 million and $22.9 million, respectively. Fiscal Year 2012 was the first year a 50% reduction in State revenue allocations began to take effect. The County's LGF receipts in Fiscal Years 2013 were reduced by the full 50% State imposed cut and totaled approximately $17.4 million. See **APPENDIX B – LOCAL GOVERNMENT ASSISTANCE FUNDS**.

The County's nontax revenues were $94.0 million in Fiscal Year 2010, but decreased to $78.3 million in Fiscal Year 2011 and decreased slightly to $74.9 million in Fiscal Year 2012. Nontax revenues were $71.8 million in Fiscal Year 2013. The decrease in nontax revenue in the aggregate has been significantly impacted by the reduction in investment income in recent years. Investment income in the General Fund totaled $18.0 million in fiscal year 2010 and was recorded as $0 for fiscal year 2013. Historically low interest rates as well as the amortization of purchase premiums at the sale of certain securities in the County investment portfolio have contributed to the decline. Beginning in 2013, the County Treasurer has instituted a policy whereby investments may not be purchased at a premium. Flat revenue charges for services ($56.8 million in Fiscal Year 2013) and declines in fees derived from sales of real property contributed to the decline in nontax revenues in Fiscal Years 2011 and 2012. The County expects total nontax revenue to recover incrementally as collection trends and investment earnings recover.

In Fiscal Year 2008, the County's aggregate General Fund expenditures were $360.8 million and included increased spending in justice programs and one-time expenditures for Board of Elections equipment. In Fiscal Year 2009, County officials, responding to projected budget shortfalls resulting from anticipated declines in General Fund receipts from several sources, adopted a budget plan that imposed across-the-board cuts ranging from 8% to 11.5% and a freeze on hiring and wage increases and thereafter implemented a number of programmatic cuts and further expenditure reductions and instituted a mandatory three-day furlough for employees. These actions resulted in a 9.1% ($37.3 million) decrease in General Fund expenditures in Fiscal Year 2009 to $323.5 million. The County also instituted an early retirement incentive program in 2009, resulting in over 850 employees retiring from the County by the beginning of 2010. The County achieved significant cost savings ($30 million on an all funds basis) net of the payments to OPERS from that program, and those savings were carried over into subsequent budgets. As a result of the early retirement incentive program, layoffs and attrition, the County's General Fund staffing expenditures were $133.6 million in Fiscal Year 2010 or 7.6% lower than in Fiscal Year 2009. However, expenditures in Fiscal Year 2010 were $454.0 million, including $366.1 million for ongoing operations and $117.9 million that were transferred from the General Fund from the proceeds of new General Fund revenue instituted in 2007 and 2010 for the Global Center project.

In light of the slow economic recovery and anticipated cuts in State revenue, the County implemented a Fiscal Year 2011 operating budget that incorporated budget cuts of over $15 million across programs funded through the General Fund. The savings were achieved by implementing a mandatory five-day furlough for County employees and requiring reductions in General Fund program budgets ranging from 1.5% to 7.5%. As a result, cash basis expenditures for ongoing operations decreased by approximately 24.4% in Fiscal Year 2011 to $327.4 million (non-GAAP basis). The reductions in General Fund program expenditures were primarily attributable to staffing reductions and other organizational realignments implemented by the County Executive. The net result of operations for the General Fund resulted in an increase of $22.2 million in the County's carryover General Fund cash balance at year end.

The County adopted a biennial operating budget for the first time for Fiscal Years 2012-2013. The adopted budget balanced estimated resources with expenditure levels and included funding for some new initiatives for economic development and investment in information technology. Operating expenditures and uses totaled $350.9 million in 2012. Spending in the core areas of County government remained flat and the General Fund ended the year with a $4.9 million operating surplus (non-GAAP budgetary basis) . General Fund expenditures were $372.8 million in Fiscal Year 2013, including transfers to fund required operating payments for the Global Center project.

The County's cash basis General Fund balance at the end of Fiscal Year 2013 was $187.4 million, compared to $183.4 million at the end of Fiscal Year 2012, $178.5 million in Fiscal Year 2011, and $131.2 million at the end of Fiscal Year 2010. The ending cash balance in Fiscal Year 2010 was net of a transfer of General Fund resources accumulated since 2008 to fund the construction of the Global Center project. The County implemented GASB Statement No. 54 in 2011. The implementation of this protocol for reporting fund balances resulted in a restatement of the 2011 ending year cash balance in the General Fund. The net result on this restatement was an increase in ending balance in 2011 of $25.1 million in the General Fund.

(This Space Intentionally Left Blank)

AD VALOREM PROPERTY TAXES

Assessed Valuation

The following table shows the assessed valuations of property subject to ad valorem taxes levied by the County for the five most recent tax collection years.

Tax Collection Year	Real[(a)]	Public Utility[(b)]	Total Assessed Valuation
2010[(c)]	$28,979,204,900	$654,490,330	$29,633,695,230
2011	29,153,170,350	673,170,690	29,826,341,040
2012	29,098,596,030	698,069,260	29,796,665,290
2013[(d)]	26,894,042,740	758,430,350	27,652,473,090
2014	26,853,970,910	840,870,540	27,694,841,450

(a) Other than real property of railroads. The real property of public utilities, other than railroads, is assessed by the Fiscal Officer. Real property of railroads is assessed, together with tangible personal property of all public utilities, by the State Tax Commissioner.

(b) Tangible personal property of all public utilities and real property of railroads; see footnotes (a), (b) and (c). Beginning in 2008, tangible personal property of telecommunications companies was reclassified from Public Utility to Tangible Personal.

(c) Reflects triennial adjustment.

(d) Reflects sexennial reappraisal.

Taxes collected on "Real" property in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year. "Public Utility" (real and tangible personal) property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year.

(This Space Intentionally Left Blank)

Based on County Fiscal Officer records of assessed valuations for the 2013 tax collection year, the County ad valorem property taxpayers with the largest real and public utility property valuations are:

Name of Taxpayer	Nature of Business	Assessed Valuation
Cleveland Clinic Foundation	Health Care	278,199,150
City of Cleveland	Airport and Stadium	112,297,620
Key Center Properties LLC	Hotels & Office Buildings	89,956,240
Cuyahoga County	Government	81,381,930
University Health Systems, Inc.	Health Care	76,251,710
Southpark Mall LLC	Shopping Mall (Southpark Mall)	75,587,220
Beachwood Place LTD	Shopping Mall (Beachwood Place Mall)	65,324,350
Progressive Insurance	Insurance	62,112,390
OPTIMA 55, 925, 1300, 1375, LLC	Commerical Real Estate Holdings	56,016,670
Eaton Corporation	Global Technology	53,413,820
Great Northern Partnership	Shopping Mall (Great Northern Mall)	52,774,730
Cleveland Financial Associates	Commercial Real Estate Holdings	51,485,990
PNC Financial	Banking	47,617,030
Higbee Mothership LLC	Real Estate	44,484,100
Toledo-Lucas County Port Authority	Government Assisted Economic Development	42,010,220
Rock Ohio Caesar's Cleveland	Entertainment Venue	38,398,760
Legacy Village Investors LLC	Shopping Center	36,879,200
Hub North Point Properties LLC	Shopping Mall	35,123,770
Fed/Mainstreet LLC	Commercial Real Estate Holdings	33,432,140
Lsref2 Oreo 2 LLC	Commercial Real Estate Holdings	27,860,870
FMC Investmnet Opportunities	Investments	25,607,900
Cleveland Cuyahoga County Port Authority	Government Assisted Economic Development	22,663,070
Norfolk Southern Combined	Railroad	22,068,760
Sherwin Williams Development Corp.	Paint Manufacturer	21,824,490
Tower City Land Corp.	Commerical Real Estate Holdings	19,703,420
Bishop James A Hickey	Commerical Real Estate Holdings	19,271,220
Federal National Mortgage (Fannie Mae)	GSE Mortgage	18,248,120
Chagrin Retail, Inc.	Commerical Real Estate Holdings	17,975,240
Behringer Harvard 600 Superior Avenue LP	Commerical Real Estate Holdings	17,736,250
ISG Cleveland West	Steel Manufacturer	16,564,330
Plain Dealer Publishing	Newspaper	16,402,580
Richmond Town Square Mall	Shopping Mall (Richmond Town Square)	16,331,990
CIP II Buckeye Hotel Landlord	Commerical Real Estate Holdings	16,089,170

Public Utility (Real and Tangible Personal)

The Illuminating Company	Electric Utility	$632,392,720
East Ohio Gas	Natural Gas	101,997,810
American Transmission	Transmission of Electricity	74,149,070
Columbia Gas of Ohio, Inc.	Natural Gas	22,453,990
Ohio Bell	Telephone Utility	18,359,640
Duck Creek Energy, Inc.	Electric Utility	9,670,690

Pursuant to statutory requirements for sexennial reappraisals, in 2012 the Fiscal Officer adjusted the true value of all real property in the County to reflect current fair market values as of January 1, 2012. These adjustments were reflected in the 2012 duplicate (collection year 2013) and in the ad valorem taxes distributed to the County in 2013 and thereafter. The Fiscal Officer is required to adjust (but without individual appraisal of properties except in the sexennial reappraisal), and has adjusted, taxable real property value triennially to reflect true values. The last such triennial adjustment was made in 2009 and first reflected in the 2009 duplicate (collection year 2010).

Based on reappraisal, the true value of taxable real property in the County dropped by approximately 7.2% for tax year 2012 (collection year 2013). The County estimates that it will receive approximately $30.5 million less in ad valorem property tax revenues in 2013 than in 2012 with such reduction.

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

With the passage of the State's budget for the 2006-2007 biennium, taxation of all tangible personal property used in general businesses (excluding certain public utility tangible personal property) was phased out over four years, from tax year 2006 to tax year 2009. Previously, machinery and equipment and furniture and fixtures were generally taxed at 25% of true value, and inventory was taxed at 23%. The taxation of all tangible personal property used by telephone, telegraph or interexchange telecommunications companies ("telecommunications property") was phased out over tax years 2007 to 2011. Previously, telecommunications property was taxed at 25% or 46% of true value (depending on the type of equipment and when it was placed into service). The percentages of true value of such property taxed have been, and are being, reduced to those set forth in the following table:

Tax Year	General Business Property	Telecommunications Property
2006	18.75%	(a)
2007	12.50	20.00%
2008	6.25	15.00
2009	0.00	10.00
2010	0.00	5.00
2011 (and thereafter)	0.00	0.00

(a) 25% or 46%; see discussion above.

To compensate for tax revenue losses as the tangible personal property taxes have been phased out, the State in 2006 commenced making distributions to taxing subdivisions (such as the County) from revenue generated by the State's commercial activity tax (the "CAT"). The CAT is levied annually on all persons or entities doing business in the State with taxable gross receipts from their business activities of $1 million or more. Recent legislation reduced or eliminated the amount of reimbursement related to: (a) "current expense levies" to zero for most municipalities and (b) "non-current expense levies" to 50% in 2012 and 25% thereafter of the amount received with respect to such levies in 2010. Reimbursements for taxes levied for debt purposes within the 10-mill limitation are to continue at the same amount as received in 2010 through 2017; thereafter no such reimbursement will be made. The State's reimbursement payment to the County for Fiscal Year Fiscal Year 2013 was $7,705,541.

On December 7, 2012, the Ohio Supreme Court held that "CAT revenues derived from an excise tax measured by the gross receipts from the sale of motor-vehicle fuel must be considered to be 'related to' fuels used for propelling motor vehicles on a highway, within the meaning of Section 5a [of Article XII of the Ohio Constitution] and, consequently, the excise tax at issue violates the Ohio Constitution to the extent that the revenue raised is used for purposes other than those specified in Section 5a. Accordingly, the allocation under [Revised Code Section] 5751.20 of the commercial-activity-tax revenues derived from the gross receipts of the sale of motor-vehicle fuel to non-highway purposes violates the Ohio Constitution, Article XII, Section 5a." The case has been remanded to the appellate court for further proceedings. Based on information obtained from the State Department of Taxation, during the State's fiscal year 2010, the CAT produced $1,342,120,000, of which $930,400,000 was placed in the School District Property Tax Replacement Fund. The CAT revenue evidently at issue in the aforementioned case involving motor vehicle fuel is estimated to be approximately $140,000,000. Beginning on July 1, 2014, a separate motor fuel receipts tax (MFRT) on receipts from such sales and exchanges replaces the CAT on receipts from the sale or exchange of motor fuel. The revenue arising from the MFRT must be used for public highway purposes.

Public utility tangible personal property (with some exceptions) is currently assessed (depending on the type of property) from 25% to 88% of true value. Effective for collection year 2002, the assessed valuation of electric utility production equipment was reduced from 100% and natural gas utility property from 88% of true value, both to 25% of true value. Recent legislation established thresholds for receipt of those payments similar to the thresholds discussed above for compensation for forgone tangible personal property taxes, except that reimbursement payments for debt purposes within the 10-mill limitation would end after 2016. The State's reimbursement payment to the County in Fiscal Year 2012 was $14.8 million, and the County received approximately $6.6 million from the State in Fiscal Year 2013.

Commencing in tax year 2006, the assessment rate for electric utility transmission and distribution equipment was reduced from 88% to 85%, and the assessment rate for all electric company taxable property was reduced from 25% to 24%.

As described herein, the General Assembly has from time to time exercised its power to revise the laws applicable to the determination of assessed valuation of taxable property and the amount of receipts to be produced by ad valorem taxes levied on that property, and may continue to make similar revisions.

Ohio law grants tax credits to offset increases in taxes resulting from increases in the true value of real property. Legislation classifies real property as between residential and agricultural property and all other real property, and provides for tax reduction factors to be separately computed for and applied to each class.

These tax credits apply only to certain voted levies on real property, and do not apply to unvoted levies or voted levies to pay debt charges on general obligation debt.

Ohio law authorizes local municipalities, townships and counties to provide direct tax incentives in the form of real personal property tax exemptions to encourage new business investment projects and foster improved competitiveness of Ohio's businesses that create new and retain existing job opportunities in "enterprise zones." Twenty-six municipalities have created such areas within the County and require County approval for exemption agreements. The cities of Cleveland and East Cleveland have also created such areas, but do not need prior County approval for their exemption agreements.

Municipal corporations and counties may create "community reinvestment areas" in which ad valorem tax abatement may be granted for any increased property valuation resulting from improvements to real property in the form of new construction or remodeling of existing structures by the property owner. In such areas, residential, commercial or industrial facilities are eligible for those real property tax incentives. This program is designed to be controlled at the local level by the local legislative body, including control over the size and number of such "community reinvestment areas" as well as the number of years of tax abatement. Currently, there are 42 community reinvestment areas in the County.

The County does not believe that the creation of "enterprise zones" and "community reinvestment areas" has had or will have a material adverse effect on the County's finances.

Tax Rates

All references to tax rates under this caption are in terms of stated rates in mills per $1.00 of assessed valuation.

The following are the rates at which the County and the overlapping taxing subdivisions levied ad valorem property taxes for tax year 2013 (collection year 2014).

TAX TABLE A
Tax Rates Within the County

Taxing District	School District	Effective Real Property Tax Rate Total Rate[(a)]	Res./Agr.[(b)]	All Other[(b)]
Bay Village	Bay Village	154.24	92.78	99.78
Beachwood	Beachwood	112.93	68.28	74.99
Beachwood	Warrensville Heights	118.33	90.70	96.12
Bedford	Bedford	115.05	83.98	93.11
Bedford Heights	Bedford	115.25	84.18	93.31
Bedford Heights	Orange	135.53	91.69	97.49
Bentleyville	Chagrin Falls	147.03	84.47	92.03
Berea	Berea	120.53	82.38	89.34
Berea	Olmsted Falls	142.93	93.35	93.19
Bratenahl	Cleveland	122.63	94.78	102.41
Brecksville	Brecksville	109.94	72.84	75.84
Broadview Heights	Brecksville	112.13	71.96	75.42
Broadview Heights	North Royalton	100.63	73.71	73.56
Brook Park	Berea	108.48	74.35	80.69
Brook Park	Cleveland	111.38	83.51	91.08
Brooklyn	Brooklyn	90.93	82.34	79.37
Brooklyn Heights	Cuyahoga Heights	64.63	58.82	61.23
Chagrin Falls Township	Chagrin Falls	139.33	78.16	85.37
Chagrin Falls Village	Chagrin Falls	148.03	86.48	94.04
Cleveland	Cleveland	119.33	91.48	99.11
Cleveland	Berea	116.43	82.32	88.72
Cleveland	Shaker Heights	216.66	128.44	153.66
Cleveland Heights	Cleveland Hts. - Univ. Hts.	190.32	119.22	131.83
Cleveland Heights	East Cleveland	134.03	88.91	110.64
Cuyahoga Heights	Cuyahoga Heights	64.63	58.82	61.23
East Cleveland	East Cleveland	133.83	88.71	110.44
Euclid	Euclid	138.33	106.04	120.18
Fairview Park	Fairview Park	133.20	93.51	97.34
Fairview Park	Berea	115.53	81.23	87.75
Fairview Park	Rocky River	127.48	86.22	101.60
Garfield Heights	Garfield Heights	129.79	122.53	117.01
Garfield Heights	Cleveland	133.63	105.78	113.41
Gates Mills	Mayfield	121.15	83.09	87.02
Glenwillow	Solon	108.03	75.43	84.99
Highland Heights	Mayfield	110.75	74.09	76.62
Highland Hills Village	Warrensville Heights	135.03	104.71	103.10
Hunting Valley	Orange	118.73	74.89	80.69
Independence	Independence	62.73	61.28	62.53
Lakewood	Lakewood	164.16	106.47	120.96
Linndale	Brooklyn	109.43	81.58	89.21
Lyndhurst	South Euclid – Lyndhurst	141.43	100.57	97.61
Maple Heights	Maple Heights	119.23	103.61	100.12
Mayfield Heights	Mayfield	116.75	80.09	82.62
Mayfield Village	Mayfield	114.05	74.31	77.17
Middleburg Heights	Berea	109.18	74.32	80.91
Moreland Hills	Chagrin Falls	145.43	84.26	91.47

Moreland Hills	Orange	120.93	77.09	82.89
Newburgh Heights	Cuyahoga Heights	138.43	110.58	117.00
North Olmsted	North Olmsted	129.63	93.38	95.40
North Olmsted	Olmsted Falls	140.43	94.89	94.17
North Randall	Warrensville Heights	119.13	91.16	96.72
North Royalton	North Royalton	98.43	72.44	72.51
North Royalton	Brecksville	109.93	70.68	74.37
Oakwood	Bedford	97.15	66.08	75.21
Olmsted Falls	Berea	117.08	80.22	86.34
Olmsted Falls	Olmsted Falls	140.48	92.18	91.19
Olmsted Township	Olmsted Falls	150.63	95.63	96.52
Orange	Orange	120.73	76.89	82.69
Orange	Warrensville	121.43	93.80	99.22
Parma	Parma	105.33	84.08	86.47
Parma Heights	Parma	108.23	87.30	89.59
Pepper Pike	Orange	123.13	79.26	84.99
Pepper Pike	Beachwood	118.43	73.75	80.38
Richmond Heights	Richmond Heights	128.53	89.91	88.81
Richmond Heights	South Euclid – Lyndhurst	148.03	104.81	101.82
Rocky River	Rocky River	126.58	85.51	100.77
Seven Hills	Parma	109.43	88.50	90.79
Shaker Heights	Shaker Heights	213.86	125.64	150.86
Solon	Solon	108.53	75.80	85.45
Solon	Orange	117.43	73.46	79.35
South Euclid	South Euclid – Lyndhurst	146.28	105.42	102.23
South Euclid	Cleveland Heights – Univ. Hts.	193.77	122.67	135.05
Strongsville	Strongsville	116.47	74.48	75.48
University Heights	Cleveland Hts. - Univ. Hts.	190.62	119.52	132.13
Valley View	Cuyahoga Heights	66.93	61.12	63.53
Walton Hills	Bedford	93.65	62.58	7.71
Warrensville Heights	Warrensville Heights	124.03	93.12	98.97
Warrensville	Orange	123.33	76.21	82.45
Westlake	Westlake	102.45	69.64	72.83
Woodmere	Orange	117.93	74.09	79.89

(a) Includes County-wide levies for the County, the Cleveland Metropolitan Park District, the Cuyahoga Community College District and the Cleveland-Cuyahoga County Port Authority, as well as levies for particular municipalities or townships, school districts, libraries and joint vocational school districts. (See **Tax Table B** that follows for a breakdown of the County and County-wide levies.)

(b) Effective real property tax rate after application of tax credits described below.

Statutory procedures limit, by the application of tax credits, the amount realized by each taxing subdivision from real property taxation to the amount realized from those taxes in the preceding year plus both:

The proceeds of any new taxes (other than renewals) approved by the electors, calculated to produce an amount equal to the amount that would have been realized if those taxes had been levied in the preceding year; and

Amounts realized from new and existing taxes on the assessed valuation of real property added to the tax duplicate since the preceding year.

The tax credit provisions do not apply to amounts realized from taxes levied at a rate required to produce a specified amount, such as for debt service on voted general obligation debt, or from taxes levied inside the ten-mill limitation or any applicable charter tax rate limitation. To calculate the reduced amount to be realized, a reduction factor is applied to the stated rates of the tax levies subject to these tax credits. A resulting "effective tax rate" reflects the aggregate of those reductions, and is the rate at which real property taxes are in fact collected. As an example, the total overlapping tax rate of 117.60 mills for the 2013 tax collection year for the City of Cleveland-Cleveland Municipal School District is reduced by a reduction factor of 0.33021 or 33.88 mills for both residential and agricultural property and a reduction factor of 0.21101 or 21.65 mills for all other real property, which results in "effective tax rates" of 89.43 mills for residential and agricultural property and 97.24 mills for all other real property. See **Tax Table A** above.

Real property tax amounts are generally further reduced by an additional 10% (12.5% in the case of owner-occupied residential property). Recent State legislation limits the application of the property tax rollbacks by specifying that the rollbacks shall not apply to reduce the taxes due on new or replacement levies for tax year 2013 or any subsequent tax years approved at the election held on November 5, 2013 or any later election. The rollbacks will still apply to existing levies and renewals of existing levies. See **Collections** above for a discussion of the reimbursement by the State for this reduction.

The following are the rates at which the County levied property taxes for the general categories of purposes in recent years both inside and outside the ten-mill limitation:

TAX TABLE B
County Property Tax Rates – Voted and Unvoted[(a)]

	Unvoted Levies Within 10–Mill Limitation			Voted Levies Outside 10–Mill Limitation				
Collection Year	**General Fund**	**Bond Retirement**	**Unvoted Total**	**Bond Retirement**	**Health and Human Services**	**Bd. of Developmental Disabilities**	**Voted Total**	**Total County Voted and Unvoted**
2010	0.90	0.55	1.45	0.27	7.70	3.90	11.87	13.32
2011	0.58[(b)]	0.87[(b)]	1.45	0.27	7.70	3.90	11.87	13.32
2012	0.60	0.85	1.45	0.17	7.70	3.90	11.77	13.22
2013	0.60	0.85	1.45	0.17	7.70	3.90	11.77	13.22
2014	0.60	0.85	1.45	0.00	8.70	3.90	12.60	14.22

(a) County-wide property taxes are also levied on behalf of certain major political subdivisions or governmental entities as shown below for tax collection year 2013:
Cleveland Metropolitan Park District – 1.85
Cuyahoga Community College District – 2.80
Cleveland-Cuyahoga County Port Authority – 0.13
Cuyahoga County Library – 2.50

(b) Amounts levied reflect, in part, a temporary reduction in debt service levy requirements due to a transfer of unspent bond proceeds to the Bond Retirement Fund and a resulting temporary increase in millage available to the General Fund.

See the discussion of the ten-mill limitation, and the priority of claim on that millage for debt service on unvoted general obligation debt, under **APPENDIX B – COUNTY DEBT AND OTHER LONG-TERM OBLIGATIONS – General Obligation Debt – Indirect Debt and Unvoted Debt Limitations**. Only cities, villages, school districts, townships and regional transit authorities may, as may the County, levy ad valorem property taxes within the ten-mill limitation (subject to available statutory allocation of the 10 mills).

The following table presents certain information concerning the County's voted property tax levies (except a levy for a voted bond issue):

Millage Rate

Voter Authorized	Levied for Collection Year 2014		Purpose	Last Collection Year
	Res./Agr.	All Other		
4.8	4.800000	4.800000	Health and Human Services	2016
3.9	3.900000	3.799465	Board of Developmental Disabilities	Continuing
3.9	3.900000	3.900000	Health and Human Services	2018

Collections

The following are the amounts billed and collected for County ad valorem property taxes for recent tax collection years. "Billed" includes current charges, plus current and delinquent additions and less current and delinquent abatements. "Collected" includes collections of current "Billed" and of current and delinquent additions. "Current % Collected" is the percentage of current charges billed which is collected in the collection year billed. The figures shown include amounts for County property tax levies only, and do not include any County-wide property taxes levied on behalf of other political subdivisions or governmental entities, such as the Cleveland Metropolitan Park District, the Cuyahoga Community College District or the Cleveland-Cuyahoga County Port Authority.

(This Space Intentionally Left Blank)

Ad Valorem Real Property and Public Utility Taxes

Collection Year	Billed	Collected	Current % Collected	Delinquent Current	Accumulated
2009	$396,656,766	$366,755,483	92.46	$27,274,374	$59,312,897
2010	390,025,025	357,309,084	91.77	28,516,854	66,607,066
2011	391,054,735	356,161,963	91.07	30,211,841	81,068,290
2012	389,234,859	351,405,833	90.28	29,694,983	83,292,841
2013	364,260,628	334,506,534	91.83	23,653,639	73,754,838

Ad Valorem Tangible Personal Property Taxes

Collection Year	Billed	Collected	Current % Collected	Delinquent Current	Accumulated
2009	$1,211,487	$1,210,140	99.89	$1,524	$14,141,793
2010	606,850	606,788	99.99	62	10,009,300
2011	0	0	N/A	N/A	2,702,818
2012	0	0	N/A	N/A	5,505,483
2013	0	0	N/A	N/A	5,188,950

Current and delinquent taxes and special assessments are billed and collected by County officials for all taxing subdivisions in the County. There is no one taxpayer which accounts for more than 5% of the delinquencies identified above for 2012 (excluding those taxpayers with delinquencies that are anticipated to be abated).

Included in the "Billed," "Collected" and "Current % Collected" figures above are payments made from State revenue sources under two Statewide real property tax relief programs – the Homestead Exemption and the Property Tax Rollback Exemption. Homestead exemptions are available for (i) persons 65 years of age or older, (ii) persons who are totally or permanently disabled and (iii) surviving spouses of persons who were totally or permanently disabled or 65 years of age or older, had applied and qualified for a reduction of property taxes in the year of death, so long as the surviving spouses were not younger than 59 or older than 65 years of age on the date of their deceased spouses' deaths. The Homestead Exemption exempts $25,000 of the homestead's market value from taxation, thereby reducing the property owner's ad valorem property tax liability. The Property Tax Rollback Exemption applies to all non-business properties, and reduces each property owner's ad valorem property tax liability by either 12.5% (for owner-occupied non-business properties) or 10% (for non-owner non-business occupied properties). Payments to taxing subdivisions have been made in amounts equal to approximately 10% (12.5% with respect to owner-occupied residential property) of all ad valorem real property taxes levied. This State assistance reflected in the County's tax collections for 2013 was $9,961,949 for the elderly/disabled homestead payment and $29,146,739 for the rollback payment.

Delinquency Procedures

General. The following is a general description of delinquency procedures under Ohio law, the implementation of which may vary in practice among the counties. Under the Revised

Code, taxes become a lien of the State on the first day of January, annually, and continue until the taxes, including any penalties, interest or other charges, are paid. Real estate taxes and special assessments that are not paid in the year they are due are to be certified by the Fiscal Officer's office as delinquent. Any amount of a previous tax bill not paid before new tax bills are mailed for the next half of the year is considered delinquent and becomes subject to a 10% penalty. A list of delinquent properties is compiled by the Fiscal Officer (the "delinquent land duplicate"). If delinquent taxes (and special assessments) are not paid within 60 days after a copy of the Fiscal Officer's delinquent land duplicate is delivered to the Treasurer, then the Treasurer is to enforce the lien of the State that attached on January 1 of the year the taxes first became payable. Under State law (Revised Code Section 323.25), the county treasurer is to enforce the lien "in the same way mortgage liens are enforced," that is, by an action in the court of common pleas for foreclosure and sale of the property in satisfaction of the delinquency. If the Treasurer fails to bring an action to enforce the lien, then the State tax commissioner is to do so. In addition, one year after certification of a delinquent land list, the Prosecuting Attorney is authorized to institute foreclosure proceedings in the name of the Treasurer to foreclose the lien.

The property owner may arrange a payment plan with the Treasurer providing for payments over a period not to exceed five years. If payments are made when due under the plan, no further interest will be assessed against delinquent balances covered by the plan; a default in any payment under the plan or in the payment of current taxes will invalidate the taxpayer's participation in the plan. If a payment plan is not adhered to or if none is arranged, the delinquent taxes may be sold as a tax lien certificate or foreclosure proceedings may be initiated by the county. Mass foreclosure proceedings and sales are permitted after three years' delinquency. Proceeds from delinquent property foreclosure sales become part of and are distributed as current collections to the taxing subdivisions.

In recent years, the State legislature has enacted several programs with respect to forestalling the foreclosure process or the forfeiture of property due to tax delinquency that may have the effect of delaying or eliminating the collection of certain property taxes.

As required by law, the County deposits 5% of all delinquent taxes and assessments collected by the Treasurer into the delinquent tax and assessment collection fund ("DTAC"). These funds are available to the Treasurer and Prosecuting Attorney solely for the purpose of collection of delinquent taxes and assessments.

State legislation provides counties authority to sell delinquent tax lien certificates. Private investors who purchase the tax lien certificates assume the lien position of the County and may charge up to 18% annual interest on the unpaid balance of the tax certificate. Holders of the tax certificate may initiate foreclosure action one year after the purchase of the tax certificate. Holders are also entitled to purchase tax certificates for any subsequent delinquent taxes on tax certificate parcels at 18% interest. Increased collection efforts, coupled with those tax certificate sales, more than doubled the amount of delinquent taxes collected annually between 1996 and 2007.

During the period from November 2011 through September 2013, the County sold approximately $38.1 million of delinquent tax certificates to Woods Cove LLC.

Cuyahoga County Land Reutilization Corporation. Under authority of legislation passed by the General Assembly in April 2009, the County has created the Cuyahoga County Land Reutilization Corporation (the "CCLRC"), which was incorporated and began operations in May 2009. The Board of Directors of the CCLRC consists of the Treasurer and the County Executive or their designees, a member of Council, two representatives of the City of Cleveland, and two remaining members selected by the County Executive, Treasurer and a Council representative. The CCLRC acts in concert with other local governments in the County to promote, develop, manage, and facilitate the reclamation, holding, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed, and other real property. These objectives are met by acquiring distressed properties for rehabilitation or demolition with eventual assembly and resale of cleared parcels.

The CCLRC's primary source of funding is penalties and interest on property taxes and assessments that are not paid when due. Under the State law, the Treasurer advances the portion of delinquent taxes and assessments that is expected to be collected to the various taxing districts, getting them their money sooner, but allocates a portion of the estimated penalties and interest to the CCLRC. In 2011, the County in conjunction with the CCLRC imposed an additional 5% DTAC fee on delinquent tax collections. The CCLRC now receives penalty and interest income as well as the collections from the additional DTAC fee; however, the revenue received from these sources will be capped at a maximum annual amount of $7.0 million.

General Fund Receipts From Ad Valorem Property Taxes

County General Fund receipts from ad valorem property tax levies for tax collection years 2008 through 2012 and 2013, rounded to the nearest $1,000, are shown below:

Collection Year	General Fund Tax Rate[(a)]	Total Receipts
2009	0.71	18,569,000
2010	0.90	22,176,000
2011	0.58	14,170,000
2012	0.60	14,807,000
2013	0.60	13,909,000

(a) In mills per $1.00 of assessed valuation. See **Tax Table B**.

OTHER MAJOR COUNTY GENERAL FUND REVENUE SOURCES

Major sources of revenue to the General Fund in addition to ad valorem property taxes are discussed under this caption. See **APPENDIX B – FINANCIAL MATTERS – General Fund and Financial Outlook** for further information regarding other revenue sources for the General Fund and other funds.

Permissive Taxes

State law authorizes counties to levy certain permissive taxes (sales and use, real property transfer, motor vehicle license and utilities services) without a vote of the people, subject to repeal by referendum (if the resolution levying the tax is not enacted as an emergency measure) or subject to repeal by initiative (if the resolution is adopted as an emergency measure). Any referendum or initiative is held only if requested by a petition signed by a specified percentage of voters and filed timely and in appropriate form. Council may also submit the question of levying these taxes to a vote of the electors and, if approved at an election, they are not thereafter subject to repeal by voter-initiated action.

The County currently has in effect a sales and use tax, which became effective in 1969 and was increased in 1987 and again in 2007, and a real property transfer tax and fee, which became effective in 1985, both of which provide revenues for the County's General Fund. The County also currently has in effect a motor vehicle license tax, in the amount of $15 per vehicle. The proceeds of that tax are required to be used for the construction, maintenance and repair of streets and highways, including bridges. The County has not yet exercised its option to impose a utility service tax.

County Sales and Use Tax

The County currently levies a 1.25% sales and use tax, 0.5% of which is imposed pursuant to resolutions adopted by the Board in 1969, 0.5% of which is imposed pursuant to resolutions adopted by the Board in 1987 and 0.25% of which is imposed pursuant to resolutions adopted by the Board in 2007. The 0.5% portions of the sales and use tax authorized in 1969 and 1987 are in effect for a continuing period of time and the 0.25% portion authorized in 2007 is in effect for a period of 20 years ending in 2027. No portion of this sales and use tax is now subject to repeal by referendum or initiative. The tax is collected by the State and distributed monthly to the County. The County's sales and use tax receipts for the past five Fiscal Years and for Fiscal Year 2013, rounded to the nearest $1,000, are shown below:

Fiscal Year	Rate	Total Receipts
2009	1.25%	$193,275,000
2010	1.25	204,063,000
2011	1.25	216,589,000
2012	1.25	226,787,000
2013	1.25	237,307,000

Under State law, Council has authority to adopt resolutions increasing the County sales and use tax by an additional .25% (up to an aggregate maximum of 1.5%) to provide revenue for the County's General Fund or for certain other purposes. Unless adopted as an emergency measure or with voter approval, any resolution increasing the rate would be subject to referendum by the electors. If adopted as an emergency measure, the resolution increasing the rate would be subject to repeal at a voter-initiated election. If repealed by the electors, the increased rate could not be reimposed pursuant to an emergency measure for one year from the date of the election.

Real Property Transfer Tax

The County currently levies a 3.0-mill real property transfer tax, an unvoted tax that was enacted in 1985 pursuant to a resolution of the Board. That tax is in addition to the 1.0-mill real property transfer fee imposed by State law. The County's real property transfer tax is not subject to repeal or reduction by referendum or initiative. Real property transfer tax receipts for the past five Fiscal Years and for Fiscal Year 2013, rounded to the nearest $1,000, are shown below:

Fiscal Year	Amount Collected
2009	$7,364,000
2010	7,376,000
2011	7,042,000
2012	8,816,000
2013	9,573,000

Local Government Assistance Funds

Statutory State-level local government assistance funds are comprised of designated State revenues which are distributed to each county and then allocated on a formula basis (or, in some cases, on an agreed basis) among the county and cities, villages and townships and, in some cases, park districts in the county. County receipts from those funds after distribution to the various subdivisions for the past five Fiscal Years and for Fiscal Year 2013, rounded to the nearest $1,000, are shown below:

Fiscal Year	Amount Collected
2009	$33,028,000
2010	33,544,000
2011	38,704,000
2012	22,990,000
2013	17,367,000

The amounts of and formula for distribution of these funds have been and may be revised from time to time by the General Assembly.

COUNTY DEBT AND OTHER LONG-TERM OBLIGATIONS

The following describes the security for various types of County debt, applicable debt and ad valorem property tax limitations, outstanding and projected bond and note indebtedness and certain other long-term financial obligations of the County.

As used in the discussions that follow, BANs refers to notes issued in anticipation of the issuance of general obligation bonds.

The County has issued, as a conduit issuer, certain industrial development revenue bonds for facilities used by private corporations or other entities and hospital revenue bonds for facilities used by private non-profit hospital agencies. The County is not obligated in any way to pay debt service on any such bonds from any of the County's funds. Therefore, those bonds have been excluded entirely from the debt discussion and the tables that follow.

The County is not and has not been, in the last 50 years, in default in the payment of debt service on any of its bonds or notes or in a condition of default under the financing documents relating to any of its issues of revenue bonds; however, the County makes no representation as to the existence of a condition of default resulting from a default by any private entity under any financing documents relating to its industrial development or hospital improvement revenue bonds.

General Obligation Debt

Security for General Obligation Debt.

The following describes the security for County general obligation debt.

Unvoted Bonds. The basic security for unvoted County general obligation bonds is the County's ability to levy, and its levy pursuant to constitutional and statutory requirements, of an ad valorem tax on all real and tangible personal property subject to ad valorem taxation by the County, within the ten-mill limitation described below. This tax must be in sufficient amount to pay (to the extent not paid from other sources), as it becomes due, the debt service on unvoted County general obligation bonds, both outstanding and in anticipation of which BANs are outstanding. The law provides that the levy necessary for debt service has priority over any levy for current expenses within that tax limitation. That priority may be subject to the provisions of bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion. See the discussion below, under **Indirect Debt and Unvoted Debt Limitations**, of the ten-mill limitation, and the priority of claim on it for debt service on unvoted general obligation debt of the County and all overlapping taxing subdivisions.

Voted Bonds. The basic security for voted County general obligation bonds is the authorization by the electors for the County to levy to pay debt service on those voted bonds, without limitation as to rate or amount, ad valorem taxes on all real and tangible personal property subject to ad valorem taxation by the County. The tax is outside of the ten-mill limitation and is to be in sufficient amount to pay (to the extent not paid from other sources), as it becomes due, the debt service on the voted County general obligation bonds, both outstanding and in anticipation of which BANs are outstanding (subject to the provisions of bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion).

Bond Anticipation Notes. Ohio law requires, while BANs are outstanding, the levy of an ad valorem property tax in an amount not less than that which would have been levied if bonds had been issued without the prior issuance of the BANs. That levy need not actually be collected if payment in fact is to be provided from other sources, such as the proceeds of the bonds anticipated or of renewal BANs. BANs, including renewal BANs, may be issued and outstanding from time to time up to a maximum period of 240 months from the date of issuance of the original notes (the maximum maturity for special assessment BANs is generally five years). Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of BANs outstanding for more than five years must be retired in amounts at least equal to, and payable not later than, those principal maturities that would have been required if the bonds had been issued at the expiration of the initial five-year period.

Statutory Direct Debt Limitations

The Revised Code provides that:

The net principal amount of unvoted general obligation debt of the County, excluding "exempt debt" (discussed below), may not exceed 1% of the total value of all property in the County as listed and assessed for taxation. (The County's current tax valuation is $27,694,841,450.)

The net principal amount of both voted and unvoted general obligation debt of a county, excluding "exempt debt," may not exceed a sum equal to 3% of the first $100,000,000 of tax valuation plus 1-1/2% of the next $200,000,000 of tax valuation plus 2-1/2% of the tax valuation in excess of $300,000,000.

The County's unvoted general obligation debt for its share of the costs of State highway improvements may not exceed one-half percent of that valuation. (The County currently has no debt outstanding for such improvements.)

These limitations, which are referred to as the "direct debt limitations," may be amended from time to time by the General Assembly.

A county's ability to incur unvoted debt (whether or not exempt from the direct debt limitations) also is restricted by the indirect debt limitation discussed below under **Indirect Debt and Unvoted Debt Limitations**.

Certain debt the County may issue is exempt from the direct debt limitations (exempt debt). Exempt debt includes, among others:

Revenue debt;

General obligation debt:

For county, multicounty or multicounty-municipal jail, workhouse, juvenile detention or correctional facilities, or county or joint county solid or hazardous waste collection, transfer or disposal facilities, or resource recovery or recycling facilities, or sport facilities, or educational service center facilities;

That is "self-supporting" debt (i.e., nontax revenues from the facility or category of facilities are sufficient to pay operating and maintenance expenses and related debt charges and other requirements) issued for facilities for county utility systems or facilities, airports, railroads, mass transit systems, parking, health care, solid waste, urban development, recreation, sports, convention, museum and other public attractions, natural resource exploration, development, recovery, use or sale, correctional and other related rehabilitation;

To the extent debt charges are expected to be paid from tax increment financing payments in lieu of taxes pledged to the payment of those debt charges (subject to certain limitations);

For buildings to house county or municipal agencies, departments, boards and commissions, to the extent that revenues (other than revenues from unvoted county property taxes) derived from leases between the county and such agencies, departments, boards, commissions or municipal corporations are sufficient to cover all operating expenses paid by the county and debt charges;

For highway improvements if the county has covenanted to pay debt charges and financing costs from distributions of motor vehicle license and fuel taxes;

Issued in anticipation of the levy or collection of special assessments;

For certain permanent improvements if the county has covenanted to pay debt charges from certain dedicated sales tax revenues; and

To pay final judgments or court-approved settlements, or to fund joint self-insurance pools.

Securities issued to improve water or sanitary or storm water sewerage facilities to the extent that another subdivision has agreed to pay to the County amounts equal to debt charges on those securities.

For water or sanitary or storm water sewerage facilities to the extent that another subdivision has agreed to pay to the county amounts equal to debt charges.

Notes issued for certain energy conservation improvements or certain emergency purposes, or to acquire voting machines and vote tabulation equipment.

Debt issued in anticipation of the receipt of federal or State grants for permanent improvements, or to evidence loans from the State capital improvements fund or State infrastructure bank.

Delinquent tax bonds.

Notes issued in anticipation of the collection of current revenues or in anticipation of the proceeds of a specific tax levy.

Debt issued for a port authority or certain educational and cultural facilities and sports facilities.

Sales tax supported bonds issued pursuant to section 133.081 of the Revised Code for the purpose of acquiring, constructing, improving, or equipping permanent improvements.

BANs issued in anticipation of exempt bonds also are exempt debt.

The County may issue debt for operating purposes, such as current tax revenue anticipation notes or tax anticipation notes, only under certain limited statutory authority.

In the calculation of debt subject to the direct debt limitations, the amount of money in a county's bond retirement fund allocable to the principal amount of nonexempt debt is deducted from gross nonexempt debt. Without consideration of money in the County's Bond Retirement Fund, and based on the County's outstanding debt as of December 1, 2013 and current tax valuation, the County's voted and unvoted nonexempt borrowing capacities are:

Limitation[a]			Debt	Additional Borrowing Capacity Within Limitation
3% + 1.5% + 2.5%	=	$690,871,036[b]	$214,884,000	$475,987,036
1%	=	276,948,415[c]	214,884,000	62,064,415
1/2%	=	138,474,207[d]	-0-	138,474,207

(a) The County's current tax (assessed) valuation for purposes of determining its direct debt limitations is $27,694,841,450.
(b) Applicable to nonexempt voted and unvoted general obligation bonds/notes.
(c) Applicable to nonexempt unvoted general obligation bonds and notes.
(d) Applicable to unvoted general obligation debt county's share of the costs of State highway improvements.

See **Debt Table A**.

Indirect Debt and Unvoted Debt Limitations

Voted general obligation debt may be issued by the County if authorized by a vote of the electors. Ad valorem taxes, without limitation as to amount or rate, to pay debt service on voted bonds are authorized by the electors at the same time they authorize the issuance of the bonds. Voted obligations may also be issued by certain overlapping subdivisions.

General obligation debt also may be issued by the County (and by certain political subdivisions it overlaps) without a vote of the electors. This unvoted debt may not be issued unless the ad valorem property tax for the payment of the debt service on (a) those bonds (or the bonds in anticipation of which BANs are issued) and (b) all outstanding unvoted general obligation bonds (including bonds in anticipation of which BANs are issued) of the combination of overlapping taxing subdivisions including the County resulting in the highest tax required for such debt service, in any one year, is 10 mills or less per $1.00 of assessed valuation. This indirect debt limitation, the product of what is commonly referred to as the "ten-mill limitation," is imposed by a combination of the provisions of the Ohio Constitution and the Revised Code.

The ten-mill limitation is the maximum aggregate millage for all purposes that may be levied on any single piece of property by all overlapping taxing subdivisions without a vote of the electors. This 10 mills is allocated pursuant to a statutory formula among certain overlapping taxing subdivisions in the County, including the County. The entire 10 mills is currently being levied by the combination of the County and taxing subdivisions overlapping the County. The current allocation of the 10 mills (sometimes referred to as the "inside millage") in the City, the largest municipality in the County, is as follows: 1.45 mills for the County, 0.05 mills for the Cleveland Metro Parks, 4.40 mills for the City, and 4.10 for the portion of the Berea City School District within the area of the City.

Present Ohio law requires the inside millage allocated to a taxing subdivision to be used first for the payment of debt service on its unvoted general obligation debt unless provision has been made for that payment from other sources, with the balance usable for other purposes. To the extent this inside millage is required for debt service of a taxing subdivision (which may exceed the formula allocation to that subdivision), the amount that would otherwise be available to that subdivision for general fund purposes is reduced. Because the inside millage that may actually be required to pay debt service on a subdivision's unvoted general obligation debt may exceed the formula allocation of that millage to the subdivision, the excess would reduce the amount of inside millage available to overlapping subdivisions.

In the case of BANs, the highest annual debt service estimated for the anticipated bonds is used to calculate the millage required.

Revenue bonds and notes are not included in debt subject to the ten-mill limitation because they are not general obligations of the County, and the full faith and credit of the County is not pledged for their payment.

The indirect (ten-mill) debt limitation applies to all unvoted general obligation debt even if debt service on some of it is expected to be paid in fact from special assessments, utility earnings or other sources.

The highest debt service requirement in any year for all County debt subject to the ten-mill limitation is estimated to be $32,749,899 in the year 2015. The payment of that annual debt service would require a levy of 1.1825 mills based on current assessed valuation. Of this maximum annual debt service requirement, $3,210,615 is expected by the County to be paid from sources other than ad valorem taxes, such as special assessments, utility revenues and federal interest subsidies.

In calculating whether or not unvoted debt to be issued by the County is within the ten-mill limitation, it is necessary to determine which combination of overlapping political subdivisions (including the County) has the highest outstanding debt service requirements within the ten-mill limitation.

There are 57 municipal corporations, two townships and all or portions of 33 school districts in the County. Thus to determine the highest overlapping debt service requirements for unvoted debt, it is necessary to examine the requirements for combinations of such overlapping subdivisions, including municipal corporations, townships and school districts.

At the present time, the City of Bedford is the taxing subdivision in the County that, with its overlapping taxing subdivisions, has the highest potential millage requirements for debt service on unvoted general obligation debt. The total millage theoretically required by the City of Bedford (8.9826 mill), the Bedford City School District (0.5996 mill), the Greater Cleveland Regional Transit Authority (0.6837 mill) and the County (1.1825 mill) for their outstanding unvoted general obligation bonds (including bonds in anticipation of which BANs are outstanding) is 11.4484 mills for 2015, the year of highest potential debt service. Thus there remains no ability by the County or the subdivisions overlapping the City of Bedford to issue general obligation debt within the ten-mill limitation in 2014 and most likely in 2015.

The ten-mill limitation is such that a relatively small issue by some other overlapping taxing subdivision with a small tax duplicate can encumber a significant amount of millage, thereby dramatically reducing the amount of unvoted general obligation debt that the County, as an overlapping subdivision, could issue. The deficit of 1.4484 mills is a result of the County and its overlapping subdivisions (the City of Bedford, the Bedford City School District and the Greater Cleveland Regional Transit Authority) issuing general obligation debt in earlier years compounded by substantial recent decreases in their assessed valuations.

As described under **APPENDIX B – AD VALOREM PROPERTY TAXES – Assessed Valuation**, the Fiscal Officer completed a sexennial reappraisal in 2012. As a result of this full update of the assessed valuation, all real property in the County declined by 7.2% for the tax year 2012 (collection year 2013). Based in the Fiscal Officer's latest valuations, those declines are of a magnitude that will preclude the County and certain other overlapping subdivisions from issuing additional unvoted general obligation debt for some time.

Special Obligation Sales Tax Supported Debt

Sales tax supported bonds and notes (collectively, "Sales Tax Supported Obligations") are special obligations payable solely from the portions of the County's 1.25% sales and use taxes that are levied for a continuing period of time. Sales Tax Supported Obligations do not constitute a debt or obligation of the State or a general obligation debt, or a pledge of the full faith and credit, of the State, the County, or any other political subdivision of the State.

The basic security for payment of debt charges on the County Sales Tax Supported Obligations is the pledge of and lien on the County's receipts from the two 0.5% sales and use taxes levied by the County for a continuing period of time (collectively, the "Continuing Sales Taxes"). The County is not required to use or apply to the payment of debt charges on its Sales tax Supported Obligations any funds or revenues from any source other than the Continuing Sales Taxes. However, the County may, of its own volition, use, to the extent that it is authorized to do so, any other resources for the payment of those debt charges.

The State's Uniform Bond Law provides that receipts from the Continuing Sales Taxes immediately become subject to the lien of the pledge without physical delivery of the pledged funds or any further act and that the lien of the pledge is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the County, whether or not those parties have notice of the lien. The lien is subject, however, to the bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion.

Under the Uniform Bond Law, Council may not repeal, rescind or reduce any portion of the Continuing Sales Taxes, and no portion of the Continuing Sales Taxes is subject to repeal or reduction by the electorate of the County, while Sales Tax Supported Obligations remain outstanding.

The County has covenanted in the Authorizing Legislation, subject and pursuant to the Constitution and laws of the State, to appropriate, in each year while the its Sales Tax Supported Obligations are outstanding to pay the debt charges on those Obligations that year and to limit the other appropriations of receipts from its Continuing Sales Taxes in that year to the amount available after deducting the amount required to pay debt charges on the Sales Tax Supported Obligations in that year. Subject to those covenants, Council may appropriate and use receipts for the Continuing Sales Taxes for any proper County purpose.

The County's receipts from its Continuing Sales Taxes (rounded to the nearest $1,000) for the past five Fiscal Years and Fiscal Year 2013 are shown below.

Year	**Receipts**
2009	$154,738,000
2010	163,397,000
2011	173,397,000
2012	181,434,000
2013	189,869,000

For recent historical information concerning the County's aggregate sales and use tax receipts in recent years see **APPENDIX B – OTHER MAJOR COUNTY GENERAL FUND REVENUE SOURCES – County Sales and Use Taxes**.

The County has $5,100,000 of outstanding Sales Tax Supported Obligations. Those Obligations were issued to refinance a portion of the costs of the $31.5 million Rock Hall Library and Archives project and certain other improvements for the Rock and Roll Hall of Fame and Museum. The County expects that it will, in fact, use funds generated from the existing 1.5% County Bed Tax levied for the construction of the Rock and Roll Hall of Fame and Museum to fund the annual principal and interest on those Sales Tax Supported Obligations.

Hospital Revenue Bonds

The MetroHealth System's Board of Hospital Trustees has issued a number of series of hospital revenue bonds on behalf of the County. Those bonds, issued pursuant to a master bond indenture agreement between the County, acting by and through the Board, and a corporate trustee are special obligations, payable solely from the net revenues derived from the operation of the System and other money available to the Board of Hospital Trustees. While the County provides certain subsidies to the System (see **APPENDIX A – COUNTY SERVICES AND RESPONSIBILITIES – Health**), the hospital revenue bonds do not represent or constitute a general obligation debt or pledge of the faith and credit of the County, and the County is not required to use or apply to the payment of debt charges on those obligations any funds or revenues from any source other than the net revenues of the System.

The System has entered into certain interest rate swaps and has certain other long-term obligations under lease purchase and loan agreements and for compensated absences. For additional information concerning those obligations as of December 31, 2012, Notes 5, 6 and 7 to its Financial Statements for its Fiscal Year 2012 available at *http://www.auditor.state.oh.us/auditsearch/Reports/2013/MetroHealth_System_12-Cuyahoga.pdf*.

Nontax Revenue Obligations

The County has issued obligations to which it has pledged its Nontax Revenues. The Nontax Revenues include all moneys of the County which are not moneys raised by taxation, to the extent available for payment of the debt service on such obligations, including but not limited to the following: (a) charges for services and payments received in reimbursement for services; (b) payments in lieu of taxes now or hereafter authorized by State statute; (c) fines and forfeitures; (d) fees from properly imposed licenses and permits; (e) investment earnings on any funds of the County that are credited to the County's General Fund; (f) proceeds from the sale of assets; (g) rental income; (h) grants from the United States of America and the State; and (i) gifts and donations. See **APPENDIX B – General Fund and Financial Outlook** for discussion of the County's Nontax Revenues in recent fiscal years.

There is a priority and parity pledge of the Nontax Revenues for the payment of six categories of those obligations. The debt service schedule for those six categories of obligations is shown in the following table:

Fiscal Year	Brownfield Bonds	Commercial Redevelopment Bonds	Gateway Bonds	Medical Mart/ Convention Center Bonds	Steelyard Commons Bonds	Westin Hotel Bonds	Total
2014	$2,619,382.48	$884,361.30	$9,212,996.61	$32,658,238.26	$ 287,417.98	$261,538.27	$ 45,923,934.90
2015	2,623,119.63	898,454.68	8,898,896.23	32,660,239.26	286,958.76	284,452.50	45,652,121.06
2016	2,625,204.90	890,535.06	8,832,633.70	32,661,060.26	285,981.26	284,452.50	45,579,867.68
2017	2,620,527.40	890,430.06	8,802,008.70	27,976,406.26	289,658.76	404,452.50	40,983,483.68
2018	2,619,196.70	893,157.26	8,774,759.70	27,979,156.26	287,678.76	402,232.50	40,956,181.18
2019	1,383,006.00	893,505.76	8,737,745.40	27,973,906.26	285,218.76	399,532.50	39,672,914.68
2020	1,374,565.50	891,794.96	8,700,620.50	31,844,156.26	287,278.76	401,232.50	43,499,648.48
2021	1,373,219.80	893,060.26	8,662,041.50	31,824,156.26	288,778.76	402,357.50	43,443,614.08
2022	1,373,492.60	892,094.56	8,623,980.30	31,826,656.26	289,683.76	402,807.50	43,408,714.98
2023	1,380,082.60	888,942.86	6,561,088.00	31,847,906.26	285,026.26	402,677.50	41,365,723.48
2024	1,373,064.80	888,533.06		31,834,156.26	285,031.26	402,077.50	34,782,862.88
2025	1,382,280.00	890,680.96		31,834,156.26	289,431.26	401,096.26	34,797,644.74
2026	1,394,129.15	888,474.66		31,835,906.26	288,431.26	399,646.26	34,806,587.59
2027	1,388,888.15	891,809.38		31,845,000.00	287,037.50	402,671.26	34,815,406.29
2028	1,384,940.28	892,475.15			285,237.50	400,040.00	2,962,692.93
2029	1,381,988.98	890,471.98			287,812.50	401,540.00	2,961,813.46
2030	1,379,737.70	890,651.58			289,937.50	402,540.00	2,962,866.78
2031					286,150.00	403,040.00	689,190.00
2032					286,650.00	402,940.00	689,590.00
2033					286,650.00	402,125.00	688,775.00
2034					286,150.00	400,575.00	686,725.00
2035					289,600.00	402,925.00	692,525.00
2036					287,262.50	399,450.00	686,712.50
2037					589,400.00	400,425.00	989,825.00
2038						400,575.00	400,575.00
2039						404,187.50	404,187.50
2040						401,650.00	401,650.00
2041						403,250.00	403,250.00
2042						803,700.00	803,700.00

There is a subordinate pledge of Nontax Revenues for the payment of one series of obligations – the County's Taxable Economic Development Revenue Refunding Bonds Series 2010D (Shaker Square Project) (the "Shaker Square Bonds"), currently outstanding in the principal amount of $2,575,000. The Shaker Square Bonds were issued to refinance amounts originally borrowed in 2000 for the purpose of making a loan to pay a portion of the cost of improvements to the Shaker Square Complex, a commercial shopping district. The County paid $124,262 and $129,751 of the debt service on the Shaker Square Bonds from its Nontax Revenues in 2012 and 2013, respectively. The final maturity of the Shaker Square Bonds is December 1, 2030.

Nontax Revenue Guaranty

In connection with certain Stadium Revenue Refunding Bonds, Series 2004A (the "Stadium Bonds"), issued by Gateway Economic Development Corporation of Greater Cleveland to refinance costs of the Progressive Field (formerly known as Jacobs Field) baseball stadium, the County provided a guaranty for the payment of debt service on the Stadium Bonds. The Stadium Bonds are currently outstanding in the aggregate principal amount of $3,255,000 and mature in 2014. The guaranty is renewable annually by the County upon sufficient appropriations being made to pay the guaranteed debt service due and payable in that year, and the guaranty will terminate by its terms if it is not renewed by the County. The guaranty is payable solely from the Nontax Revenues of the County. The County has made appropriations for the amounts due under the guaranty since issued; however, since revenues from other funds pledged to the Stadium Bonds have been sufficient to pay debt service on the Stadium Bonds, the County has not made any payments under the guaranty.

Economic Development Guaranty

In April 2014 the County was the issuer of $17,000,000 Taxable Economic Development Revenue Bonds, Series 2014A, funding, in part, development costs of a mixed-use residential, office, and retail project on the banks of the Cuyahoga River adjacent to Cleveland's central business district. The project is being completed in two phases, with the first of the two phases already complete. The total development cost of both phases is approximately $425 million. Series 2014A bond debt service costs are secured and funded by project revenues, but subordinate to private commercial loans. The County has agreed to provide a guaranty of debt service payments to bondholders, subject to annual appropriation. A debt service reserve fund, a mortgage (also subordinate to the private commercial loans) and individual guarantees from the principals of the project developer are available to the County and/or bondholders as additional security for the bonds.

Future Financings

In 2014, the County expects to issue (i) five to seven million dollars of revenue bonds to fund an economic development TIF backed project, (ii) $50 million of revenue bonds to fund the demolition of abandoned properties throughout the County, (iii) $30 to $40 million in sales tax supported notes to fund capital project expenditures and (iv) up to $15 million in economic development loan fund financing to pay for future economic development projects. In the Fall of 2015, the County expects to issue $60 to $70 million of capital improvement and refunding sales tax supported bonds to fund capital projects and the refund the outstanding notes issued in 2014. Finally, in 2015, the County expects to issue up to $30 million of Casino revenue bonds.

Long-Term Financial Obligations Other Than Bonds And Notes

The County has entered into nineteen loan agreements with the Ohio Environmental Protection Agency (Ohio EPA) pursuant to which the Ohio EPA provided or will provide funds to the County for the renovation of the County Sanitary Engineer's office building and for certain County sewage collection facilities. Current loans (18) which are outstanding in the aggregate principal amount of $12,566,129 bear interest rates up to 4.16% per year and are each to be retired in equal semiannual installments of principal and interest over 20 year periods, the last of which will end in 2032. Additionally, one new loan has been approved with repayment commencing in 2014. The estimated loan amount for the new loan is $339,183 and is funding a project in the City of Parma called the Broadview Drill Drop Project. Payments on the debt service are made from revenues generated from the particular County sewer district and specific communities involved.

The County has also entered into six loan agreements with the Ohio Public Works Commission pursuant to which the Commission provided funds to the County for the construction of sewage collection facilities and sewer lines. One loan was retired in 2012 and current loans (4) were outstanding in the aggregate principal amount of $398,249 as of December 31, 2013. These loans bear no interest and are to be retired in equal semiannual payments over 20 year periods, the last of which will end in 2031. Additionally, one loan in the amount of $76,605 has not yet been invoiced, but should be completed in 2014 with invoicing to commence in July 2014. The payments on these loans are to be made from revenues generated from the particular County sewer districts and specific communities involved.

Retirement Obligations

Present and retired employees of the County, other than the teachers for the Board of Developmental Disabilities ("BODD"), are covered under the Ohio Public Employees Retirement System ("OPERS"), a statewide public retirement (including disability retirement) system.

Employees covered by OPERS contribute at a statutory rate of 10.0% of earnable salary or compensation, and the County contributes 14.0% (actuarially established for OPERS) of the same base, except for uniformed employees of the Sheriff's Department who currently contribute at a rate of 12.10% of earnable salary or compensation, and for whom the County contributes at a rate of 18.1% of the same base.

BODD teachers are covered by the State Teachers Retirement System ("STRS"), which covers all teachers, principals, supervisors and administrators who are required to hold a certificate issued by the State Department of Education. Employees covered by STRS contribute at a rate of 10.0% of earned compensation, and the County contributes 14.0% (the current statutory maximum) of the same base. There are currently 141 County Board of Developmental Disabilities employees covered by STRS.

OPERS and STRS are two of five statewide public employee retirement systems created by and operating pursuant to Ohio law, all of which currently have unfunded actuarial accrued liabilities. The General Assembly has the power to amend the format of those systems and to revise rates and methods of contributions to be made by public employers and their employees and eligibility criteria, benefits or benefit levels for employee members. On September 12, 2012, the General Assembly passed five separate pension reform bills intended to assist each of the five retirement systems in addressing its unfunded actuarial accrued liabilities. The bills passed with respect to OPERS and STRS provide for (i) no change in the County contribution rates with respect to its employees' earnable salaries, (ii) no change in OPERS employee contribution rate, and (iii) an increase in the STRS employee contribution rate from 10% to 14% in annual increments of 1% beginning on July 1, 2013. With certain transition provisions applicable to certain current employees, the bills increase minimum age and service requirements for retirement and disability benefits, revise the calculation of an employee's final average salary on which pension benefits are based to include the five highest years (rather than the three highest years), provide for pension benefits to be calculated on a lower, fixed formula, change provisions to limit future cost-of-living adjustments, and make other changes. The bill with respect to STRS also provides the STRS board the authority to make future adjustments to the member contribution rate, retirement age and service requirements, and cost–of-living adjustments as the need or opportunity arises, and depending on the funding progress. Those bills became effective on January 7, 2013.

Federal law requires County employees hired after March 31, 1986 to participate in the federal Medicare program, which requires matching employer and employee contributions, each being 1.45% of the wage base. Otherwise, County employees who are covered by OPERS or STRS are not currently covered under the federal Social Security Act.

The County's current employer contributions to OPERS are treated as current expenses and included in the County's operating expenditures.

OPERS and STRS are not now subject to the funding and vesting requirements of the federal Employee Retirement Income Security Act of 1974.

Both OPERS and STRS are created by and operate pursuant to Ohio law. The General Assembly could determine to amend the format and revise rates or methods of contributions and benefits or benefit levels.

LEGAL MATTERS

Since 1980, the County has been self-insured against all liability claims made against it. During Fiscal Years 1992 through 2009, the aggregate amount paid to satisfy such claims and judgments was approximately $9,198,923. In Fiscal Year 2010, the County paid a total of $5,655,761 in claims including two large claims totaling $5.3 million for legal settlements in cases against the County Sheriff's Office. The total claims paid in Fiscal Years 2012 and 2013 were $27,786 and $388,154, respectively. In 2005, the County became self-insured for motor vehicle liability claims as well. The County accounts for its self-insurance program within the General Fund. The County believes that the amounts of claims and judgments that it will be required to pay in this year will not materially exceed the amount appropriated to the self-insurance fund for the Fiscal Year 2014 ($385,983).

Under current Ohio law, County moneys, accounts and investments are not subject to attachment to satisfy tort judgments in State courts against the County.

Since 2008, sixteen former County officials and employees have been charged in United States District Court with violations of federal law, including bribery. The charges have stemmed from an FBI investigation into public corruption within the County. Of those charged, eleven, including former County Auditor, have pleaded guilty. In addition, three former government officials, including a former County Commissioner, and one former employee have been convicted of public corruption charges after trials. Finally, two former County employees have been charged and have pleaded guilty in the State criminal justice system. One former County employee has pleaded not guilty and is awaiting trial.

In connection with the foregoing charges, the County has received approximately $3,611,803 in forfeitures paid by the defendants in the various aforementioned criminal cases. In addition, the County received a total of $2,532,157 in restitution payments made directly to the County by individuals convicted in such cases.

The County does not believe that the investigation, or any criminal charges or convictions resulting from the investigation, will have a material effect on the future financial position of the County.

DEBT TABLE A

Principal Amounts of Outstanding Debt; Leeway for Additional Debt Within Direct Debt Limitations

	Total **Current** Assessed Valuation of the County		$27,652,473,090
A.	Total outstanding debt:		966,311,168
B.	Exempt debt:		
	Category	**Outstanding Principal Amount**	
	General obligation bonds issued in anticipation of the collection of special assessments	$ 4,113,000	
	Revenue bonds issued for hospital improvements for The MetroHealth System	239,420,000	
	Revenue bonds issued under Revised Code Chapter 165 payable from nontax revenues	414,851,168	
	Self-supporting general obligation bonds issued for utility (sewer system) improvements	996,000	
	General obligation bonds issued for the acquisition, construction and equipping of a port authority educational and cultural facility	8,895,000	
	General obligation bonds issued for the acquisition, renovation and equipping of structures for County correctional facilities	84,148,000	
	Sales tax supported bond anticipation notes	0	
	Total exempt debt:	751,427,168	
C.	Total nonexempt debt (A minus B):		214,884,000
D.	1% of assessed valuation (unvoted nonexempt debt limitation):		276,524,731
E.	Total unvoted nonexempt debt outstanding:		214,884,000
F.	Debt leeway within 1% unvoted debt limitation (but subject to indirect debt limitation) (D minus E):		61,640,731
G.	3%, 1½% and 2½% of assessed valuation (3% of 1st $100,000,000, 1½% of next $200,000,000, and 2½% of amount in excess of $300,000,000 of assessed valuation) (voted and unvoted nonexempt debt limitation):		689,811,827
H.	Total nonexempt debt outstanding:		214,811,827
I.	Debt leeway within the 3%, 1½% and 2½% debt limitation, (G- H):		474,927,827

APPENDIX C

General Purpose Financial Statements/Basic Financial Statements for the Year Ended December 31, 2012 of the County

[This Page Is Intentionally Left Blank.]

INDEPENDENT AUDITOR'S REPORT

Cuyahoga County
1219 Ontario Street
Cleveland, Ohio 44113-1657

To the Members of Council:

Report on the Financial Statements

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 Cuyahoga County (the County), Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, the MetroHealth System, which is both a major fund and 88 percent, 80 percent, and 98 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for business-type activities, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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 discretely presented component unit**,** each major fund, and the aggregate remaining fund information of Cuyahoga County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Human Services Fund, Health and Human Services Levy Fund, County Board of Developmental Disabilities Fund and Alcohol, Drug and Mental Health Board Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 to the financial statements, during 2012, the County adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34,"* Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65*, Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the County's basic financial statements taken as a whole.

The introductory section, the financial section's combining statements, individual fund statements and schedules, and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The statements and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We and the other auditors subjected this information to the auditing procedures we applied to the basic financial statements. We and the other auditors also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2013, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

December 31, 2013

(This Page Intentionally Left Blank)

As management of Cuyahoga County, we offer the readers of Cuyahoga County's financial statements the following discussion and analysis of the financial performance as well as an overall review of the County's financial activities for the fiscal year ended December 31, 2012. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key Financial Highlights for 2012 are as follows:

- For 2012, the County implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and Statement No. 65, "Items Previously Reported as Assets and Liabilities," which provides guidance for reporting these new categories on the statement of financial position.

- Construction continued on the County's new convention facility. The facility, known as the Global Center for Health Innovation (GCHI–formerly known as the Medical Mart), is designed to bring buyers and sellers together. GCHI is the world's only facility targeted specifically to the medical and health care industries.

- Reductions in the State 2012-2013 biennium budget led to significant reductions in Medicaid, Flex funding and local government revenues to the County.

- Overall, expenses decreased as management continues to diligently plan expenses staying carefully within the County's revenues. The County actively seeks grants in order to maintain and improve the services the County residents expect while still controlling the costs of those services.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the readers can understand Cuyahoga County as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole County, presenting both an aggregate view of the County's financial condition and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column.

Reporting on the County as a Whole

Statement of Net Position and the Statement of Activities

While these documents include the various funds used by the County to provide programs and activities, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all non-fiduciary *assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the County's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the County as a whole, the *financial position* of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the change in value in the County's tax base, current property tax laws in Ohio restricting revenue growth, and other factors.

In the Statement of Net Position and the Statement of Activities, the County is divided into three distinct kinds of activities:

Governmental Activities – Most of the County's programs and services are reported here including health and safety, social services, justice, community development, public works and general government. These services are funded primarily by taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-Type Activities – These services are provided on a charge for goods or services basis intended to recover all of the expenses or costs of the goods or services provided.

Component Unit – The County includes financial data of the MetroHealth System (the "System"). The System is a legally separate, non-profit organization, which provides health care and hospitalization to the general public and care for the County's indigents. Under Ohio Revised Code 339.06, the County appoints the majority of the Hospital's Board of Trustees who has certain powers and duties. The component unit is separate and may buy, sell, lease and mortgage property in their own name and can sue or be sued in their own name.

Reporting the County's Most Significant Funds

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. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and designates funds into the following three categories: governmental funds, proprietary funds and fiduciary funds.

Fund financial statements provide a summary of the County's financial position and activity and focus on short-term flow of financial resources. The statements focus on the following significant governmental funds: the general fund, human services, health and human services levy fund, County Board of Developmental Disabilities and Alcohol, Drug and Mental Health Board special revenue funds and Global Center for Health Innovation (GCHI) capital projects 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 expendable resources, as well as on balances of expendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the 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.

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds The 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. The County uses several enterprise funds to account for various operations. The County's major enterprise fund is the sanitary engineer fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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 County as a Whole

You may recall that the *Statement of Net Position* provides the perspective of the County as a whole. Table 1 provides a summary of the County's net position for 2012 compared to 2011:

(Table 1)
Net Position
(in thousands)

	Governmental Activites		Business-Type Activites		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current and Other Assets	$1,641,913	$1,575,347	$58,067	$59,647	$1,699,980	$1,634,994
Capital Assets, Net	1,065,818	862,829	53,813	56,263	1,119,631	919,092
Total Assets	2,707,731	2,438,176	111,880	115,910	2,819,611	2,554,086
Deferred Outlfows of Resources	520	0	0	0	520	0
Liabilities						
Current Liabilities	108,502	134,898	3,775	1,672	112,277	136,570
Long-term Liabilities						
Due within one Year	74,065	80,946	643	903	74,708	81,849
Due in More than one Year	1,088,977	866,276	17,241	17,046	1,106,218	883,322
Total Liabilities	1,271,544	1,082,120	21,659	19,621	1,293,203	1,101,741
Deferred Inflows of Resources	306,672	307,122	0	0	306,672	307,122
Net Position						
Net Investment in Capital Assets	400,597	434,719	36,431	39,027	437,028	473,746
Restricted	554,641	525,285	0	0	554,641	525,285
Unrestricted	174,797	88,930	53,790	57,262	228,587	146,192
Total Net Position	$1,130,035	$1,048,934	$90,221	$96,289	$1,220,256	$1,145,223

As one can see from the increase in overall net position, the County was able to provide critical services to County residents while diligently streamlining services and facilities to maximize efficiency for taxpayers. The major increase in capital assets and long-term liabilities is directly related to the County's commitment to undertake major capital projects so that residents can continue to receive high-quality services while positioning the County for future economic growth and prosperity.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2012 and 2011:

(Table 2)
Changes in Net Position
(In Thousands)

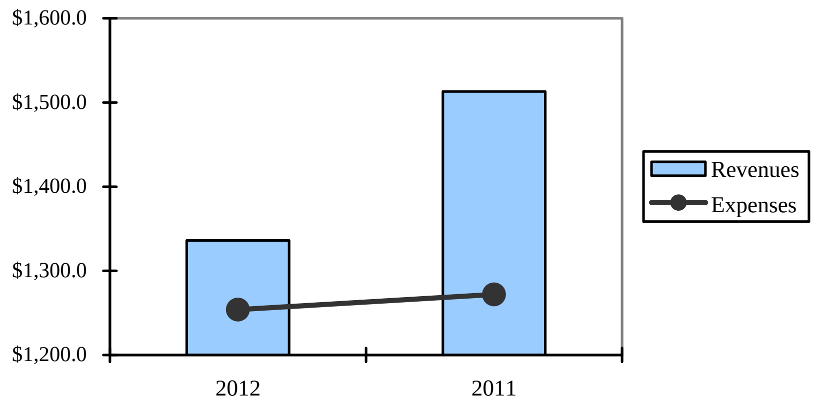
	Governmental Activities		Business-Type		Total	
	2012	2011	2012	2011	2012	2011
Program Revenues						
Charges for Services and Operating Assessments	$132,190	$109,476	$19,355	$29,031	$151,545	$138,507
Operating Grants, Contributions and Interest	519,348	574,708	0	0	519,348	574,708
Capital Grants and Contributions	41,394	59,350	257	144	41,651	59,494
Total Program Revenues	692,932	743,534	19,612	29,175	712,544	772,709
General Revenues						
Property Taxes	334,195	403,913	0	0	334,195	403,913
Sales Taxes	228,306	242,077	0	0	228,306	242,077
Hotel/Lodging Taxes	7,954	12,391	0	0	7,954	12,391
Payments in Lieu of Taxes	4,609	4,988	0	0	4,609	4,988
Grants and Entitlements	42,469	65,890	0	0	42,469	65,890
Unrestricted Contributions	648	0	0	0	648	0
Interest	4,938	12,812	67	15	5,005	12,827
Other	20,027	27,405	104	235	20,131	27,640
Total General Revenues	643,146	769,476	171	250	643,317	769,726
Total Revenues	1,336,078	1,513,010	19,783	29,425	1,355,861	1,542,435
Program Expenses						
General Government:						
Legislative and Executive	97,163	91,463	0	0	97,163	91,463
Judicial	335,832	323,452	0	0	335,832	323,452
Public Works	31,405	35,665	0	0	31,405	35,665
Health and Safety	174,875	230,989	0	0	174,875	230,989
Social Services	484,785	482,462	0	0	484,785	482,462
Community Development	64,866	48,418	0	0	64,866	48,418
Other	9,904	0	0	0	9,904	0
Interest and Fiscal Charges	55,001	59,301	0	0	55,001	59,301
Sanitary Engineer	0	0	19,864	20,950	19,864	20,950
Airport	0	0	1,922	1,759	1,922	1,759
Parking Garage	0	0	3,542	3,592	3,542	3,592
Information Systems	0	0	1,669	1,749	1,669	1,749
Total Program Expenses	1,253,831	1,271,750	26,997	28,050	1,280,828	1,299,800
Increase (Decrease) in Net Position before Transfers	82,247	241,260	(7,214)	1,375	75,033	242,635
Transfers	(1,146)	(252)	1,146	252	0	0
Change in Net Position	81,101	241,008	(6,068)	1,627	75,033	242,635
Net Position Beginning of Year - Restated	1,048,934	807,926	96,289	94,662	1,145,223	902,588
Net Position End of Year	$1,130,035	$1,048,934	$90,221	$96,289	$1,220,256	$1,145,223

Reductions in Federal Medicaid and Flex funding from the Ohio Department of Mental Health led to a restructuring and significant reduction in health and safety expenditures from 2011 at the Alochol, Drug and Mental Health (ADAMHS) Board. In addition to reduction in funding to the ADAMHS Board, the County saw a 30 percent reduction in local government funding from the State.

While 2012 saw an 11 percent reduction in governmental revenues there was an 8 percent increase in net position. The increase in net position is due to staff diligently planning and watching expenses, staying carefully within the County's revenues.

Graph 1
Governmental Revenues and Expenses
(In Millions)

	2012	2011
Revenues	$1,336.1	$1,513.0
Expenses	1,253.8	1,271.8



Component Unit – MetroHealth System

The MetroHealth System is the public health care system for the County. It is organized and operated by its Board of County Hospital Trustees pursuant to Chapter 339 of the Ohio Revised Code. Financial and operating highlights for 2012:

- Outpatient visits increased 3.6 percent,
- Hospital patient days decreased 0.3 percent,
- Inpatient and outpatient surgical volumes increased 6.2 percent,
- Total net position increased by $13.9 million for the year,
- Emergency room visits decreased 1.0 percent from the prior year to 104,558 annual visits, and
- The MetroHealth Rehabilitation Institute was relocated to the former Old Brooklyn Nursing Facility in late 2012, after renovations.

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to demonstrate fiscal accountability and assume financial resources were raised and expended in compliance with budgetary and other legal provisions.

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

As of the end of the current year, the County's governmental funds reported combined ending fund balances of $1,040,012,790. $197,370,722 of this total amount constitutes unassigned fund balance, which is available for appropriation at the government's discretion within certain legal constraints and purpose restrictions. The remainder of the fund balance is non-spendable, restricted, committed or assigned to indicate that it is not available for new spending.

The general fund revenues exceeded expenditures primarily due to reductions in operating expenditures from staff reductions.

The human services fund had an increase in fund balance as the County continues to obtain grant funds to provide residents with dynamic services in an ever changing world.

Fund balance in the health and human services levy fund decreased due to additional property tax revenue being allocated to the human services fund than in the prior year.

The Board of Developmental Disabilities had a slight decline in revenue; however, they were able to proportionally reduce expenditures to meet this challenge and maintain a positive net change in fund balance.

Medicaid and Flex funding reductions led to a significant reduction in revenue and resulted in staffing and program reductions in the ADAMHS Board fund. The dedicated efforts of the ADAMHS Board led to an increase in fund balance.

The GCHI fund had a decrease in fund balance as the construction on the facility continued. The convention center portion of the project opened in July 2013.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The decrease in the Sanitary Engineer Fund can be attributed to the decrease in charges for services revenue which is a result of a decrease in the amount of outstanding receivables.

General Fund Budgeting Highlights

Provisions for budgeting are prescribed by Ohio Revised Code 5705. Essentially, the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the Revised Code. During 2012, the County amended its general fund budget as necessary to allow for increases and decreases in contractual agreements, reductions in staff, changes in the anticipated uses of approved funding, etc. Actual revenues received were $11,355,014 higher than certification primarily due to continuing growth in revenue from sales taxes, charges for services and other revenue. Actual expenditures were $1,948,225 less than appropriations due mainly to staff reductions and the diligence of management to control expenses.

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2012 values compared to 2011.

(Table 3)
Capital Assets at December 31
(Net of Accumulated Depreciation)
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$93,246	$93,222	$12,266	$12,266	$105,512	$105,488
Construction in Progress	614,375	387,906	0	120	614,375	388,026
Land Improvements	6,413	6,964	1,423	1,623	7,836	8,587
Utility Plant	0	0	29,977	31,012	29,977	31,012
Buildings, Structures and Improvements	246,326	264,370	8,397	9,272	254,723	273,642
Furniture, Fixtures and Equipment	13,044	16,536	459	414	13,503	16,950
Vehicles	2,522	3,159	1,291	1,556	3,813	4,715
Right to Use Community Center	1,963	0	0	0	1,963	0
Infrastructure	87,929	90,672	0	0	87,929	90,672
Total Capital Assets	$1,065,818	$862,829	$53,813	$56,263	$1,119,631	$919,092

The governmental activities increase of $203 million was the result of the continued construction on the Global Center for Health Innovation building construction amounting to $217 million. The business-type activities decreased by $2.5 million as depreciation outpaced capital asset additions. Additional information on Cuyahoga County's capital assets can be found in Note 13 of this report.

Debt

Table 4 below summarizes the County's long-term obligations outstanding.

(Table 4)
Outstanding Long-term Obligations at Year End
(in thousands)

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	$360,322	$308,739	$0	$0	$360,322	$308,739
Self-Supported Bonds	0	0	3,765	4,195	3,765	4,195
Revenue Bonds	441,559	464,267	0	0	441,559	464,267
ODOD Loans	2,000	2,500	0	0	2,000	2,500
OPWC Loans	907	938	477	581	1,384	1,519
ODOT Loans	4,363	4,962	0	0	4,363	4,962
OWDA Loans	0	0	13,140	12,467	13,140	12,467
Bond Anticipation Notes	7,200	9,300	0	0	7,200	9,300
Capital Leases	318,365	120,082	0	0	318,365	120,082
Compensated Absences	28,198	26,830	502	651	28,700	27,481
Special Termination Benefits	128	9,604	0	56	128	9,660
Total	$1,163,042	$947,222	$17,884	$17,950	$1,180,926	$965,172

Capital leases increased due to construction moving forward on the Global Center for Health Innovation. See Note 20 for more information.

Cuyahoga County received a "AA+" rating from Standard & Poor's, "AA+" from Fitch Ratings and an "Aa1" rating from Moody's Investors Service for its general obligation debt. Moody's and Standard & Poor's have rated the revenue bonds "Aa2 and "AA", respectively. Fitch Ratings, Moody's and Standard & Poor's completed a review of the County's bond ratings in 2012 and all three ratings were affirmed with a stable outlook. As of the date of this report Standard & Poor's completed a review in October 2013 utilizing their new rating process. The County's rating for its general obligation debt was downgraded from a "AA+" to "AA and the rating on its revenue bonds was also downgraded from "AA" to "AA-." These rating changes are a direct result of Standard & Poor's increased emphasis on economic factors that are not wholly within the County's control.

The County's overall legal debt margin was $524.7 million at December 31, 2012. This is the additional amount of debt the County could issue. The County continues to monitor its outstanding debt. Information relative to debt is identified in Note 19 to the basic financial statements.

Federal Investigation

On July 28, 2008, agents of the Federal Bureau of Investigation and the Internal Revenue Service executed search warrants at certain County government offices, the homes of certain County officials, and the business offices of certain private contractors in connection with what has been characterized as a "government corruption investigation" (the "Investigation"). Additional search warrants were executed on September 23, 2008 at the offices of two County Judges. In addition, pursuant to the investigation, several Federal Grand Jury subpoenas for the production of documents were issued to the government offices of a County Commissioner, the County Auditor, the County Engineer and the County Information Services Office. The County has complied with the search warrants and continues to cooperate with the Investigation. Since the initial searches, multiple criminal charges have been filed in the United States District Court for the Northern District of Ohio charging former County employees, public officials and other individuals with soliciting and receiving bribes. Several former County employees and public officials including the former County Auditor have pleaded guilty to such charges and have been sentenced or are awaiting sentencing on such charges. A former County Commissioner and two former judges were convicted and sentenced. Additional criminal cases are pending.

In response to the Investigation, the County retained the services of a law firm to assist the County in its internal investigation of County contracting procedures and awards and other matters related to the Investigation. On October 28, 2009, the law firm issued a report regarding the internal review and investigation. The Board of County Commissioners accepted the report on October 29, 2009, and its conclusions were endorsed and adopted by the Board. The report was updated by means of supplemental reports submitted in December 2009 and October 2011, which took into account subsequent public corruption charges filed against other individuals.

The report concluded that in spite of the conduct of the individuals named in charges resulting from the Investigation, it is highly unlikely that such outcome will materially affect the fair presentation of the County's basic financial statements. In addition, the report concluded that given the amount of funds involved, the possibility that the County's overall financial position or operations would be materially impacted by any of the activities uncovered in the federal public corruption investigation is remote.

The federal public corruption investigation is still ongoing; however, based upon the County's own internal investigation, the County believes the likelihood of the Investigation resulting in any material potential loss or liability, including the possibility of significant disallowance findings related to Federal and State assisted grant programs, is remote; and that any adverse outcome from these charges would pertain to the County officials and former employees subject to the investigation rather than the County itself.

Current Issues

The County has continued to maintain the highest standards of services to our communities while diligently managing expenses, to stay within the County's revenues. As with all counties in the State of Ohio, State funding issues are constantly monitored to determine the impact on the County. As the preceding information shows, Cuyahoga County, like most counties in Ohio, is heavily reliant on sales tax and local property taxpayers. Additional revenues must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the life of the various social and health and human services levies and provide future flexibility for the general fund. All of the County's financial abilities will be needed to meet the challenges of the future.

In conclusion, Cuyahoga County is in a period posing both significant challenges and opportunities. Management is committed to working with all stakeholders to craft solutions that will most effectively use the available resources to continue to provide excellent services to the residents of the County.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of the 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 request for additional financial information should be addressed to the Office of Fiscal Officer, Cuyahoga County, 1219 Ontario Street, 2nd Floor, Cleveland, Ohio 44113.

Cuyahoga County, Ohio

Statement of Net Position
December 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	MetroHealth System (1)
Assets				
Equity in Pooled Cash and Cash Equivalents	$608,977,616	$36,314,307	$645,291,923	$6,000,000
Cash and Cash Equivalents:				
In Segregated Accounts	10,784,435	0	10,784,435	0
With Fiscal Agents	111,146,562	0	111,146,562	0
Investments	0	0	0	381,590,000
Materials and Supplies Inventory	0	39,986	39,986	9,662,000
Accrued Interest Receivable	2,230,299	0	2,230,299	0
Accounts Receivable	4,197,162	312,377	4,509,539	83,367,000
Other Receivable	0	0	0	52,517,000
Internal Balances	(553,805)	553,805	0	0
Intergovernmental Receivable	98,074,204	22,120	98,096,324	0
Prepaid Items	0	0	0	2,639,000
Sales Taxes Receivable	60,895,239	0	60,895,239	0
Property Taxes Receivable	395,470,400	0	395,470,400	0
Special Assessments Receivable	0	20,824,098	20,824,098	0
Loans Receivable	350,691,235	0	350,691,235	0
Other Assets	0	0	0	14,482,000
Nondepreciable Capital Assets	707,621,606	12,265,954	719,887,560	21,361,000
Depreciable Capital Assets, Net	358,196,148	41,546,882	399,743,030	243,924,000
Total Assets	2,707,731,101	111,879,529	2,819,610,630	815,542,000
Deferred Outlfows of Resources				
Deferred Amount on Refunding	520,493	0	520,493	0
Liabilities				
Accounts Payable	51,835,413	3,424,620	55,260,033	37,342,000
Accrued Wages	15,877,855	292,498	16,170,353	21,426,000
Contracts Payable	14,810,141	0	14,810,141	0
Other Liabilities	0	0	0	14,273,000
Intergovernmental Payable	8,303,675	44,676	8,348,351	5,130,000
Retainage Payable	68,443	0	68,443	0
Accrued Interest Payable	3,122,305	13,152	3,135,457	3,617,000
Claims Payable	14,484,044	0	14,484,044	0
Long-Term Liabilities:				
Due Within One Year	74,064,834	642,800	74,707,634	34,730,000
Due In More Than One Year	1,088,977,574	17,241,045	1,106,218,619	327,785,000
Total Liabilities	1,271,544,284	21,658,791	1,293,203,075	444,303,000
Deferred Inflows of Resources				
Property Taxes	306,672,077	0	306,672,077	0
Net Position				
Net Investment in Capital Assets	400,596,740	36,430,874	437,027,614	64,477,000
Restricted for:				
Capital Projects	77,231,951	0	77,231,951	0
Health and Human Services	71,929,825	0	71,929,825	0
Motor Vehicle	61,408,838	0	61,408,838	0
Developmental Disabilities	156,223,090	0	156,223,090	0
Community Development Programs	61,057,944	0	61,057,944	0
Children's Services	49,299,918	0	49,299,918	0
Alcohol and Drug Preventative Services	16,701,806	0	16,701,806	0
Health and Safety Services	13,783,701	0	13,783,701	0
Other Purposes	47,004,410	0	47,004,410	0
MetroHealth System				
Expendable	0	0	0	44,972,000
Nonexpendable	0	0	0	9,756,000
Unrestricted	174,797,010	53,789,864	228,586,874	252,034,000
Total Net Position	$1,130,035,233	$90,220,738	$1,220,255,971	$371,239,000

(1) Dollars rounded to the nearest thousands

See accompanying notes to the basic financial statements

Cuyahoga County, Ohio

Statement of Activities

For the Year Ended December 31, 2012

		Program Revenues		
	Expenses	Charges for Services and Operating Assessments	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government:				
Legislative and Executive	$97,162,850	$42,723,302	$1,609,639	$2,022,522
Judicial	335,831,744	75,207,833	53,877,672	0
Public Works	31,405,346	2,605,169	31,280,251	18,619,993
Health and Safety	174,875,093	2,333,912	118,667,689	0
Social Services	484,785,593	5,551,526	263,075,375	0
Community Development	64,866,231	3,768,678	50,837,207	20,751,822
Other	9,903,889	0	0	0
Interest and Fiscal Charges	55,001,073	0	0	0
Total Governmental Activities	1,253,831,819	132,190,420	519,347,833	41,394,337
Business-Type Activities:				
Sanitary Engineer	19,863,604	11,936,751	0	257,362
Airport	1,922,598	932,291	0	0
Parking Garage	3,541,875	4,925,431	0	0
Information Systems	1,669,099	1,560,083	0	0
Total Business-Type Activities	26,997,176	19,354,556	0	257,362
Total - Primary Government	$1,280,828,995	$151,544,976	$519,347,833	$41,651,699
Component Unit				
MetroHealth System (1)	$783,211,000	$683,263,000	$45,190,000	$51,000

General Revenues

Property Taxes Levied for:
- General Purposes
- General Obligation Bond Retirement
- Health and Human Services
- Children's Services
- Developmental Disabilities

Sales Taxes Levied for General Purposes
Hotel/Lodging Taxes
Payments in Lieu of Taxes
Grants and Entitlements not Restricted to Specific Programs
Unrestricted Contributions
Interest
Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year - Restated (See Note 3)

Net Position End of Year

(1) Dollars rounded to the nearest thousands

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
($50,807,387)	$0	($50,807,387)	$0
(206,746,239)	0	(206,746,239)	0
21,100,067	0	21,100,067	0
(53,873,492)	0	(53,873,492)	0
(216,158,692)	0	(216,158,692)	0
10,491,476	0	10,491,476	0
(9,903,889)	0	(9,903,889)	0
(55,001,073)	0	(55,001,073)	0
(560,899,229)	0	(560,899,229)	0
0	(7,669,491)	(7,669,491)	0
0	(990,307)	(990,307)	0
0	1,383,556	1,383,556	0
0	(109,016)	(109,016)	0
0	(7,385,258)	(7,385,258)	0
(560,899,229)	(7,385,258)	(568,284,487)	0
0	0	0	(54,707,000)
15,196,538	0	15,196,538	0
24,854,487	0	24,854,487	0
162,099,791	0	162,099,791	0
36,839,333	0	36,839,333	0
95,204,864	0	95,204,864	0
228,305,905	0	228,305,905	0
7,954,045	0	7,954,045	0
4,608,770	0	4,608,770	0
42,469,462	0	42,469,462	0
648,478	0	648,478	0
4,937,745	66,868	5,004,613	7,894,000
20,027,272	104,295	20,131,567	63,590,000
643,146,690	171,163	643,317,853	71,484,000
(1,145,835)	1,145,835	0	0
642,000,855	1,316,998	643,317,853	71,484,000
81,101,626	(6,068,260)	75,033,366	16,777,000
1,048,933,607	96,288,998	1,145,222,605	354,462,000
$1,130,035,233	$90,220,738	$1,220,255,971	$371,239,000

Cuyahoga County, Ohio

Balance Sheet
Governmental Funds
December 31, 2012

	General	Human Services	Health and Human Services Levy	County Board of Developmental Disabilities
Assets				
Equity in Pooled Cash and Cash Equivalents	$170,605,379	$3,961,219	$43,490,666	$130,613,102
Cash and Cash Equivalents In Segregated Accounts	3,611,515	0	0	12,670
Accrued Interest Receivable	1,544,462	0	0	0
Accounts Receivable	2,639,687	291,618	0	0
Interfund Receivable	15,821,845	0	0	0
Intergovernmental Receivable	14,011,583	23,107,334	3,936,638	10,422,263
Sales Taxes Receivable	60,895,239	0	0	0
Property Taxes Receivable	18,093,682	80,672,287	67,701,078	115,776,530
Loans Receivable	1,000,000	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	8,867,166	0	0	0
Equity in Pooled Cash and Cash Equivalents with Fiscal Agent	0	0	0	0
Total Assets	$297,090,558	$108,032,458	$115,128,382	$256,824,565
Liabilities				
Accounts Payable	$6,821,354	$6,354,145	$2,002,680	$2,696,104
Accrued Wages	6,252,045	3,315,953	246,722	3,191,767
Contracts Payable	0	0	0	0
Retainage Payable	0	0	0	0
Intergovernmental Payable	971,697	624,851	37,685	911,061
Interfund Payable	1,828,095	834,953	67,256	407,494
Total Liabilities	15,873,191	11,129,902	2,354,343	7,206,426
Deferred Inflows of Resources				
Property Taxes	14,001,862	62,523,371	52,470,305	89,958,608
Unavailable Revenue	36,332,591	28,477,494	18,710,255	31,814,897
Total Deferred Inflows of Resources	50,334,453	91,000,865	71,180,560	121,773,505
Fund Balances				
Nonspendable	9,617,166	0	0	0
Restricted	0	5,901,691	41,593,479	127,844,634
Assigned	9,012,927	0	0	0
Unassigned (Deficit)	212,252,821	0	0	0
Total Fund Balances	230,882,914	5,901,691	41,593,479	127,844,634
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$297,090,558	$108,032,458	$115,128,382	$256,824,565

See accompanying notes to the basic financial statements

Alcohol, Drug and Mental Health Board	Global Center for Health Innovation	Other Governmental Funds	Total Governmental Funds
$9,801,827	$0	$189,487,647	$547,959,840
0	0	7,160,250	10,784,435
0	0	685,837	2,230,299
66,714	0	1,189,710	4,187,729
0	0	0	15,821,845
5,616,966	0	37,815,561	94,910,345
0	0	0	60,895,239
37,271,469	0	75,955,354	395,470,400
0	302,254,690	47,436,545	350,691,235
0	0	0	8,867,166
0	108,485,375	2,661,187	111,146,562
$52,756,976	$410,740,065	$362,392,091	$1,602,965,095
$6,681,446	$0	$23,464,962	$48,020,691
114,893	0	1,750,018	14,871,398
0	12,134,359	2,675,782	14,810,141
0	0	68,443	68,443
17,549	0	318,157	2,881,000
63,385	0	16,036,605	19,237,788
6,877,273	12,134,359	44,313,967	99,889,461
28,886,474	0	58,831,457	306,672,077
10,243,314	0	30,812,216	156,390,767
39,129,788	0	89,643,673	463,062,844
0	0	0	9,617,166
6,749,915	398,605,706	243,316,550	824,011,975
0	0	0	9,012,927
0	0	(14,882,099)	197,370,722
6,749,915	398,605,706	228,434,451	1,040,012,790
$52,756,976	$410,740,065	$362,392,091	$1,602,965,095

Cuyahoga County, Ohio

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2012

Total Governmental Fund Balances		$1,040,012,790
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,065,817,754
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	88,798,323	
Sales Taxes	23,938,375	
Intergovernmental	43,654,069	
Total		156,390,767
Internal service funds are used by management to charge costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
Net Position	37,816,921	
Internal Balances	(630,881)	
Capital Assets	(5,613,194)	
Compensated Absences	1,885,296	
Total		33,458,142
In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		(3,122,305)
Deferred outflows of resources represent deferred amount on refundings which are not reported in funds.		520,493
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Voted General Obligation Bonds	(6,108,957)	
Unvoted General Obligation Bonds	(354,212,828)	
Revenue Bonds	(441,559,586)	
Loans Payable	(7,269,902)	
Capital Lease Payable	(318,365,278)	
Notes Payable	(7,200,000)	
Special Termination Benefits	(127,615)	
Compensated Absences	(28,198,242)	
Total		(1,163,042,408)
Net Position of Governmental Activities		$1,130,035,233

See accompanying notes to the basic financial statements

(This Page Intentionally Left Blank)

Cuyahoga County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Human Services	Health and Human Services Levy	County Board of Developmental Disabilities
Revenues				
Property Taxes	$14,818,423	$67,620,144	$49,656,158	$93,492,726
Sales Tax	227,706,506	0	0	0
Hotel/Lodging Taxes	3,234,851	0	0	0
Payment in Lieu of Taxes	0	0	0	0
Charges for Services	67,399,637	483,727	42	3,094,520
Licenses and Permits	70,138	0	0	0
Fines and Forfeitures	11,846,263	0	0	0
Intergovernmental	37,660,808	141,903,234	12,851,924	93,267,879
Interest	3,463,917	0	0	178
Contributions and Donations	66,377	166,870	0	650,286
Other	7,527,687	3,617,160	159,712	3,763,567
Total Revenues	373,794,607	213,791,135	62,667,836	194,269,156
Expenditures				
Current:				
General Government:				
Legislative and Executive	57,492,905	0	0	0
Judicial	233,698,997	0	21,176,014	0
Public Works	0	0	0	0
Health and Safety	790,002	0	36,126,000	0
Social Services	6,852,432	197,053,063	6,468,488	190,270,504
Community Development	5,777,582	0	0	0
Other	9,903,889	0	0	0
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	500,000	2,737,905	0	0
Interest and Fiscal Charges	0	2,243,545	0	0
Capital Appreciation Bonds Interest	0	0	0	0
Issuance Costs	0	0	0	0
Total Expenditures	315,015,807	202,034,513	63,770,502	190,270,504
Excess of Revenues Over (Under) Expenditures	58,778,800	11,756,622	(1,102,666)	3,998,652
Other Financing Sources (Uses)				
General Obligation Bonds Issued	0	0	0	0
Premium on General Obligation Bonds	0	0	0	0
General Obligation Refunding Bonds Issued	0	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0	0
Premium on General Obligation Refunding Bonds	0	0	0	0
Inception of Capital Lease	0	2,599,715	0	0
Transfers In	0	175,000	98	0
Transfers Out	(59,439,460)	(37,500)	(1,730,109)	0
Total Other Financing Sources (Uses)	(59,439,460)	2,737,215	(1,730,011)	0
Net Change in Fund Balances	(660,660)	14,493,837	(2,832,677)	3,998,652
Fund Balances (Deficit) Beginning of Year	231,543,574	(8,592,146)	44,426,156	123,845,982
Fund Balances End of Year	$230,882,914	$5,901,691	$41,593,479	$127,844,634

See accompanying notes to the basic financial statements

Alcohol, Drug and Mental Health Board	Global Center for Health Innovation	Other Governmental Funds	Total Governmental Funds
$30,643,688	$0	$72,936,658	$329,167,797
0	0	0	227,706,506
0	0	4,719,194	7,954,045
0	0	4,608,770	4,608,770
621,759	0	34,809,236	106,408,921
0	0	1,581,660	1,651,798
0	0	2,700,035	14,546,298
93,702,605	0	214,797,675	594,184,125
0	17,125,826	1,473,650	22,063,571
404,323	0	1,117,218	2,405,074
106,138	0	5,488,567	20,662,831
125,478,513	17,125,826	344,232,663	1,331,359,736
0	0	35,352,323	92,845,228
0	0	68,184,458	323,059,469
0	0	20,316,415	20,316,415
116,659,033	0	16,044,729	169,619,764
0	0	75,157,537	475,802,024
0	0	59,180,732	64,958,314
0	0	0	9,903,889
0	215,922,063	26,623,881	242,545,944
0	19,010,763	42,998,841	65,247,509
0	16,989,237	31,312,178	50,544,960
0	0	5,201,803	5,201,803
0	0	830,264	830,264
116,659,033	251,922,063	381,203,161	1,520,875,583
8,819,480	(234,796,237)	(36,970,498)	(189,515,847)
0	0	65,728,000	65,728,000
0	0	8,197,892	8,197,892
0	0	45,577,000	45,577,000
0	0	(52,178,789)	(52,178,789)
0	0	6,945,422	6,945,422
0	217,431,885	0	220,031,600
37,500	46,669,673	48,450,918	95,333,189
0	(30,600,884)	(5,407,138)	(97,215,091)
37,500	233,500,674	117,313,305	292,419,223
8,856,980	(1,295,563)	80,342,807	102,903,376
(2,107,065)	399,901,269	148,091,644	937,109,414
$6,749,915	$398,605,706	$228,434,451	$1,040,012,790

Cuyahoga County, 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, 2012

Net Change in Fund Balances - Total Governmental Funds		$102,903,376
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 is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period:		
Capital Asset Additions:		
Capital Outlay	229,911,261	
Capital Contribution	3,625,996	
Depreciation	(29,468,182)	
Total		204,069,075
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(1,080,409)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds: as revenue in the funds:		
Delinquent Property Taxes	5,027,216	
Sales Taxes	599,399	
Intergovernmental	(14,474,935)	
Charges for Services	(13,435)	
Other	(766,667)	
Total		(9,628,422)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal Retirement	65,247,509	
Capital Appreciation Bonds Interest	5,201,803	
Payment to Refunded Bond Escrow Agent - Other Financing Use	52,178,789	
Internal Service - Payment on Capital Leases	41,753	
Total		122,669,854
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued Interest on Bonds	(4,900,670)	
Amortization of Premium	1,690,510	
Accretion on Capital Appreciation Bonds	(1,245,953)	
Total		(4,456,113)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(1,368,561)	
Special Termination Benefits	9,476,014	
Total		8,107,453
Internal service funds used to charge costs to individual funds are not reported in the County-wide statement of activities Governmental fund expenditures and related internal service funds revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental and business-type activities.		
Change in Net Position	3,736,288	
Change in Internal Balance	(11,703)	
Change in Capital Assets	1,366,281	
Change in Special Termination Benefits	(940,785)	
Change in Compensated Absences	888,398	
Principal Retirement on Capital Leases	(41,753)	
Total		4,996,726
Other financing sources in the governmental funds increase long-term liabilities in the statement of net position.		
General Obligation Bonds Issued	(65,728,000)	
Premium on General Obligation Bonds	(8,197,892)	
General Obligation Refunding Bonds Issued	(45,577,000)	
Premium on General Obligation Refunding Bonds	(6,945,422)	
Inception of Capital Lease	(220,031,600)	
Total		(346,479,914)
Change in Net Position of Governmental Activities		$81,101,626

See accompanying notes to the basic financial statements

Cuyahoga County, Ohio

Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General
Budget Basis
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property Taxes	$14,422,548	$14,540,225	$14,818,423	$278,198
Sales Tax	220,728,458	222,529,430	226,787,081	4,257,651
Hotel/Lodging Taxes	3,148,432	3,174,121	3,234,851	60,730
Charges for Services	63,796,623	64,113,151	65,356,932	1,243,781
Licenses and Permits	53,784	54,223	55,260	1,037
Fines and Forfeitures	10,877,516	10,966,268	11,176,085	209,817
Intergovernmental	37,890,057	38,195,008	38,915,939	720,931
Interest	6,460,650	6,513,364	6,637,984	124,620
Contributions and Donations	66,377	66,377	66,377	0
Other	3,341,145	3,390,417	7,848,666	4,458,249
Total Revenues	360,785,590	363,542,584	374,897,598	11,355,014
Expenditures				
Current:				
General Government:				
Legislative and Executive	65,374,097	65,927,066	57,632,722	8,294,344
Judicial	235,424,029	237,231,344	240,012,265	(2,780,921)
Health and Safety	1,298,404	1,298,404	798,442	499,962
Social Services	8,126,674	8,126,674	7,225,602	901,072
Community Development	6,891,324	6,925,454	5,901,827	1,023,627
Other	19,230,379	19,620,379	25,110,238	(5,489,859)
Debt Service:				
Principal Retirement	0	0	500,000	(500,000)
Total Expenditures	336,344,907	339,129,321	337,181,096	1,948,225
Excess of Revenues Over Expenditures	24,440,683	24,413,263	37,716,502	13,303,239
Other Financing Sources (Uses)				
Transfers In	1,215,503	1,225,420	0	(1,225,420)
Transfers Out	(44,215,566)	(45,844,351)	(43,370,671)	2,473,680
Total Other Financing Sources (Uses)	(43,000,063)	(44,618,931)	(43,370,671)	1,248,260
Net Change in Fund Balance	(18,559,380)	(20,205,668)	(5,654,169)	14,551,499
Fund Balances Beginning of Year	177,776,562	177,776,562	177,776,562	0
Prior Year Encumbrances Appropriated	17,336,992	17,336,992	17,336,992	0
Fund Balances End of Year	$176,554,174	$174,907,886	$189,459,385	$14,551,499

See accompanying notes to the basic financial statements

Cuyahoga County, Ohio

Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Human Services
Budget Basis
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property Taxes	$67,620,144	$67,620,144	$67,620,144	$0
Charges for Services	486,812	568,420	483,727	(84,693)
Intergovernmental	130,341,738	149,773,362	129,607,052	(20,166,310)
Contributions and Donations	166,870	166,870	166,870	0
Other	3,705,693	5,119,726	3,652,230	(1,467,496)
Total Revenues	202,321,257	223,248,522	201,530,023	(21,718,499)
Expenditures				
Current:				
Social Services	243,365,319	245,901,731	234,391,515	11,510,216
Excess of Revenues Under Expenditures	(41,044,062)	(22,653,209)	(32,861,492)	(10,208,283)
Other Financing Sources				
Transfers In	670,350	13,771,818	175,000	(13,596,818)
Transfers Out	0	(37,500)	(37,500)	0
Total Other Financing Sources (Uses)	670,350	13,734,318	137,500	(13,596,818)
Net Change in Fund Balance	(40,373,712)	(8,918,891)	(32,723,992)	(23,805,101)
Fund Deficit Beginning of Year	(36,833,774)	(36,833,774)	(36,833,774)	0
Prior Year Encumbrances Appropriated	38,575,231	38,575,231	38,575,231	0
Fund Deficit End of Year	($38,632,255)	($7,177,434)	($30,982,535)	($23,805,101)

See accompanying notes to the basic financial statements

Cuyahoga County, Ohio

Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Health and Human Services Levy
Budget Basis
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property Taxes	$50,597,778	$50,142,836	$49,656,158	($486,678)
Charges for Services	42	42	42	0
Intergovernmental	12,576,843	12,497,976	12,413,607	(84,369)
Other	238,376	237,801	237,188	(613)
Total Revenues	63,413,039	62,878,655	62,306,995	(571,660)
Expenditures				
Current:				
General Government:				
Judicial	28,330,459	27,320,791	25,830,924	1,489,867
Health and Safety	36,080,000	36,126,000	36,126,000	0
Social Services	8,400,560	8,904,060	8,916,928	(12,868)
Community Development	218,248	0	0	0
Total Expenditures	73,029,267	72,350,851	70,873,852	1,476,999
Excess of Revenues Under Expenditures	(9,616,228)	(9,472,196)	(8,566,857)	905,339
Other Financing Sources (Uses)				
Transfers In	137,880	71,311	98	(71,213)
Transfers Out	(3,016,811)	(6,525,658)	(1,730,109)	4,795,549
Total Other Financing Sources (Uses)	(2,878,931)	(6,454,347)	(1,730,011)	4,724,336
Net Change in Fund Balance	(12,495,159)	(15,926,543)	(10,296,868)	5,629,675
Fund Balances Beginning of Year	38,492,599	38,492,599	38,492,599	0
Prior Year Encumbrances Appropriated	8,318,159	8,318,159	8,318,159	0
Fund Balances End of Year	$34,315,599	$30,884,215	$36,513,890	$5,629,675

See accompanying notes to the basic financial statements

Cuyahoga County, Ohio

Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
County Board of Developmental Disabilities
Budget Basis
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property Taxes	$88,981,113	$92,063,721	$93,492,726	$1,429,005
Charges for Services	3,031,955	3,136,992	3,185,684	48,692
Intergovernmental	88,275,768	91,262,033	92,646,377	1,384,344
Interest	169	175	178	3
Contributions and Donations	650,286	650,286	650,286	0
Other	3,450,409	3,664,377	3,763,567	99,190
Total Revenues	184,389,700	190,777,584	193,738,818	2,961,234
Expenditures				
Current:				
Social Services	209,025,212	209,025,212	197,484,795	11,540,417
Net Change in Fund Balance	(24,635,512)	(18,247,628)	(3,745,977)	14,501,651
Fund Balances Beginning of Year	118,701,266	118,701,266	118,701,266	0
Prior Year Encumbrances Appropriated	8,374,004	8,374,004	8,374,004	0
Fund Balances End of Year	$102,439,758	$108,827,642	$123,329,293	$14,501,651

See accompanying notes to the basic financial statements

Cuyahoga County, Ohio

Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Alcohol, Drug and Mental Health Board
Budget Basis
For the Period July 1, 2011 through December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property Taxes	$51,920,486	$51,920,486	$51,920,484	($2)
Intergovernmental	127,867,522	127,867,522	159,317,153	31,449,631
Other	4,916,646	4,916,646	4,743,268	(173,378)
Total Revenues	184,704,654	184,704,654	215,980,905	31,276,251
Expenditures				
Current:				
Health and Safety	190,617,024	190,617,024	211,063,863	(20,446,839)
Net Change in Fund Balance	(5,912,370)	(5,912,370)	4,917,042	10,829,412
Fund Balances Beginning of Year	8,373,448	8,373,448	8,373,448	0
Fund Balances End of Year	$2,461,078	$2,461,078	$13,290,490	$10,829,412

See accompanying notes to the basic financial statements

Cuyahoga County, Ohio

Statement of Fund Net Position
Proprietary Funds
December 31, 2012

	Enterprise Funds			
	Sanitary Engineer	All Other Enterprise Funds	Total	Internal Service
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	$33,138,500	$3,175,807	$36,314,307	$52,150,610
Materials and Supplies Inventory	0	39,986	39,986	0
Intergovernmental Receivable	0	22,120	22,120	3,163,859
Accounts Receivable	0	312,377	312,377	9,433
Special Assessments Receivable	20,824,098	0	20,824,098	0
Interfund Receivable	0	91,470	91,470	4,165,349
Total Current Assets	53,962,598	3,641,760	57,604,358	59,489,251
Noncurrent Assets:				
Capital Assets:				
Nondepreciable Capital Assets	447,617	11,818,337	12,265,954	0
Depreciable Capital Assets, Net	32,626,295	8,920,587	41,546,882	5,613,194
Total Noncurrent Assets	33,073,912	20,738,924	53,812,836	5,613,194
Total Assets	87,036,510	24,380,684	111,417,194	65,102,445
Liabilities				
Current Liabilities:				
Accounts Payable	2,536,722	887,898	3,424,620	3,814,722
Accrued Wages	224,962	67,536	292,498	1,006,457
Intergovernmental Payable	34,361	10,315	44,676	5,422,675
Interfund Payable	149,857	18,689	168,546	672,330
Compensated Absences Payable	11,628	5,597	17,225	64,701
Accrued Interest Payable	13,152	0	13,152	0
General Obligation Bonds Payable	250,000	0	250,000	0
OWDA Loans Payable	297,195	0	297,195	0
OPWC Loans Payable	78,380	0	78,380	0
Claims Payable	0	0	0	14,484,044
Total Current Liabilities	3,596,257	990,035	4,586,292	25,464,929
Long-Term Liabilities (net of current portion):				
Compensated Absences Payable	327,174	157,484	484,658	1,820,595
General Obligation Bonds Payable	3,515,000	0	3,515,000	0
OWDA Loans Payable	12,843,136	0	12,843,136	0
OPWC Loans Payable	398,251	0	398,251	0
Total Long-Term Liabilities	17,083,561	157,484	17,241,045	1,820,595
Total Liabilities	20,679,818	1,147,519	21,827,337	27,285,524
Net Position				
Net Investment in Capital Assets	15,691,950	20,738,924	36,430,874	5,613,194
Unrestricted	50,664,742	2,494,241	53,158,983	32,203,727
Total Net Position	$66,356,692	$23,233,165	89,589,857	$37,816,921
Net position reported for business-type activities in the statement of net position are different because they include accumulated overpayments to the internal service funds:			630,881	
Net position of business-type activities			$90,220,738	

See accompanying notes to the basic financial statements

Cuyahoga County, Ohio

Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2012

	Enterprise Funds			
	Sanitary Engineer	All Other Enterprise Funds	Total	Internal Service
Operating Revenues				
Charges for Services	$11,295,528	$7,417,805	$18,713,333	$166,227,287
Tap-In Fees	641,223	0	641,223	0
Other	88,371	15,924	104,295	131,108
Total Operating Revenues	12,025,122	7,433,729	19,458,851	166,358,395
Operating Expenses				
Personal Services	8,162,116	2,405,585	10,567,701	36,368,161
Materials and Supplies	572,383	146,913	719,296	15,427,796
Contractual Services	7,677,625	2,128,148	9,805,773	73,546,851
Claims	0	0	0	28,117,011
Depreciation	2,025,968	870,307	2,896,275	1,464,697
Other	950,974	1,735,504	2,686,478	9,427,682
Total Operating Expenses	19,389,066	7,286,457	26,675,523	164,352,198
Operating Income (Loss)	(7,363,944)	147,272	(7,216,672)	2,006,197
Non-Operating Revenues (Expenses)				
Interest	16	66,852	66,868	0
Intergovernmental	0	0	0	411,923
Contributions and Donations	0	0	0	582,101
Interest and Fiscal Charges	(333,356)	0	(333,356)	0
Total Non-Operating Revenues (Expenses)	(333,340)	66,852	(266,488)	994,024
Income (Loss) before Transfers and Capital Contributions	(7,697,284)	214,124	(7,483,160)	3,000,221
Capital Contributions	257,362	0	257,362	0
Transfers In	0	1,332,965	1,332,965	736,067
Transfers Out	0	(187,130)	(187,130)	0
Change in Net Position	(7,439,922)	1,359,959	(6,079,963)	3,736,288
Net Position Beginning of Year	73,796,614	21,873,206		34,080,633
Net Position End of Year	$66,356,692	$23,233,165		$37,816,921
Some amounts reported for business-type activities in the statement of activities are different because a portion of the net expense of the internal service funds is reported with business-type activities.			11,703	
Change in net position of business-type activities			($6,068,260)	

See accompanying notes to the basic financial statements

Cuyahoga County, Ohio

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Enterprise Funds			
	Sanitary Engineer	All Other Enterprise Funds	Total	Internal Service
Increases (Decreases) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	$21,342,580	$7,291,668	$28,634,248	$0
Cash Received from Interfund Transactions	0	0	0	164,620,316
Other Cash Receipts	88,371	15,924	104,295	131,108
Cash Payments to Employees for Services	(8,220,343)	(2,467,683)	(10,688,026)	(36,389,958)
Cash Payments for Goods and Services	(7,566,871)	(2,301,537)	(9,868,408)	(90,387,102)
Cash Payments for Claims	0	0	0	(33,266,055)
Other Cash Payments	(182,227)	(1,028,131)	(1,210,358)	(9,298,668)
Net Cash Provided by (Used in) Operating Activities	5,461,510	1,510,241	6,971,751	(4,590,359)
Cash Flows from Noncapital Financing Activities				
Intergovernmental	0	0	0	411,923
Contributions and Donations	0	0	0	582,101
Advances In	0	0	0	230,210
Advances Out	0	(312,373)	(312,373)	(1,469,746)
Transfers In	0	1,332,965	1,332,965	736,067
Transfers Out	0	(187,130)	(187,130)	0
Net Cash Provided by Noncapital Financing Activities	0	833,462	833,462	490,555
Cash Flows from Capital and Related Financing Activities				
Capital Grants	257,362	0	257,362	0
Proceeds from OWDA Loans	979,573	0	979,573	0
Principal Paid on General Obligation Bonds	(430,000)	0	(430,000)	0
Interest Paid on General Obligation Bonds	(174,035)	0	(174,035)	0
Principal Paid on OPWC Loans	(103,926)	0	(103,926)	0
Principal Paid on OWDA Loans	(306,658)	0	(306,658)	0
Interest Paid on OWDA Loans	(154,407)	0	(154,407)	0
Payments for Capital Acquisitions	(446,406)	0	(446,406)	(98,416)
Net Cash Provided by Capital and Related Financing Activities	(378,497)	0	(378,497)	(98,416)
Cash Flows from Investing Activities				
Interest on Investments	16	66,852	66,868	0
Net Increase (Decrease) in Cash and Cash Equivalents	5,083,029	2,410,555	7,493,584	(4,198,220)
Cash and Cash Equivalents Beginning of Year	28,055,471	765,252	28,820,723	56,348,830
Cash and Cash Equivalents End of Year	$33,138,500	$3,175,807	$36,314,307	$52,150,610

(continued)

Cuyahoga County, Ohio

Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2012

	Enterprise Funds			
	Sanitary Engineer	All Other Enterprise Funds	Total	Internal Service
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating Income (Loss)	($7,363,944)	$147,272	($7,216,672)	$2,006,197
Adjustments:				
Depreciation	2,025,968	870,307	2,896,275	1,464,697
(Increase) Decrease in Assets:				
Materials and Supplies Inventory	0	(24,808)	(24,808)	57,420
Intergovernmental Receivable	0	56,483	56,483	(1,918,612)
Accounts Receivable	9,405,829	(17,933)	9,387,896	(9,433)
Interfund Receivable	0	(76,220)	(76,220)	321,074
Increase (Decrease) in Liabilities:				
Accounts Payable	2,066,281	704,372	2,770,653	(397,229)
Accrued Wages	25,493	9,873	35,366	53,952
Contracts Payable	(518,745)	0	(518,745)	0
Intergovernmental Payable	3,883	1,504	5,387	(947,703)
Retainage Payable	(92,322)	0	(92,322)	0
Interfund Payable	44,378	2,718	47,096	(19,291)
Unearned Revenue	0	(93,935)	(93,935)	0
Compensated Absences Payable	(135,311)	(13,510)	(148,821)	888,398
Special Termination Benefits	0	(55,882)	(55,882)	(940,785)
Claims Payable	0	0	0	(5,149,044)
Total Adjustments	12,825,454	1,362,969	14,188,423	(6,596,556)
Net Cash Provided by (Used in) Operating Activities	$5,461,510	$1,510,241	$6,971,751	($4,590,359)

See accompanying notes to the basic financial statements

Cuyahoga County, Ohio

Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2012

Assets	
Equity in Pooled Cash and Cash Equivalents	$177,860,669
Cash and Cash Equivalents in Segregated Accounts	47,217,971
Property Taxes Receivable	2,725,484,482
Special Assessments Receivable	94,030,956
Total Assets	$3,044,594,078
Liabilities	
Undistributed Monies	$2,991,235,250
Deposits Held and Due to Others	53,358,828
Total Liabilities	$3,044,594,078

See accompanying notes to the basic financial statements

Note 1 - Description of Cuyahoga County and Reporting Entity

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. On November 3, 2009, the voters of the County-at-large adopted a Charter form of government. The new Charter replaced the Commissioners with an elected County Executive and eleven-member Council. The elected offices of Auditor, Treasurer, Recorder, Clerk of Courts, Engineer, Sheriff and Coroner were replaced by non-elected appointees of the County Executive with approval by Council. The charter provided for the separation of administrative and legislative powers. The effective date of the charter was January 1, 2010. In addition, the new County Executive has created the Office of Inspector General which is responsible for investigation of any allegations of wrongdoing. To read the entire charter, please refer to http://council.cuyahogacounty.us/en-US/charter-cuyahogacounty.aspx.

The Prosecutor and the County Judges will remain elected positions. There are 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. Although these elected officials manage the internal operations of their respective departments, the County Council authorizes expenditures as well as serves as the budget and taxing authority, contracting body, and the chief administrators of public services for the County, including each of these departments.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Cuyahoga County, this includes the Children's Services Board, the Board of Developmental Disabilities, the Board of Mental Health and Recovery Services and all departments and activities that are directly operated by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County.

The component unit column in the financial statements identifies the financial data of the County’s discretely presented component unit, MetroHealth System. It is reported separately to emphasize that it is legally separate from the County.

> ***MetroHealth System (the Hospital)*** – MetroHealth System is a legally separate, non-profit organization, which 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 is included in the County’s reporting entity because of its financial benefit/burden relation with the County. MetroHealth Systems operates on a year ending December 31. Furthermore, the MetroHealth Foundation (the foundation) and the MHS Holdings LLC (LLC), which are component units of the Hospital, are included in the Hospital’s financial statements. The Foundation is a not-for-profit organization supporting the Hospital that acts primarily as a fundraising organization to

supplement the resources that are available to the Hospital in support of its programs. Although the Hospital does not control the timing or the amount of receipts from the Foundation, the majority of resources, or incomes thereon, which they hold and invest, are restricted to support the activities of the Hospital. Separately issued financial statements can be obtained from the MetroHealth System, 2500 MetroHealth Drive, Cleveland, Ohio, 44109.

The County participates in the following related organizations and jointly governed organizations. These organizations are presented in Notes 23 and 24 to the Basic Financial Statements and are excluded from the accompanying financial statements.

Related Organizations	Jointly Governed Organizations
Cuyahoga County Public Library	Northeast Ohio Areawide Coordinating Agency
Cleveland Metropolitan Park District	North East Ohio Network
Cuyahoga County Arts and Culture District	Gateway Economic Development Corporation of Greater Cleveland
Cuyahoga County Land Bank	Western Reserve Area Agency on Aging
Cuyahoga Community College	Cleveland-Cuyahoga County Port Authority
	Greater Cleveland Regional Transit Authority
	Northeast Ohio Regional Sewer District

As the custodian of public funds, the County Treasurer invests all public moneys held on deposit in the County Treasury. In the case of the legally separate agencies, boards and commissions listed below, the County Fiscal Officer serves as fiscal agent but the organizations are not considered a part of Cuyahoga County. Accordingly the activity of the following districts is presented as agency funds within Cuyahoga County's financial statements:

Cuyahoga County Health District
Cuyahoga County Soil and Water Conservation District

Information in the following notes to the basic financial statements is applicable to the primary government. Information for the component unit is presented in Note 28.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Cuyahoga County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

Basis of Presentation

The County’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the County's major governmental funds:

> ***General*** This fund accounts for and reports all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the County for any purpose provided it is expended or transferred according to the charter of Cuyahoga County and/or the general laws of Ohio.
>
> ***Human Services*** This fund accounts for and reports property taxes from human services levies as well as revenue from Federal, State and County governments restricted to provide entitlement services, senior and adult programs, children and family services and employment services to eligible County residents.
>
> ***Health and Human Services Levy*** This fund accounts for and reports restricted property taxes from health and human services levies to provide public assistance to general relief recipients and certain public social services

County Board of Developmental Disabilities This fund accounts for and reports State grants and property taxes from the special developmental disability levy restricted for the developmentally disabled.

Alcohol, Drug and Mental Health Board This fund accounts for and reports a Countywide property tax levy as well as grants from Federal, State and County governments restricted for various mental health programs and aid to individuals seeking alcohol and drug services through effective oversight, coordination and planning activities.

Global Center for Health Innovation (GCHI) This fund accounts for and reports debt proceeds restricted for the construction of the GCHI facility.

The other governmental funds of the County account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the County's major enterprise fund:

Sanitary Engineer This fund is used to account for the operations of County sewer lines. The office also enforces compliance of County sanitary regulations.

Internal Service Funds Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service funds report on central custodial services, maintenance garage, data processing, general printing reproduction and supplies, postage and on self-insurance programs for employee medical benefits and workers' compensation.

Fiduciary Fund Types Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The County's fiduciary funds are agency funds. Agency funds are used to account for assets held by the County as agent for the Board of Health and other districts and entities and for various taxes, assessments, and State shared resources collected on behalf of and distributed to other local governments.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the County are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources, generally, are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outlfows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within ninety days of year-end for all revenues except for property taxes which have an available period of sixty days. Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the sale occurred. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 9). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax (see Note 11), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, deferred outflows of resources include the deferred charges on refunding's reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations. The amounts have been recorded as deferred inflow on both the government-wide statement of net position and the government fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County, unavailable revenue includes delinquent property taxes, sales taxes, grants and entitlements. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Cash and Cash Equivalents

To improve cash management, cash received by the County is pooled in a central bank account. Monies for all funds are maintained in this account or are temporarily used to purchase short term investments. Individual fund integrity is maintained through the County's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

The County utilizes a financial institution to service bonded debt as principal and interest payments come due. The balances in these accounts are presented on the statement of fund net position as "Cash and Cash Equivalents with Fiscal Agents."

Various departments within the County have segregated bank accounts for monies held separate from the County's central bank account. These accounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited with the County Treasurer.
During 2012, investments were limited to the federal agriculture mortgage bonds, federal farm credit banks bonds, federal home loan bank bonds, federal home loan mortgage corporation bonds, federal national mortgage association bonds, Garfield Heights notes, State of Israel notes, Shaker Heights notes, repurchase agreements and STAR Ohio. Investments are reported at fair value which is based on quoted market prices, with the exception of certificates of deposit, which are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold at December 31, 2012.

Investment procedures are restricted by the provisions of the Ohio Revised Code. County policy requires interest earned on investments to be credited to the general fund except where there is a legal requirement or there are bond proceeds for capital improvements. Interest revenue credited to the general fund during 2012 amounted to $3,463,917 which includes $1,926,567 assigned from other County funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the general fund represent money set aside for unclaimed monies. Restricted assets in the community development special revenue fund and bond retirement debt service fund represent money set aside for bond principal and interest payments. Restricted assets in the GCHI capital projects fund represent money set aside for the construction of the Global Center for Health Innovation facility and for bond principal and interest payments.

Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The County was able to estimate the historical cost for the initial reporting of infrastructure by back-trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of nine thousand with the exception of land as land is listed regardless of cost. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All capital assets are depreciated or amortized except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation and amortization is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business Type Activities Estimated Lives
Land Improvements	5 - 20 Years	5 - 20 Years
Utility Plant	N/A	20 - 50 Years
Buildings, Structures and Improvements	5 - 40 Years	5 - 40 Years
Furniture, Fixtures and Equipment	3 - 22 Years	3 - 22 Years
Vehicles	4 - 9 Years	4 - 9 Years
Infrastructure	20 - 69 Years	N/A

The County's infrastructure consists of roads and bridges and includes infrastructure acquired prior to 1980.

During 2012, the County acquired an intangible asset through the agreement with the Village of Highland Hills for the right to use the Community Learning Center with a value of $1,975,312. At December 31, 2012, the amount of the asset is $1,962,730. Amortization is computed using the straight-line method over the term of the agreement, which has 13 years remaining.

Compensated Absences

Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability for all accumulated unused vacation and compensatory time when earned for all employees.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the County's past experience of making termination payments.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. The straight-line method of amortization is not materially different from the effective-interest method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On governmental fund financial statements, bond premiums are receipted in the year the bonds are issued.

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported in the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability in the fund financial statements when due.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, unless the use of the proceeds from the collection of those receivables is restricted, committed, or assigned.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution or ordinance as both are equally binding) of County Council. Those committed amounts cannot be used for any other purpose unless County Council removes or changes the specified use by taking the same type of action (resolution or ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the County Council. In the general fund, assigned amounts represent intended uses established by County Council or a County official delegated that authority by County Charter or ordinance, or by State Statute. State statute authorizes the County Fiscal Officer to assign fund balance for purchases on order provided amounts have been lawfully appropriated. County Council assigned fund balance to cover a gap between estimated revenue and appropriations in year 2013's appropriated budget.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Balances

On the fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund balance amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Budgetary Process

All funds, except agency funds are legally required to be budgeted and appropriated. For reporting purposes, various agency funds, utilized for internal control purposes, have been combined with the general fund and community development special revenue fund. These agency funds are not required to be budgeted and appropriated and therefore are not included in the Accountability and Compliance note (Note 4). Prior to 2012, the Alcohol, Drug and Mental Health (ADAMH) Board special revenue fund was budgeted on a fiscal year ending on June 30. During 2012, the ADAMH Board budgeted from July 1, 2011 through December 31, 2012 in order to align with the County's year end. Budgetary information for GCHI capital projects fund is not reported because it is not included in the entity for which the "appropriated budget" is adopted. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control is at the personnel, capital purchases and other object level within a department and fund. Any budgetary modifications at this level may only be made by resolution of County Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Fiscal Officer. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the original and final amended certificate of estimated resources in place when original and final appropriations were passed by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include the judicial services, legislative and executive operations, County Bureau of Support and Care and custody of delinquent juveniles.

The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for the sanitary engineer, the County airport, the County parking garage, the County information systems, central custodial services, the maintenance garage, data processing, printing, reproduction and supplies, postage, workers' compensation and health insurance. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as non-operating.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from contributions of capital assets from the capital projects governmental fund and from outside contributions of resources restricted to capital acquisition and construction.

Note 3 - Changes in Accounting Principles and Restatement of Prior Year's Net Position

Change in Accounting Principles

For 2012, the County has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66 "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any changes in the County's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units' presentation and certain disclosure requirements. These changes were incorporated in the County's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related note disclosures. These changes were incorporated in the County's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the County's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the County's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the County's financial statements.

Restatement of Prior Year's Net Position

During 2012, it was determined that property taxes receivable were understated and capital assets were overstated for governmental activities. This restatement increased net position of governmental activities by $24,936,244 from $1,023,997,363 to $1,048,933,607.

Note 4 – Accountability and Compliance

Accountability

The following funds had deficit fund balances as of December 31, 2012:

Special Revenue Fund	
Treatment Alternatives for Safer Communities	$148,404
Capital Projects Funds	
Capital Projects	13,704,706
Road Capital Projects	1,028,989

The special revenue and the capital projects funds have deficits caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis. The general fund is liable for any deficit in the funds and provides transfers when cash is required, not when accruals occur.

Compliance

The County had negative cash fund balances indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10(H).

Special Revenue Fund	
Treatment Alternatives for Safer Communities	$79,631
Capital Projects Funds	
Capital Projects	13,289,415
Road Capital Projects	2,222,589
Internal Service Fund	
Printing	230,210

Management has indicated that cash will be closely monitored in the special revenue and internal service funds to prevent future violations.

The capital projects funds' deficits are the result of the County financing various capital projects utilizing general fund cash balance. Once the project nears completion, bonds are issued and the deficits will be eliminated.

The following accounts had expenditures plus encumbrances in excess of appropriations, contrary to Ohio Revised Code Section 5705.41.

Fund	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Encumbrances	Excess
General Fund			
General Government -			
Legislative and Executive			
Auditor:			
Other	$0	$1,320	($1,320)
Real Estate Services:			
Other	0	2,664	(2,664)
Charter Council Redistrict Review:			
Other	0	34,400	(34,400)
Property Management:			
Personal Services	508,992	516,868	(7,876)
County Executive:			
Other	664,955	797,175	(132,220)
Administration-Fiscal Services:			
Other	66,700	308,346	(241,646)
Treasury Management:			
Personal Services	1,411,708	1,442,481	(30,773)
Human Resources Commission:			
Personal Services	185,872	201,822	(15,950)
Human Resources Administration:			
Other	801,450	1,316,367	(514,917)
Internal Audit:			
Capital Outlay	602	5,420	(4,818)
Treasurer - Administration:			
Other	55,736	56,009	(273)
Recorders Housing Trust - Records and Licenses:			
Other	0	868,770	(868,770)
Recorders Housing Trust - General Office:			
Other	0	3,199,409	(3,199,409)
Judicial:			
Board and Care of Prisoners:			
Other	1,475,310	1,671,004	(195,694)
Judicial General:			
Personal Services	7,003,207	7,538,226	(535,019)
Capital Outlay	643,136	653,389	(10,253)

Fund	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Encumbrances	Excess
Arbitration:			
Personal Services	$991,364	$991,388	($24)
Probation:			
Personal Services	9,441,732	9,529,017	(87,285)
Cuyahoga County Regional Forensic Science Lab:			
Other	0	1,079	(1,079)
Domestic Relations:			
Other	1,010,153	1,236,475	(226,322)
Capital Outlay	36,902	38,092	(1,190)
Bureau of Support:			
Personal Services	2,936,508	2,942,570	(6,062)
Other	699,007	863,232	(164,225)
Capital Outlay	29,328	36,551	(7,223)
Justice Affairs Administration:			
Other	744,960	1,021,813	(276,853)
Juvenile Court Administration:			
Other	5,360,660	8,768,570	(3,407,910)
Juvenile Court Legal:			
Other	3,688,029	5,026,791	(1,338,762)
Juvenile Court Detention Home:			
Other	2,953,085	3,141,268	(188,183)
Probate Court:			
Personal Services	4,549,508	4,613,127	(63,619)
Public Defender:			
Other	1,476,687	1,873,877	(397,190)
General Office:			
Personal Services	17,006,188	17,322,033	(315,845)
Law Enforcement Sheriff:			
Other	997,063	1,017,822	(20,759)
Jail Operations - Sheriff:			
Personal Services	44,987,962	45,037,769	(49,807)
Other	14,967,353	15,382,998	(415,645)
Capital Outlay	63,322	73,693	(10,371)
Sheriff Operations:			
Other	1,377,964	1,821,033	(443,069)

Fund	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Encumbrances	Excess
Impact Unit Community Policing:			
Personal Services	$648,284	$652,472	($4,188)
Other	60,865	62,351	(1,486)
Other:			
Soldiers and Sailors Monument:			
Other	50,180	60,121	(9,941)
Debt Service:			
Gateway:			
Principal Retirement	0	500,000	(500,000)
Human Services			
Social Services:			
Office of the Director - Children and Family Services:			
Other	11,336,541	11,968,180	(631,639)
Capital Outlay	287,049	317,928	(30,879)
Information Services:			
Personal Services	2,505,041	2,516,570	(11,529)
Foster Homes:			
Personal Services	3,361,730	3,397,050	(35,320)
Permanent Custody Adoptions:			
Personal Services	4,351,103	4,352,679	(1,576)
Human Resources:			
Personal Services	712,901	732,206	(19,305)
Tapestry System of Care - Human Services:			
Other	0	92,907	(92,907)
Information Services:			
Personal Services	2,038,396	2,066,112	(27,716)
Southgate:			
Personal Services	3,780,259	3,883,408	(103,149)
Ohio City:			
Personal Services	3,879,749	3,881,278	(1,529)
Quincy Place:			
Personal Services	4,027,114	4,098,364	(71,250)
Client Support Services:			
Personal Services	5,973,935	5,987,669	(13,734)
Office of the Director:			
Personal Services	711,017	711,752	(735)
Community Programs:			
Other	1,318,184	1,348,392	(30,208)

Fund	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Encumbrances	Excess
Home Care Skill Services:			
Other	$78,203	$92,204	($14,001)
Home Based Services:			
Other	125,178	138,843	(13,665)
Quality Child Care:	11,389,058	11,488,807	(99,749)
Other			
Workforce Investment Act Stimulus:			
Other	159,910	2,305,644	(2,145,734)
Health and Human Services Levy			
General Government -			
Judicial:			
Community Socal Services:			
Other	5,146,247	5,271,398	(125,151)
Detention Home:			
Personal Services	523,719	571,483	(47,764)
Family Justice Center:			
Other	0	23	(23)
Social Services:			
Homeless Services:			
Other	6,683,949	6,699,635	(15,686)
Motor Vehicle Gas Tax			
Public Works:			
Costruction Engineer and Test Lab:			
Personal Services	5,172,153	5,184,059	(11,906)
Maintenance Engineer:			
Capital Outlay	408,188	415,454	(7,266)
Real Estate Assessment			
General Government -			
Legislative and Executive:			
Board of Revision:			
Other	881,686	1,343,614	(461,928)
Court			
General Government -			
Judicial:			
Sheriff:			
Personal Services	164,247	171,374	(7,127)

Fund	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Encumbrances	Excess
Community Development			
Community Development:			
2008 Neighborhood Stabilization:			
Other	$1,543,029	$1,544,061	($1,032)
Home Weatherization Assistance:			
Other	1,044,164	1,044,193	(29)
2009 State Neighborhood Stabilization:			
Other	161,408	162,173	(765)
Housing Stability 2011:			
Other	360,900	363,900	(3,000)
CDBG Year 38 2012:			
Other	1,946,678	2,069,453	(122,775)
EPA Coalition Assessment:			
Other	165,169	174,169	(9,000)
Shelter and Care 2005:			
Other	122,652	167,972	(45,320)
Shelter and Care 2006:			
Other	277,989	280,989	(3,000)
Clean Ohio Program:			
Other	2,917,305	2,917,315	(10)
2010 Neighborhood Stabilization:			
Other	1,949,941	2,033,134	(83,193)
Home Weatherization Program ARRA 2009 - 2010:			
Other	1,542,038	1,548,382	(6,344)
ARRA HUD Home Repair Program:			
Other	1,917,845	2,009,619	(91,774)
Treatment Alternatives for Safer Communities			
General Government -			
Judicial:			
Medicaid Fund:			
Personal Services	5,537	6,061	(524)
Health and Human Services:			
Other	289,735	600,480	(310,745)
Vicitim Assistance			
General Government -			
Judicial:			
Violence Against Women Act Administration Grant:			
Personal Services	8,716	12,536	(3,820)

Fund	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Encumbrances	Excess
Youth Services			
General Government -			
Judicial:			
Youth Services Subsidy:			
Other	$3,632,880	$3,864,577	($231,697)
Other Judicial			
General Government -			
Judicial:			
Law Library Board:			
Personal Services	227,633	227,773	(140)
High Visibility Enforcement:			
Other	2,109	2,451	(342)
Family Justice Center Program:			
Other	365,084	380,446	(15,362)
Child Sexual Predator Grant Program:			
Other	(6,475)	66,567	(73,042)
Capital Outlay	130,108	138,708	(8,600)
Northern Border Maritime Awareness:			
Capital Outlay	99,866	122,117	(22,251)
Prisoner Reentry Program:			
Other	10,856	26,360	(15,504)
Avon Empowerment Self-Sufficiency Program:			
Other	28,719	31,293	(2,574)
Internet Crimes Against Children:			
Other	153,761	160,773	(7,012)
JAIBG Block Grant:			
Other	229,579	232,159	(2,580)
Other Legislative and Executive			
General Government -			
Legislative and Executive:			
Mortgage Foreclosure Prevention:			
Other	24,073	30,073	(6,000)
Other Health and Safety			
Health and Safety:			
Emergency Management:			
Other	391,568	401,912	(10,344)
Ryan White, Title I HIV/AIDS:			
Other	3,355,218	3,388,520	(33,302)

Fund	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Encumbrances	Excess
Dick Goddard Best Friend Fund:			
Other	$59,212	$60,625	($1,413)
State Homeland Security:			
Personal Services	36,699	51,505	(14,806)
Other	254,243	383,868	(129,625)
Other Social Services			
Social Services:			
Invest in Children Administrative Services:			
Other	0	1,991,177	(1,991,177)
Pathways II Cooperative Project:			
Other	2,489,469	2,492,800	(3,331)
Adoption Opportunities Grant:			
Other	751,626	777,901	(26,275)
ARRA Justice Reform Initiative:			
Other	0	13,004	(13,004)
Litter Prevention and Recycling			
Public Works:			
Recycling Market Development:			
Other	69,895	250,893	(180,998)
Alcohol, Drug and Mental Health Board Grants			
Health and Safety:			
Supportive Employee:			
Other	(265,148)	1,013,562	(1,278,710)
Call Center Program:			
Other	(123,847)	569,422	(693,269)
Peer Support Specialist Employement:			
Other	(214,836)	6	(214,842)
Statewide Pathways:			
Other	(2,665,055)	1,154,161	(3,819,216)
Capital Projects			
Capital Outlay:			
Office of Budget Management -			
County Council:			
Personal Services	(140,000)	0	(140,000)
Other	1,149,955	1,530,749	(380,794)
Capital Outlay	14,594,730	17,263,540	(2,668,810)

Fund	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Encumbrances	Excess
Road Capital Projects			
Capital Outlay:			
Ohio Department of Public Works Integrating:			
Capital Outlay	$9,407,847	$10,143,935	($736,088)
Ohio Department of Transportation - Local Public Agencies:			
Capital Outlay	53,332,026	53,829,935	(497,909)
County Airport			
Other	929,221	1,182,942	(253,721)
Central Custodial Services			
Other	21,613,994	22,126,357	(512,363)
Capital Outlay	97,678	238,825	(141,147)
Data Processing			
Other	11,334,117	16,020,511	(4,686,394)
Postage			
Other	1,301,836	1,376,880	(75,044)
Health Insurance			
Other	69,786,891	72,363,415	(2,576,524)

The following funds had original appropriations in excess of original estimated resources plus carryover balances as reported on the Official Certificate of Estimated Resources at December 31, 2012.

Fund	Original Estimated Resources Plus Available Balances	Original Appropriations	Excess
Human Services	$204,733,064	$243,365,319	($38,632,255)
Children Services	100,628,037	106,441,142	(5,813,105)
Cuyahoga Support Enforcement	32,031,474	35,110,748	(3,079,274)
Community Development	1,306,547	36,941,790	(35,635,243)
Other Health and Safety	14,843,573	24,460,217	(9,616,644)
Other Public Works	1,002,766	3,011,176	(2,008,410)
Other Social Services	8,173,411	9,927,753	(1,754,342)
Capital Projects	(73,099,821)	13,544,230	(86,644,051)
Road Capital Projects	2,406,094	58,016,449	(55,610,355)
Information Systems	2,291,603	2,743,801	(452,198)
Central Custodial Services	46,473,685	49,324,368	(2,850,683)
Maintenance	1,331,777	1,842,114	(510,337)
Data Processing	18,985,721	19,306,632	(320,911)
Printing	3,765,575	4,916,638	(1,151,063)
Health Insurance	94,043,068	99,444,322	(5,401,254)

The following funds had final appropriations in excess of final estimated resources plus carryover balances as reported on the Official Certificate of Estimated Resources at December 31, 2012.

Fund	Final Estimated Resources Plus Available Balances	Final Appropriations	Excess
Human Services	$238,761,797	$245,939,231	($7,177,434)
Children Services	102,795,017	104,876,817	(2,081,800)
Cuyahoga Support Enforcement	29,702,771	35,133,748	(5,430,977)
County Land Reutilization	7,030,071	7,053,973	(23,902)
Community Development	41,495,740	88,601,954	(47,106,214)
Treatment Alternatives for Safer Communities	1,308,900	1,939,970	(631,070)
Victims Assistance	3,047,378	3,271,807	(224,429)
Other Health and Safety	19,333,017	30,826,489	(11,493,472)
Other Public Works	1,427,766	3,436,176	(2,008,410)
Other Social Services	8,844,146	10,213,510	(1,369,364)
Road Capital Projects	2,406,094	64,072,358	(61,666,264)
Information Systems	2,400,917	2,743,801	(342,884)
Printing	4,817,231	5,766,638	(949,407)

Management has indicated that appropriations will be closely monitored and amended timely to minimize future violations.

Note 5 – Global Center for Health Innovation

During 2009, the County entered into an agreement with Merchandise Mart Properties, Inc. (MMPI), MMPI Cleveland Development LLC (Developer) and Cleveland MMCC LLC (Operator) for the development and operation of the Global Center for Health Innovation (Facility). Global Center for Health Innovation is an integrated facility for a permanent exhibition hall for medical devices and equipment as well as a temporary exhibition, tradeshow and conference facility and back of house functions.

During 2010 the County purchased land for the GCHI site. The County subsequently leased the purchased land to the Developer for $1 annually. This lease meets the definition of an operating lease under GASB 62 "Codification of Accounting and Financial Report Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." At December 31, 2012, the carrying value of the land is $37,912,642.

The County entered into a project funding agreement with the Developer to provide funds, through a loan from the County, for the planning, designing, financing and constructing the Facility. The total project budget of $465,000,000 includes sources of $343,350,000 in Economic Development Revenue Bond proceeds and a contribution of non-bond proceeds from the County. Under the terms of this agreement, the County will reimburse, advance or directly pay the construction costs of the Facility. The Developer will make monthly payments of $3,000,000 through 2027. As of December 31, 2012, the Developer has drawn down $339,498,668 of the available funds. As of December 31, 2012, the Developer repaid $37,243,978 leaving an outstanding balance of $302,254,690.

The County entered into a lease agreement with the Developer for the Facility. This lease meets the definition of a capital lease under GASB 62. The County will make monthly lease payments of $3,333,333 through 2027. As of December 31, 2012, the book value of the capitalized leased assets was $339,498,668 which is reported as construction in progress.

Although the Facility remains under construction, the County subleased the Facility to the Operator in exchange for the Operator maintaining the asset in lieu of rental payments. The Operator is to operate the Facility solely as a convention center and medical merchandise showroom, including setting the rates. This operating lease expires in 2027.

Note 6 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Human Services	Health and Human Services Levy	County Board of Developmental Disabilities
Nonspendable				
Unclaimed Monies	$8,867,166	$0	$0	$0
Loans Receivable	750,000	0	0	0
Total Nonspendable	9,617,166	0	0	0
Restricted for				
Developmental Disabilities	0	0	0	127,844,634
Health and Human Services	0	5,901,691	41,593,479	0
Community Development	0	0	0	0
Real Estate Assessment	0	0	0	0
Children Services	0	0	0	0
Judicial	0	0	0	0
Solid Waste	0	0	0	0
Health and Safety	0	0	0	0
Social Services	0	0	0	0
Public Works	0	0	0	0
Other Purposes	0	0	0	0
Debt Service	0	0	0	0
Capital Projects	0	0	0	0
Total Restricted	0	5,901,691	41,593,479	127,844,634
Assigned to				
Coroner's Lab	708,465	0	0	0
Purchases on Order	4,495,592	0	0	0
Year 2013 Appropriations	3,808,870	0	0	0
Total Assigned	9,012,927	0	0	0
Unassigned (Deficit)	212,252,821	0	0	0
Total Fund Balances	$230,882,914	$5,901,691	$41,593,479	$127,844,634

Fund Balances	Alcohol, Drug and Mental Health Board	Global Center for Health Innovation	Other Governmental Funds	Total
Nonspendable				
Unclaimed Monies	$0	$0	$0	$8,867,166
Loans Receivable	0	0	0	750,000
Total Nonspendable	0	0	0	9,617,166
Restricted for				
Developmental Disabilities	0	0	0	127,844,634
Health and Human Services	6,749,915	0	0	54,245,085
Community Development	0	0	61,127,533	61,127,533
Real Estate Assessment	0	0	9,812,925	9,812,925
Children Services	0	0	37,257,391	37,257,391
Judicial	0	0	24,676,400	24,676,400
Solid Waste	0	0	3,218,444	3,218,444
Health and Safety	0	0	13,867,836	13,867,836
Social Services	0	0	1,788,953	1,788,953
Public Works	0	0	58,126,084	58,126,084
Other Purposes	0	0	7,017,183	7,017,183
Debt Service	0	0	26,423,801	26,423,801
Capital Projects	0	398,605,706	0	398,605,706
Total Restricted	6,749,915	398,605,706	243,316,550	824,011,975
Assigned to				
Coroner's Lab	0	0	0	708,465
Purchases on Order	0	0	0	4,495,592
Year 2013 Appropriations	0	0	0	3,808,870
Total Assigned	0	0	0	9,012,927
Unassigned (Deficit)	0	0	(14,882,099)	197,370,722
Total Fund Balances	$6,749,915	$398,605,706	$228,434,451	$1,040,012,790

Note 7 - Budgetary Basis of Accounting

While the County's reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual are presented in the basic financial statements for the general fund and major special revenue funds. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

3. Encumbrances are treated as expenditures for all funds (budget) rather than restricted, committed, or assigned fund balance (GAAP).

4. Unrecorded cash represents amounts received but not reported by the County on the operating statements (budget), but which is reported on the GAAP basis operating statements.

5. Investments are reported at cost (budget) rather than at fair value (GAAP).

6. Budgetary revenues and expenditures for the ADAMH Board grants are classified to the ADAMH Board special revenue fund for GAAP reporting.

7. Timing differences in the ADAMH Board special revenue fund resulted from the ADAMH Board adopting a budget covering eighteen months (Budget) rather than twelve months (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general and major special revenue funds:

Net Change in Fund Balances

	General	Human Services	Health and Human Services Levy	County Board of Developmental Disabilities	Alcohol, Drug and Mental Health Board
GAAP Basis	($660,660)	$14,493,837	($2,832,677)	$3,998,652	$8,856,980
Net Adjustment for Revenue Accruals	(3,620,286)	(12,261,112)	(360,841)	(530,338)	1,551,887
Beginning Fair Value Adjustment for Investments	(1,041,943)	0	0	0	0
Ending Fair Value Adjustment for Investments	4,961,982	0	0	0	0
Beginning Unrecorded Cash	142,609	0	0	0	331,447
Ending Unrecorded Cash	660,629	0	0	0	0
Timing Difference	0	0	0	0	4,079,489
Perspective Difference: ADAMH Board Grant Fund	0	0	0	0	(922,273)
Net Adjustment for Expenditure Accruals	5,361,116	(12,963)	(126,574)	69,518	(8,980,488)
Encumbrances	(11,457,616)	(34,943,754)	(6,976,776)	(7,283,809)	0
Budget Basis	($5,654,169)	($32,723,992)	($10,296,868)	($3,745,977)	$4,917,042

Note 8 - Deposits and Investments

Monies held by the County are classified by State Statute two categories, active and inactive. Active monies are public commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Monies held by the County, which are not considered active, are classified as inactive. Inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

1. United States Treasury Bills, Notes, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States; or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;

5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that these investments are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio);

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;

9. Up to twenty-five percent of the County's average portfolio in either of the following:

   a. Commercial paper notes in entities incorporated under the laws of Ohio, or any other State, that have assets exceeding five hundred million dollars, which are rated in the highest classification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase;

b. Banker’s acceptances eligible for purchase by the Federal Reserve System and which mature within 180 days after purchase;

10. Fifteen percent of the County’s average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;

11. No-load money market mutual fund rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency of instrumentality, and/or highly rate commercial paper;

12. One percent of the County’s average portfolio in debt interest rated at the time of purchase in the three categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Other than corporate notes, commercial paper, and bankers acceptances, an investment must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$148,267,489 of the County’s bank balance of \$149,517,489 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department in the County's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

Investments are reported at fair value. As of December 31, 2012, the County had the following investments:

	Fair Value	Maturity	Moody Rating	Percent of Total Investments
Federal Agriculture Mortgage Bonds	$10,443,000	More than One Year	Aa1	N/A
Federal Farm Credit Bank Bonds	70,603,000	More than One Year	Aaa	10.96%
Federal Farm Credit Bank Bonds	10,270,000	Less than One Year	Aaa	N/A
Federal Home Loan Bank Bonds	50,085,000	More than Two Years	Aaa	7.78%
Federal Home Loan Bank Bonds	40,872,000	More than One Year	Aaa	6.35%
Federal Home Loan Bank Bonds	85,525,000	Less than One Year	Aaa	13.28%
Federal Home Loan Mortgage Corporation Bank Bonds	30,108,000	More than Two Years	Aaa	N/A
Federal Home Loan Mortgage Corporation Bank Bonds	90,495,000	More than One Year	Aaa	14.05%
Federal National Mortgage Association Bonds	30,036,000	More than Two Years	Aaa	N/A
Federal National Mortgage Association Bonds	50,381,000	More than One Year	Aaa	7.82%
Federal National Mortgage Association Bonds	116,856,500	Less than One Year	Aaa	18.14%
City of Garfield Heights Notes	1,232,000	More than One Year	N/A	N/A
State of Israel Notes	5,000,000	More than One Year	N/A	N/A
City of Shaker Heights Notes	150,000	Less than One Year	N/A	N/A
Repurchase Agreement	25,000,000	Daily	N/A	N/A
STAR Ohio	27,101,245	Average 55.4 Days	N/A	N/A
Total Portfolio	$644,157,745			

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the County's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the County's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. The purchase of any security with a maturity of greater than 5 years must be approved in advance by the Investment Advisory Committee.

Credit Risk The Moody's ratings of the County's investments are listed in the table above. The repurchase agreement had an underlying security of a U.S. Treasury note at December 31, 2013. The City of Garfield Heights Notes, State of Israel Notes and City of Shaker Heights Notes are unrated. STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The County has no investment policy that addresses credit risk.

Concentration of Credit Risk The County's policy specifies that the portfolio be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific type of investment. Each investment type is limited to a maximum percentage of the total average portfolio.

Foreign Currency Risk Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The County's investment policy states foreign notes must be rated at the time of purchase in one of the three highest categories by two nationally recognized standard rating services. All interest and principal shall be denominated and payable in United States dollars. The notes must be backed by the full faith and credit of the foreign nation and there can be no prior history of default. The maturity of foreign notes cannot exceed five years from purchase and in total, they cannot exceed one percent of the County's total average portfolio. The County's exposure to foreign currency risk is as follows:

Investment	Currency	Maturity	Fair Value (in US dollars)
State of Israel Notes	Israeli New Sheqel	4/1/2014	$5,000,000

Note 9 - Property Taxes

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes.

2012 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statutes permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2012, was $13.22 per $1,000 of assessed value. The assessed values of real and public utility tangible property upon which 2012 property tax receipts were based are as follows:

Real Property	$29,098,596,030
Public Utility Personal Property	698,069,260
Total Assessed Value	$29,796,665,290

The County Fiscal Officer collects property tax on behalf of all taxing districts in the County. The County Fiscal Officer periodically remits to the taxing districts their portions of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds. Property taxes receivable represents real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2012, and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2012 is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Note 10 - Receivables

Receivables at December 31, 2012 consisted of taxes, accounts (billings for user charged services, including unbilled utility services), special assessments, accrued interest, loans (community development block grant monies loaned to local businesses), interfund, sales tax, and intergovernmental receivables arising from grants and entitlements. All receivables are considered fully collectible, including accounts receivable which, if delinquent may be certified and collected as a special assessment, subject to foreclosure for nonpayment. All receivables except for loans, debt service intergovernmental receivable, sanitary engineer accounts receivable and delinquent property taxes are expected to be collected within one year.

During 1997, the County entered into a project funding agreement with the City of Cleveland (the City) and the Gateway Economic Development Corporation of Greater Cleveland (Gateway), to provide funds, through a loan from the Ohio Department of Development, for the construction of a sports facility. The City agreed to provide to the County a payment equal to 50 percent of the annual loan payment. Loans expected to be collected in more than one year amount to $750,000 in the general fund. At December 31, 2012 there were no delinquent loans.

The loans receivable at December 31, 2012, reported in other governmental funds, represent revolving loans made to private enterprises under the United States Department of Housing and Urban Development Community Development Block Grant Program, Section 17 and Home Affordability Act programs. The notes are due on various dates with a large portion not due until the related property is sold or the debtor becomes deceased. Generally the loans are collateralized by the property that is improved with the proceeds of the notes; however, the County's security interest is usually subordinate to that of another creditor. Many notes are non-interest bearing while other notes bear interest at various rates. Loans expected to be collected in more than one year amount to $36,340,069 in the community development special revenue fund. At December 31, 2012 there were no delinquent loans.

The County entered into a project funding agreement with MMPI Cleveland Development LLC (Developer) to provide funds, through a loan from the County, for the planning, designing, financing and constructing the Global Center for Health Innovation facility. As of December 31, 2012, the Developer has drawn down $339,498,668 of the available funds. As of December 31, 2012, the Developer repaid $37,243,978 leaving an outstanding balance of $302,254,690. Loans expected to be collected in more than one year amount to $282,433,220 in the GCHI capital projects fund. At December 31, 2012 there were no delinquent loans. See Note 5 for additional information.

The County entered into a cooperative agreement with the Village of Highland Hills (the Village) to provide funds, through a loan from the County, for the defeasance of Village bonds. The Village agreed to repay the County in each year from 2013 through 2025 or until the County Bonds (or any bonds issued by the County to refund the County Bonds) are fully paid, whichever shall come first, an amount equal to debt charges due on the County Bonds in that calendar year. Intergovernmental receivables expected to be collected in more than one year amount to $1,605,000 in the bond retirement debt service fund. At December 31, 2012 there were no delinquent receivables. See Note 25 for additional information.

Accounts receivables expected to be collected in more than one year amount to $9,435,485 in the sanitary engineer enterprise fund.

Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
Local Government and Revenue Assistance	$8,815,913
Casino Tax Revenue	3,229,448
Miscellaneous	1,080,417
Property Tax Rollbacks and Exemptions	885,805
Total General Fund	14,011,583
Special Revenue Funds	
Human Services	23,107,334
Health and Human Services Levy	3,936,638
County Board of Developmental Disabilities	10,422,263
Alcohol, Drug and Mental Health Board	5,616,966
Motor Vehicle Gas Tax	10,082,209
Children Sevices	2,285,476
Cuyahoga Support Enforcement	215,506
Community Development	8,750,614
Other Community Development	10,921
Treatment Alternatives for Safer Communities	31,857
Victim Assistance	44,704
Other Judicial	2,397,767
Other Health and Safety	1,464,209
Other Public Works	1,033,179
Other Social Services	192,292
Total Special Revenue Funds	69,591,935
Debt Service Fund	
Debt Service	3,510,293
Capital Projects Funds	
Capital Projects	292,211
Road Capital Projects	7,504,323
Total Capital Projects Funds	7,796,534
Total Governmental Activities	$94,910,345
Enterprise Fund	
Cuyahoga County Information Systems	$22,120
Internal Service Funds	
Central Custodial Services	$3,108,860
Data Processing	54,999
Total Internal Service Funds	$3,163,859

Receivables and payables are recorded to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability.

Using this criteria, the County has elected not to record child support arrearages within the special revenue and agency fund types. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

Note 11 - Permissive Sales and Use Tax

In 1969, the County Commissioners by resolution imposed a one-half percent tax on all retail sales made in the County and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax for a continuing period of time. In 1987, the County Commissioners by resolution imposed an additional one-half percent tax for a continuing period of time. In 2007, the County Commissioners by resolution imposed an additional one-quarter percent tax for twenty years.

Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The State Tax Commissioner's certification must be made within forty-five days after the end of the month. The Office of Budget and Management then has five days in which to draw a warrant payable to the County.

Proceeds of the tax are credited to the general fund. A receivable is recognized at year-end for amounts that will be received from sales which occurred during the prior year. On a full accrual basis, the full amount of the receivable is recognized as revenue. On a modified accrual basis, the amount of the receivable that will be received outside of the available period is unavailable revenue.

Note 12 - Contingent Liabilities

Grants

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the County Council believe such disallowances, if any, will be immaterial.

Litigation

The County is party to various legal proceedings seeking damages or injunctive or other relief and generally incidental to its operations. These proceedings are unrelated to any outstanding County debt or the security for any outstanding County debt. The ultimate disposition of these proceedings is not now determinable, but will not, in the opinion of the County Prosecuting Attorney, have a material adverse effect on any outstanding County debt or the security for any outstanding County debt or the operating revenues of the County.

Since 2008, seventeen former County officials and employees have been charged in United States District Court with violations of federal law, including bribery. The charges have stemmed from an FBI investigation into public corruption within the County. Of those charged, twelve, including the former County Auditor, have pleaded guilty. In addition, five (Greco, Dimora, Gabor, Judge Terry, Judge McCafferty) former government officials, including a former County Commissioner and one former employee have been convicted of public corruption charges after trials. Finally, two former County employees have been charged and have pleaded guilty in the State criminal justice system. One former County employee has pleaded not guilty and is awaiting trial.

In connection with the foregoing charges, the County received a total of $3.8 million in restitution payments made directly to the County by individuals convicted in such cases.

In 2009, the County engaged independent counsel to investigate the effect of the investigation and the criminal charges on the County’s financial position. That independent counsel issued an initial report in 2009 and an updated report in 2011. Based on the findings of independent counsel set forth in those reports and a review by representatives of the County Prosecutors office, as of the date of this report, the County does not believe that the investigation, or any criminal charges or convictions resulting from the investigation, will have a material effect on the future financial position of the County

Note 13 - Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 12/31/11	Additions	Reductions	Balance 12/31/12
Government Activities:				
Nondepreciable Capital Assets				
Land	$93,222,259	$24,100	$0	$93,246,359
Construction in Progress	387,906,386	229,423,163	(2,954,302)	614,375,247
Total Nondepreciable Capital Assets	481,128,645	229,447,263	(2,954,302)	707,621,606
Depreciable Capital Assets				
Land Improvements	11,751,000	0	0	11,751,000
Buildings, Structures and Improvements	623,671,478	142,920	(418,815)	623,395,583
Furniture, Fixtures and Equipment	58,391,501	1,096,873	(2,071,375)	57,416,999
Vehicles	13,831,794	874,889	(366,207)	14,340,476
Right to Use Community Center	0	1,975,312	0	1,975,312
Infrastructure	178,357,160	2,954,302	0	181,311,462
Total Depreciable Capital Assets	886,002,933	7,044,296	(2,856,397)	890,190,832
Less Accumulated Depreciation and Amortization				
Land Improvements	(4,786,323)	(551,974)	0	(5,338,297)
Buildings, Structures and Improvements	(359,301,370)	(18,008,759)	239,911	(377,070,218)
Furniture, Fixtures and Equipment	(41,856,143)	(3,934,675)	1,417,538	(44,373,280)
Vehicles	(10,672,701)	(1,264,492)	118,539	(11,818,654)
Right to Use Community Center	0	(12,582)	0	(12,582)
Infrastructure	(87,685,953)	(5,695,700)	0	(93,381,653)
Total Accumulated Depreciation and Amortization	(504,302,490)	(29,468,182)	1,775,988	(531,994,684)
Total Depreciable Capital Assets, Net	381,700,443	(22,423,886)	(1,080,409)	358,196,148
Governmental Activities Capital Assets, Net	$862,829,088	$207,023,377	($4,034,711)	$1,065,817,754

Depreciation and amortization expense was charged to governmental activities as follows:

General Government:	
Legislative and Executive	$4,594,107
Judicial	7,327,679
Public Works	6,882,748
Health and Safety	4,617,557
Social Services	6,044,819
Community Development	1,272
Total	$29,468,182

$3,625,996 of in-kind contribution was donated to the County by the developers of the Global Center for Health Innovation. The County has recorded this amount as a capital contribution.

During 2012, the County issued general obligation bonds in order to provide Highland Hills Village the proceeds to refinance outstanding Village debt. The Village in turn agreed to pay the County the principal and interest on the County's bonds and provide the use of the Village's Community Center for County uses. The value of the intangible asset is be the amount that was provided to the Village to be placed in escrow.

The amortization schedule is as follows:

	Governmental Activities
2013	$150,979
2014	150,979
2015	150,979
2016	150,979
2017	150,979
2018-2022	754,895
2023-2025	452,940
	$1,962,730

For additional information see Note 25.

	Balance 12/31/11	Additions	Reductions	Balance 12/31/12
Business Type Activities:				
Nondepreciable Capital Assets				
Land	$12,265,954	$0	$0	$12,265,954
Construction in Progress	119,878	0	(119,878)	0
Total Nondepreciable Capital Assets	12,385,832	0	(119,878)	12,265,954
Depreciable Capital Assets				
Land Improvements	11,630,067	0	0	11,630,067
Utility Plant	64,988,592	119,878	0	65,108,470
Buildings, Structures and Improvements	22,539,856	0	0	22,539,856
Furniture, Fixtures and Equipment	1,739,888	121,583	0	1,861,471
Vehicles	7,477,434	324,823	0	7,802,257
Total Depreciable Capital Assets	108,375,837	566,284	0	108,942,121
Less Accumulated Depreciation				
Land Improvements	(10,006,957)	(200,408)	0	(10,207,365)
Utility Plant	(33,977,377)	(1,154,842)	0	(35,132,219)
Buildings, Structures and Improvements	(13,267,960)	(875,278)	0	(14,143,238)
Furniture, Fixtures and Equipment	(1,326,162)	(75,541)	0	(1,401,703)
Vehicles	(5,920,508)	(590,206)	0	(6,510,714)
Total Accumulated Depreciation	(64,498,964)	(2,896,275)	0	(67,395,239)
Total Depreciable Capital Assets, Net	43,876,873	(2,329,991)	0	41,546,882
Business Type Activities Capital Assets, Net	$56,262,705	($2,329,991)	($119,878)	$53,812,836

Depreciation expense was charged to business-type activities as follows:

Sanitary Engineer	$2,025,968
County Airport	260,239
County Parking Garage	606,989
Cuyahoga County Information Systems	3,079
Total	$2,896,275

Note 14 - Interfund Transfers and Balances

Interfund Transfers

Interfund transfers for the year ended December 31, 2012, consisted of the following:

	Transfers From			
Transfers To	General	Human Services	Health and Human Services Levy	Global Center for Health Innovation
Human Services	$0	$0	$0	$0
Health and Human Services Levy	0	0	0	0
Alcohol, Drug and Mental Health Board	0	37,500	0	0
Global Center for Health Innovation	46,669,673	0	0	0
Other Governmental Funds	11,526,822	0	1,730,109	30,600,884
Other Enterprise Funds	869,053	0	0	0
Internal Service Funds	373,912	0	0	0
Total Transfers	$59,439,460	$37,500	$1,730,109	$30,600,884

	Transfers From		
Transfers To	Other Governmental Funds	Other Enterprise Funds	Totals
Human Services	$175,000	$0	$175,000
Health and Human Services Levy	98	0	98
Alcohol, Drug and Mental Health Board	0	0	37,500
Global Center for Health Innovation	0	0	46,669,673
Other Governmental Funds	4,405,973	187,130	48,450,918
Other Enterprise Funds	90,000	0	1,332,965
Internal Service Funds	736,067	0	736,067
Total Transfers	$5,407,138	$187,130	$97,402,221

The general fund transfer to the Global Center for Health Innovation was made to account for the County's portion of construction costs. The remaining transfers were made 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 balances to finance various programs accounted for in other funds in accordance with budgetary authorizations; to provide additional resources for current operations or debt service; 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.

Interfund Balances

Interfund balances at December 31, 2012, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting records, and (3) payments between funds are made. All are expected to be paid within one year.

	Interfund Receivable			
Interfund Payable	General	Other Enterprise Funds	Internal Service Funds	Totals
General	$0	$41,032	$1,787,063	$1,828,095
Human Services	0	0	834,953	834,953
Health and Human Services Levy	0	0	67,256	67,256
County Board of Developmental	0			
Disabilities	0	0	407,494	407,494
Alcohol, Drug and Mental Health Board	0	0	63,385	63,385
Other Governmental Funds	15,591,635	21,243	423,727	16,036,605
Sanitary Engineer	0	0	149,857	149,857
Other Enterprise Funds	0	78	18,611	18,689
Internal Service Funds	230,210	29,117	413,003	672,330
Total	$15,821,845	$91,470	$4,165,349	$20,078,664

Note 15 - Employee Retirement Systems

Ohio Public Employees Retirement System (OPERS)

Plan Description – The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2012, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.5 percent and 12.1 percent, respectively. Effective January 1, 2013, the member contribution rates for public safety and law enforcement increased to 12 percent and 12.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2012, member and employer contribution rates were consistent across all three plans.

The County's 2012 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.00 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Employer contribution rates are actuarially determined.

The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011 and 2010 were $35,615,072, $38,497,041 and $52,257,193, respectively. For 2012, 97.23 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. Contributions to the Member-Directed Plan for 2012 were $881,611 made by the County and $629,724 made by plan members.

State Teachers Retirement System (STRS)

Plan Description – The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013 until it reaches 14 percent on July 1, 2016. For the year ended December 31, 2012, plan members were required to contribute 10 percent of their annual covered salary. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The County's required contributions to STRS Ohio for the years ended December 31, 2012, 2011 and 2010 were $1,227,072, $1,332,865 and $1,425,180, respectively. The full amount has been contributed for 2012, 2011 and 2010. Contributions made to STRS Ohio for the DC and the defined contribution portion of the combined Plans for 2012 were $76,350 made by the County and $54,536 made by the plan members.

Note 16 - Postemployment Benefits

Ohio Public Employees Retirement System (OPERS)

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting https://www.opers.org/investments/cafr.shtml,writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011 and 2010 were $14,079,756, $15,234,982 and $18,892,874, respectively. For 2012, 97.23 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

State Teachers Retirement System (STRS)

Plan Description – The County participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The County's contributions for health care for the years ended December 31, 2012, 2011 and 2010 were $94,390, $102,528 and $101,799, respectively. The full amount has been contributed for 2012, 2011 and 2010.

Note 17 - Other Employee Benefits

Compensated Absences

County employees become eligible to receive one-fourth of their accumulated unpaid sick leave up to a maximum of thirty days upon retirement with a minimum of ten years of service. Certain agencies may have policies that vary with regard to payment of accrued sick leave upon retirement.

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.

Compensatory time (Comp time) and exchange time are accrued for actual time worked. Comp time is granted to non-exempt employees and exchange time is granted to exempt employees. Comp time is earned at 1.5 hours for every hour worked. Exchange time is earned on an hour-for-hour basis. Comp time must be used within 180 days or it will be paid out. Exchange time must be used within six months or it expires. Exchange time is not paid out.

All sick, vacation, compensatory and overtime payments are made at the employee's current wage rate. Balances for compensated absences are kept at various department levels, therefore, the data is only combined annually for reporting purposes.

Retirement Incentive

In May 2008, the Board of County Commissioners authorized the purchase of additional service credit equal to 20 percent of accumulated service time up to a maximum of 3 years under Ohio Public Employee Retirement System for certain employees close to retirement as an incentive to retire early. The Early Retirement Incentive Program was approved for participating departments and agencies of the County by agreement with the previous County Commissioners for a period of 1 year commencing January 15, 2009. As of December 31, 2012, there were 918 employees participating at a cost of $55.3 million paid over a 3 year period at a rate of 8 percent.

Health Care Benefits

Some County departments provide life and accidental death insurance to their employees through various life insurance companies. During 2012, the County contracted with several insurance companies for employee medical, prescription dental and vision benefits as follows:

Company	Benefit Provided
Kaiser Permanente	Medical and Prescription Drugs
United Healthcare	Medical
Medical Mutual of Ohio	Medical
MetroHealth	Medical and Prescription Drugs
CVS Caremark	Prescription Drugs
Guardian Life Insurance Company	Dental
Union Eye Care	Vision
Northwest Group Services	Flexible Spending Accounts
Mangrove Employer Services	COBRA Services

Note 18 - 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 insurance.

As of December 31, 2012, the aggregate principal amounts outstanding for Industrial Development, Hospital Revenue, and Mortgage Revenue Bonds were approximately $523 million, $2 billion, and $209 million respectively.

Note 19 - Long-Term Debt

The original issue date, interest rate and original issuance amount for each of the County's bonds are as follows:

Debt Issue	Original Issue Date	Interest Rate	Original Issue	Year of Maturity
Governmental Activities				
General Obligation Bonds - Voted:				
1993 Jail Facilities and Various Purpose Refunding Bonds	1993	2.20 - 5.25 %	$48,960,000	2013
General Obligation Bonds - Unvoted:				
1993B Various Purpose Refunding Bonds	1993	2.20 - 5.25	75,395,000	2012
1993 Rock and Roll Hall of Fame Bonds	1993	2.75 - 5.65	12,000,000	2018
2004 Capital Improvement Bonds	2004	2.50 - 5.25	84,490,000	2024
2005 General Obligation Refunding Bonds	2005	3.00 - 5.00	73,970,000	2020
2009 Capital Improvements Bonds	2009	1.62 - 6.03	163,825,000	2034
2012 Various Purpose Bonds	2012	1.50 - 5.00	65,728,000	2037
2012 Various Purpose Refunding Bonds	2012	1.50 - 5.00	45,577,000	2024
Revenue Bonds				
1992 Gateway Economic Development	1992	8.63	35,000,000	2022
2004 Brownfield Redevelopment Refunding Bonds	2004	1.50 - 5.10	12,880,000	2018
2010 Brownfield Redevelopment Bonds	2010	1.04 - 5.93	17,160,000	2030
2010 Commercial Redevelopment Bonds	2010	1.04 - 5.93	11,105,000	2030
2010 Gateway Arena Refunding Bonds	2010	1.04 - 5.03	42,070,000	2030
2010 Shaker Square Refunding Bonds	2010	1.00 - 4.12	2,800,000	2030
2010 Economic Development - GCHI	2010	1.55 - 6.20	343,350,000	2027
Loans Payable				
1997 Ohio Department of Development - Gateway	1997	0.00	10,000,000	2016
2006 Ohio Public Works Commission - Schaaf Bridge	2006	0.00	1,251,250	2027
2009 Ohio Department of Transportation - Crocker	2009	3.00	5,257,016	2019
Bond Anticipation Notes				
2011 Rock and Roll	2011	1.94	10,320,000	2015
Business-Type Activities				
Self-Supporting Bonds Payable				
2000 Sewer Improvement	2000	4.55 - 5.55	1,040,000	2020
2003 Sewer Improvement	2003	2.00 - 3.55	1,500,000	2012
2005 Sewer Improvement	2005	2.00 - 3.55	4,445,000	2025
OWDA Loans				
Cuyahoga County Lab	2002	4.18	1,487,338	2016
Interceptor Sewer Construction	2002	4.18	270,471	2016
Trunk Sewer Construction	1999	4.04	1,935,141	2019
Scottish Highlands Sewer	1998	4.04	1,225,007	2018

Debt Issue	Original Issue Date	Interest Rate	Original Issue	Year of Maturity
Business-Type Activities (continued)				
OWDA Loans (continued)				
CSO Improvements	2006	3.35 %	$333,668	2025
Suffolk Estates Pump Station	2007	3.25	231,368	2026
Woods Pump Station	2008	3.25	612,192	2027
CSO Improvements/East 38th 40th Street	2008	3.25	807,805	2027
Fitch Road Sanitary Sewer	2008	3.25	1,558,386	2027
Echo Hills Wastewater Treatment Plant Elimination	2009	3.36	1,937,877	2028
Stearns and Cook Roads Sanitary Sewer	2010	3.53	513,754	2030
Cook Mackenzie Sanitary Sewer	2010	3.52	683,099	2029
Thornapple Pump Station	2010	3.70	956,072	2029
Sewer Repairs	2011	3.25	2,144,266	2032
Fernhill Sewer Replacement	2011	2.66	1,562,868	2032
North Granger Sewer Replacement	2011	2.62	486,347	2031
Dewey Road Pump Station	2011	3.28	2,642,665	2032
OPWC Loans				
Sanitary Sewer Improvement	1992	0.00	1,023,209	2012
Sanitary Sewerage Facilities Rehabilitation	1995	0.00	746,824	2015
North County Trunk Sewer Improvement	1999	0.00	453,919	2019
MetroHealth Sanitary Sewer	1997	0.00	130,654	2018
Sanitary Sewer System Improvement	2010	0.00	236,210	2031

Changes in the County's long-term obligations during the year ended December 31, 2012, consist of the following:

	Outstanding 12/31/11	Additions	Reductions	Outstanding 12/31/12	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds - Voted:					
1993 Jail Facilities and Various Purpose Refunding					
Term Bonds	$2,265,000	$0	$1,105,000	$1,160,000	$1,160,000
Capital Appreciation Bonds	583,843	0	313,197	270,646	270,646
Accretion on Capital Appreciation Bonds	8,634,161	1,245,953	5,201,803	4,678,311	4,678,311
Total General Obligation Bonds - Voted	$11,483,004	$1,245,953	$6,620,000	$6,108,957	$6,108,957

	Outstanding 12/31/11	Additions	Reductions	Outstanding 12/31/12	Amounts Due in One Year
Governmental Activities (continued)					
General Obligation Bonds - Unvoted:					
1993B Various Purpose Refunding Term Bonds	$705,000	$0	$705,000	$0	$0
1993 Rock and Roll Hall of Fame Serial Bonds	5,050,000	0	610,000	4,440,000	645,000
2004 Capital Improvement Serial Bonds	59,340,000	0	51,915,000	7,425,000	3,620,000
Unamortized Premium	4,370,754	0	4,370,754	0	0
2005 General Obligation Refunding Bonds	61,155,000	0	6,760,000	54,395,000	7,070,000
Unamortized Premium	5,002,630	0	552,985	4,449,645	0
2009 Capital Improvement Bonds					
Serial Bonds	33,180,000	0	4,305,000	28,875,000	4,390,000
Term Bonds	35,740,000	0	0	35,740,000	0
Building America Bonds - Serial	8,180,000	0	50,000	8,130,000	50,000
Building America Bonds - Term	35,740,000	0	0	35,740,000	0
Recovery Zone Economic Development Bonds - Serial	7,935,000	0	50,000	7,885,000	50,000
Recovery Zone Economic Development Bonds - Term	34,740,000	0	0	34,740,000	0
Unamortized Premium	6,118,168	0	173,299	5,944,869	0
2012A Various Purpose Bonds					
Serial Bonds	0	48,263,000	0	48,263,000	1,892,000
Term Bonds	0	17,465,000	0	17,465,000	0
Unamortized Premium	0	8,197,892	0	8,197,892	0
2012B Various Purpose Refunding Bonds					
Serial Bonds	0	45,577,000	0	45,577,000	228,000
Unamortized Premium	0	6,945,422	0	6,945,422	0
Total General Obligation Bonds - Unvoted	297,256,552	126,448,314	69,492,038	354,212,828	17,945,000
Revenue Bonds					
1992 Gateway Economic Development	35,000,000	0	0	35,000,000	3,500,000
2004 Brownfield Redevelopment Refunding Bonds	7,370,000	0	910,000	6,460,000	950,000
2010 Brownfield Redevelopment Bonds					
Serial Bonds	10,565,000	0	600,000	9,965,000	610,000
Term Bonds	6,000,000	0	0	6,000,000	0
2010 Commercial Redevelopment Bonds					
Serial Bonds	6,865,000	0	390,000	6,475,000	400,000
Term Bonds	3,855,000	0	0	3,855,000	0
2010 Gateway Arena Refunding Bonds	39,025,000	0	4,475,000	34,550,000	1,745,000
2010 Shaker Square Refunding Bonds					
Serial Bonds	865,000	0	65,000	800,000	65,000
Term Bonds	1,810,000	0	0	1,810,000	0
Unamortized Premium	120,142	0	2,919	117,223	0
2010 Economic Development - GCHI					
Taxable GCHI Revenue Bonds					
Serial Bonds	86,745,000	0	15,620,000	71,125,000	15,915,000
Term Bonds	31,845,000	0	0	31,845,000	0
Tax Exempt GCHI Revenue Bonds					
Recovery Zone Economic Development Bonds - Serial	20,000,000	0	0	20,000,000	0
Recovery Zone Facility Bonds - Serial	174,235,000	0	0	174,235,000	0
Recovery Zone Facility Bonds - Term	26,000,000	0	0	26,000,000	0
Unamortized Premium	13,966,212	0	643,849	13,322,363	0
Total Revenue Bonds	$464,266,354	$0	$22,706,768	$441,559,586	$23,185,000

	Outstanding 12/31/11	Additions	Reductions	Outstanding 12/31/12	Amounts Due in One Year
Governmental Activities (continued)					
Loans Payable					
Ohio Department of Development - Gateway	$2,500,000	$0	$500,000	$2,000,000	$500,000
Ohio Public Works Commission - Schaaf Bridge	938,438	0	31,281	907,157	62,562
Ohio Department of Transportation - Crocker	4,962,108	0	599,363	4,362,745	617,478
Total Loans Payable	8,400,546	0	1,130,644	7,269,902	1,180,040
Other Long-Term Obligations:					
Bond Anticipation Notes - 2011 Rock and Roll	9,300,000	0	2,100,000	7,200,000	2,100,000
Compensated Absences	26,829,681	3,505,421	2,136,860	28,198,242	967,743
Capital Lease	120,082,346	220,031,600	21,748,668	318,365,278	22,450,479
Special Termination Benefits	9,603,629	0	9,476,014	127,615	127,615
Total Other Long-Term Obligations	165,815,656	223,537,021	35,461,542	353,891,135	25,645,837
Total Governmental Activities	$947,222,112	$351,231,288	$135,410,992	$1,163,042,408	$74,064,834

	Outstanding 12/31/11	Additions	Reductions	Outstanding 12/31/12	Amounts Due in One Year
Business Type Activities					
Self-Supported Bonds Payable					
2000 Sewer Improvement - Spec. Assessments	$595,000	$0	$55,000	$540,000	$55,000
2003 Sewer Improvement Refunding - Serial	185,000	0	185,000	0	0
2005 Sewer Improvement	3,415,000	0	190,000	3,225,000	195,000
Total Self-Supported Bonds Payable	4,195,000	0	430,000	3,765,000	250,000
OWDA Loans					
Cuyahoga County Lab	403,040	0	46,809	356,231	96,573
Interceptor Sewer Construction	81,528	0	8,331	73,197	17,185
Trunk Sewer Construction	858,200	0	53,653	804,547	110,580
Scottish Highlands Sewer	474,656	0	35,350	439,306	72,857
CSO Improvements	220,629	0	7,352	213,277	0
Suffolk Estates Pump Station	149,612	0	4,957	144,655	0
Woods Pump Station	469,353	0	12,701	456,652	0
CSO Improvements/East 38th 40th Street	625,716	0	16,759	608,957	0
Fitch Road Sanitary Sewer	1,262,976	0	32,331	1,230,645	0
Echo Hills Wastewater Treatment Plant Elimination	1,421,063	0	38,621	1,382,442	0
Stearns and Cook Roads Sanitary Sewer	463,112	0	9,430	453,682	0
Cook Mackenzie Sanitary Sewer	548,711	0	12,995	535,716	0
Thornapple Pump Station	767,097	0	17,919	749,178	0
Sewer Repairs	1,837,550	171,673	0	2,009,223	0
Fernhill Sewer Replacement	1,266,869	51,286	0	1,318,155	0
North Granger Sewer Replacement	337,610	0	9,450	328,160	0
Dewey Road Pump Station	1,279,694	756,614	0	2,036,308	0
Total OWDA Loans	$12,467,416	$979,573	$306,658	$13,140,331	$297,195

	Outstanding 12/31/11	Additions	Reductions	Outstanding 12/31/12	Amounts Due in One Year
Business Type Activities (continued)					
OPWC Loans					
Sanitary Sewer Improvement	$25,546	$0	$25,546	$0	$0
Sanitary Sewerage Facilities Rehabilitation	112,024	0	37,342	74,682	37,342
North County Trunk Sewer Improvement	170,219	0	22,696	147,523	22,696
MetroHealth Sanitary Sewer	42,463	0	6,532	35,931	6,532
Sanitary Sewer System Improvement	230,305	0	11,810	218,495	11,810
Total OPWC Loans	580,557	0	103,926	476,631	78,380
Other Long-Term Obligations					
Special Termination Benefits	55,882	0	55,882	0	0
Compensated Absences	650,704	22,418	171,239	501,883	17,225
Total Other Long-Term Obligations	706,586	22,418	227,121	501,883	17,225
Total Business-Type Activities	$17,949,559	$1,001,991	$1,067,705	$17,883,845	$642,800

The self-supported bonds payable will be paid from charges for services revenue in the enterprise funds. The business-type activities' OWDA and OPWC loans will be paid from charges for services revenue in the enterprise funds. During 2012, the County elected to pay the principal due January 2013 in 2013, thereby, only making the July 2012 principal payment as of December 31, 2012. Self-supporting 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 general obligation and revenue bonds will be paid with property taxes in the debt service fund. The Gateway Ohio Department of Development loan will be paid with non-tax revenue in the general fund. The OPWC loan for Schaaf Bridge will be paid with property taxes in the debt service fund. The Ohio Department of Transportation loans will be paid with motor vehicle license tax in the debt service fund. The Rock and Roll bond anticipation notes will be paid with 1.50 percent lodging tax in the debt service fund.

Compensated absences and special termination benefits will be paid from the fund from which the employee is paid. These funds include the general, alcohol, drug and mental health, community development, County board of developmental disabilities, court, human services, motor vehicle and gas tax, real estate assessment, delinquent real estate assessment, Cuyahoga County support enforcement, victim assistance, other health and safety, other legislative and executive, other judicial, County airport, Cuyahoga County information systems, sanitary engineer, County parking garage, maintenance garage, printing, reproduction and supplies, central custodial services, data processing, workers' compensation and health insurance funds. The County will make the final payment on the special termination benefit in 2013. Capital Leases will be paid from the human services, GCHI and postage funds.

In May 2003, the County Commissioners authorized by resolution a loan in the amount of $10 million from the Ohio Department of Transportation (ODOT) of which a total of $3.7 million was borrowed for Crocker Road. In March 2006, the County Commissioners authorized by resolution a second loan in the amount of $8.25 million from ODOT of which $3.6 million was borrowed in 2009, and another $1.6 million was borrowed in 2010. The loans are provided through the State Infrastructure Bank fund, which are federal funds, to be used for road and bridge improvements. Both loans carry a 0 percent interest rate for the first 12 months and a 3 percent rate thereafter, for 10 years. In August 2005, the County Commissioners by resolution accepted a grant/loan from the Ohio Public Works Commission (Issue I) in the amount of $2.5 million split evenly between a grant and a loan. This loan carries a 0 percent interest rate for 20 years. The

County pledged its motor vehicle license tax as the source of repayment for all loans. In the event that the motor vehicle license tax would fail to pay the loans, payment would be made by any general tax revenues collected in the general fund.

During 2009, the County issued $163,825,000 in Capital Improvement Bonds. The issue consisted of tax exempt serial bonds, Build America Bonds (BABs) and Recovery Zone Economic Development Bonds (RZEDBs). As part of the American Recovery and Reinvestment Act of 2009, Congress added Sections 54AA and 6431 to the Code, which permit state or local governments to obtain certain tax advantages when they issue BABs and RZEDBs. Under Section 6431 of the Code, the County may elect to receive payments directly from the Secretary of the United States Treasury equal to 35 percent of the corresponding interest payable on this issue.

The term bonds maturing on December 1, 2034 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption as follows:

	2009 Capital Improvement Bonds	
Year	$35,740,000	$34,740,000
2027	$3,930,000	$3,825,000
2028	4,075,000	3,960,000
2029	4,220,000	4,105,000
2030	4,380,000	4,250,000
2031	4,535,000	4,405,000
2032	4,695,000	4,565,000
2033	4,865,000	4,730,000
2034	5,040,000	4,900,000
Total	$35,740,000	$34,740,000
Stated Maturity	*12/1/2034*	*12/1/2034*

In May 2010, the County issued $10,150,000 in one year limited tax general obligation bond anticipation notes with an interest rate of 1.5 percent due May 2011. The notes were issued for use by the Rock and Roll Hall of Fame for its Library and Archives project. The notes were to be repaid from the existing 1.5 percent bed tax once the 1993 County Rock and Roll Hall of Fame bonds had been reimbursed from the same tax. In May 2011, the net proceeds from the Rock and Roll Hall of Fame and Museum Project notes, Series 2011 were used to redeem the Series 2010 notes. The new notes were issued amounting to $10,320,000 at an interest rate of 1.94 percent with maturity on December 1, 2015. The notes will be repaid from the debt service fund.

In September 2010, the County issued $73,135,000 in revenue bonds. This bond issuance is comprised of Brownfield and Commercial Redevelopment loan funds amounting to $17,160,000 and $11,105,000, respectively, both taxable at the true interest cost of 5.2 percent. The second issuance was to refund outstanding debt for the Gateway Arena and Shaker Square projects at $42,070,000 taxable and $2,800,000 tax-exempt, at a true interest cost of 4.4 percent and 3.9 percent, respectively. The bonds are being repaid in the community development special revenue and debt service funds.

The term bonds maturing on June 1, 2025 and 2030 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on June 1 in the years and in the respective principal amounts as follows:

	Brownfield Redevelopment Bonds	Commercial Redevelopment Bonds	Shaker Square Refunding Bonds	
Year	$6,000,000	$3,855,000	$1,310,000	$500,000
2021	$0	$0	$240,000	$0
2022	0	0	245,000	0
2023	0	0	260,000	0
2024	0	0	275,000	0
2026	1,070,000	680,000	0	90,000
2027	1,130,000	725,000	0	100,000
2028	1,195,000	770,000	0	95,000
2029	1,265,000	815,000	0	110,000
Total	$4,660,000	$2,990,000	$1,020,000	$395,000
Stated Maturity	*6/1/2030*	*6/1/2030*	*6/1/2025*	*6/1/2030*

The remaining principal amount of the term bonds ($1,340,000, $865,000, $290,000, and $105,000) will mature at the stated maturity.

In December 2010, the County issued Series 2010 (Global Center for Health Innovation/Convention Center Project) Bonds in three series as follows: $20,000,000 Recovery Zone Economic Development Revenue Bond Series 2010E, $200,235,000 Tax-Exempt Recovery Zone Facility Economic Development Revenue Bonds, Series 2010F and $123,115,000 Taxable Economic Development Revenue Bonds, Series 2010G. The bonds are being repaid in the GCHI capital projects fund.

The 2010 Economic Development – GCHI Taxable Revenue term bonds maturing on December 1, 2019 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	$31,845,000
2017	$15,145,000
2018	15,905,000
Total	$31,050,000
Stated Maturity	*12/1/2019*

The remaining principal amount of the term bonds ($795,000) will mature at the stated maturity. The 2010 Economic Development – GCHI bonds are not subject to optional redemption prior to maturity.

Optional Redemption The $20,000,000 2010 Economic Development – GCHI Revenue Bonds Recovery Zone Economic Development Bonds are subject to redemption, by and at the option of the County, either in whole or in part on any date, on and after December 1, 2020, in the amount of $5,000 or any integral multiple thereof at par, plus interest accrued to the redemption date.

Extraordinary Optional Redemption The 2010 Economic Development – GCHI Revenue Bonds Recovery Zone Economic Development Bonds are subject extraordinary optional redemption prior to maturity, by and at the sole option of the County, in whole or in part on any date, in the amount of $5,000 or any integral multiple thereof, at par (plus accrued interest to the redemption date) in the event that the government of the

United States of America evidences in the sole judgment of the County Administrator by action or failure to act that it will not provide for Direct Payments to be made to the County in an amount greater than or equal to 45 percent of the interest payable on those Bonds on any interest payment date.

The 2010 Economic Development – GCHI Recovery Zone Facility term bonds maturing on December 1, 2027 shall be subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date on December l, 2026 in the amount of $15,900,000. The remaining $10,100,000 principal amount of Series 2010F Bonds maturing on December 1, 2027 will be retired at their maturity (if not previously purchased for cancellation or otherwise redeemed).

Optional Redemption The 2010 Economic Development – GCHI Recovery Zone Facility bonds maturing on and after December 1, 2021 are subject to redemption by and at the option of the County, either in whole or in part on any date, on and after December 1, 2020, in the amount of $5,000 or any integral multiple thereof at par, plus interest accrued to the redemption date

In November 2012, the County issued general obligation bonds, in the amount of $65,728,000 for constructing County buildings, equipment purchases, updating the County Airport's runway and for the right to use the Village of Highland Hills Community Center. The bonds were issued with interest rates varying from 1.5 to 5 percent. The bonds were issued for a twenty five year period with final maturity during 2037. The bonds will be retired through the general obligation bond retirement fund.

In November 2012, the County issued general obligation bonds, in the amount of $45,577,000, to refund bonds previously issued in fiscal year 2004 for various purposes. The bonds were issued with interest rates varying from 1.5 to 5 percent. The bonds were issued for a twenty five year period with final maturity during 2037. The bonds will be retired through the general obligation bond retirement fund.

2004 Capital Improvement Bonds	
Outstanding at December 31, 2011	$59,340,000
Amount Refunded	(47,605,000)
Principal Payment on Non-Refunded Portion	(4,310,000)
Outstanding at December 31, 2012	$7,425,000

Net proceeds of $52,178,789 (including a $6,945,422 premium and after payment of $343,633 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2004 various purpose bonds. As a result, $47,605,000 of these bonds was considered defeased and the liability for the refunded bonds has been removed from the County's financial statements. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements.

2004 Capital Improvement Bonds:	
Serial Bonds	$55,030,000
Premium on Bonds	4,053,296
Total 2004 Capital Improvement Bonds	59,083,296
Non-refunded Portion of Bonds	(7,425,000)
Payment to Refunded Bond Escrow Agent - Other Financing Use	(52,178,789)
2012 Capital Improvement Refunding Accounting Loss	($520,493)

Although the refunding will result in the recognition of an accounting loss of $520,493, the County in effect decreased its aggregated debt service payments by $6,705,750 over the next ten years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $6,001,881.

The County has entered into a contractual agreement for construction loans from the Ohio Water Development Authority (OWDA). Under the terms of this agreement, OWDA will reimburse, advance or directly pay the construction costs of the approved projects. OWDA will capitalize administrative costs and construction interest and then add them to the total amounts of the final loans. These loans will not have an accurate repayment schedule until the loans are finalized and, therefore, are not included in the schedule of future annual debt service requirements. The County is currently making payments based upon estimates. The balances of the loans are as follows:

	Outstanding 12/31/12
CSO Improvements	$213,277
Suffolk Estates Pump Station	144,655
Woods Pump Station	456,652
CSO Improvements/East 38th 40th Street	608,957
Fitch Road Sanitary Sewer	1,230,645
Echo Hills Wastewater Treatment Plant Elimination	1,382,442
Stearns and Cook Roads Sanitary Sewer	453,682
Cook Mackenzie Sanitary Sewer	535,716
Thornapple Pump Station	749,178
Sewer Repairs	2,009,223
Fernhill Sewer Replacement	1,318,155
North Granger Sewer Replacement	328,160
Dewey Road Pump Station	2,036,308
Totals	$11,467,050

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt shall never exceed a sum equal to 3 percent of the first $100,000,000 of the assessed valuation, plus 1 1/2 percent of such valuation in excess of $100,000,000 and not in excess of $300,000,000, plus 2 1/2 percent of such valuation in excess of $300,000,000.

The effects of the debt limitations described above at December 31, 2012, are an overall debt margin of $524,699,531; and an unvoted debt margin of $79,249,552.

Principal and interest requirements to retire the County's long-term obligations outstanding at December 31, 2012 are as follows:

Governmental Activities

	General Obligation Bonds Serial and Term		Capital Appreciation Bonds		Revenue Bonds Serial and Term	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	$19,005,000	$10,429,666	$270,646	$5,249,354	$23,185,000	$9,952,963
2014	17,570,000	9,798,875	0	0	25,150,000	9,156,924
2015	18,065,000	9,073,542	0	0	25,860,000	8,156,261
2016	17,710,000	8,375,294	0	0	26,910,000	7,033,409
2017	18,505,000	7,584,384	0	0	23,445,000	5,771,756
2018 - 2022	86,600,000	24,977,865	0	0	61,080,000	13,972,685
2023 - 2027	33,930,000	9,277,416	0	0	15,695,000	3,419,053
2028 - 2032	14,490,000	5,120,700	0	0	6,560,000	592,953
2032 - 2037	17,465,000	2,151,400	0	0	0	0
Total	$243,340,000	$86,789,142	$270,646	$5,249,354	$207,885,000	$58,056,004

	Recovery Zone Facility Bonds Serial and Term		Loans		Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	$0	9,999,156	$1,180,040	$126,286	$2,100,000	$139,680
2014	0	9,999,156	1,198,706	107,622	3,100,000	98,940
2015	0	9,999,156	1,217,931	88,395	2,000,000	38,800
2016	0	9,999,156	1,237,741	68,586	0	0
2017	0	9,999,156	758,147	48,180	0	0
2018 - 2022	83,325,000	44,348,280	1,395,805	32,651	0	0
2023 - 2027	116,910,000	16,087,124	281,532	0	0	0
Total	$200,235,000	$110,431,184	$7,269,902	$471,720	$7,200,000	$277,420

	Recovery Zone Economic Development Bonds (RZEDBs) Serial and Term		Build America Bonds (BABs) Serial and Term			
	Principal	Interest	Principal	Interest	Subsidy	Total
2013	$50,000	3,795,172	$50,000	$2,555,172	($2,598,460)	$3,851,884
2014	50,000	3,793,982	50,000	2,553,982	(2,597,507)	3,850,457
2015	50,000	3,792,415	50,000	2,552,415	(2,596,254)	3,848,576
2016	50,000	3,790,774	50,000	2,550,774	(2,594,940)	3,846,608
2017	50,000	3,788,863	50,000	2,548,863	(6,205,104)	232,622
2018 - 2022	250,000	18,909,284	265,000	12,709,284	(12,939,096)	19,194,472
2023 - 2027	31,210,000	18,253,807	11,545,000	12,053,807	(12,415,797)	60,646,817
2028 - 2032	21,285,000	6,948,452	21,905,000	6,948,452	(5,548,865)	51,538,039
2033 - 2034	9,630,000	889,261	9,905,000	889,261	(710,157)	20,603,365
Total	$62,625,000	$63,962,010	$43,870,000	$45,362,010	($48,206,180)	$167,612,840

Business-Type Activities

	General Obligation Bonds		OWDA Loans		OPWC
	Principal	Interest	Principal	Interest	Loan
2013	$250,000	$157,820	$297,195	$65,177	$78,380
2014	265,000	147,998	309,482	52,890	78,380
2015	270,000	136,528	322,278	40,095	41,040
2016	285,000	124,858	280,369	26,771	41,039
2017	295,000	112,450	215,263	16,591	41,040
2018 - 2022	1,505,000	361,808	179,111	7,806	96,361
2023 - 2027	895,000	72,600	69,583	1,406	59,053
2028 - 2031	0	0	0	0	41,338
Total	$3,765,000	$1,114,062	$1,673,281	$210,736	$476,631

Note 20 - Leases

Operating Leases

The County is the lessee in 52 operating lease agreements for various purposes. The aggregate annual rental payments under those agreements for 2012 totaled $5,909,625. The terms of all of these agreements are for ten years or less.

The following is a schedule by years of minimum future rentals on the operating leases as of December 31, 2012:

Year Ending December 31,	Governmental Funds	Internal Service Funds
2013	$4,730,520	$54,288
2014	3,871,257	49,764
2015	1,888,815	0
2016	1,220,195	0
2017	1,017,180	0
2018 - 2020	2,333,204	0
Total minimum lease payments	$15,061,171	$104,052

Capital Leases

The County has entered into several lease agreements for various purposes. These lease obligations meet the criteria of a capital lease and have been recorded on the government-wide statements. The leases have been capitalized in the amount of $54,435,053, the present value of the minimum lease payments at the inception of the lease in governmental activities.

The assets acquired through capital leases are as follows:

	Governmental Funds
Land	$6,990,338
Building	47,444,715
Total Original Cost	54,435,053
Less: Accumulated Depreciation	(16,717,144)
Total Book Value as of December 31, 2012	$37,717,909

The following is a schedule of the future long-term minimum lease payments required under the capital lease and present value of the minimum lease payments is as follows:

Year Ending December 31,	Governmental Funds
2013	$4,583,521
2014	4,319,813
2015	4,142,711
2016	4,160,266
2017	3,966,684
2018 - 2022	993,819
2023 - 2027	64,625
2028 - 2030	34,000
Total	22,265,439
Less: Amount Representing Interest	(6,154,851)
Present Value of Net Minimum Lease Payments	$16,110,588

The County has entered into a contractual agreement for the construction of the Global Center for Health Innovation facility with MMPI Cleveland Development LLC (Developer). As this asset is still under construction, it is not included in the assets acquired through capital leases. Construction in progress for this building was $359,814,512 at December 31, 2012. This lease will not have an accurate repayment schedule until the lease is finalized and, therefore, is not included in the schedule of future annual debt service requirements. The County paid $19,010,763 on the lease during 2012 leaving a remaining balance of $302,254,690 as December 31, 2012. See Note 5 for additional information on the Global Center for Health Innovation.

Capital lease payments have been reclassified and are reflected as debt service in the fund financial statements for the human services special revenue fund and the GCHI capital projects fund. These expenditures are reflected as program expenditures on a budgetary basis.

Note 21 - Risk Management

Health Insurance

The County has elected to provide medical benefits (with respect to three of its medical plans) and its prescription drug plan through a self insured program. The maintenance of these benefits is accounted for in the self-funded hospitalization internal service fund. The County purchased excess coverage insurance (stop loss) policy with Sun Life Assurance Company of Canada. Incurred but not reported claims of $4,820,283 have been accrued as a liability based on a review of January 2013 billings provided by the County Fiscal Officer's Office. The claims liability is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Management's expectation is the claims liability will be paid within one year. Changes in the fund's claims liability amounts for 2011 and 2012 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2011	$6,019,908	$66,350,750	$61,411,697	$10,958,961
2012	10,958,961	23,023,130	29,161,808	4,820,283

Property and Liability

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2012, the County contracted with several insurance companies for insurance coverage as follows:

Company/Type of Insurance	Coverage
FMGlobal/Factory Mutual Insurance Company	
Property Insurance	$500,000,000
Travelers Casualty & Surety Company of America	
Crime and Dishonesty	1,000,000
Travelers Indemnity Insurance Company	
Excess Property Insurance	250,000
US Liberty Insurance Company	
Workforce Investment Board	
Directors and Officer	1,000,000
Lloyd's London	
Force-Placed Builder's Risk	
Liability	1,000,000
Property	100,000
Darwin Select Insurance Company	
Community Based Correctional Facility Governing Board	
E&O/EPL Professional Liability	1,000,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

Workers' Compensation

The County participates in the State Workers' Compensation retrospective rating and payment system. Once the County receives notice of the 2012 claims paid by the Bureau of Workers' Compensation, the County will reimburse the State for claims paid on the County's behalf. The payable is reclassified from claims payable to intergovernmental payable. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage in addition to the actual claim costs for employees injured in 2012. The maintenance of these benefits is accounted for in the Workers' Compensation internal service fund.

Incurred but not reported claims and premium of $9,663,761 have been accrued as a liability at December 31, 2012, based on an estimate by the County Fiscal Officer's Office and the Bureau of Workers' Compensation. The claims liability reported in the workers' compensation internal service fund at December 31, 2012, is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Management's expectation is the claims liability will be paid within one year. Changes in the fund's intergovernmental and claims liability amounts for 2011 and 2012 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2011	$9,788,937	$1,609,523	$2,724,333	$8,674,127
2012	8,674,127	5,093,881	4,104,247	9,663,761

Note 22 – Significant Commitments

Contractual Commitments

At December 31, 2012, the County's significant contractual commitments consisted of the following:

Project	Contract Amount	Amount Paid	Remaining on Contract
Road and Bridge Projects			
Columbus Lift Bridge	$30,323,619	$4,141,887	$26,181,732
East 105th and MLK Boulevard	6,957,015	167,731	6,789,284
Barrett Road	2,321,157	658,231	1,662,926
Snow and Rockside Road	3,212,023	2,086,292	1,125,731
Stumph Road	6,696,971	5,840,813	856,158
Fitch Road	4,954,904	4,402,922	551,982
Noble Road	1,314,468	949,693	364,775
Prospect Culvert	806,848	483,434	323,414
Eastland Road	18,000,000	17,906,142	93,858
Total Road and Bridge Projects	74,587,005	36,637,145	37,949,860
Sanitary Sewer Projects			
Sewer and Lateral Repairs	4,519,439	3,028,237	1,491,202
Dewey Road Pump Station	2,308,050	2,103,909	204,141
Jefferson Lining	360,460	237,735	122,725
Grannis Thraves	378,993	340,428	38,565
Sewer Lining and Rehabilitation	2,342,158	2,325,865	16,293
Pump Station Rehabilitation	462,440	415,463	46,977
Total Sanitary Sewer Projects	10,371,540	8,451,637	1,919,903
Total Contractual Commitments	$84,958,545	$45,088,782	$39,869,763

Remaining commitment amounts were encumbered at year end.

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Funds	
General	$11,457,616
Human Services	34,943,754
Health and Human Services Levy	6,976,776
County Board of Developmental Disabilities	7,283,809
Other Governmental Funds	156,441,579
Total Governmental Funds	217,103,534
Proprietary Funds	
Sanitary Sewer	7,354,300
Other Enterprise Funds	830,256
Internal Service Funds	23,150,819
Total Proprietary Funds	31,335,375
Total	$248,438,909

Note 23 - Related Organizations

Cuyahoga County Public Library (the Library)

The Cuyahoga County Executive and the Common Pleas Judges appoints the seven member Board of Trustees for the Library. Appointments are for seven year terms and members serve without compensation. The Library determines and operates its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code. The Library provides no financial benefit to or burden on the County.

Cleveland Metropolitan Park District (the District)

The County Probate Court appoints the three member Board of Park Commissioners for the District. Appointments are for three year terms. The District is dedicated to the conservation of natural resources and wildlife, while providing various recreational facilities and services. These activities are directly controlled by the Board of Park Commissioners through the budgetary process. The District provides no financial benefit to or burden on the County.

Cuyahoga County Arts and Culture District (the District)

The District receives its funding from a voted thirty-cent tax upon a pack of cigarettes. The tax was approved in November 2006 and was effective February 2007 for period of ten years. The District is responsible for granting the tax proceeds to support the operating or capital expenses of arts or cultural organizations. The District is a legally separate organization that began operating in 2007. The County does appoint the voting majority of the Board of the District but is not able to impose its will. The District provides no financial benefit to or burden on the County.

Cuyahoga County Land Bank (the Land Bank)

The Land Bank receives its funding from interest and penalty on current delinquent property taxes which is used for its operations and to pay for principal and interest on debt issued by the Land Bank. The Land Bank also receives grant monies to operate. The Land Bank was created to demolish condemned structures and maintain the property on abandoned parcels. The land is held until it can be used for productive purposes. The Land Bank is a legally separate nonprofit corporation that began operating in 2009. While the County can appoint a voting majority of the Board, certain members are subject to approval of the majority of the chief executive officers of all municipal corporations. The County is therefore not able to impose its will, and the Land Bank provides no financial benefit to or burden on the County.

Cuyahoga Community College (the College)

The Cuyahoga County Executive appoints the majority of the nine member Board (six Trustees with the remaining three being appointed by the Governor). The College is an institution of higher education and is legally separate and fiscally independent of other State and local governments. The College has no financial benefit/burden relationship with the County.

Note 24 - Jointly Governed Organizations

Northeast Ohio Areawide Coordinating Agency

Northeast Ohio Areawide Coordinating Agency (NOACA) was created by the County Commissioners of Cuyahoga, Lake, Lorain and Medina Counties and is responsible for transportation and environmental planning in the five county region. NOACA is controlled by 44 members including the following four members from Cuyahoga County - the County Executive, the Director of Public Works, a County Executive Appointee, and a County Council Member. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the board. In 2012, the County contributed $174,259, which represents 25 percent of total contributions.

North East Ohio Network (N.E.O.N.)

N.E.O.N. is a council of governments formed to provide a regional effort in administering, managing and operating programs for certain individuals with developmental disabilities. Participating counties include Cuyahoga, Ashland, Columbiana, Geauga, Lorain, Lake, Mahoning, Medina, Portage, Richland, Stark, Summit, Trumbull and Wayne Counties. N.E.O.N.’s operation is controlled by their board, which is comprised of the superintendents of the Board of Developmental Disabilities of each participating county. Each participant’s degree of control is limited to its representation on the Board. N.E.O.N. adopts its own budget, authorized expenditures and hires and fires its own staff. During 2012, N.E.O.N. received funds from various sources and generates additional revenue from providing services such as MUI investigative services, monitoring consumer's personal funds, provider compliance reviews, independent provider training, satisfaction survey mailings, and family support program administration. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the board. In 2012, the County did not make a contribution.

Gateway Economic Development Corporation of Greater Cleveland (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 five-member board consists of two members appointed by the City, two members appointed by the County Executive and one by the President of the County Council with concurrence of the Mayor of the City of Cleveland. Each participant's degree of control is limited to its representation on the Board. Gateway adopts its own budget, authorized expenditures and hires and fires its own staff.

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. In February 2004, the County refinanced the 1992 variable rate Gateway Economic Development Bonds. In 2010, the County refinanced the 1994 Gateway Economic Development Bonds and the variable rate 2004B Gateway Arena Project Series Refunding Bonds.

The County, Gateway and Positively Cleveland (formerly the Convention and Visitors Bureau of Greater Cleveland) 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 Positively Cleveland 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 Positively Cleveland for the years 1994 through 1998. The County received $1 million from this agreement during the year ended December 31, 1999. The County received $.2 million during each subsequent year, until 2008 when it increased to $1.4 million, subject to certain adjustments.

The County currently guarantees the repayment of $12.2 million of bonded debt of Gateway. This amount represents the outstanding par amount of Stadium Revenue Bonds, the original outstanding amount of which was $31 million. As of December 31, 2012, the outstanding balance on this Gateway bond guarantee, including future interest payments, was $10 million (payable through September 15, 2014). The County has not been required to make any payments on behalf of the Gateway bonds. In September 2004, Gateway refinanced the Stadium Revenue Bonds.

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 operational cash needs and the extent (if any) of the County's funding of such needs.

Western Reserve Area Agency on Aging (Area Agency)

Area Agency is responsible for planning, coordinating and administering state and federal funded programs and services for older adults. It is one of twelve regional area agencies on aging designated by the Ohio Department of Aging as authorized by the federal Older Americans Act. The eighteen-member board consists of four members appointed by Cuyahoga County, one member apiece appointed by the Counties of Geauga, Medina, Lake and Lorain and ten at large appointees. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the board.

Cleveland-Cuyahoga County Port Authority (Port Authority)

The Port Authority was created under the Ohio Revised Code. The Port Authority conducts port operations and economic development activities. The nine-member Board of Directors consists of three appointed by the Cuyahoga County Executive and six appointed by the City of Cleveland. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the board.

Greater Cleveland Regional Transit Authority (Authority)

The Authority is an independent, special purpose political subdivision of the State of Ohio with powers derived from Sections 306.30 through 306.71 of the Ohio Revised Code. The Authority has territorial boundaries and jurisdiction coextensive with the territorial boundaries of Cuyahoga County. The Authority was created on December 30, 1974, by ordinance of the Council of the City of Cleveland and by resolution of the Board of County Commissioners of Cuyahoga County, and became operational on September 5, 1975. Under Ohio law, the Authority is authorized to levy a sales and use tax for transit purposes, including both capital improvement and operating expenses upon approval by a majority of the electorate residing within the territorial boundaries of the Authority. On July 22, 1975, the voters of the County approved a 1 percent sales and use tax with no limit on its duration. The Authority is managed by a ten-member Board of Trustees and provides directly, or under contract, virtually all mass transportation within the County. Of its ten member board, four of the members are appointed by the Mayor of the City of Cleveland with the consent of City Council; three members, one of whom must reside in the City of Cleveland, are appointed by the County Executive; the remaining three members are elected by an association of suburban mayors, city managers, and township trustees. None of the participating governments appoints a majority of the Authority's board and none has an ongoing financial interest or responsibility. None of the participating governments provided any significant financial transactions with the Authority during 2012. Each participant's degree of control is limited to its representation on the board. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designating management.

Northeast Ohio Regional Sewer District (District)

The District, a political subdivision of the State of Ohio, was created by Order of the Cuyahoga County Court of Common Pleas and commenced operations on July 18, 1972, under statutory provisions of the Ohio Revised Code. The District provides wastewater treatment and interceptor sewer facilities for the region comprised of the City of Cleveland and 61 suburban communities. The District is governed by its Board of Trustees. The Board consists of seven members - each of whom serves a five-year term - who are appointed as follows: (i) two by the Mayor of the City of Cleveland; (ii) two by council of governments (the "Suburban Council") comprised of representatives of all the suburban communities served by the system; (iii) one by the Cuyahoga County Executive; (iv) one by the appointing authority of the sub-district with the greatest sewage flow (currently the Mayor of the City of Cleveland); (v) and one by the appointing authority of the sub-district with the greatest population (currently the Suburban Council). Accordingly, the Mayor of the City of Cleveland and Suburban Council each currently appoint three members of the Board. The annual budget is submitted to Cuyahoga County for informational purposes only and does not require its approval. Each participant's degree of control is limited to its representation on the board. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designating management.

Note 25 – Community Learning Center

On December 1, 2012, the County entered into a cooperative agreement for the use of the Community Learning Center (the Center) with the Village of Highland Hills (the Village). The initial term of this agreement commenced on the date of the agreement and terminates on December 31, 2025. The Village will have priority use of the Center. The County will have use of the Center at such times to meet the governmental and civic needs of the County. In each calendar year during the term of this Agreement, the County shall have the right of use of the Community Center as follows: (i) County Council Meeting (as the site of one regular or special meeting of the County Council), (ii) County Council District 9 Meetings (as the site of not more than four public meeting of County Council District 9), (iii) Local Permit and License Sales (for the purpose of the local sale of County permits and licenses, on not more than two calendar days), and (iv) County Community Events

The Village is and shall remain the record owner of the Center. The County will report its right to use the Center as an intangible asset.

On December 1, 2012, the County issued $1,725,000 in general obligations bonds as part of 2012A Various Purpose Bonds (County Bonds) to provide for the defeasance of the Village Bonds and, as its contribution to the cooperative venture between the County and the Village with respect to the Community Center. The Village covenants to contribute and transfer to the County in each year from 2013 through 2025 or until the County Bonds (or any bonds issued by the County to refund the County Bonds) are fully paid, whichever shall come first, an amount equal to debt charges due on the County Bonds in that calendar year.

Note 26 - Related Party Transactions

During 2012, Cuyahoga County provided $36,080,000 for the general operations of The MetroHealth System, a discretely presented component unit of Cuyahoga County.

Note 27 – Subsequent Events

Property Tax Levy

On November 5, 2013, the County passed a 3.9 mill operating levy, designated for health and human services. The levy is for five years.

Bond Rating

In October 2013, Standard & Poor’s completed a review of the County’s bond rating utilizing Standard & Poor’s new rating process. The County’s rating for its general obligation debt was downgraded from “AA+” to “AA and the rating on its revenue bonds was also downgraded from “AA” to “AA-.”

Loan Issuances

On July 9, 2013, Resolution #2013-0090, a resolution authorizing a loan in the amount not to exceed $1,500,000.00 to 1717 East 9th LLC for acquisition, renovation, construction and conversion of the East Ohio Gas Building and parking garage to a mixed-use residential complex; authorizing the Deputy Chief of Staff of Development or Director of Development to execute all documents consistent with said loan and this Resolution; and declaring the necessity that this Resolution become immediately effective.

On July 9, 2013, Resolution #2013-0091, a Resolution authorizing a loan in the amount not to exceed $1,500,000.00 to Flats East Development, LLC for construction of residential and retail components of the Flats East Bank Neighborhood Project – Phase II; authorizing the Deputy Chief of Staff of Development or Director of Development to execute all documents consistent with said loan and this Resolution; and declaring the necessity that this Resolution become immediately effective

County Debt Issuances

On July 9, 2013, Resolution #2013-0093, a resolution authorizing the issuance and sale of County of Cuyahoga, Ohio Taxable Economic Development Revenue Bonds, Series 2013 (Flats East Development, LLC Project) in a principal amount not to exceed $17,000,000 for the purpose of assisting in financing the costs of a "Project" within the meaning of Chapter 165, Ohio Revised Code, paying capitalized interest, funding a debt service reserve fund and paying costs of issuance; providing for a guaranty for the payment of such bonds; authorizing the execution of various documents required in connection with said bond issuance and authorizing and approving related matters; and declaring that this Resolution become immediately effective.

Note 28 - The MetroHealth System (Dollars in Thousands)

The component unit financial data report in the financial statements includes MetroHealth System and all of its component units. Certain of the following MetroHealth System note disclosures do not include the MetroHealth System's component unit information.

Significant Accounting Policies

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

The Old Brooklyn Nursing Facility (144 beds) was closed effective December 14, 2011. In 2012, the System sold 91 bed licenses for $1,247 and the remaining 53 licenses were sold in early 2013 for $668. The building has been converted for use as a rehabilitation facility.

The System is organized and operated by its board of county hospital trustees (the Board) pursuant to Chapter 339 of the Ohio Revised Code. Until 2010, members of the Board were jointly appointed by the Board of County Commissioners of the County, and the senior judges of the probate and Common Pleas Courts of the County. Effective January 2011, the County voters have established a new form of government by charter (the Charter). Under the Charter, future members of the Board are appointed by the County Executive together with the senior judges of the Probate and Common Pleas Courts of the County, subject to confirmation by the County Council.

Discretely Presented Component Unit The component unit column in the entity-wide financial statements identifies the financial data of the System's component unit, the Metrohealth Foundation, Inc. (Foundation).

> *Metrohealth Foundation, Inc.* The Metrohealth Foundation, Inc. (the "Foundation") is a legally separate entity. The Foundation is a not-for-profit organization supporting the System. The Foundation acts primarily as a fundraising organization to supplement the resources that are

available to the System in support of its programs. Although the System does not control the timing or the amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to support the System. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the System, it is considered a component unit of the System. Complete financial statements of the Foundation can be obtained by writing to the MetroHealth Foundation, 2500 MetroHealth Drive, Cleveland, Ohio 44109.

In addition, MHS Holdings LLC and MHS Purchasing LLC are presented as a blended entity component unit whose financial activity is included with the activities of the System.

Basis of Accounting The System is accounted for as a proprietary fund (enterprise fund) using the flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of the System are included on the statement of net position. Revenue is recognized in the period in which it is earned and expenses are recognized in the period in which incurred.

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

Net Patient Service Revenue Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors, estimated allowances for uncollectible accounts and uncompensated care allowances. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Net patient service revenue is reported net of contractual and retroactive adjustments of $1,099,993 and provisions for uncollectible accounts of $89,965 in 2012.

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

Medicare and Medicaid Inpatient acute care services rendered to Medicare and Medicaid program beneficiaries and Medicare capital costs are paid at prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. As an academic medical center, medical education payments in addition to disproportionate share entitlements are received from Medicare and Medicaid. Medicare utilizes a prospective payment system for inpatient rehabilitation services and psychiatric services. Effective October 1, 2010, the System no longer participates in the Medicare Periodic Interim Payment (PIP) system.

Medicare outpatient claims are reimbursed under the Ambulatory Payment Classification based prospective payment system. The payments are based on patient assessment date classifying patients into one of the Medicare Ambulatory Payment Classifications. Inpatient rehabilitation and psychiatric and services are reimbursed at a prospectively determined per diem rate. Certain outpatient services related to Medicare beneficiaries and capital costs for Medicaid beneficiaries are reimbursed based on a cost-based methodology subject to certain limitations. The System is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare and Medicaid fiscal intermediaries. The System's classification of patients under the Medicare and Medicaid programs and the appropriateness of their admission are subject to an independent review.

Differences between the estimated amounts accrued at interim and final settlements are reported in the statement of activities in the year of settlement. The System recorded a favorable adjustment of $9,975 in 2012 due to prior year retroactive adjustments to amounts previously estimated and changes in estimates. The 2012 amount recorded for retroactive adjustments includes a change in estimate of $4,000 related to a nationwide settlement with the Centers for Medicare and Medicaid Services (CMS) resulting from an error in the Rural Budget Neutrality adjustment factor used in 1998.

Net revenue from the Medicare and Medicaid programs accounted for approximately 27 percent and 27 percent, respectively, of the System's net patient service revenue for the year ended December 31, 2012. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. Management believes that adequate provision has been made in the financial statements for any adjustments that may result from final settlements.

Centers for Medicare and Medicaid Services Recovery Audit Contractor Program Congress passed the Medicare Modernization Act in 2003, which among other things established a three-year demonstration of the Medicare Recovery Audit Contractor (RAC) program. The RAC's identified and corrected a significant amount of improper overpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states by 2010. The Centers for Medicare and Medicaid Services (CMS) is in the process of rolling out this program nationally.

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

Upper payment limit In September 2001, the State of Ohio Supplemental Upper Payment Limit program for Public Systems (UPL) was approved by the CMS. This program provides access to available federal funding up to 100 percent of the Medicare upper payment limits for inpatient hospital services rendered by Ohio Public Hospitals to Ohio Medicaid consumers. The State of Ohio fiscal year 2010/2011 budget also included an expansion of the UPL program to outpatient services for the first time. The System received $2,367 in outpatient UPL payments in 2012. At December 31, 2012, $8,351 was due to the System and recorded on the statement of net position in other receivables. The net amount recorded in net patient service revenue for UPL by the System was $31,334 in 2012. The State of Ohio discontinued the Program's required contributing match for participants as of June 30, 2009. Effective July 1, 2009, the State began assessing a franchise fee to hospitals to fund healthcare programs, including the UPL program. The System incurred a franchise fee expense of $10,161 in 2012 and recorded the amounts as operating expenses in the statement of activities. The System's franchise fee liability payable to the State of Ohio at December 31, 2012 was $5,403 and is recorded on the statement of net position in other liabilities.

Disproportionate share As a public health care provider, the System renders services to residents of the County and others regardless of ability to pay. The System is classified as a disproportionate share provider by the Medicare and Medicaid programs due to the volume of low-income patients it serves. Accordingly, the System receives additional payments from these programs as a result of this status totaling $45,656 in 2012 (including Hospital Care Assurance (HCAP) of $33,399) which are included in net patient service revenue. HCAP amounts are presented net of amounts received and assessments paid by the System. The System received $33,424 and paid $3,486 in 2012. The System also provides major trauma services to the region. The ability to continue these levels of service and programs is contingent upon the various continued funding sources.

Charity Care Throughout the admission, billing and collection processes, certain patients are identified by the System as qualifying for charity care. The System provides care to these patients without charge or at amounts less than its established rates. The charges foregone for charity care provided by the System, totaling $267,840, which represents 12.9 percent of gross charges in 2012, are not reported as revenue. The System accepts certain indigent Ohio residents and all residents from the County regardless of their ability to pay.

Medicare and Medicaid Electronic Health Records (EHR) Incentive Programs The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid Incentive Programs beginning in Federal fiscal year 2011 for eligible acute care hospitals that are meaningful users of certified EHR technology, as defined by the Federal Register. The System has implemented certified EHR technology that has enabled it to demonstrate its meaningful use and to qualify for the incentive programs. The initial incentive payments received for both the Medicare and Medicaid EHR incentive programs are estimates based upon data from prior year's cost reports. The final settlements will be determined after the submission of the current annual cost reports and subsequent audits by the fiscal intermediary. The EHR Incentive Programs are expected to continue through September 30, 2014, and the incentive payments will be calculated annually. After that date, hospitals that are not meaningful users or certified users of EHR technology will be subjected to a potential decrease in their Medicare and Medicaid payments. The System accounts for EHR Incentive funds using the grant accounting model. EHR Incentive funds are included in other revenue in the accompanying Statements of Revenues, Expenses and Changes in Net Position and related receivables are included in other receivables in the accompanying Statements of Net Position. The System successfully registered for the hospital Ohio Medicaid EHR Incentive Program and completed the attestation process in July, 2011. As of December 31, 2012, the System has recorded $2,622 for Medicaid EHR incentive. At December 31, 2012, the related receivables are $0.

The System successfully registered for the hospital Medicare EHR Incentive Program in July, 2011. The System completed the attestation process on September 6, 2012 after demonstrating the ninety days of continuous use as a meaningful user. During the year ended December 31, 2012, the System recorded Medicare EHR revenue of $2,170, and had a related receivable of $0.

The System successfully registered the hospital physicians, on an individual basis, for the Ohio Medicaid and Medicare EHR Incentive Program and completed the attestation process at various points during 2011 and 2012. As of December 31, 2012, the System has recorded $3,672 for Medicaid EHR incentive. During the year ended December 31, 2012, the System recorded Medicare EHR revenue and receivable of $518. At December 31, 2012, the related receivables for Medicaid EHR and Medicare EHR are $332 and $518, respectively.

Grants The System receives financial assistance from federal and state agencies in the United States in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Other such audits could be undertaken by federal and state granting agencies and result in the disallowance of claims and expenditures; however, in the opinion of management, any such disallowed claims or expenditures will not have a material effect on the overall financial position of the System.

Pooled Cash and Cash Equivalents The System only considers cash in its commercial checking accounts as "equity in pooled cash and cash equivalents." Funds in the System's savings/money market accounts are considered "investments." Cash and cash equivalents are stated at cost which is equivalent to fair value.

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

Investments Unrealized gains and losses on investments are included in net investment income in the statement of activities.

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

The net realized (loss) gain on investments of ($469) in 2012 is the difference between the proceeds received and the amortized cost of investments sold and is included in net investment income (loss) in the statement of activities.

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

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

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

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

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

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

Buildings	25 - 40 Years
Building Improvements	5 - 20 Years
Equipment	3 - 15 Years
Land Improvements	5 - 15 Years
Vehicles	4 Years

The asset and accumulated depreciation are removed from the related accounts when the asset is disposed. Any income or loss resulting from this disposal is recorded in the statement of activities.

Net Position The System classifies its net position into three categories as follows:

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

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

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

Bond Discounts and Bond Issuance Costs Deferred financing costs represent debt issuance expenditures on long-term debt obligations and are amortized over the period the bonds are outstanding on a straight-line basis. The amortization for deferred bond financing costs was $163 in 2012. Amortization expense related to bond discounts was $17 in 2012. These amounts are included in interest expense in the statement of activities. Accounting guidance requires amounts to be amortized utilizing the effective interest method. The difference between the two amortization methods is immaterial to the financial statements.

Cost of Borrowing Interest costs incurred on debt during the construction or acquisition of assets capitalized as a component of the cost of acquiring those assets. Capitalized interest of $170 was recorded in construction in progress as opposed to interest expense for 2012. Construction in progress is transferred to capital assets when assets are substantially completed and amortization of capitalized interest is accounted for in the same manner as other components of assets cost and included in depreciation expense.
The System has entered into various interest-rate swap agreements. The interest-rate swap agreements are carried at fair value in the balance sheets. These derivative instruments are not effective hedging instruments; therefore, gains and losses are recognized in the statement of activities during the period of change as adjustments to investment income on the related debt.

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

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

Concentration of credit risk relating to patient accounts receivable is limited to some extent by the diversity and number of the System's patients and payors. Patient accounts receivable consist of amounts due from government programs, commercial insurance companies, private pay patients and other group insurance programs. Excluding governmental programs, no payor source represents more than 10 percent of the System's patient accounts receivable. The System maintains an allowance for losses based on the expected collectability of patient accounts receivable.

Deposits and Investments

Deposits All monies deposited to the System's banks or trust companies designated by the Board of Trustees. Funds not needed for immediate expenditure may be deposited in interest bearing or non-interest bearing accounts.

Custodial Credit Risk Custodial credit risk is the risk that, in the event of bank failure, the System's deposits might not be recovered. The FDIC increased insurance through December 31, 2013 for funds held in interest bearing accounts from $100 to $250 per depositor per category of legal ownership. The System's investment policy does not address custodial credit risk.

The System's bank deposits at December 31, 2012 totaled $19,672 and were subject to the following categories of custodial credit risk:

Uncollateralized	$19,373
Collateralized with securities held by the pledging institution's trust department, but not in the System's name	49
Total amount subject to custodial risk	19,422
Amount insured	250
Total bank balances	$19,672

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

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

Derivative instruments In previous periods, the System entered into two separate and distinct interest rate swap agreements ("Swaps") with two counter-parties. The Swaps have notional amounts, maturity schedules and other features that match the System's two series of underlying variable rate demand bonds. The Swaps obligate the System to make fixed rate payments to the counter-parties and obligate the counter-parties to make variable-rate payments to the System. The Swaps are accounted for as "investments" on the System's financial statements pursuant to GASB 53. However, the Swaps were intended, and in fact function, as risk management instruments for current obligations of the System. Consequently, the System does not consider them to be subject to the requirements of the System's investment policy.

As of December 31, 2012, the fair values of the System's investments and their ratings by Standard & Poor's were as follows:

		Investment Maturities		
	2012	Less than 1 year	1 - 5 years	Rating
U. S. Government Agencies	$270,865	$50,722	$220,143	AAA
Federal National Mortgage Association and Federal Home Loan Mortgage Corporation (Federal Pools)	65	0	65	AAA
Commercial Papper	53,744	53,744	0	A1
Corporate Bonds	10,134	10,134	0	AAA
Totals	$334,808	$114,600	$220,208	

Deposits totaling $16,596 are included in investments on the statement of net position at December 31, 2012.

The System's carrying amounts of deposits and investments at December 31, 2012 were $19,746 and $334,808; respectively. The difference between the bank balances and financial statement carrying amounts represent outstanding checks payable and normal reconciling items.

Interest Rate Risk The System's investment policies limit investment portfolios to maturities of five years or less.

Credit Risk The collateralized mortgage obligations and federal mortgage pools are investments that were made according to policy at the time. In the wake of the financial crisis, the nature of these investments changed and no longer conforms to policy. However, these investments are currently illiquid and cannot be exited at this time.

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

Concentration of Credit Risk Concentration of credit risk is the risk of loss attributable to the magnitude of investments in any single issuer. The System holds 5.0 percent of its portfolio in Bank of Tokyo commercial paper.

The Foundation As of December 31, 2012, the fair values of the Foundation's investments were as follows:

Mutual Funds	$27,598
Common Stock	25
Limited Partnership Interest	2,563
Totals	$30,186

Capital Assets

	Balance 12/31/11	Additions	Reductions	Balance 12/31/12
Nondepreciable Capital Assets				
Land	$9,314	$0	$0	$9,314
Construction in Progress	7,087	33,027	(28,067)	12,047
Total Nondepreciable Capital Assets	16,401	33,027	(28,067)	21,361
Depreciable Capital Assets				
Land Improvements	11,619	30	0	11,649
Buildings and Fixed Equipment	536,007	9,286	(662)	544,631
Equipment	299,919	22,765	(5,147)	317,537
Total Depreciable Capital Assets	847,545	32,081	(5,809)	873,817
Less Accumulated Depreciation				
Land Improvements	(7,342)	(423)	0	(7,765)
Buildings and Fixed Equipment	(360,608)	(15,964)	239	(376,333)
Equipment	(234,334)	(15,015)	3,533	(245,816)
Total Accumulated Depreciation	(602,284)	(31,402)	3,772	(629,914)
Total Depreciable Capital Assets, Net	245,261	679	(2,037)	243,903
Capital Assets, Net	$261,662	$33,706	($30,104)	$265,264

Long-term Debt

Original issue amounts and interest rates of the County's debt issues were as follows:

Debt Issue	Original Issue	Interest Rate	Year of Maturity
1997 Hospital Improvement and Refunding Revenue Bonds	$70,000	4.6 - 5.6 %	2027
1997A Hospital Refunding Revenue Bonds	77,525	4.1 - 5.5	2019
2003 Hospital Improvement Revenue Bonds	30,545	Variable	2033
2005 Hospital Improvement and Revenue Bonds	74,535	Variable	2035
2009A Hospital Facilities Revenue Bonds	8,466	3.9	2014
2009B Hospital Facilities Revenue Bonds	75,000	8.2	2040
2011 Hospital Refunding Revenue Bonds	67,455	3.2	2019

Changes in the System's long-term obligations during the year ended December 31, 2012, consist of the following:

	Outstanding 12/31/11	Additions	Reductions	Outstanding 12/31/12	Amounts Due in One Year
Revenue Bonds					
1997 Hospital Improvement and Refunding	$17,600	$0	$0	$17,600	$0
1997A Hospital Refunding	5,730	0	5,730	0	0
2003 Hospital Improvement	25,460	0	25,460	0	0
2005 Hospital Improvement	72,505	0	390	72,115	410
2009B Hospital Facilities	75,000	0	0	75,000	0
2011 Hospital Refunding	67,455	0	8,635	58,820	7,630
2012 Hospital Refunding	0	24,710	0	24,710	785
Unamortized discount and loss on refunding	(9,139)	(256)	(960)	(8,435)	0
Total Revenue Bonds	254,611	24,454	39,255	239,810	8,825
Other Long-Term Obligations					
Loan Obligation - Cuyahoga County Sanitary Engineering	40	0	6	34	5
Capital Lease	629	4,178	510	4,297	845
Total Other Long-Term Obligations	669	4,178	516	4,331	850
Total	$255,280	$28,632	$39,771	$244,141	$9,675

Effective February 1, 1997, Cuyahoga County, acting by and through the Board of Trustees of The MetroHealth System, issued $70,000 of System Improvement and Refunding Revenue Bonds Series 1997 (The MetroHealth System Project) (Series 1997). The proceeds of the Series 1997 Bonds were used to refund $20,900 of Series 1989 Bonds; to finance the construction of various improvements and additions to The MetroHealth Medical Center; and to pay costs of issuance of the Series 1997 Bonds. On November 22, 2011, the entire principal amounts of the Series 1997 Bonds maturing in years 2012 through 2019 were refunded with proceeds from the County's Series 2011 Hospital Refunding Revenue Bonds. The refunding totaled $11,440.

Effective November 1, 1997, Cuyahoga County, acting by and through the Board of Trustees of The MetroHealth System, issued $77,525 of Hospital Refunding Revenue Bonds, Series 1997A (The MetroHealth System Project) (Series 1997A). On February 15, 1998, the proceeds of the Series 1997A Bonds were used to refund the entire $73,725 remaining outstanding balance of the Series 1989 Bonds. The 1997 refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $9,753. The difference was fully amortized as of December 31, 2012 and is included as additional interest expense through the year 2012. On November 22, 2011, all outstanding Series 1997A principal amounts maturing on and after February 15, 2012 were refunded or advance refunded using proceeds from the County's Series 2011 Hospital Refunding Revenue Bonds. The Bond refunding totaled $55,170 of which $49,440 was immediately refunded and $5,730 was advance refunded for February 2012.

Effective March 13, 2003, Cuyahoga County, acting by and through the Board of Trustees of The MetroHealth System, issued $30,545 of Hospital Improvement Variable Rate Demand Revenue Bonds, Series 2003 (The MetroHealth System Project) (Series 2003 Bonds). The proceeds of the Series 2003 Bonds were used to pay costs of constructing and equipping the Critical Care Pavilion and an administrative building. The bonds bear interest at a variable rate (not to exceed 10.0 percent) determined weekly as established by the Remarketing Agent based on current market values for similar bond offerings and are due at various dates until 2033. On December 20, 2012, all outstanding Series 2003 Bonds were refunded using proceeds from the County's Series 2012 Hospital Refunding Revenue Bonds issuance. The Bond refunding totaled $24,710.

In connection with the issuance of the Series 2003 Bonds, the System entered into a Reimbursement Agreement with a bank. Under the terms of the Reimbursement Agreement, the System entered into an Irrevocable Letter of Credit issued by a local bank that expired on March 22, 2010. Effective March 1, 2010, the System entered into a new letter of credit reimbursement agreement ("2003 Letter of Credit") that expires on March 16, 2013.

Commencing June 16, 2010, the System was required to pay the Bank a letter of credit fee payable in quarterly installments at variable rates ranging from 95 basis points to 175 basis points depending on the debt rating in effect as of the date the rating report is released. In addition, the System paid to the Bank a closing fee of 20 basis points and to the Remarketing Agent an advisory fee of 7.5 basis points. As of December 31, 2011 the letter of credit fee was 95 basis points. There were no amounts outstanding on the letters of credit as of December 31, 2011.

The 2003 Letter of Credit was extinguished in conjunction with the refunding of the Series 2003 Bonds and issue of the Series 2012 Bonds on December 20, 2012.

Effective July 1, 2005, Cuyahoga County, acting by and through the Board of Trustees of The MetroHealth System, issued $74,535 of Hospital Improvement and Refunding Variable Rate Demand Revenue Bonds, Series 2005 (The MetroHealth System Project) (Series 2005 Bonds). Proceeds from the 2005 Series Bonds were used to advance refund $56,995 of the outstanding Series 1999 Bonds to pay costs of constructing, renovating, furnishing, equipping, and improving the Old Brooklyn Campus long-term care and skilled nursing facility; and to pay certain costs of issuance of the Series 2005 Bonds. The bonds bear interest at a variable rate (not to exceed 10.0 percent) determined weekly as established by the Remarketing Agent based on current market values for similar bond offerings and are due at various dates until 2035. The interest rate at December 31, 2012 was 0.11 percent.

In connection with the issuance of the Series 2005 Bonds, the System entered into a Reimbursement Agreement with a bank. Under the terms of the Reimbursement Agreement, the System entered into an Irrevocable Letter of Credit issued by a local bank that expired on July 16, 2010. Effective June 1, 2010, the System entered into a new letter of credit reimbursement agreement ("2005 Letter of Credit") that was due to expire on July 16, 2013 with PNC bank (as Administrative Agent) and JPMorgan Chase Bank (collectively referred to as the "Banks"), and PNC Capital Markets as Lead Arranger and Book Runner. Effective December 20, 2012, this agreement was extended and JPMorgan Chase Bank was effectively replaced by Fifth Third Bank. This extension is scheduled to expire on December 16, 2015.

In the event there is a remarketing drawing on the letter of credit and the tendered bonds have not been remarketed by the 367th day from the Remarketing Drawing, the System has the option to convert the obligation to a term loan in the amount of the unpaid portion of the remarketing drawing. The term loan is payable in twelve equal quarterly installments accruing interest at the base rate plus 2 percent. The base rate is defined as the highest of the Prime Rate, the sum of the Federal Funds Open rate plus .50 percent, the sum of the daily Libor Rate plus 1 percent, or 5 percent per annum. In the event of default, the term loan will be due immediately upon demand by the Banks.

Commencing with the extension dated December 20, 2012, the System is required to pay the Banks a letter of credit fee payable in quarterly installments at variable rates ranging from 70 basis points to 140 basis points depending on the debt rating in effect as of the date the rating report is released. In addition, the System paid to the Lead Arranger an arrangement fee of 7.5 basis points (and an additional $10 administration fee to the Agent Bank). As of December 31, 2012, the letter of credit fee was 95 basis points. There were no amounts outstanding on the letters of credit as of December 31, 2012.

The 2005 Letter of Credit is subject to various financial covenants for debt service coverage, long-term debt to capitalization, cash to debt and short-term debt to earnings before interest, taxes, depreciation and amortization.

The July 28, 2005, bond refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $5,179. The unamortized difference ($3,544 at December 31, 2012), reported in the accompanying financial statements, as a reduction from long-term debt, is being amortized as an increase to interest expense through the year 2029.

Effective December 1, 2009, Cuyahoga County, acting by and through the Board of Trustees of The MetroHealth System, issued $8,466 of Hospital Facilities Revenue Bonds, Series 2009A. The proceeds of the Series 2009A Bonds were used to purchase the Valentine parking garage on the System's main campus. The Bonds carried an interest rate of 3.9 percent and were to mature through 2014. On November 22, 2011, all outstanding Series 2009A Bonds totaling $7,076 were refunded from proceeds of the County's Series 2011 Hospital Refunding Revenue Bonds.

Effective January 28, 2010, Cuyahoga County, acting by and through the Board of Trustees of The MetroHealth System, issued $75,000 of Hospital Revenue Bonds, Taxable Series 2009B, (The MetroHealth System), (Build America Bonds – Direct Payment). Proceeds from the Series 2009B will be used to pay for costs of hospital facilities, including three medical helicopters, the acquisition, construction and equipping of additional multi-specialty ambulatory centers in strategic locations, and additional scheduled equipment purchases and facilities renovations; funding the Bond Reserve Fund for the Series 2009B Bonds; and certain bond issuance costs. The Bonds bear interest at a fixed rate of 8.223 percent per annum and mature at various dates through 2040. As a qualified Build America Bond Issue, per terms of the federal government's American Recovery and Reinvestment Act of 2009, the System will apply to receive direct payments semiannually from the Secretary of the United States Treasury in the amount of 35 percent of the corresponding bond interest paid. Payments received from the Treasury are recorded in other non-operating revenue.

Effective November 8, 2011, Cuyahoga County, acting by and through the Board of Trustees of The MetroHealth System, issued $67,455 of Hospital Refunding Revenue Bonds, Series 2011, (The MetroHealth System), (Taxable Bonds). Proceeds from the Series 2011 Bonds were used to currently refund the entire principal amount of the Series 1997 Bonds maturing on February 15, 2012 through February 15, 2019; currently refund the outstanding principal amount of the Series 1997A Bonds maturing on and after February 15, 2013; advance refund the principal amount of the Series 1997A Bonds maturing February 15, 2012; currently refund all the outstanding Series 2009A Bonds; and pay certain costs of issuance of the Series 2011 Bonds. The Bonds bear interest at a fixed rate of 3.16 percent per annum and mature at various dates through 2019.

The November 8, 2011 bond refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $5,187. The unamortized difference ($4,382 at December 31, 2012) is reported in the accompanying financial statements as a reduction from long-term debt and is being amortized as an increase to interest expense through the year 2019.

Effective December 20, 2012, Cuyahoga County, acting by and through the Board of Trustees of The MetroHealth System, issued $24,710 of Hospital Refunding Revenue Bonds, Series 2012, (The MetroHealth System), (Series 2012 Bonds). Proceeds from the Series 2012 Bonds were used to refund the entire principal amount of the Series 2003 Bonds maturing on March 1, 2013 through March 1, 2033. The debt service payments required for the Series 2012 do not differ from the debt service payments that were required under the Series 2003 Bonds. The Bonds bear variable rate interest and mature at various dates through 2033. The interest rate at December 31, 2012 was 1.08 percent.

The December 20, 2012 bond refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $256. The unamortized difference ($255 at December 31, 2012) is reported in the accompanying financial statements as a reduction from long-term debt, and is being amortized as an increase to interest expense through the year 2033.

The Series 1997, 1997A, 1999, 2003, 2005, 2009A, 2009B and 2011 Bonds were issued pursuant to a master trust bond indenture agreement between the County, acting by and through the System's Board of Trustees, and the bond trustee. The Series 1997, 1997A, 1999, 2003, 2005, 2009B and 2011 Bonds are special obligations issued by the County payable solely from the revenue derived from the operation of the System and other monies available to the System's Board of Trustees. Accordingly, the bond proceeds and indebtedness have been recorded as assets and liabilities of the System.

The terms of the master trust bond indenture agreement provide for the establishment of a depreciation reserve fund and maintenance of certain special funds, which are maintained under the control of the bond trustee, and are used for payment of principal and interest on the bonds when due.

The revenue bonds and lease obligation payment requirements for fiscal years subsequent to December 31, 2012, are as follows:

	Capital Lease & Loan		Revenue Bonds	
	Principal	Interest	Principal	Interest
2013	$850	$118	$8,825	$11,852
2014	648	95	9,115	11,574
2015	592	77	9,415	11,276
2016	610	59	9,725	10,968
2017	628	41	10,055	10,649
2018-2022	1,003	25	43,945	48,399
2023-2027	0	0	45,280	40,647
2028-2032	0	0	38,190	32,257
2033-2037	0	0	42,495	21,113
2038-2041	0	0	31,200	3,939
Total	$4,331	$415	$248,245	$202,674

The cost value of Hospital Revenue Bonds was $247,992 at December 31, 2012.

There are no amounts remaining to be paid to bond holders related to defeased debt at December 31, 2012.

Other Long-Term Liabilities

Other long-term liabilities consist of the following at December 31, 2012:

	Balance at 12/31/11	Additions	Deletions	Balance at 12/31/12	Due within One Year
Amounts due to third-party payors	$8,868	$1,915	($2,480)	$8,303	$4,206
Accrued vacation and sick leave	40,438	45,078	(42,072)	43,444	7,229
Derivative instruments - rate swaps	15,353	0	(389)	14,964	0
Totals	$64,659	$46,993	($44,941)	$66,711	$11,435

Amounts Due to Third-Party Payors The System has agreements with third-party payors that provide for payment of amounts different from established rates. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and are adjusted in future periods, as final settlements are determined. See net patient service revenue for additional information.

Accrued Vacation and Sick Leave System employees earn vacation and sick leave at varying rates depending on job classification and years of service. Employees can accumulate up to three years of their earned vacation leave. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the System. There is no limit on the amount of sick time earned. Upon retirement, employees with a minimum of 10 years of service have sick leave balances paid out at 50 percent of eligible hours at their current rate of pay. The maximum payout is 800 hours.

Derivative Instruments The System's objectives of its derivative instruments include managing the risk of increased debt service resulting from rising market interest rates, the risk of decreased surplus returns resulting from falling interest rates, and the management of the risk of an increase in the fair value of outstanding fixed rate obligations resulting from declining market interest rates. Consistent with its interest rate risk management objectives, the System entered into various interest rate swap agreements with a total outstanding notional amount of $96,825 at December 31, 2012.

The System's swap agreements do not meet the criteria for hedging and are reported as investment derivative instruments. The fair value of the swap agreements based on current settlement prices at December 31, 2012 was ($14,964). The amounts due to the counterparties are included within long-term liabilities. The fair value increase of $389 in 2012 is included in net investment income (loss) in the statement of activities. As a result of the agreements, net settlements increased the System's interest expense by $2,606 in 2012.

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

	July 28, 2005 Swap Agreement	March 13, 2003 Swap Agreement
Notional Amount	$72,115	$24,710
Effective Date	July 28, 2005	March 13, 2003
Termination Date	February 1, 2035	March 1, 2033
Early Termination Option	the System	the System
The System Pays	Fixed 3.3%	Fixed 3.5%
Counterparty Pays*	64.2%	68.9%

* of ISDA 5 Year Swap Rate

On July 28, 2005, the System entered into a swap agreement (the Original Agreement) with an initial amortizing notional amount of $74,535. The notional amount is based on the Series 2005 Bond principal repayment schedule that ends in 2035. Per the terms of an amended agreement effective June 1, 2006, the System pays a fixed rate of 3.3 percent and the counterparty pays 64.2 percent of the International Swaps and Derivatives Association, Inc. (ISDA) USD five-year swap rate. The original agreement previously required the counterparty to pay 70 percent of the 3-month USD LIBOR. In 2012, ISDA five-year interest rates ranged between 0.7 percent and 1.4 percent. The net amount is exchanged monthly between the two parties. The System has an early termination option.

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

Interest Rate Risk The System is exposed to interest rate risk on its interest rate swaps. On the pay-fixed receive variable swaps, as the ISDA Swap index decreases, the System's net payment on the swaps increase.

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

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

The System is self-insured for employee health insurance, medical malpractice and workers' compensation claims. For the professional and patient care liability, professional actuarial insurance consultants have been retained to determine funding requirements. Amounts funded for professional and patient care have been placed in an irrevocable self-insurance trust account, which is being administered by a trustee. For the employee health insurance, a historical analysis has been performed of incurred but not reported claims to determine the liability at December 31, 2012.

Losses from asserted claims and from unasserted claims identified under the System's incident reporting systems are accrued based on estimates that incorporate the Systems' past experience as well as other considerations including the nature of each claim or incident and relevant trend factors. The liability for estimated self-insured claims includes estimates of the ultimate costs for both reported claims and claims incurred but not report for 2012 and 2011 as follows:

Workers' Compensation

	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance	Due Within One Year
2011	$8,724	$2,823	($2,671)	$8,876	$3,055
2012	8,876	2,719	(2,300)	9,295	2,874

Self-Insurance

	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance	Due Within One Year
2011	$28,596	$15,488	($5,705)	$38,379	$12,200
2012	38,379	16,377	(12,388)	42,368	10,746

Employee Health Insurance

	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance	Due Within One Year
2011	$1,517	$17,484	($17,465)	$1,536	$1,536
2012	1,536	17,959	(17,661)	1,834	1,834

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

The liabilities recorded for workers' compensation and self-insurance at December 31, 2012 are discounted liabilities. The discount rate used was 1.5 percent. The undiscounted liabilities are approximately $735 and $2,127 higher for workers' compensation and self-insurance, respectively.

Operating Leases

The System has entered into operating lease agreements for medical and office space which expires through 2020. Contract terms range between one and fifteen years and contain rent escalation clauses and renewal options for additional periods ranging from one to five years. Rent expense totaled $2,428 in 2012. Minimum rental commitments under operating leases extending beyond one year at December 31, 2012 are as follows:

2013	$2,180
2014	1,439
2015	1,125
2016	1,062
2017	740
2018 - 2020	1,250
Total	$7,796

Benefit Plans

Pension Like the primary government, the System participates in the Ohio Public Employees Retirement System (OPERS). See Note 14 for additional information on OPERS.

The System's required contributions to OPERS for the years ended December 31, 2012, 2011, and 2010 were $54,202, $52,482 and $49,988, respectively, equal to the required contributions for each year.

Postemployment Benefits The System's required contributions to OPERS for 2012, 2011 and 2010 used to fund postemployment healthcare benefits were $15,485, $14,994 and $18,149, respectively, which are included in the System's contractually required contribution of $54,202, $52,482 and $49,988 for the years ended December 31, 2012, 2011, and 2010. See Note 15 for additional information on OPERS postemployment benefits.

Restricted Net Position, Expendable and Nonexpendable

The System has expendable restricted net position which have been restricted by the master trust bond indenture and donors to a specific purpose. The Foundation has expendable restricted net position which have been restricted by the donors or grantors to a specific time or purpose. These net position are designated for the following purposes at December 31:

	System	Foundation	Total
Debt service payment and reserve funds	$20,150	$0	$20,150
Programmatic activities of The MetroHealth System	0	18,945	18,945
Time restrictions	5,556	321	5,877
Total	$25,706	$19,266	$44,972

The Foundation has restricted net position, nonexpendable, of $9,756 at December 31, 2012, that is restricted in perpetuity, the income from which is expendable to support the programmatic activities of The MetroHealth System.

Related Transactions

The System received support from the Foundation in the amount of $3,067 in 2012 which is recorded as grant revenue on the System's statement of activities. The outstanding receivable from the Foundation was $1,200. The System provided the Foundation in-kind support totaling $1,321. This support covered the direct expenses of the Development Department and indirect expenses for the use of space and support departments such as information services and environmental services.

The System has established restricted funds to differentiate resources, the use of which is restricted by donors or grantors, from resources of general funds on which donors place no restrictions or that arise as a result of the operations of the System. A review of these restricted funds is performed annually to determine that funds, related to completed clinical trials and certain donated money, should be transferred to the Foundation. There were no transfers in 2012.

Investment in Blended Component Unit

MHS Holdings LLC (LLC) was formed to acquire and own interests in certain health care businesses. The System is the 99 percent member of the LLC. During 2011, the System's 40 percent equity interest in CCF/MHS Renal Care Company, LTD., joint venture with The Cleveland Clinic Foundation, which provides renal care (dialysis), was transferred to the LLC. Because the LLC is considered to be a blended equity component unit of the System, its financial activity is reflected within the financial activity of the System on these financial statements. In 2012, the System has reflected $10,065 in other assets on the statement of net position and $3,432 in other income on statement of activities related to the activity of the LLC, which essentially represents the LLC's interest in CCF/MHS Renal Care Company, LTD.

MHS Purchasing LLC (MHS) was formed during 2012 to own an interest in Premier Purchasing Partners, L.P. (Premier). Premier is a group purchasing organization that provides the group greater bargaining power for cost of materials. Because MHS is considered to be a blended component unit of the System, its financial activity is reflected within the financial activity of the System on these financial statements. Prior to 2012, this ownership interest was held by the Foundation. At December 31, 2012, MHS had a balance of $643 that is included in other assets in the System's Statements of Net Position, which essentially represents MHS's interest in Premier. In 2012, MHS recorded other income of $643 that is included in the System's Statements of Revenue, Expenses and Changes in Net Position related to the activity of MHS and the transfer of the investment from the Foundation. MHS holds no other assets, liabilities, equity, revenue or expenses at December 31, 2012.

Conditional Promises to Give

The Foundation received a conditional pledge of $10,000 commencing in 2005 payable over the next ten years at $1,000 per year. The outstanding balance of $2,415 at December 31, 2012 is not included in these financial statements in accordance with the Accounting Standards Codifications (ASC) 958, "Not for Profit Entities" due to the fact that the conditions of the grant have not been met.

Commitments and Contingencies

As of December 31, 2012, the System had contractual commitments for the construction of various projects totaling approximately $33,762. Projects with large contractual commitments include $15,887 for the Middleburg Heights Family Health Center, $6,675 for hospital enterprise software licensing and implementation, $2,422 for the Imaging Center expansion, $760 for elevator modernization, and $522 for obstetric fetal monitor equipment. These projects are being funded with operating funds and bond project funds.

Regulatory environment including fraud and abuse matters The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursements for patient services and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the System is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquires have been made compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or asserted at this time.

Patient Protection and Affordable Care Reconciliation Act On March 23, 2010, the most sweeping health care legislation since the advent of Medicare was signed into law. The law promises to expand insurance coverage to an additional 32 million Americans, reduce the growth of Medicare expenditures, dramatically reform insurance markets, and continue the trend toward value-based payment. The Reconciliation Act amends various provisions of the Patient Protection and Affordable Care Reconciliation Act and adds some new provisions that were not included originally. Several legal challenges have been made against the legislation since it was enacted, and uncertainty exists as to the ultimate impact of the legislation on the health care delivery system. On June 28, 2012, The United States Supreme Court upheld the constitutionality of components of the Affordable Care Act, allowing the historic overhaul of the health care system to continue. Potential impacts of health care reform include uncertainty and volatility in Medicare and Medicaid reimbursement, fundamental changes in payment systems, increased regulation, and significant required investments in health care information technology.

APPENDIX D

Form of Special Counsel Opinion

PROPOSED FORM OF OPINION OF
SQUIRE SANDERS (US) LLP

To: Stifel, Nicolaus & Company, Inc.
as the Representative of the Underwriters

We have examined the transcript of proceedings (the "Transcript") relating to the Certificates of Participation, Series 2014 (Convention Hotel Project), dated May 29, 2014 (the "Series 2014 Certificates"), evidencing proportionate interests in Certain Base Rent to be paid by the County of Cuyahoga, Ohio (the "County") for the lease of certain real and personal property (the "Leased Property") pursuant to a Lease-Purchase Agreement, dated as of May 1, 2014 (the "Lease"), between the County, as lessee, and the Cleveland-Cuyahoga County Port Authority (the "Port Authority"), as lessor. The Port Authority's rights under the Lease, except for certain unassigned rights, are being assigned to U.S. Bank National Association, as Trustee under the Trust Agreement described below, pursuant to the Assignment of Rights Under Lease-Purchase Agreement, dated as of May 1, 2014 (the "Assignment"). The Series 2014 Certificates are being sold and delivered pursuant to a Trust Agreement, dated as of May 1, 2014 (the "Trust Agreement"), which creates an irrevocable trust for the benefit of the registered owners of the Series 2014 Certificates. The proceeds received from the sale of the Certificates will be used to fund a portion of the costs of the construction of an approximately 600 room convention headquarters hotel (the "Hotel") adjacent to the Cleveland Convention Center and Global Center for Health Innovation (the "Project Facilities"), to fund certain reserves and to pay costs relating to the sale of the Series 2014 Certificates. The County is required by the Lease to make Lease Payments, which include Base Rent, from appropriated funds during the initial term of the Lease and any renewal thereof (the initial term of the Lease and such renewal period during which the Lease is in force are hereinafter referred to, individually and not collectively, as the "Lease Term"). The initial Lease Term begins May 29, 2014 and expires on December 31, 2014. Each renewal of the Lease will be for a renewal Lease Term ("Renewal Term") beginning January 1 and ending December 31 of the same year. The renewal of the Lease, the County's obligation to pay Lease Payments and other obligations of the County under the Lease are subject to and dependent upon annual appropriations and certification of funds by the County sufficient to pay Lease Payments. If the County does not make an appropriation of money sufficient to pay Lease Payments in any succeeding Lease Term, the Lease will terminate as of the end of the then current Lease Term and the County will be required to vacate and return possession of the Leased Property to the Trustee for the duration of the Lease, all in accordance with and subject to the provisions of the Lease, the Assignment and the Trust Agreement. The documents in the Transcript examined include signed counterparts of the Lease, the Trust Agreement and the Assignment. We have also examined a conformed copy of a signed and authenticated Series 2014 Certificate.

Based on this examination, we are of the opinion that under existing law:

1. The Series 2014 Certificates, the Lease, the Assignment and the Trust Agreement are legal, valid, binding and enforceable in accordance with their respective terms, subject to bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion

2. The Series 2014 Certificates are payable solely from Revenues as provided in the Trust Agreement. The renewal of the Lease beyond each Lease Term and the County's obligation to pay Lease Payments are subject to and dependent upon annual appropriations by the County of funds which, together with other moneys available under the Trust Agreement, will be sufficient to pay all Lease Payments due during the Renewal Term and the certification by the Fiscal Officer of the County that such moneys are in the treasury or in the process of collection to the credit of the appropriate fund free from any previous encumbrance. The County's obligation to pay Lease Payments does not constitute a debt of the County within the meaning of any constitutional or statutory limitation.

3. The portion of the Base Rent paid and denominated as interest under the Lease and received by the owners of the Series 2014 Certificates (the "Interest Portion") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; however, portions of the Interest Portion earned by certain corporations may be subject to a corporate alternative minimum tax. The Interest Portion, and any profit made on the sale, exchange or other disposition of the Series 2014 Certificates, are exempt from all Ohio state and local taxation, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax. We express no opinion as to the federal income tax treatment or Ohio state or local income tax treatment of amounts paid to owners of the Series 2014 Certificates in the event of termination of the Lease by nonappropriation or as to any other tax consequences regarding the Series 2014 Certificates.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the County and (iii) the correctness of the legal conclusions contained in the legal opinion letter of Climaco, Wilcox, Peca, Tarantino & Garofoli Co., L.P.A., counsel for the Port Authority, delivered in connection with this matter.

In rendering those opinions with respect to the treatment of the Interest Portion under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the County. Failure to comply with certain of those covenants subsequent to issuance of the Series 2014 Certificates may cause the Interest Portion to be included in gross income for federal income tax purposes retroactively to their date of issuance.

In connection with the opinion in paragraph 1 above, we note that the renewal of the Lease beyond the Initial Term and each Renewal Term and the County's obligation to pay Lease Payments are subject to and dependent upon annual appropriations by the County Council.

The rights of the owners of the Series 2014 Certificates and the enforceability of the Series 2014 Certificates, the Lease, the Assignment and the Trust Agreement are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities.

We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the

Series 2014 Certificates, the Lease, the Trust Agreement or the Assignment. Furthermore, we express no opinion with respect to the status or quality of title to, or interest in, any of the real, personal or intangible property and other assets described in, or subject to, any lien granted in the Lease, or the accuracy or sufficiency of the description contained therein of, or the priority of, or the remedies available to enforce, any lien on any such assets.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as bond counsel with respect to the Series 2014 Certificates has concluded on this date.

Respectfully submitted,

[This Page Is Intentionally Left Blank.]

APPENDIX E

BASE RENT SCHEDULE

Lease Term ending December 31	Base Rent: Principal Component	Base Rent: Interest Component	Base Rent: Total Annual Base Rent
2014		5,565,329.34	5,565,329.34
2015		11,008,343.76	11,008,343.76
2016		11,008,343.76	11,008,343.76
2017	9,300,000.00	11,008,343.76	20,308,343.76
2018	10,200,000.00	10,543,343.76	20,743,343.76
2019	10,700,000.00	10,033,343.76	20,733,343.76
2020	11,250,000.00	9,498,343.76	20,748,343.76
2021	11,800,000.00	8,935,843.76	20,735,843.76
2022	12,400,000.00	8,345,843.76	20,745,843.76
2023	13,015,000.00	7,725,843.76	20,740,843.76
2024	13,675,000.00	7,075,093.76	20,750,093.76
2025	14,350,000.00	6,391,343.76	20,741,343.76
2026	15,075,000.00	5,673,843.76	20,748,843.76
2027	15,825,000.00	4,920,093.76	20,745,093.76
2028	16,600,000.00	4,128,843.76	20,728,843.76
2029	3,300,000.00	3,298,843.76	6,598,843.76
2030	3,450,000.00	3,133,843.76	6,583,843.76
2031	3,575,000.00	3,004,468.76	6,579,468.76
2032	3,720,000.00	2,870,406.26	6,590,406.26
2033	3,875,000.00	2,708,906.67	6,583,906.26
2034	4,025,000.00	2,553,906.26	6,578,906.26
2035	4,200,000.00	2,392,906.26	6,592,906.26
2036	4,575,000.00	2,210,406.26	6,785,406.26
2037	4,775,000.00	2,011,406.26	6,786,406.26
2038	4,975,000.00	1,802,500.26	6,777,500.00
2039	5,200,000.00	1,584,843.76	6,784,843.76
2040	5,650,000.00	1,357,343.76	7,007,343.76
2041	5,900,000.00	1,110,156.26	7,010,156.26
2042	6,150,000.00	852,031.26	7,002,031.26
2043	6,425,000.00	582,968.76	7,007,968.76
2044	6,900,000.00	301,875.00	7,201,875.00

[This Page Is Intentionally Left Blank.]

APPENDIX F

BOOK-ENTRY SYSTEM; DTC

Book-Entry System

The information set forth in the following numbered paragraphs is based on information provided by The Depository Trust Company in its "Sample Offering Document Language Describing DTC and Book-Entry-Only Issuance" (August 2011). As such, the County believes it to be reliable, but the County takes no responsibility for the accuracy or completeness of that information. It has been adapted to the issue by substituting "Series 2014 Certificates" for "Securities," "County" for "Issuer" and "Trustee" for "registrar" and by the addition of the italicized language set forth in the text. See also the additional information following those numbered paragraphs

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2014 Certificates. The Series 2014 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2014 Certificate will be issued for each (*maturity*) of the Series 2014 Certificates, each in the principal amount of such (*maturity*), and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. (*This internet site is included for reference only, and the information in this internet site is not incorporated by reference in this Offering Circular*.)

3. Purchases of Series 2014 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2014 Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2014 Certificates, except in the event that use of the book-entry system for the Series 2014 Certificates is discontinued.

4. To facilitate subsequent transfers, all Series 2014 Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2014 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2014 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2014 Certificates, such as redemptions, tenders, defaults and proposed amendments to the Certificate documents. For example, Beneficial Owners of Series 2014 Certificates may wish to ascertain that the nominee holding the Series 2014 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2014 Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2014 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2014 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividends (*debt charges payments*) on the Series 2014 Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividends (*debt charges*) to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. (*Not Applicable to the Series 2014 Certificates.*)

10. DTC may discontinue providing its services as depository with respect to the Series 2014 Certificates at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed (*or otherwise produced*) and delivered.

11. The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2014 Certificates will be printed (*or otherwise produced*) and delivered to DTC. (*See also* **Revision of Book-Entry System; Replacement Series 2014 Certificates**.)

12. The information (*above*) in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

Direct Participants and Indirect Participants may impose service charges on Beneficial Owners in certain cases. Purchasers of book-entry interests should discuss that possibility with their brokers.

The County, the Port Authority and the Trustee have no role in the purchases, transfers or sales of book-entry interests. The rights of Beneficial Owners to transfer or pledge their interests, and the manner of transferring or pledging those interests, may be subject to applicable state law. Beneficial Owners may want to discuss with their legal advisors the manner of transferring or pledging their book-entry interests.

The County, the Port Authority and the Trustee have no responsibility or liability for any aspects of the records or notices relating to, or payments made on account of, beneficial ownership, or for maintaining, supervising or reviewing any records relating to that ownership.

The County, the Port Authority and the Trustee cannot and do not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute to the Beneficial Owners payments of debt charges on the Series 2014 Certificates made to DTC as the registered owner, or redemption, if any, or other notices, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve or act in a manner described in this Offering Circular.

For all purposes under the Series 2014 Certificate proceedings (except the Continuing Disclosure Agreement under which others as well as DTC may be considered an owner or holder of the Series 2014 Certificates, see **Continuing Disclosure Agreement**), DTC will be and will be considered by the County and the Trustee to be the owner or holder of the Series 2014 Certificates.

Beneficial Owners will not receive or have the right to receive physical delivery of Series 2014 Certificates, and, except to the extent they may have rights as Beneficial Owners or holders under the Continuing Disclosure Agreement, will not be or be considered by the County and the Trustee to be, and will not have any rights as, owners or holders of Series 2014 Certificates under the Series 2014 Certificate proceedings.

Reference herein to "DTC" includes when applicable any successor securities depository and the nominee of the depository.

Revision of Book-Entry System; Replacement Series 2014 Certificates

The Series 2014 Certificate proceedings provide for issuance of fully-registered Series 2014 Certificates (Replacement Certificates) directly to owners of Series 2014 Certificates other than DTC only in the event that DTC (or a successor securities depository) determines not to continue to act as securities depository for the Series 2014 Certificates. Upon occurrence of this event, the County may in its discretion attempt to have established a securities depository book-entry relationship with another securities depository. If the County does not do so, or is unable to do so, and after the Trustee has made provision for notification of the Beneficial Owners of the Series 2014 Certificates by appropriate notice to DTC, the County and the Trustee will authenticate and deliver Replacement Series 2014 Certificates of any one maturity, in authorized denominations, to or at the direction of any persons requesting such issuance, and, if the event is not the result of County action or inaction, at the expense (including legal and other costs) of those requesting.

Debt charges on Replacement Series 2014 Certificates will be payable when due without deduction for the services of the Trustee as paying agent. Principal of and any premium on Replacement Series 2014 Certificates will be payable when due to the registered owner upon presentation and surrender at the designated corporate trust office of the Trustee. Interest on Replacement Series 2014 Certificates will be payable on the interest payment date by the Trustee by transmittal to the registered owner of record on the Register at the close of business on the first day of the calendar month in which an interest payment date occurs. Replacement Series 2014 Certificates will be exchangeable for other Replacement Series 2014 Certificates of authorized denominations, and transferable, at the designated corporate trust office of the Trustee without charge (except taxes or governmental fees).

APPENDIX G

Proposed Form of Continuing Disclosure Agreement

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT, dated as of May 1, 2014 (the "Agreement"), is made, signed and delivered by the COUNTY OF CUYAHOGA, OHIO, a county duly organized and existing under its Charter and the Constitution and laws of the State of Ohio (the "County"), for the benefit of the Holders and Beneficial Owners (as defined herein) from time to time of the County's $230,885,000 Certificates of Participation, Series 2014 (Convention Hotel Project) Evidencing the Proportionate Interest in Base Rent to be Paid by the County of Cuyahoga, Ohio (the "Series 2014 Certificates"), authorized by Resolution No. R2014-0090, adopted by the County Council of the County on April 22, 2014 (the "Bond Resolution").

RECITAL

The County, by passage of the Bond Resolution, has determined to issue the Series 2014 Certificates to provide funds for County purposes, and Stifel, Nicolaus & Company, Incorporated, KeyBanc Capital Markets Inc., Wells Fargo Securities, The Huntington Investment Company, Fifth Third Securities, Inc. and Loop Capital Markets LLC (the "Participating Underwriters") have agreed to provide those funds to the County by purchasing the Series 2014 Certificates. As a condition to the purchase of the Series 2014 Certificates and the sale of Series 2014 Certificates to Holders and Beneficial Owners, the Participating Underwriters are required to reasonably determine that the County has undertaken, in a written agreement for the benefit of Holders and Beneficial Owners of the Series 2014 Certificates, to provide certain information in accordance with the Rule (as defined herein).

NOW, THEREFORE, in accordance with the Bond Resolution, the County covenants and agrees as set forth in this Continuing Disclosure Agreement.

Section 1. Purpose of Continuing Disclosure Agreement. This Agreement is being entered into, signed and delivered for the benefit of the Holders and Beneficial Owners of the Series 2014 Certificates and in order to assist the Participating Underwriters of the Series 2014 Certificates in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (SEC) pursuant to the Securities Exchange Act of 1934, as may be amended from time to time (the "Rule").

Section 2. Definitions. In addition to the definitions set forth above, the following capitalized terms shall have the following meanings in this Agreement, unless the context clearly otherwise requires. Reference to "Sections" shall mean sections of this Agreement.

"Annual Filing" means any Annual Information Filing provided by the County pursuant to, and as described in, Sections 3 and 4.

"Audited Financial Statements" means the audited basic financial statements of the County, prepared in conformity with generally accepted accounting principles.

“Beneficial Owner” means any person that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2014 Certificates (including persons holding Series 2014 Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2014 Certificates for federal income tax purposes.

“EMMA” means the Electronic Municipal Market Access system of the MSRB; information regarding submissions to EMMA is available at http://emma.msrb.org.

“Filing Date” means the 270th day following the end of each Fiscal Year (or the next succeeding business day if that day is not a business day), beginning September 29, 2014.

“Fiscal Year” means the 12-month period beginning on January 1 of each year or such other 12-month period as the County shall adopt as its fiscal year.

“Holder” means, with respect to the Series 2014 Certificates, the person in whose name a Series 2014 Certificate is registered in accordance with the Bond Resolution.

“Lease” means the Lease-Purchase Agreement dated as of May 1, 2014, between the Cleveland-Cuyahoga County Port Authority, as lessor and the County, as lessee.

“MSRB” means the Municipal Securities Rulemaking Board.

“Obligated Person” means, any person, including the issuer of municipal securities (such as the Series 2014 Certificates), who is generally committed by contract or other arrangement to support payment of all or part of the obligations on the municipal securities being sold in an offering document (such as the Offering Circular). The County is the only Obligated Person for the Series 2014 Certificates.

“Offering Circular” means the Offering Circular for the Series 2014 Certificates dated May [__], 2014.

“Participating Underwriter” means any of the original underwriters of the Series 2014 Certificates required to comply with the Rule in connection with offering of the Series 2014 Certificates.

“Specified Events” means any of the events with respect to the Series 2014 Certificates as set forth in Section 5(a).

“State” means the State of Ohio.

Section 3. Provision of Annual Information.

(a) The County shall provide (or cause to be provided) not later than the Filing Date to the MSRB an Annual Filing, which is consistent with the requirements of Section 4. The Annual Filing shall be submitted in an electronic format and contain such identifying information as is prescribed by the MSRB, and may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4; provided that the Audited Financial Statements of the County may be submitted separately from the balance of the Annual Filing and later than the Filing Date if they are not available by that date. If the County's Fiscal Year changes, it shall give notice of such change in the same manner as for a Specified Event under Section 5.

(b) If the County is unable to provide to the MSRB an Annual Filing by the Filing Date, the County shall, in a timely manner, send a notice to the MSRB in an electronic format as prescribed by the MSRB.

Section 4. Content of Annual Filing. The County's Annual Filing shall contain or include by reference the following:

(a) Financial information and operating data of the type included in Appendix B to the Offering Circular, under the captions **FINANCIAL MATTERS - General Fund and Financial Outlook**, **AD VALOREM PROPERTY TAXES -- Collections** and **– Delinquency Procedures**, **OTHER MAJOR COUNTY GENERAL FUND REVENUE SOURCES**, **COUNTY DEBT AND OTHER LONG TERM OBLIGATIONS**, and **DEBT TABLE A**.

(b) When and if available, the Audited Financial Statements of the County utilizing generally accepted accounting principles applicable to governmental units as described in the Offering Circular, except as may be modified from time to time and described in such financial statements.

The foregoing shall not obligate the County to prepare or update projections of any financial information or operating data.

Any or all of the items listed above may be included by specific reference to other documents, including annual information statements of the County or official statements of debt issues of the County or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. The County shall clearly identify each such other document so included by reference.

Section 5. Reporting Specified Events.

(a) The County shall provide (or cause to be provided) to the MSRB, in an electronic format and containing such identifying information as is prescribed by the MSRB and in a timely manner but not later than ten business days after the occurrence of the event, notice of any of the following events with respect to the Series 2014 Certificates, as specified by the Rule:

(1) Principal and interest payment delinquencies;

(2) Non-payment-related defaults, <u>if material</u>;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties; (a)

(4) Unscheduled draws on credit enhancements reflecting financial difficulties; (a)

(5) Substitution of credit or liquidity providers, or their failure to perform; (a)

(6) (Issuance of) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other <u>material</u> notices or determinations with respect to the tax status of the security (*i.e.*, the Series 2014 Certificates), or other <u>material</u> events affecting the tax status of the security;

(7) Modifications to rights of security holders, <u>if material</u>;

(8) Bond calls, <u>if material</u>, and tender offers; (b)

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the securities, <u>if material</u>; (c)

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event of the Obligated Person; Note: For the purposes of the event identified in this subparagraph, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

(13) The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination

of a definitive agreement relating to any such actions, other than pursuant to its terms, <u>if material</u>;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, <u>if material</u>; and

(15) Failure to appropriate by January 30 of each year, sufficient funds (when included with other money available for such purpose) to cause the Lease to be renewed according to its terms.

<u>Note</u>:

(a) The County has not obtained or provided, and does not expect to obtain or provide, any debt service reserves, credit enhancements or credit or liquidity providers for the Series 2014 Certificates.

(b) Any scheduled redemption of Series 2014 Certificates pursuant to mandatory sinking fund redemption requirements does not constitute a specified event within the meaning of the Rule.

For the Specified Events described in Section 5(a) (2), (6, as applicable), (7), (8, as applicable), (10), (13) and (14), the County acknowledges that it must make a determination whether such Specified Event is material under applicable federal securities laws in order to determine whether a filing is required.

Section 6. <u>Amendments</u>. The County reserves the right to amend this Agreement, and noncompliance with any provision of this Agreement may be waived, as may be necessary or appropriate to (a) achieve its compliance with any applicable federal securities law or rule, (b) cure any ambiguity, inconsistency or formal defect or omission and (c) address any change in circumstances arising from a change in legal requirements, change in law or change in the identity, nature or status of the County or type of business conducted by the County. Any such amendment or waiver shall not be effective unless this Agreement (as amended or taking into account such waiver) would have materially complied with the requirements of the Rule at the time of the primary offering of the Series 2014 Certificates, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances, and until the County shall have received either (i) a written opinion of bond counsel or other qualified independent special counsel selected by the County that the amendment or waiver would not materially impair the interests of Holders or Beneficial Owners or (ii) the written consent to the amendment or waiver of the Holders of at least a majority of the principal amount of the Series 2014 Certificates then outstanding. An Annual Filing containing any revised operating data or financial information shall explain, in narrative form, the reasons for any such amendment or waiver and the impact of the change on the type of operating data or financial information being provided. If the amendment relates to the accounting principles to be followed in preparing Audited Financial Statements, (A) the County shall provide notice of such change in the same manner as for a Specified Event under Section 5 and (B) the Annual Filing for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements or information as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Additional Information. Nothing in this Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Agreement or providing any other means of communication, or including any other information in any Annual Filing or providing notice of the occurrence of an event, in addition to that which is required by this Agreement. If the County chooses to include any information in any document or notice of occurrence of an event in addition to that which is specifically required by this Agreement, the County shall have no obligation under this Agreement to update such information or include it in any future Annual Filing or notice of occurrence of a Specified Event.

Section 8. Remedy for Breach. This Agreement shall be solely for the benefit of the Holders and Beneficial Owners from time to time of the Series 2014 Certificates. The exclusive remedy for any breach of this Agreement by the County shall be limited, to the extent permitted by law, to a right of Holders and Beneficial Owners to institute and maintain, or cause to be instituted and maintained, such proceedings as may be authorized at law or in equity to obtain the specific performance by the County of its obligations under this Agreement in a court in Cuyahoga County, Ohio. Any such proceedings shall be instituted and maintained only in accordance with Section 133.25(B)(4)(b) or (C)(1) of the Revised Code (or any like or comparable successor provisions); provided that any Holder or Beneficial Owner may exercise individually any such right to require the County to specifically perform its obligation to provide or cause to be provided a pertinent filing if such a filing is due and has not been made. Any Beneficial Owner seeking to require the County to comply with this Agreement shall first provide at least 30 days' prior written notice to the County of the County's failure, giving reasonable detail of such failure, following which notice the County shall have 30 days to comply. A default under this Agreement shall not be deemed an event of default under the Bond Resolution, and the sole remedy under this Agreement in the event of any failure of the County to comply with this Agreement shall be an action to compel performance. No person or entity shall be entitled to recover monetary damages under this Agreement.

Section 9. Appropriation. The performance by the County of its obligations under this Agreement shall be subject to the availability of funds and their annual appropriation to meet costs that the County would be required to incur to perform those obligations. The County shall provide notice to the MSRB in the same manner as for a Specified Event under Section 5 of the failure to appropriate funds to meet costs to perform the obligations under this Agreement.

Section 10. Termination. The obligations of the County under this Agreement shall remain in effect only for such period that the Series 2014 Certificates are outstanding in accordance with their terms and the County remains an Obligated Person with respect to the Series 2014 Certificates within the meaning of the Rule. The obligation of the County to provide the information and notices of the events described above shall terminate, if and when the County no longer remains such an Obligated Person. If any person, other than the County, becomes an Obligated Person relating to the Series 2014 Certificates, the County shall use its best efforts to require such Obligated Person to comply with all provisions of the Rule applicable to such Obligated Person.

Section 11. Dissemination Agent. The County may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Agreement, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 12. Beneficiaries. This Agreement shall inure solely to the benefit of the County, any dissemination agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Series 2014 Certificates, and shall create no rights in any other person or entity.

Section 13. Recordkeeping. The County shall maintain records of all Annual Filings and notices of Specified Events and other events including the content of such disclosure, the names of the entities with whom such disclosures were filed and the date of filing such disclosure.

Section 14. Governing Law. This Agreement shall be governed by the laws of the State.

IN WITNESS WHEREOF, the County has caused this Continuing Disclosure Agreement to be duly signed and delivered to the Participating Underwriter, as part of the Certificate proceedings and in connection with the original delivery of the Series 2014 Certificates to the Participating Underwriter, on its behalf by its officials signing below, all as of the date set forth above, and the Holders and Beneficial Owners from time to time of the Series 2014 Certificates shall be deemed to have accepted this Agreement made in accordance with the Rule.

COUNTY OF CUYAHOGA, OHIO

By: ____
County Executive

By: ____
County Fiscal Officer

This document approved for
legal form and correctness

Majeed G. Makhlouf, Director of Law

By: ______________________________

Name: ____________________________

Title: _____________________________