

**City of Middleburg Heights
Cuyahoga County, Ohio**

**Report Package
December 31, 2011**



Dave Yost • Auditor of State

Honorable Mayor and City Council
City of Middleburg Heights
15700 Bagley Road
Middleburg Heights, Ohio 44130

We have reviewed the *Independent Auditor's Report* of the City of Middleburg Heights, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

June 18, 2012

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**CITY OF MIDDLEBURG HEIGHTS
CUYAHOGA COUNTY, OHIO**

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April 30, 2012

To the Honorable Mayor and City Council
City of Middleburg Heights
Cuyahoga County, Ohio

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Middleburg Heights (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

City of Middleburg Heights
Independent Auditors Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
Page 2

Compliance and Other Matters

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

This report is intended solely for the information and use of the Mayor, Members of the City Council, and management, and is not intended to be and should not be used by anyone other than those specified parties

Hea & Associates, Inc.

City Of Middleburg Heights, Ohio



Comprehensive Annual Financial Report

For The Year Ended December 31, 2011

Issued By The Department of Finance

Jason Stewart, CPA
Director

Nicholas Vitalone, CPA
Assistant Director

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City of Middleburg Heights, Ohio
Comprehensive Financial Annual Report
For the Year Ended December 31, 2011
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Finance Department
CITY OF MIDDLEBURG HEIGHTS

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440/234-8989 • Fax: 234/4934 • E-mail: finance@middleburgheights.com



Gary W. Starr
Mayor

Jason Stewart, CPA
Director of Finance

April 30, 2012

Honorable Mayor Gary Starr,
Members of City Council
and the Citizens of Middleburg Heights, Ohio

Ohio law (Ohio Administrative Code Section 117-2-03(B)) requires that all cities file annual audited financial reports prepared on a GAAP (Generally Accepted Accounting Principles) basis with the Auditor of State within six months of the close of each fiscal year. This report is published to fulfill that requirement for the fiscal year ended December 31, 2011.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Rea & Associates, Inc., has issued an unqualified ("clean") opinion on the City of Middleburg Heights' financial statements for the year ended December 31, 2011. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The basic financial statements and notes provide an overview of the City's financial position and operating results, the Combining Statements for non-major funds and other schedules that provide detailed information relative to the basic financial statements follow.

PROFILE OF THE GOVERNMENT

Basic Information: The City of Middleburg Heights is approximately eight square miles and is located in northeastern Ohio, southwest of Cleveland, within the boundaries of Cuyahoga County. The City's population from the 2010 federal census was 15,946. The City was first established as a village in 1927 and was incorporated as a City in 1961 under the laws of the State of Ohio.

The City operates under and is governed by its Charter, which was first adopted by the voters in 1961. The Charter has been and may be amended by the voters from time to time. The City is also subject to some general

laws applicable to all Ohio cities. Under the State Constitution, the City may exercise all powers of local self-government and police powers to the extent not in conflict with applicable general laws. The Charter provides for a Mayor-Council form of government.

Legislative authority is vested in a seven-member council. Three members are elected at-large, and four members are elected from wards, for two-year terms. The Council fixes compensation of City officials and employees and enacts ordinances and resolutions relating to City services, tax levies, appropriations, borrowing money, licensing and regulating businesses and trades, and other municipal purposes. The presiding officer is the President of Council, who is elected at large by the electors for a two-year term. The Charter establishes certain administrative departments, and the Council may establish divisions within these departments and additional departments.

The City's chief executive and administrative officer is the Mayor, who is elected by the voters specifically to that office for a four-year term.

The Mayor appoints, subject to the approval of a majority of the members of Council, the Directors of the City's departments. The major appointed officials are the Directors of Finance, Law, Public Service, Recreation, Economic Development and Public Safety. The Mayor also appoints members to a number of boards and commissions, and appoints and removes in accordance with civil service requirements, all appointed officers and employees, except Council officers and employees.

The Mayor may veto any legislation passed by the Council. A veto may be overridden by a two-thirds vote of all members of the Council.

All elected officials, except the Mayor, serve part-time.

Reporting Entity: The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading. This definition of the reporting entity is found in GASB Statement No. 14, "The Financial Reporting Entity."

The City of Middleburg Heights primary government consists of all funds and departments, which are not legally separate from the City. They include a police force, a fire fighting and emergency medical transport force, a service department, a building department, a recreation department, and a staff to provide essential support to these service providers.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes. The reporting entity of the City does not include any component units.

As discussed in the notes, the City participates in several jointly governed organizations, including the Southwest General Health Center, the Woodvale Union Cemetery, the Southwest Council of Governments, the Northeast Ohio Public Energy Council, and the Suburban Water Regional Council of Governments. Note 18 describes the City's relationship to these entities.

Budget Process: Although City Council is required to adopt a temporary budget by no later than the close of the fiscal year, and a final budget within 90 days of the new year; the final operating budget has been prepared and adopted by the close of the fiscal year for the last 24 years. The Capital Budget is customarily passed within 90 days of the start of the new year, though it was passed at the same time as the operating budget for 2011. This

annual budget serves as the foundation for the City of Middleburg Heights' financial planning and control. The budget is prepared by fund, department, (e.g. police) and major category. The major categories used are: "Wages and Fringe Benefits" and "Other". Department heads may transfer resources within a major category as needed and approved by the Mayor and Director of Finance. Transfers between major categories, however, need re-appropriation from City Council.

ECONOMIC CONDITION AND OUTLOOK

Summary of Local Economy: Location is one of the greatest assets of the City of Middleburg Heights. As a major suburb of the City of Cleveland, its proximity to Cleveland Hopkins International Airport and easy access to three interstate highways has contributed to the City's continued economic stability.

Major Industries Affecting the City Economy: The City has seen a significant growth in medical and health related businesses over the last decade. Southwest General Health Center, in partnership with University Hospitals of Cleveland, has continued as the largest employer in the City of Middleburg Heights. With 340 beds and a 30 bed, 24 hour, emergency room with an affiliated heart center on site, Southwest General has approximately 544 associated physicians, 537 registered nurses, and 97 licensed practicing nurses. Other medical office and medical service related buildings and businesses in Middleburg Heights include:

- Big Creek Surgery Center began operations in May 2006 as a state of the art outpatient surgical facility with four operating rooms. Specializing in orthopedic, ear, nose and throat, and podiatry, the center supports thirteen physician partners.
- The Middleburg Heights Medical Arts Center, located across from Southwest General Health Center, provides a two building campus with approximately 66,000 square feet of medical office building that is currently leased at over 90% occupancy.
- The Pearl Professional Medical Office Building, 37,000 square feet, opened in 2007 to serve regional physician groups and will include an advanced surgery center.
- Regency Hospital is a new long-term acute-care hospital with 43 beds and a 10-bed intensive care unit. Regency Hospital employs approximately 200 health care professionals.
- The Surgery Center, a multi-specialty outpatient surgery center, founded by a group of 30 area physicians, services approximately 8,000 outpatient surgical and diagnostic cases per year.
- The Davita HillMed Medical Office Building was occupied in August 2009 by its largest tenant, Davita Dialysis Clinic. The office building represented a \$4 million dollar investment in the City.

Middleburg Heights also has six nursing home and assisted living facilities, providing care to almost 600 individuals at any one time.

The City of Middleburg Heights' major industries also include a significant number of freight and package delivery, education, hotel, retail and government employers. Therefore, the City's economic health is not based solely upon the success or failure of a single industry.

Future Projects: This past October, two projects were announced that will add significantly to the medical presence in Middleburg Heights, and will bring world-class architectural design to the City.

Southwest General Health Center has announced plans to invest \$128 million dollars in its facilities over the next four years in a two-phase project. The first phase, which is expected to begin in May 2012, will include the construction of a new emergency department, a new critical care unit, and a new patient parking garage. The

current emergency department is designed to serve 35,000 patients annually, but is currently serving over 48,000 patients. The new emergency department will be designed to handle as many as 60,000 patients annually.

The second phase, which is expected to break ground in fall 2012, will include a patient bed tower with 100 private patient rooms. This phase will also see the conversion of all existing patient rooms into private rooms and will include the construction of a new main entrance for the hospital.

Similarly, The Metro Health System will be constructing a new ambulatory health center at the intersection of Interstate 71 and Pearl Road on a ten-acre parcel in Middleburg Heights. Construction will begin in 2012, and the facility is expected to be completed within 16 months at an estimated total cost of \$23 million.

The 57,600 square-foot facility will accommodate up to 120,000 patient visits with over 60,000 patient visits expected in the first year. The facility would create at least 60 new skilled full-time jobs for Middleburg Heights including physicians, nurses, and technologists.

The facility will house six full-time primary-care practices along with specialties such as cardiology, neurology, orthopedics, obstetrics and gynecology, dermatology, ophthalmology along with imaging, laboratory and other services.

In addition to these exciting projects in the medical industry, Middleburg Heights will become the new location of the corporate headquarters for The Interlake Steamship Company which operates one of the largest fleets on the Great Lakes. Established in 1913, the company will move into its new 25,000 square-foot building on April 30, 2012. The new building project reflects a \$3 million investment in Middleburg Heights and 30 new corporate jobs, with an annual payroll of \$2.7 million for our community.

Ganley Lincoln at 6930 Pearl Road will be undergoing a \$1 million complete interior and exterior renovation. This project is being overseen directly by Ford Motor Company as part of its rebranding and remodeling of select Lincoln dealerships in the United States. Ganley Lincoln in Middleburg Heights has been chosen to remain as one of only three Lincoln Dealerships in Northeast Ohio. This investment will solidify the retention of the 75 employees at the Middleburg Heights Lincoln dealership and body shop.

The City of Middleburg Heights is also currently working with The Brewer-Garrett Company to facilitate a \$3.2 million expansion and improvement project at the company's headquarters in our community. The project will involve the conversion of approximately 10,000 square-feet of existing shop space into new office space to accommodate the hiring of over 44 new employees over the next three years. Site and exterior building improvements will also be completed as part of the project. The company currently has over 70 employees in Middleburg Heights. Over the past 50 years, The Brewer-Garrett Company has emerged as a leader in building mechanical systems, and has established a leadership role in the emerging energy services field.

Long Term Financial Planning: In 2008, the City of Middleburg Heights had its bond rating reviewed. Moody's Investors Service reaffirmed the City's Aa2 bond rating. Then in 2010, as part of Moody's recalibration program, the City's bond rating was recalibrated to an Aa1. This is the highest bond rating that the City has ever achieved. Moody's stated that it, "expects the City's healthy financial operations to continue given satisfactory operating reserves, strong financial management, and demonstrated willingness to respond to economic challenges."

The City utilizes a five-year forecast for its continued operational and capital needs. The forecast looks at the funds that are essential to the operations of the City. These funds are used to provide all of the services offered to our residents, including public safety, highway and street maintenance, parks and recreation, capital improvements, community development, public health and certain social services. The only funds excluded from the forecast are the Law Enforcement Trust Funds, the Court Computer Fund, the Community Center Fund, and

all Trust Funds. The forecast is a document through which costs are identified and matched to projected funding sources. The plan is updated biannually to reflect changes to operational costs and revenue projections.

Although the City has not adopted a formal minimum fund balance policy, the City has always strived to maintain fund balances that would finance a minimum of three months of operations (25%). The Finance Department reviews all transactions on an on-going basis and works diligently to monitor revenues and expenditures so that all fund balances maintain adequate balances.

The City has implemented a debt management policy. Wherever possible the City of Middleburg Heights acquires its capital improvements by cash purchase. Occasionally though, capital items exceed the cash capacity available and the asset is financed through issuance of debt. Moreover, the City only borrows when there is an identifiable dedicated revenue source to be used to amortize the debt. The City's low debt burden was cited by Moody's Investors Service as one of the factors in awarding the City its outstanding credit rating.

AWARDS AND ACKNOWLEDGEMENTS

GFOA Certificate of Achievement Award: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Middleburg Heights, Ohio for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2010. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Middleburg Heights has received a Certificate of Achievement for the last sixteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgments: The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. I would like to express my appreciation to all staff members who have contributed or assisted in its preparation, in particular my Assistant Finance Director, Nick Vitalone.

In closing, I would like to thank the Mayor and the members of Middleburg Heights City Council, and the citizens of this fine City, for without your continued support the preparation of this report to help ensure the continued financial integrity of the City would not have been possible.

Sincerely,



Jason Stewart, CPA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Middleburg Heights
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

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



Linda C. Sandison

President

Jeffrey R. Emer

Executive Director

City of Middleburg Heights, Ohio
Listing of Principal City Officials
As of December 31, 2011

ELECTED OFFICIALS

Mayor..... Gary W. Starr
Council President..... Alan C. Budney
Councilman At-Large Tim Ali
Councilman At-Large Raymond G. Guttmann
Councilman Ward 1 Matthew Castelli
Councilman Ward 2 (effective 1/24/2012) Matthew G. McGregor
Councilman Ward 3 David Bortolotto
Councilman Ward 4 John J. Grech

APPOINTED OFFICIALS

Director of Finance Jason Stewart, CPA
Assistant Finance Director Nicholas Vitalone, CPA
Director of Economic Development Charles Bichara
Director of Public Service (effective 1/1/2012)..... James P. Herron
Chief Building Official Norman H. Herwerden
Director of Recreation..... Carl Guarnieri
Director of Law..... Peter Hull
Director of Public Safety Sandra J. Kerber
Chief of Police John Maddox
Chief of Fire..... Briant Galgas
Court Administrator Therese Fairman
Executive Assistant..... Jeffrey Minch
Clerk of Council..... Mary Ann Meola

City of Middleburg Heights, Ohio

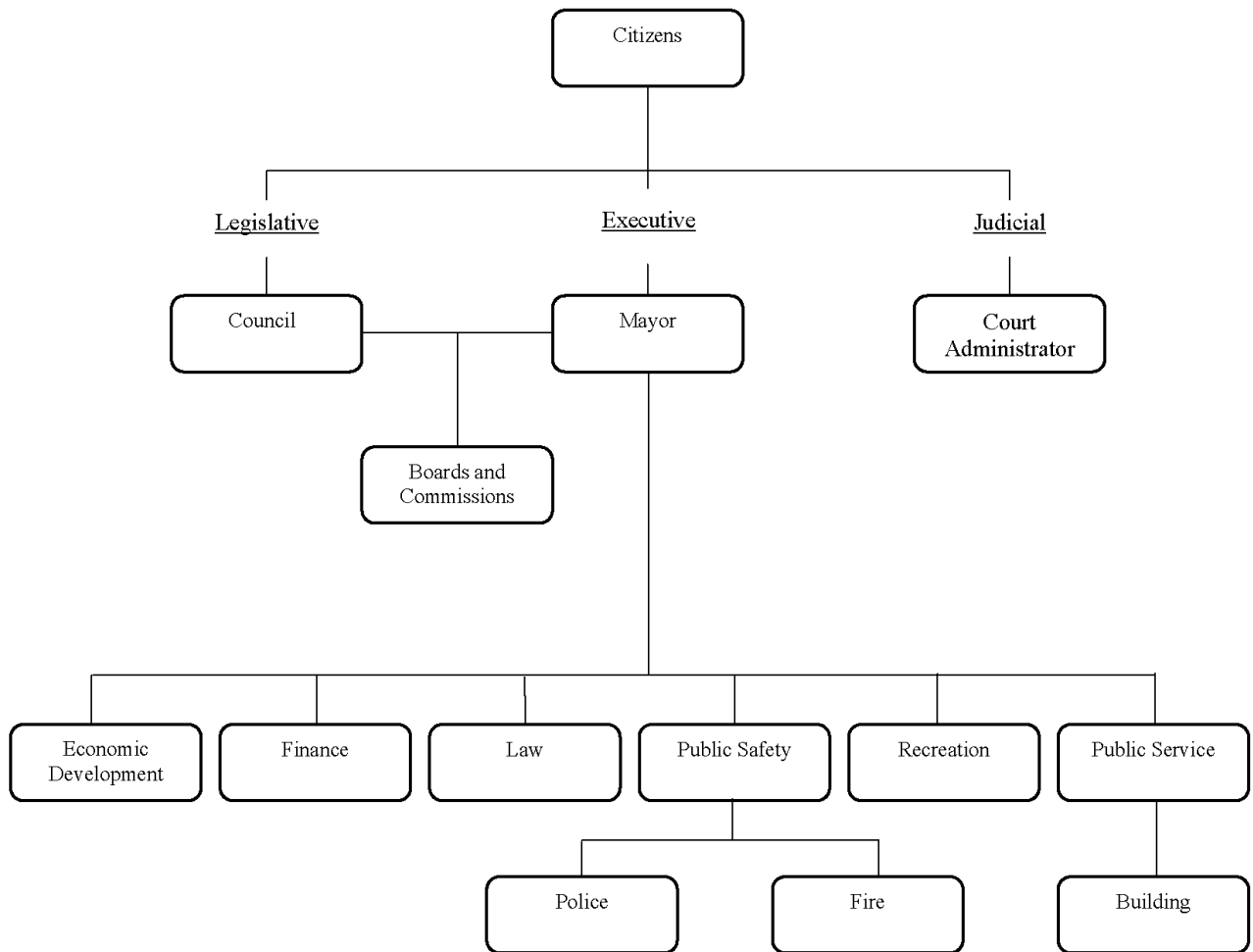
Listing of Principal City Officials

As of December 31, 2011

SPECIAL BOARDS AND COMMISSIONS

Planning Commission	Anthony Crea
Planning Commission	Cori Farris
Planning Commission	Sandra Felice
Planning Commission	Michael Ference
Planning Commission	James Sheppard
Planning Commission	Chris Tibbits
Planning Commission	Rose Zatezalo
Board of Zoning and Building Appeals (Alternate)	Tony Ciaravino
Board of Zoning and Building Appeals (Alternate)	Tom Rea
Board of Zoning and Building Appeals	Al Cooke
Board of Zoning and Building Appeals	Debbie Hudak
Board of Zoning and Building Appeals	Kathy Jennings
Board of Zoning and Building Appeals	Matthew McGregor
Board of Zoning and Building Appeals	Michael Piepsny
Civil Service.....	Kathryn Cannon
Civil Service.....	John Gregory
Civil Service.....	Charlie Valentine
Secretary - Civil Service	Sherri Menoes
Secretary - Boards and Commissions	Kimberly Earley

City of Middleburg Heights, Ohio
Organizational Chart
For the Year Ended December 31, 2011



April 30, 2012

To the Honorable Mayor and City Council
City of Middleburg Heights
Cuyahoga County, Ohio

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Middleburg Heights, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Middleburg Heights' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Middleburg Heights, Ohio, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Recreation Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2012, on our consideration of the City of Middleburg Heights' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted

of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Middleburg Heights' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Middleburg Heights' basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Hea & Associates, Inc.

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

This discussion and analysis of The City of Middleburg Heights' (the City's) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, the basic financial statements, and notes to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- The assets of the City of Middleburg Heights exceeded its liabilities at the close of the most recent fiscal year by \$56,814,522 (*net assets*). Of this amount, \$6,006,694 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total Net Assets increased by \$1,721,958, which represents a 3.1 percent increase from 2010. Unrestricted net assets increased by \$662,361 or 12.4 percent in 2011.
- Total Assets of the City decreased \$836,191, which represents a 1.1 percent decrease from 2010.
- Total Capital Assets decreased by \$112,786 or 0.2 percent from 2010.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,443,339 an increase of \$405,267 or 5.04 percent in comparison with the prior year. Equity in Pooled Cash and Investments in the governmental funds increased by \$329,307 or 5.82 percent from 2010, as income tax receipts increased by \$541,554 from 2010.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$4,684,103, or 28 percent of total general fund expenditures.
- Total outstanding Long-term liabilities were \$12,379,061. This was an 13.02 percent decrease from the balance at the end of 2010 primarily due to the repayment of General Obligation Bonds: particularly the bonds issued for the City's Service Center and Community Center.

Overview of the Financial Statements

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

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector businesses. The *statement of net assets* and *statement of activities* provides information about the activities of the whole city, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major 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 dollars remain for future spending. The fund financial statement also looks at the City's most significant funds with all other nonmajor funds presented in total in one column.

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

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

The governmental activities of the City include general government, security of persons and property, public health services, community development, streets and highways, culture and recreation, and sanitation. The City has no business-like activities except for its health insurance reserve fund, an internal service fund.

The government-wide financial statements can be found starting on page 14 of this report.

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

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

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

In 2011, the City of Middleburg Heights maintained 15 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General Fund, Recreation Fund, Bond Retirement Fund and Capital Improvements Fund; all of which are considered to be major funds. Data from the other 11 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement (non-GAAP basis) has been provided for each major and nonmajor fund to demonstrate budgetary compliance.

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Proprietary Funds The City of Middleburg Heights maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains one such fund for its self-insurance of employee health benefits. Because this fund only benefits governmental functions, it has been included with the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City's only proprietary fund is an internal service fund for self-insurance of health benefits, which is considered a nonmajor fund. The basic proprietary fund financial statements can be found on pages 22 to 24 of this report.

Notes to the Financial Statements The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 to 51 of this report.

Other information In addition to the basic financial statements and accompanying notes, this report also presents certain other information that the City believes readers will find useful. After the notes to the financial statements, the combining statements referred to earlier in connection with nonmajor governmental are presented, as well as individual detailed budgetary comparisons for all funds. This information can be found on pages 52 to 81 of this report.

Government-Wide Financial Analysis

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How well did the City perform financially during 2011?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and the changes in those assets. The change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

The Statement of Net Assets and the Statement of Activities are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Revenues and Expenses
- General Revenues
- Net Assets Beginning of Year and End of Year

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The City of Middleburg Heights as a Whole

Recall that the Statement of Net Assets looks at the City as a whole. The following table provides a summary of the City's net assets for 2011 compared to 2010.

Table 1 Net Assets

	Governmental Activities	
	2011	2010
Assets		
Current and Other Assets	\$16,034,014	\$16,757,419
Capital Assets, Net	56,844,640	56,957,426
<i>Total Assets</i>	<u>72,878,654</u>	<u>73,714,845</u>
Liabilities		
Current Liabilities	3,685,071	4,390,006
Long-term Liabilities		
Due within One Year	3,070,456	3,525,975
Due in More Than One Year	9,308,605	10,706,300
<i>Total Liabilities</i>	<u>16,064,132</u>	<u>18,622,281</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	47,345,795	45,336,826
Restricted for:		
Capital Projects	1,020,901	1,105,143
Debt Service	1,988,524	2,824,066
Other Purposes	452,608	482,196
Unrestricted	6,006,694	5,344,333
<i>Total Net Assets</i>	<u>\$56,814,522</u>	<u>\$55,092,564</u>

As noted earlier, over time net assets may serve as a useful indicator of a government's financial position. For the City of Middleburg Heights, total assets exceed liabilities by \$56,814,522 at the close of the most recent fiscal year.

The largest portion of the City's net assets (83.33%) reflects investments in capital assets (e.g. land, buildings, infrastructure, machinery and equipment), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets decreased by \$836,191 from 2010, while the City's total liabilities decreased by \$2,558,149. As a result, the total net assets of the City's governmental activities increased \$1,721,958. The most significant change was a decrease in intergovernmental receivable of \$1,095,390 as the City received an inheritance tax windfall in 2011. Non-depreciable capital assets also increased by \$1,398,780 or 12%. This increase continues to be attributed to the addition of construction in progress related to the Eastland Road project. This addition of construction in progress is reflected as a Capital Contribution on the Statement of Activities as it is the Federal Highway Administration and Cuyahoga County's share of the project. The decrease in liabilities was mainly due to the scheduled retirement of bonded debt.

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In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year in comparison to 2010.

Table 2 Changes in Net Assets

	Governmental Activities 2011	Governmental Activities 2010
Revenues		
Program Revenues:		
Charges for Services	\$2,888,965	\$2,663,312
Operating Grants and Contributions	842,714	862,290
Capital Grants and Contributions	1,289,377	1,183,203
Total Program Revenues	5,021,056	4,708,805
General Revenues:		
Property Taxes & Other Local Taxes	2,806,866	2,817,848
Income Taxes	16,805,072	16,312,006
Grants and Entitlements	1,341,682	2,244,208
Investment Income	74,330	62,294
Miscellaneous	321,634	366,607
Total General Revenues	21,349,584	21,802,963
<i>Total Revenues</i>	26,370,640	26,511,768
Program Expenses		
General Government	7,186,714	7,089,138
Security of Persons and Property:		
Police	4,919,272	5,143,489
Fire	3,801,258	3,726,461
Safety Director	58,909	59,728
Public Health Services	330,767	362,515
Culture and Recreation	3,176,067	3,237,956
Community Development	534,590	552,358
Economic Development	305,201	325,270
Streets and Highways	2,786,636	3,140,956
Sanitation	1,091,845	933,094
Interest and Fiscal Charges	457,423	527,452
Total Program Expenses	24,648,682	25,098,417
Increase (decrease) in Net Assets	\$1,721,958	\$1,413,351

Governmental Activities

Governmental activities increased the City's net assets by \$1,721,958. Discussions of the reasons for the increase in net assets are as follows:

Several types of revenues fund our governmental activities, with the City income tax being the biggest contributor. On November 7, 2006, the residents of the City of Middleburg Heights voted in favor of an income tax increase from 1.75% to 2.00%, effective January 1, 2007. Both the residents of the City and non-residents who work in the City are subject to the income tax. However if residents work in another locality that has a municipal income tax, the City provides 100% credit up to 2% for those who pay

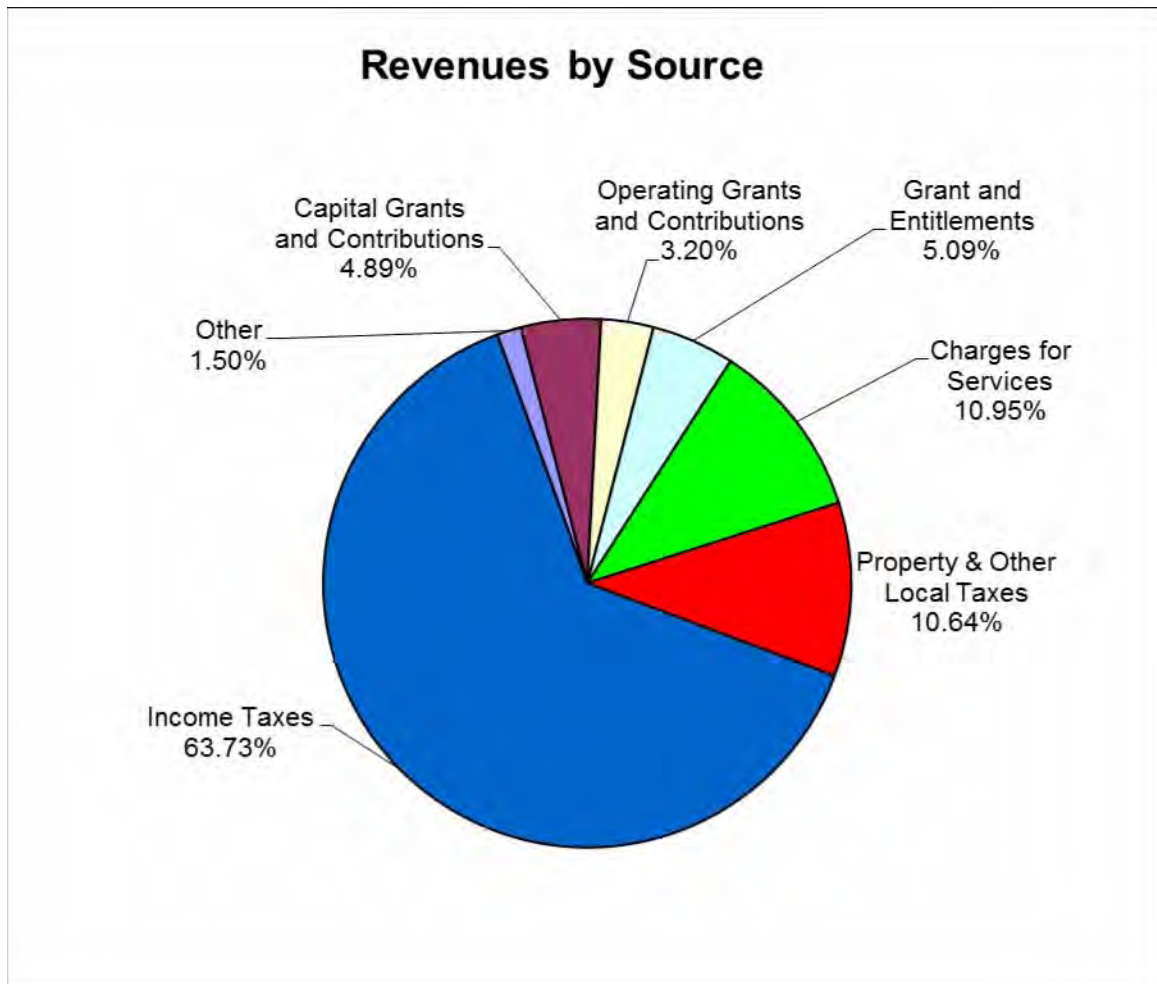
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income tax to another city. City Council could by ordinance, choose to vary that income tax credit and create additional revenues for the City.

The decrease of \$902,526, in Grants and Entitlements is due to a significant decrease in estate tax receivables in 2011. Estate tax is subject to large variances due to the unpredictable nature of collections as it is directly related to decedent estate tax filings.

Income tax revenue for 2011 was \$16,805,072, an increase of \$493,066 or 3.02% from 2010. Of the \$26,370,640 in total revenues, income tax accounts for 63.73% of the total. Property and other local taxes were \$2,806,866, a decrease of \$10,982 or .4% from 2010, and account for 10.64% of total revenues. Operating grants and contributions, capital grants and contributions, general revenues from grants and entitlements account for 13.18% of total revenues, and charges for services, investment income, and other revenue make up the remaining 12.45%.

General revenues from grants and entitlements, such as local government funds, are also revenue generators. The City monitors its sources of revenues very closely for fluctuations, especially income tax.



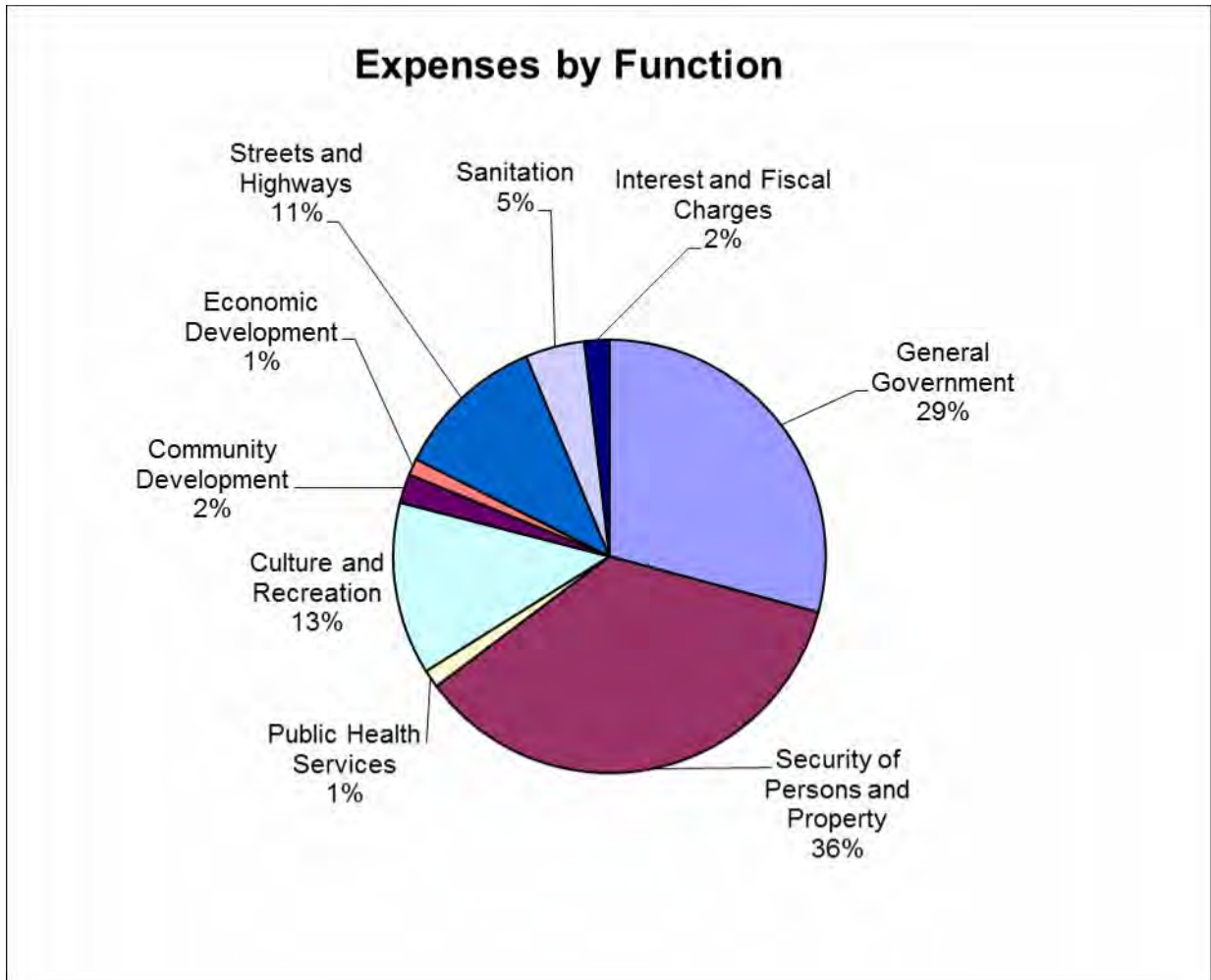
Total program expenses decreased by \$449,735 as compared to 2010. In 2011, expenses for Security of Persons and Property, related to the Police Department decreased by \$224,217 or 4.3% due primarily to the retirements of four senior police officers. In 2010, four new officers were brought in six months prior

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to the retirement of the four senior officers to facilitate the training that is required of new officers so as not to have a negative impact on the operations of the department. The decrease is related to the normalization of staffing levels in 2011. Streets and Highways expenses decreased by \$354,320 from 2010, because less money was available to spend on the annual street maintenance and repair program. Also in 2011, Interest and Fiscal Charges decreased by \$70,029 or 13.28% from 2010. This is due to the continued reduction of General Obligation Bonds: particularly the bonds issued for the City's Service Center and Community Center

Total program expenses for 2011 were \$24,648,682. Security of Persons and Property, which included the police and fire departments as well as the City's Safety Director, accounted for program expenses of \$8,779,439, which represents 36 percent of total City expenses for the year 2011. Culture and Recreation expenses of \$3,176,067 accounted for 13 percent. Culture and recreation expenses consist largely of costs to operate the City's Community Center and depreciation expense on the building. Street and highway expenses of \$2,786,636 accounted for 11 percent.

These figures illustrate the City's commitment toward infrastructure maintenance as well as the safety of our citizens. The City takes great pride in the maintenance of its streets and continues to set aside money towards future capital maintenance and repair.



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Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Information about the City's governmental funds begins on page 16. These funds are accounted for by using the modified accrual basis of accounting.

As of December 31, 2011, the City's governmental funds reported combined ending fund balances of \$8,443,339, an increase of \$405,267 in comparison with the prior year. Of that amount, \$4,684,103 constitutes unassigned fund balances, which is available for spending at the government's discretion. The non-spendable fund balance are not easily converted to cash are comprised of inventory and prepaid expenditures account for \$332,081.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance for the General Fund was \$5,073,654 of which \$4,684,103 was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the sum of total fund expenditures and other financing uses of \$17,501,743. Unassigned fund balance represents 26.76% (19.16% in 2010) of total General Fund expenditures and other financing uses, while total fund balance represents 28.99% (21.23% in 2010) of that same amount.

During the current fiscal year, the fund balance of the City's General Fund increased by \$1,279,840. The increase in the General Fund can be attributed to a reallocation of income tax revenues. In 2011, the first one percent of income was allocated 90 percent to the general fund and 10 percent to the capital projects fund. The allocation for 2010 was 80 percent general fund and 20 percent capital projects. Property tax revenue was also up 16.78% from 2010, and income tax revenue increased 20.4% from 2010 on a modified accrual basis. Expenditures increased by 2.17% from 2010. Over 70% of General Fund expenditures are for salaries and fringes.

The balance in the Recreation Fund increased \$39,109. Though the increase can be attributed to a mixture of causes, the most significant change came as a result of an increase in income taxes receivable.

The Bond Retirement Fund decreased \$678,413. This was due to paying down general obligation and special assessment debt. The City issued no additional debt in 2011.

The Capital Improvements Fund decreased by \$85,079 primarily because of the reallocation of income tax significantly reduced revenues to the fund and there was a corresponding decrease in capital expenditures.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of 2011 the City amended its General Fund budget on various occasions. All recommendations for budget changes come to the Finance Committee of City Council for review before going to the whole Council for Ordinance enactment on the change. The City does allow

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small interdepartmental budget changes that modify line items within departments within the same fund and within major category, the major categories being “Wages and Fringe Benefits” and “Other”. The General Fund supports many of our major activities such as our Police, Fire and Service Departments, as well as administrative, legislative and executive activities. The General Fund is monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

For the General Fund, original budgeted revenues were \$17.37 million. The final budgeted amount was \$17.37 million and actual revenues were \$19 million. An inheritance tax increase of over \$1 million account for the majority of the variance. Interest income posted to the General Fund continued its downward trend because of lower rates and decreased fund balance with which to invest. The City's ending unencumbered cash balance in the General Fund was \$2,713,354 above the final budgeted amount.

The difference between the General Fund's original budget for expenditures and other uses of \$18,759,434 and the final amended budget of \$19,070,455 was \$311,021 or about 1.6%. The largest revision was an increase of \$121,165 due to salary negotiations that concluded during 2011. Actual expenditures and other uses were \$18,000,591 or \$1,069,864, (6%) less than the final amended budget. The final budget for wages and fringe benefits was \$13,418,147, of which \$13,000,480 or 96.8% was spent leaving a positive variance of \$417,667. Most of this variance was attributable to the police and fire departments. Police officers and firefighters have a contractual right to redeem certain compensated absences for pay, and the city budgets for this as if all eligible employees will exercise their option to sell the maximum number of hours available to sell. If less than the maximum number of hours are sold, then a positive variance results. The final budget for expenditures other than wages and fringe benefits was \$4,802,308, of which \$4,150,111 or 86.4% was actually spent leaving a positive variance of \$652,197. The only significant variance for expenditures, other than wages and fringe benefits, was attributable to the budget for unclaimed funds, which the city budgets for as if all amounts available will be reclaimed.

Capital Assets and Debt Administration

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

	Governmental Activities	
	2011	2010
Land	\$3,429,924	\$3,638,741
Land Improvements	331,326	342,124
Buildings and Improvements	21,601,327	22,091,681
Machinery and Equipment	3,650,581	3,868,584
Furniture and Fixtures	36,521	40,534
Infrastructure		
Streets	10,392,107	10,620,985
Sidewalks	445,816	460,105
Traffic Signals	1,570,445	1,730,236
Water Mains	1,435,925	1,460,185
Sanitary Sewers	1,635,029	1,663,414
Storm Sewers	2,319,776	2,333,518
Construction in Progress	9,995,863	8,707,319
Total Capital Assets	\$56,844,640	\$56,957,426

Total capital assets of the City as of December 31, 2011 were \$56,844,640. Capital assets are \$112,786 less than in 2010. Capital assets remained flat and the overall decrease was due to a variety of reasons. Increases were mainly due to addition of construction in progress related to the Eastland Road project.

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Other reductions were due to annual depreciation and the sale of a parcel of land on the corner of Smith and Pearl Roads. The City is committed to a long-term goal of not only meeting its infrastructure and facilities needs, but also satisfying those needs in a continued high quality manner. Additional information on the City's capital assets can be found in Note 8 of this report.

Debt

As of December 31, 2011, the City had \$12,379,061 in bonds, capital lease obligations, compensated absences and OPWC loans outstanding with \$3,070,456 due within one year, all net of unamortized premiums and loss on debt refundings.

	Governmental Activities	
	2011	2010
General Obligation Bonds	\$7,748,588	\$9,459,967
Special Assessment Bonds	947,096	1,098,379
Capital Lease Obligations	194,701	286,533
Compensated Absences	2,734,125	2,779,714
OPWC - Loan	754,551	607,682
Total	\$12,379,061	\$14,232,275

The General Obligation Bonds are composed of (1) Real Estate Acquisition that is part of the 1998 refunding; (2) City Hall/Fire Station Expansion that is also part of the 1998 refunding, (3) Bagley Rd./ I-71 and Newton Road improvements also part of the 1998 refunding; (4) Pearl Road sanitary sewer construction issued in 1992; (5) Various purpose bonds issued in 2002; and (6) Community Center/Service Center Construction bonds that were refunded in 2008 and to be repaid from a dedicated 3/4% of the City's municipal income tax.

The Special Assessment Bonds consist of various Street and Sewer Construction projects, Engle Road Improvements, Newton Road Improvements, Hepburn Road Improvements, and various other improvements. Principal and interest for these bonds are paid from the collection of special assessments collected by the County Auditor from the specific property owners who primarily benefited from the projects.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10½% of total assessed valuation. The City's net legal debt margin within the 10½% limit was nearly \$60 million on December 31, 2011.

Additional information concerning the City's debt can be found in Note 14 of this report.

Current Financial Related Activities

The City of Middleburg Heights is financially stable. On November 7, 2006, the residents of the City of Middleburg Heights voted in favor of an income tax increase from 1.75% to 2.00% with a corresponding increase in the credit given for resident income earned outside of the city, effective January 1, 2007. This increase along with the efforts of our Economic Development Department has helped to ensure the financial stability of our city. Since the inception of the Economic Development Department in 2006, the City has retained or created, in cooperation with our business community, over 3,700 jobs. In addition, the City continues to evaluate potential cost savings measures while addressing the needs of the community. The Mayor and City Council are dedicated to maintaining the service level that has come to be expected by its residents while balancing a tight budget.

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In 2010, Moody's Investors Service awarded the City a Aa1 credit rating. This is the highest bond rating ever achieved in the history of the City. In 2008, when reviewing the City in relation to its bond refunding (See Note 14), Moody's stated that it, "expects the city's healthy financial operations to continue given satisfactory operating reserves, strong financial management, and demonstrated willingness to respond to economic challenges."

The City of Middleburg Heights has committed itself to financial excellence and has a history of doing just that. The City has received the Government Finance Officers Award (GFOA) Certificate of Achievement for Excellence in Financial Reporting since its initial submission in 1995. Our commitment to our residents has always been one of full disclosure of the financial position of the City.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends, or invests. If you have any questions about this report or need financial information contact Director of Finance Jason Stewart, CPA, City of Middleburg Heights, 15700 Bagley Rd., Middleburg Heights, Ohio 44130, telephone 440-234-8989, or email jstewart@middleburgheights.com.

City of Middleburg Heights, Ohio

Statement of Net Assets

December 31, 2011

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$6,735,845
Accounts Receivable	189,029
Accrued Interest Receivable	40,430
Intergovernmental Receivable	767,337
Prepaid Items	82,871
Materials and Supplies Inventory	249,210
Income Tax Receivable	4,460,813
Property Taxes Receivable	2,382,464
Other Local Taxes Receivable	32,830
Special Assessments Receivable	947,095
Unamortized Bond Issue Costs	146,090
Nondepreciable Capital Assets	13,425,787
Depreciable Capital Assets	43,418,853
<i>Total Assets</i>	<u>72,878,654</u>
Liabilities	
Accounts Payable	229,515
Accrued Wages	404,874
Retainage Payable	55,746
Intergovernmental Payable	495,381
Accrued Interest Payable	27,368
Claims Payable	52,508
Unearned Revenue	2,419,679
Long-Term Liabilities:	
Due Within One Year	3,070,456
Due In More Than One Year	9,308,605
<i>Total Liabilities</i>	<u>16,064,132</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	47,345,795
Restricted for:	
Capital Projects	1,020,901
Debt Service	1,988,524
Other Purposes	452,608
Unrestricted	6,006,694
<i>Total Net Assets</i>	<u><u>\$56,814,522</u></u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Statement of Activities

For the Year Ended December 31, 2011

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Security of Persons and Property:					
Police	\$4,919,272	\$684,320	\$0	\$0	(\$4,234,952)
Fire	3,801,258	512,706	4,045	0	(3,284,507)
Safety Director	58,909	0	0	0	(58,909)
Public Health and Welfare	330,767	23,924	0	0	(306,843)
Culture and Recreation	3,176,067	1,243,202	0	0	(1,932,865)
Community Development	534,590	233,664	0	0	(300,926)
Economic Development	305,201	4,275	0	0	(300,926)
Streets and Highways	2,786,636	8,058	838,669	1,289,377	(650,532)
Sanitation	1,091,845	0	0	0	(1,091,845)
General Government	7,186,714	178,816	0	0	(7,007,898)
Interest and Fiscal Charges	457,423	0	0	0	(457,423)
<i>Total Governmental Activities</i>	<u>\$24,648,682</u>	<u>\$2,888,965</u>	<u>\$842,714</u>	<u>\$1,289,377</u>	<u>(19,627,626)</u>
General Revenues					
Property and Other Local Taxes Levied for:					
General Purposes					2,122,527
Debt Service					238,448
Police and Fire Pension					286,136
Public Health and Welfare					159,755
Income Tax Levied for:					
General Purposes					13,529,681
Debt Service					1,097,026
Recreation					1,569,497
Capital Outlay					608,868
Grants and Entitlements not Restricted to Specific Programs					1,341,682
Investment Earnings					74,330
Miscellaneous					321,634
<i>Total General Revenues</i>					<u>21,349,584</u>
Change in Net Assets					1,721,958
<i>Net Assets Beginning of Year</i>					<u>55,092,564</u>
<i>Net Assets End of Year</i>					<u><u>\$56,814,522</u></u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Balance Sheet

Governmental Funds

December 31, 2011

	General	Recreation	Bond Retirement	Capital Improvements	Other Governmental Funds
Assets					
Equity in Pooled Cash and Investments	\$3,181,099	\$219,484	\$691,893	\$845,416	\$1,050,264
Materials and Supplies Inventory	48,115	41,302	0	0	159,793
Accrued Interest Receivable	39,720	0	710	0	0
Accounts Receivable	138,789	0	0	6,353	43,887
Intergovernmental Receivable	349,003	0	17,356	0	400,978
Prepaid Items	75,248	7,623	0	0	0
Income Taxes Receivable	3,434,045	493,732	312,226	220,810	0
Property Taxes Receivable	1,671,984	0	249,550	0	460,930
Other Local Taxes Receivable	32,830	0	0	0	0
Special Assessments Receivable	0	0	947,095	0	0
<i>Total Assets</i>	<u>\$8,970,833</u>	<u>\$762,141</u>	<u>\$2,218,830</u>	<u>\$1,072,579</u>	<u>\$2,115,852</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$129,727	\$39,505	\$0	\$0	\$60,283
Accrued Wages	331,967	48,981	0	0	23,926
Intergovernmental Payable	451,027	32,853	0	0	11,501
Retainage Payable	0	0	0	55,746	0
Deferred Revenue	2,984,458	153,600	1,311,134	75,047	766,515
Unearned Revenue	0	220,626	0	0	0
<i>Total Liabilities</i>	<u>3,897,179</u>	<u>495,565</u>	<u>1,311,134</u>	<u>130,793</u>	<u>862,225</u>
Fund Balances					
Non-Spendable	123,363	48,925	0	0	159,793
Restricted	0	217,651	907,696	0	805,201
Committed	0	0	0	941,786	288,633
Assigned	266,188	0	0	0	0
Unassigned	4,684,103	0	0	0	0
<i>Total Fund Balances</i>	<u>5,073,654</u>	<u>266,576</u>	<u>907,696</u>	<u>941,786</u>	<u>1,253,627</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,970,833</u>	<u>\$762,141</u>	<u>\$2,218,830</u>	<u>\$1,072,579</u>	<u>\$2,115,852</u>

See accompanying notes to the financial statements

City of Middleburg Heights, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2011*

Total Governmental Funds	Total Governmental Fund Balances	\$8,443,339
	<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
\$5,988,156	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	56,844,640
249,210		
40,430	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
189,029		
767,337		
82,871	Delinquent Property Taxes	\$183,411
4,460,813	Income Taxes	1,394,112
2,382,464	Intergovernmental	479,432
32,830	Special Assessments	947,096
947,095	Charges for Services	87,650
	Total	3,091,701
<u>\$15,140,235</u>		
	An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	695,181
\$229,515		
404,874	Unamortized bond issue costs.	146,090
495,381		
55,746	Accrued interest payable on long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(27,368)
5,290,754		
220,626		
<u>6,696,896</u>	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
	General Obligation Bonds	(7,748,588)
	Special Assessment Bonds	(947,096)
332,081	Capital Leases	(194,701)
1,930,548	OPWC Loan	(754,551)
1,230,419	Compensated Absences	(2,734,125)
266,188		(12,379,061)
4,684,103		
<u>8,443,339</u>	<i>Net Assets of Governmental Activities</i>	<u>\$56,814,522</u>
<u>\$15,140,235</u>		

City of Middleburg Heights, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General	Recreation	Bond Retirement	Capital Improvements	Other Governmental Funds
Revenues					
Property Taxes	\$1,610,250	\$0	\$240,336	\$0	\$449,187
Income Taxes	13,459,121	1,563,600	1,098,361	604,956	0
Other Local Taxes	524,929	0	0	0	0
Intergovernmental	1,412,408	0	50,449	177,840	904,227
Special Assessments	0	0	215,663	0	0
Interest	65,157	0	8,437	98	638
Fines, Licenses and Permits	1,053,428	0	0	0	22,778
Charges for Services	377,649	1,243,202	0	12,048	152,125
Other	278,641	3,849	0	52,037	3,216
<i>Total Revenues</i>	<u>18,781,583</u>	<u>2,810,651</u>	<u>1,613,246</u>	<u>846,979</u>	<u>1,532,171</u>
Expenditures					
Current:					
Security of Persons and Property					
Police	4,641,735	0	0	0	182,826
Fire	3,261,565	0	0	0	250,717
Safety Director	59,032	0	0	0	0
Public Health and Welfare	149,452	0	0	0	181,315
Culture and Recreation	0	2,771,542	0	0	0
Community Development	532,084	0	0	0	0
Economic Development	304,620	0	0	0	0
Streets and Highways	0	0	0	0	1,691,980
Sanitation	1,091,845	0	0	0	0
General Government	6,611,410	0	2,267	0	6,825
Capital Outlay	0	0	0	1,275,423	218,698
Debt Service:					
Principal Retirement	0	0	1,896,457	91,832	0
Interest and Fiscal Charges	0	0	392,935	15,211	0
<i>Total Expenditures</i>	<u>16,651,743</u>	<u>2,771,542</u>	<u>2,291,659</u>	<u>1,382,466</u>	<u>2,532,361</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,129,840</u>	<u>39,109</u>	<u>(678,413)</u>	<u>(535,487)</u>	<u>(1,000,190)</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	0	0	0	303,539	0
Loan Proceeds	0	0	0	146,869	0
Transfers In	0	0	0	0	850,000
Transfers Out	(850,000)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(850,000)</u>	<u>0</u>	<u>0</u>	<u>450,408</u>	<u>850,000</u>
<i>Net Change in Fund Balances</i>	1,279,840	39,109	(678,413)	(85,079)	(150,190)
<i>Fund Balances Beginning of Year</i>	<u>3,793,814</u>	<u>227,467</u>	<u>1,586,109</u>	<u>1,026,865</u>	<u>1,403,817</u>
<i>Fund Balances End of Year</i>	<u>\$5,073,654</u>	<u>\$266,576</u>	<u>\$907,696</u>	<u>\$941,786</u>	<u>\$1,253,627</u>

See accompanying notes to the basic financial statements

*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, 2011*

Total Governmental Funds	Net Change in Fund Balances - Total Governmental Funds	\$405,267
	Amounts reported for governmental activities in the statement of activities are different because	
\$2,299,773	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 net amount of current year capital asset activity.	
16,726,038	Capital Asset Additions	\$2,137,656
524,929	Capital Asset Deletions	(695,326)
2,544,924	Accum Depr on Disposals	263,394
215,663	Current Year Depreciation	<u>(1,818,510)</u>
74,330	Total	(112,786)
1,076,206	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
1,785,024	Delinquent Property Taxes	(17,836)
337,743	Income Tax	85,387
	Intergovernmental	(361,123)
25,584,630	Special Assessments	(151,284)
	Charges for Services	<u>21,382</u>
	Total	(423,474)
	The issuance of long term debt provides current financial resources to the governmental funds while the repayment of principal of long- term debt consumes the current financial resources, but reduces long-term liabilities in the statement of net assets.	
4,824,561	Bond and Capital Lease Principal	1,988,289
3,512,282	Proceeds from OPWC Loan	<u>(146,869)</u>
59,032		1,841,420
330,767	In the statement of activities, interest accrued on outstanding bonds, bond premium, bond issuance costs, and the gain/loss on refunding are amortized over the term of the bonds, whereas in the governmental funds the expenditure is reported when the bonds are issued.	
2,771,542	Accrued Interest	5,388
532,084	Amortization of Bond Premium	17,705
304,620	Amortization of Bond Issuance Costs	(20,870)
1,691,980	Amortization of Loss on Refunding	<u>(51,500)</u>
1,091,845		(49,277)
6,620,502	Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	45,590
1,494,121		
1,988,289	The internal service fund used by management to charge the cost of health insurance to individual funds is not reported in the entity- wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	15,218
408,146		
25,629,771		
(45,141)	Change in Net Assets of Governmental Activities	<u>\$1,721,958</u>
303,539		
146,869		
850,000		
(850,000)		
450,408		
405,267		
8,038,072		
\$8,443,339		

City of Middleburg Heights, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,541,023	\$1,541,023	\$1,610,250	\$69,227
Income Taxes	12,490,000	12,490,000	12,985,910	495,910
Other Local Taxes	550,000	550,000	529,724	(20,276)
Intergovernmental	1,084,289	1,084,289	2,140,413	1,056,124
Interest	125,000	125,000	40,564	(84,436)
Fines, Licenses and Permits	973,300	973,300	1,046,291	72,991
Charges for Services	345,800	345,800	386,890	41,090
Other	265,782	265,782	278,642	12,860
<i>Total Revenues</i>	<u>17,375,194</u>	<u>17,375,194</u>	<u>19,018,684</u>	<u>1,643,490</u>
Expenditures				
Current:				
Security of Persons and Property:				
Police	4,915,689	4,972,648	4,748,285	224,363
Fire	3,541,036	3,563,955	3,363,987	199,968
Safety Director	59,537	59,945	59,567	378
Public Health and Welfare	160,695	161,108	157,921	3,187
Community Development	574,554	578,379	542,073	36,306
Economic Development	380,555	381,548	324,372	57,176
Sanitation	1,025,000	1,071,768	1,071,768	0
General Government	7,252,368	7,431,104	6,882,618	548,486
<i>Total Expenditures</i>	<u>17,909,434</u>	<u>18,220,455</u>	<u>17,150,591</u>	<u>1,069,864</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(534,240)</u>	<u>(845,261)</u>	<u>1,868,093</u>	<u>2,713,354</u>
Other Financing Sources (Uses)				
Transfers Out	(850,000)	(850,000)	(850,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(850,000)</u>	<u>(850,000)</u>	<u>(850,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,384,240)	(1,695,261)	1,018,093	2,713,354
<i>Fund Balance Beginning of Year</i>	1,464,924	1,464,924	1,464,924	0
Prior Year Encumbrances Appropriated	345,576	345,576	345,576	0
<i>Fund Balance End of Year</i>	<u>\$426,260</u>	<u>\$115,239</u>	<u>\$2,828,593</u>	<u>\$2,713,354</u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Recreation Fund
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Income Taxes	\$1,800,000	\$1,800,000	\$1,533,973	(\$266,027)
Charges for Services	1,173,200	1,173,200	1,257,516	84,316
Other	750	750	3,849	3,099
<i>Total Revenues</i>	<u>2,973,950</u>	<u>2,973,950</u>	<u>2,795,338</u>	<u>(178,612)</u>
Expenditures				
Current:				
Culture and Recreation	2,977,537	2,983,650	2,865,143	118,507
<i>Total Expenditures</i>	<u>2,977,537</u>	<u>2,983,650</u>	<u>2,865,143</u>	<u>118,507</u>
<i>Net Change in Fund Balance</i>	(3,587)	(9,700)	(69,805)	(60,105)
<i>Fund Balance Beginning of Year</i>	149,929	149,929	149,929	0
Prior Year Encumbrances Appropriated	69,876	69,876	69,876	0
<i>Fund Balance End of Year</i>	<u>\$216,218</u>	<u>\$210,105</u>	<u>\$150,000</u>	<u>(\$60,105)</u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Statement of Fund Net Assets

Proprietary Fund

December 31, 2011

	<u>Governmental Activities</u> <u>Internal Service</u> <u>Fund - Health Insurance</u>
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Investments	<u>\$747,689</u>
<i>Total Assets</i>	<u>747,689</u>
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	<u>52,508</u>
<i>Total Liabilities</i>	<u>52,508</u>
Net Assets	
Unrestricted	<u>695,181</u>
<i>Total Net Assets</i>	<u><u>\$695,181</u></u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio
*Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2011*

	Governmental Activities Internal Service Fund - Health Insurance
Operating Revenues	
Charges for Services	\$1,732,896
<i>Total Operating Revenues</i>	1,732,896
Operating Expenses	
Contractual Services	280,686
Claims	1,436,992
<i>Total Operating Expenses</i>	1,717,678
<i>Change in Net Assets</i>	15,218
<i>Net Assets Beginning of Year</i>	679,963
<i>Net Assets End of Year</i>	\$695,181

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2011

	Governmental Activities Internal Service Fund - Health Insurance
<i>Increase (Decrease) In Cash and Investments</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$1,732,896
Cash Payments to Suppliers for Services	(280,686)
Cash Payments for Claims	(1,485,940)
<i>Net Cash Flows From Operating Activities</i>	<i>(33,730)</i>
<i>Net Increase In Cash and Investments</i>	<i>(33,730)</i>
<i>Cash and Investments Beginning of Year</i>	<i>781,419</i>
<i>Cash and Investments End of Year</i>	<i>\$747,689</i>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
<i>Operating Income</i>	<i>\$15,218</i>
Adjustments:	
Decrease in Claims Payable	(48,948)
<i>Net Cash Provided By Operating Activities</i>	<i>(\$33,730)</i>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2011

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	\$215,770
Cash in Segregated Accounts	<u>53,942</u>
Total Assets	<u>\$269,712</u>
Liabilities	
Deposits Held and Due to Others	<u>\$269,712</u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 1 – Description of the City

The City of Middleburg Heights (the “City”) was incorporated as a village in 1927 and became a city in 1961. The City of Middleburg Heights (“The City”) is a charter municipal corporation, incorporated under the laws of the State of Ohio. The City operates under a “Mayor-Council” form of government and provides the following services: public safety (police and fire), highway and street maintenance, parks and recreation, public improvements, community development (planning and zoning), public health and certain social services, and general administrative services. Elected officials include seven council members and a mayor.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local 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 City’s accounting policies are described below.

A. Reporting Entity

The 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 of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City, this includes a police force, a fire fighting force, a service department, a building department, a recreation department, and a staff to provide essential support to these service providers.

The Mayor is an elected official who has a fiduciary responsibility for the collection and disbursement of Mayor’s Court fees and fines. This activity has been included in the City’s financial statements as an agency fund.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City, in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City participates in several jointly governed organizations, including the Southwest General Health Center, the Woodvale Union Cemetery, the Southwest Council of Governments, the Northeast Ohio Public Energy Council, and the Suburban Water Regional Council of Governments. Refer to Note 18 for the City’s relationship to these entities.

B. Basis of Presentation

The City’s basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The effect of inter-fund activity of the Health Insurance internal service fund has been eliminated from the government-wide financial statements to avoid the “double counting” of revenues and expenses. Interfund charges for services and net expenses are allocated to the various functions in proportion to the interfund chargeback.

The statement of net assets presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City’s governmental activities. 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City 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 City at this more detailed level. The focus of governmental 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 fund is presented in a single column on the proprietary fund statements. Fiduciary funds are reported by type.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The City’s funds are classified as governmental, proprietary, or fiduciary.

Governmental Funds

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 liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City and/or the general laws of Ohio.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Recreation Fund The recreation fund is used to account for the revenues and expenditures relating to leisure time activities, principally the City's Community Center.

Bond Retirement Fund Established in 2010, the bond retirement fund is used to account for the accumulation of resources for, and the payment of, general long-term bonded debt principal and interest and to account for the monies received from the levy of special assessments for the purpose of retiring the principal and interest on special assessment bonds.

Capital Improvements Fund The capital improvements fund accounts for the purchase of capital equipment and certain other capital improvements financed, in part, by at least ten percent of the first one percent of net income tax collections.

The other governmental funds of the City account for grants and other resources whose use is restricted, committed, or assigned for a particular purpose.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Internal Service Fund Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on a self-insurance program for employee health benefits.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. 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 City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are purely custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for the activities of the Mayor's Court, a State Building Standards fee, various deposits, and a flexible spending account.

D. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets, except for fiduciary funds. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

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 current liabilities 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.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

E. 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 as well as fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, 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 City, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 6.) 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 City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from non-exchange 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: income tax, hotel/motel tax, admissions tax, cable TV franchise fees, ambulance fees, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, grants and entitlements.

Deferred/Unearned Revenue Deferred/Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. Annual membership revenues for the City's Community Center have been recorded as unearned revenue to the extent that they had not been earned as of December 31, 2011.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

F. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. The interest of each fund in the pool is presented as "equity in pooled cash and investments".

During fiscal year 2011, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio), certificates of deposit and Federal Agency Securities.

Investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts such as non-negotiable certificates of deposit and repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2011.

Investment procedures are restricted by provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2011 amounted to \$65,157 which includes \$3,622 assigned from other City funds.

Investments with an original maturity of three months or less and investments of the cash management pool are presented on the financial statements as cash and investments. Investments with an original maturity of more than three months that are not made from the pool are reported as "investments".

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies.

I. Capital Assets

General capital assets are assets that 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 assets but are not reported in the fund financial statements. The City reported infrastructure assets at the same time it implemented GASB Statement No. 34 as of the year ended December 31, 2002.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of streets, water mains, sanitary sewers, storm sewers, traffic signals and sidewalks. 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.

City of Middleburg Heights, Ohio
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For the Year Ended December 31, 2011

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	10-50 years
Buildings and Improvements	10-50 years
Machinery and Equipment	4-30 years
Streets	40 years
Sanitary Sewers, Storm Sewers and Water Mains	75 years
Furniture and Fixtures	20 years
Traffic Signals	20 years
Sidewalks	40 years

J. 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 assets. Neither “interfund receivables/payables” are presented in 2011.

K. Compensated Absences

Vacation 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 City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at year end, taking into consideration any limits specified in the City’s termination policies.

A liability for these amounts is reported in governmental funds only if they have matured, for example, unused reimbursable leave still outstanding following employee resignations and retirements.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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 are recognized as a liability on the governmental fund financial statements when due.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

M. Fund Balance

Fund balance is divided into five classifications bases primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The “not in spendable form” criteria includes items that are not expected to be converted to cash.

Restricted – The Restricted classification includes amounts 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 or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation.

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of City Council. The committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. 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 classification are intended to be used by the City 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. In the General Fund, assigned amounts represent intended uses established by City Council or by a City official delegated that authority by ordinance.

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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City first applies restricted resources when an expenditure is 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 can be used.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include State Highway, Police Pension, Fire Pension and Southwest General Hospital Funds.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of December 31, 2011, net assets restricted by enabling legislation were \$1,988,524 in the Statement of Net Assets.

O. Interfund Activity

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and are either unusual in nature or infrequent in occurrence. Neither occurred in 2011.

Q. Estimates

The preparation of 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.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for the self-insurance program. Operating expenses are necessary costs that have been incurred in order to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

S. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, 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 Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by

City of Middleburg Heights, Ohio
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Council. The legal level of control has been established by Council at the object levels of personnel costs and other costs within each department for all funds. Adjustments to the budget can only be made within a department and then only within the aforementioned object levels by the Director of Finance, upon request by the department head and approval of the Mayor. All other budgetary modifications may only be made by passage of an ordinance by the City Council.

The certificate of estimated resources may be amended during the year if the Finance Director identifies changes to the initial projected revenue. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources in effect at the time final appropriations were passed by Council.

The appropriation ordinance 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 ordinance 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.

Note 3 – Change in Accounting Principles

For 2011, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and GASB Statement No. 59 “Financial Instruments Omnibus.” GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned and unassigned. GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the City.

Note 4 - Budgetary Basis of Accounting

While the City is 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 transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund and the recreation fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. 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 (budget) rather than as a reservation of fund balance (GAAP).

City of Middleburg Heights, Ohio
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4. Investments reported at fair value (GAAP) rather than cost (budget).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General and Recreation funds.

<u>Net Change in Fund Balance</u>		
	<u>General</u>	<u>Recreation</u>
GAAP Basis	\$1,279,840	\$39,109
Net Adjustment for Revenue Accruals	232,673	(15,313)
Fair Value Adjustment for Investments 2010	7,958	0
Fair Value Adjustment for Investments 2011	(3,531)	0
Net Adjustment for Expenditure Accruals	(142,810)	(24,117)
Encumbrances	<u>(356,037)</u>	<u>(69,484)</u>
Budget Basis	<u>\$1,018,093</u>	<u>(\$69,805)</u>

Note 5 - Deposits and Investments

State statutes classify monies held by the City into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director 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.

City of Middleburg Heights, Ohio
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The City's investment policies are governed by state statutes and its own investment policy which authorize the City to invest in obligations of the United States Treasury, United States government agencies and instrumentalities, bonds and other obligations of the State of Ohio and its political subdivisions, no-load Money Market Mutual Funds not containing derivatives, repurchase agreements, certificates of deposit and State Treasurer Asset Reserve of Ohio (STAROhio). Repurchase agreements are limited to 30 days, and the market value of the securities purchased under the agreement must exceed the principal value of the repurchase agreement by at least two percent and be marked to market daily.

Investments in collateral-backed mortgage obligations, derivatives, interest-only purchases, variable interest securities, reverse repurchase agreements, investment pools, except for STAROhio, and stocks, are prohibited, unless specifically authorized by council. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. The City has no deposit policy for custodial credit risk beyond the requirement of state statute. Chapter 135 of the Ohio Revised Code requires that any public depository receiving deposits pursuant to an award of City funds shall be required to pledge eligible securities as security for repayment of all public moneys.

At year-end, the carrying amount of the City's deposits was \$4,509,088 and the bank balance was \$4,931,063. Of the bank balance \$2,387,735 was covered by Federal depository insurance and \$2,543,328 was uninsured. Of the remaining uninsured bank balance, \$2,543,328 was collateralized with securities held by the pledging institution's agent, not in the City's name, as allowed by the Ohio Revised Code.

Investments

Investments are reported at fair value. As of December 31, 2011, the City had the following investments:

	Fair Value	Weighted Average Maturity (Days)
Federal National Mortgage Corporation Bonds	\$1,496,408	1743
Federal Home Loan Bank Bonds	1,000,061	1340
	\$2,496,469	1582

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Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk by requiring that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term payments, thereby avoiding the need to sell securities on the open market prior to maturity. State law also limits security purchases to those that mature within five years unless matched to a specific obligation.

Custodial Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the City must meet a set of prescribed standards and be periodically reviewed.

Credit Risk is addressed by the City's investment policy which requires that all investments are authorized by the Ohio Revised Code and that the portfolio be diversified both by types of investment and issuer. The Federal Home Loan Bank Bonds and the Federal Home Loan Mortgage Corporation Bonds carry a rating of AAA by Standard & Poor's. STAROhio also carries a rating of AAAM by Standard & Poor's.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as having invested five percent or more of the city's portfolio in the securities of a single issuer. The City's investment policy requires diversification of the portfolio and limits the amount of investments placed with any institution to no more than fifty percent of the City's deposit/investment portfolio. The following is the City's allocation as of December 31, 2011:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Federal National Mortgage Corporation Bonds	59.94%
Federal Home Loan Bank Bonds	40.06%

Note 6 – Receivables

Receivables at December 31, 2011, consisted primarily of municipal income taxes, property and other local taxes, accounts, special assessments, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full.

Special assessments expected to be collected in more than one-year amount to \$815,110 in the Bond Retirement Fund. At December 31, 2011 the amount of delinquent special assessments was \$6,353.

A. Property Taxes

Property taxes include amounts levied against all real and public utility personal property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes are levied after October 1, 2011 on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2011.

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. 2011 public utility property taxes, which

City of Middleburg Heights, Ohio
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For the Year Ended December 31, 2011

became a lien December 31, 2010, are levied after October 1, 2011, and collected in 2011 with real property taxes.

The tax rate for all City operations for the year ended December 31, 2011, was \$5.45 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Property	\$519,580,370
Public Utility Tangible Property	<u>11,396,260</u>
Total Valuation	<u><u>\$530,976,630</u></u>

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 statute permits later payment dates to be established.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2011 and for which there is an enforceable legal claim. In the general, police pension, fire pension, general obligation bond retirement and Southwest General Hospital funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Municipal Income Taxes

In 2011, the City levied a municipal income tax of 2.00 percent on all income earned within the City as well as on income of residents earned outside of the City. In the case of income of residents earned outside of the city, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA), on behalf of the City, at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the first (advance) and tenth business days (final settlement) of the following month. Income tax revenue is credited to the General Fund, Recreation Fund, General Obligation Bond Retirement Fund and the Capital Improvements Fund.

C. Intergovernmental Receivable

A summary of intergovernmental receivables follows:

Governmental Activities	Amounts
Gasoline Taxes	\$367,750
Local Government Funds	154,132
Homestead and Rollback	122,248
Estate Tax	93,604
CAT Tax Reimbursement	4,556

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Public Utility Reimbursement	2,174
Permissive Motor Vehicle License Tax	8,794
Liquor Permit	7,123
Berea Municipal Court	6,429
Targeted Enforcement Grant	527
Total	\$767,337

Note 7 - Risk Management

The City 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 2011, the City contracted with GUA Insurance Agency for its Commercial Umbrella coverage. A summary of insurance coverage is as follows:

Company	Type of Coverage	Coverage
Argonaut Insurance Co.	Comprehensive general liability	\$1 million per occurrence/ \$3 million aggregate
Argonaut Insurance Co.	Employee Benefits	\$1 million per occurrence/ \$3 million aggregate
Argonaut Insurance Co.	Blanket building and contents	\$38,906,602
Argonaut Insurance Co.	Inland marine coverage	\$2,760,222
Argonaut Insurance Co.	Electronic Data Processing Equip	\$475,000
Argonaut Insurance Co.	Public Officials Liability	\$1 million per occurrence/ \$3 million aggregate
Argonaut Insurance Co.	Law Enforcement Liability	\$1 million per occurrence
Argonaut Insurance Co.	Commercial Crime	\$25,000
Argonaut Insurance Co.	Employee Dishonesty	\$75,000
Argonaut Insurance Co.	Commercial Automobile	\$1,000,000
Argonaut Insurance Co.	Commercial Umbrella	\$10,000,000
Argonaut Insurance Co.	Ohio Stop Gap	\$1,000,000
Argonaut Insurance Co.	Boiler and Machinery	\$38,906,602

Settled claims have not exceeded coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

In 2011 the City provided two different medical plans for full time employees, council members and their families. A traditional plan with a Preferred Provider Organization is self funded and administered by a third party administrator. A Health Maintenance Organization plan was also offered and was fully insured. All covered employees also receive prescription, dental and vision benefits. Employees declining health care benefits can receive a monthly opt-out payment ranging from \$14 to \$100. Full time employees receive term life insurance benefits of \$50,000. Elected officials received term life insurance benefits of \$30,000.

Under the traditional medical plan, the preferred provider prices all claims which are then submitted to the third party administrator. The third party administrator reviews and processes the claims, which the City then pays. The City has purchased medical stop loss coverage of \$60,000 per individual and

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\$2,138,823 in aggregate. In 2011 the City funded the self-insurance internal service fund at \$490 per month for single coverage and \$1,225 per month for family coverage. These charges are paid by the fund from which the employees' compensation is paid.

The claims liability of \$52,508, as estimated and reported in the internal service fund at December 31, 2011, 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 if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the claims liability for the last two years are as follows:

	Estimated Claims Payable January 1st	Current Year Claims and Changes In Estimates	Claim Payments	Estimated Claims Payable December 31st
2010	\$134,704	\$1,499,365	(\$1,532,613)	\$101,456
2011	\$101,456	\$1,436,992	(\$1,485,940)	\$52,508

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 8 – Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	\$3,638,741	\$110,236	(\$319,053)	\$3,429,924
Construction-In-Progress	8,707,319	1,401,423	(112,879)	9,995,863
Total Capital Assets, not being Depreciated	<u>12,346,060</u>	<u>1,511,659</u>	<u>(431,932)</u>	<u>13,425,787</u>
<i>Capital Assets being Depreciated:</i>				
Land Improvements	1,134,137	18,700	0	1,152,837
Buildings and Improvements	30,632,269	172,507	(6,828)	30,797,948
Furniture and Fixtures	80,262	0	0	80,262
Machinery and Equipment	9,011,937	298,911	(256,566)	9,054,282
Infrastructure:				
Streets	13,649,332	112,879	0	13,762,211
Sidewalks	571,558	0	0	571,558
Traffic Signals	3,195,821	0	0	3,195,821
Water Mains	1,819,468	0	0	1,819,468
Sanitary Sewers	2,128,873	0	0	2,128,873
Storm Sewers	2,755,680	23,000	0	2,778,680
Total Capital Assets being Depreciated	<u>64,979,337</u>	<u>625,997</u>	<u>(263,394)</u>	<u>65,341,940</u>

Less Accumulated Depreciation:

City of Middleburg Heights, Ohio
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Land Improvements	(792,013)	(29,498)	0	(821,511)
Buildings and Improvements	(8,540,588)	(662,861)	6,828	(9,196,621)
Furniture and Fixtures	(39,728)	(4,013)	0	(43,741)
Machinery and Equipment	(5,143,353)	(516,914)	256,566	(5,403,701)
Infrastructure:				
Streets	(3,028,347)	(341,757)	0	(3,370,104)
Sidewalks	(111,453)	(14,289)	0	(125,742)
Traffic Signals	(1,465,585)	(159,791)	0	(1,625,376)
Water Mains	(359,283)	(24,260)	0	(383,543)
Sanitary Sewers	(465,459)	(28,385)	0	(493,844)
Storm Sewers	(422,162)	(36,742)	0	(458,904)
Total Accumulated Depreciation	<u>(20,367,971)</u>	<u>(1,818,510)</u>	<u>263,394</u>	<u>(21,923,087)</u>
Total Capital Assets being Depreciated, Net	<u>44,611,366</u>	<u>(1,192,513)</u>	<u>0</u>	<u>43,418,853</u>
Governmental Activities Capital Assets, Net	<u>\$56,957,426</u>	<u>\$319,146</u>	<u>(\$431,932)</u>	<u>\$56,844,640</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$445,983
Public Safety:	
Police	178,593
Fire	180,618
Streets and Highways	605,224
Culture and Recreation	399,446
Economic Development	2,538
Community Development	6,108
Total Depreciation Expense	<u>\$1,818,510</u>

Note 9 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

All employees, other than non-administrative full-time police officers and firefighters participate 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 members invest 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 member and (vested) employer contributions plus any investment earnings thereon. The Combined Plan is a cost-sharing multiple-employer defined benefit pension plan. Under the Combined plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional 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 and Combined Plans. Members of the Member-Directed Plan do not

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 which may be obtained by writing to the Ohio Public Employees Retirement System, Attn: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. Employees were required to contribute 10.00 percent of their annual covered salary to fund pension obligations. The City contributed 14.00 percent of covered payroll. The City's required contributions to OPERS for the years ended December 31, 2011, 2010 and 2009 were \$927,493, \$930,971, and \$916,151, respectively. The full amount has been contributed for all three years.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24.0 percent respectively for police officers and firefighters. The City's contributions to the OP&F for the years ended December 31, 2011, 2010 and 2009 were \$1,035,237, \$1,039,423 and \$996,565, respectively. The full amount has been contributed for 2009 and 2010. The City has contributed \$778,037 for 2011 with the remainder being reported as "intergovernmental payable" in the governmental activities column of the statement of net assets.

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional 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 healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement 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 benefits recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 45.

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

OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, Attn: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-5601 or 1-800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. The 2009 employer contribution rate was 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 4.0% from January 1 through December 31, 2011. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's required contributions to OPERS for the years ended December 31, 2011, 2010 and 2009 were \$927,493, \$930,971 and \$916,151, respectively, of which \$264,985, \$337,518 and \$382,405, respectively, was allocated to the healthcare plan. The full amount has been contributed for all three years.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined postemployment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B premium, and long-term care to retirees, qualifying benefit recipients and their eligible dependents. OP&F provides access to post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio revised Code states that the employer contribution rate may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The board of trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2011, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Sections 115 and Section 401(h).

The OP&F board of trustees also is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's required contributions to OP&F for the years ended December 31, 2011, 2010 and 2009 were \$1,035,237, \$1,039,423 and \$996,565, respectively, of which \$324,112, \$326,904 and \$312,569, respectively, was allocated to the healthcare plan. The full amount has been contributed for 2010 and 2009. The City has contributed \$778,037 for 2011.

Note 11 - Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements, City ordinances and State laws. Vacation leave is earned at rates that vary depending upon length of service and standard workweek. Employees may use accumulated vacation after the completion of one year of service with the City. With limited exceptions, accumulated vacation must be used within one year of being earned.

Employees earn sick leave at a rate of 1.25 days per month. Sick leave accumulation is unlimited. Upon retirement or death, an employee can be paid one-third of their accumulated sick leave, subject to certain limits. Employees with a sick leave balance of at least 120 days may convert a percentage of the sick days accumulated during the most recent year into a cash payment.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 12 - Contingencies

The City of Middleburg Heights is party to various legal proceedings. However, City management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material adverse effect on the overall financial condition of the City.

Note 13 – Bond Anticipation Notes Payable

Note activity for the year ended December 31, 2011, was as follows:

	Outstanding 12/31/10	Additions	(Reductions)	Outstanding 12/31/11
Smith & Pearl Property 3.50%	\$335,000	\$0	(\$335,000)	\$0

All notes are backed by the full faith and credit of the City and mature within one year. There were no bond anticipation notes outstanding at December 31, 2011.

Note 14 - Long-Term Obligations

The original issue date, interest rate and issuance amount for each of the City's bonds is as follows:

Debt Issue	Original Issue Date	Interest Rate	Original Issue Amount
General Obligation Bonds			
Pearl Road Sanitary Sewer	1992	6.75%	\$3,070
Real Estate Acquisition Refunding	1998	3.35 - 5.125 %	120,000
City Hall/Fire Station Refunding	1998	3.35 - 5.125 %	2,760,000
Bagley Road/I-71/Newton Road Refunding	1998	3.35 - 5.125 %	149,659
Emergency Generator	2002	1.60 - 4.50 %	475,000
Community & Service Center Refunding	2008	3.00 - 4.00%	12,180,000
Special Assessments Bonds			
Pearl Road Sanitary Sewer Claremont/Morningside Road Improvements	1992	6.75%	\$98,930
Engle Road Improvements	1994	4.75 - 8.00%	301,000
Engle Road Improvements	1998	3.35 - 5.125%	814,000
Newton Road Refunding	1998	3.35 - 5.125%	295,341
Hepburn Road Improvements	1998	3.35 - 5.125%	611,000
Fowles Road Sanitary Sewer	1999	6.00%	216,000
Engle Road Improvements	2002	1.60 - 4.50 %	210,000

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The changes in long-term obligations during the year were as follows:

	Outstanding 12/31/10	Additions	(Reductions)	Outstanding 12/31/11	Amounts Due in One Year
General Obligation Bonds:					
Real Estate Acquisition Refunding	\$8,123	\$0	(\$8,123)	\$0	\$0
City Hall/Fire Station Refunding Bagley Rd./I-71/Newton Rd. Refunding	186,773	0	(186,773)	0	0
Emergency Generator	10,126	0	(10,126)	0	0
Pearl Road Sanitary Sewer Community & Service Center Refunding	320,000	0	(20,000)	300,000	20,000
Unamortized Premium	305	0	(152)	153	153
Unamortized Loss on Refunding	9,205,000	0	(1,520,000)	7,685,000	1,400,000
Total General Obligation Bonds	141,640	0	(17,705)	123,935	0
	(412,000)	0	51,500	(360,500)	0
	<u>9,459,967</u>	<u>0</u>	<u>(1,711,379)</u>	<u>7,748,588</u>	<u>1,420,153</u>
Special Assessment Bonds:					
Engle Road Improvements	426,000	0	(50,000)	376,000	50,000
Engle Road Improvements	135,000	0	(10,000)	125,000	10,000
Newton Road Refunding	19,980	0	(19,980)	0	0
Pearl Road Sanitary Sewer	9,893	0	(4,946)	4,947	4,947
Claremont/Morningside Road Imp.	60,000	0	(15,000)	45,000	15,000
Hepburn Road Improvements	317,000	0	(40,000)	277,000	40,000
Fowles Road Sanitary Sewer	130,506	0	(11,357)	119,149	12,038
Total Special Assessment Bonds	<u>1,098,379</u>	<u>0</u>	<u>(151,283)</u>	<u>947,096</u>	<u>131,985</u>
Other Long-Term Liabilities					
2008 Capital Lease - Salt Truck	56,179	0	(27,424)	28,755	28,755
2009 Capital Lease - Phone System	117,479	0	(37,680)	79,799	39,141
2010 Capital Lease - Salt Truck	112,875	0	(26,728)	86,147	27,698
Compensated Absences	2,779,714	1,414,174	(1,459,762)	2,734,126	1,422,725
OPWC - Loan	607,682	146,869	0	754,551	0
Total Other Long-Term Liabilities	<u>3,673,929</u>	<u>1,561,043</u>	<u>(1,551,594)</u>	<u>3,683,378</u>	<u>1,518,318</u>
Total Long-Term Liabilities	<u>\$14,232,275</u>	<u>\$1,561,043</u>	<u>(\$3,414,256)</u>	<u>\$12,379,062</u>	<u>\$3,070,456</u>

General obligation bonds General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from both property taxes and municipal income taxes approved for that purpose.

Special assessment bonds The special assessment bonds are backed by the full faith and credit of the City and will be paid from the special assessment bond retirement fund from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, the City would make the payment.

Refunded bonds In 1998, the City defeased a general obligation bond issue by placing the proceeds of new bonds in an irrevocable escrow account to provide for all future debt service payments on the old bonds. For financial reporting purposes, the debt has been considered defeased and therefore removed as

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

a liability from the statement of net assets. As of December 31, 2011 the amount of defeased debt has been paid with no outstanding balance

In 2008, the City defeased a general obligation bond issue by placing the proceeds of new bonds in an irrevocable escrow account to provide for all future debt service payments on the old bonds. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the statement of net assets. As of December 31, 2011 the amount of defeased debt outstanding on this issue amounted to \$7,662,000.

OPWC Loan - In 2005, the Cities of Middleburg Heights, Berea and Brook Park, along with Cuyahoga County entered into an agreement that involves various improvements between Bagley Road and State Route 237. The City of Berea entered into an agreement with the Ohio Public Works Commission (OPWC) in the amount of \$1,900,900 to help fund the construction costs. The City of Middleburg Heights is obligated to pay annual debt service payments of 43 percent to the City of Berea. The City of Berea in turn makes the entire debt service payment to OPWC. The Ohio Public Works Commission (OPWC) loan is a 20 year zero percent loan paid from the capital improvement fund. The governmental project is not completed and therefore, a final amortization schedule is not available and is not incorporated in the following amortization schedule.

Other long-term obligations In prior years, the compensated absences fund, the street construction fund and the recreation liability has been paid from the general fund. The capital lease payable will be paid from the capital improvements fund.

The City's overall legal debt margin was \$56,360,090 at December 31, 2011. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2011, are as follows:

Year	General Obligation Bonds		Special Assessment Bonds		Totals
	Principal	Interest	Principal	Interest	
2012	\$1,420,153	\$283,685	\$131,985	\$44,729	\$1,880,551
2013	1,115,000	237,475	117,761	37,848	1,508,084
2014	1,165,000	199,688	123,526	35,180	1,523,394
2015	1,180,000	160,212	119,338	26,387	1,485,937
2016	1,035,000	118,787	130,198	20,970	1,304,956
2017-2021	2,035,000	138,175	309,287	31,761	2,514,223
2022	35,000	1,575	15,001	675	52,251
Total	\$7,985,153	\$1,139,597	\$947,096	\$197,550	\$10,269,396

Conduit debt obligations In December of 1997, the City issued \$30,000,000 of Variable Rate Demand Hospital Improvement Revenue Bonds, Series 1997 for the purpose of providing funds to pay the cost of various improvements to the Southwest General Health Center. The City is not obligated in any way to repay this debt.

In October of 1995, the City issued \$41,615,000 of Hospital Improvement Refunding Revenue Bonds, Series 1995, for the purpose of providing funds to pay for the costs of hospital facilities to be used by Southwest General Health Center and to advance refund the Hospital Improvement Revenue Bonds, Series 1991. The City is not obligated in any way to repay this debt.

At December 31, 2011, the aggregate principal amount of conduit debt obligations outstanding is \$38,000,000.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 15 – Capital Leases

The City did not enter into any new capital leases in 2011. In 2010, the City entered into a Capital Lease Agreement for financing the acquisition of a 2011 International Salt Truck with a down payment of \$30,825. In 2009, the City entered into a Capital Lease Agreement for financing the acquisition of a new IP-based telephone system for all the city buildings with a down payment of \$42,235. In 2008, the City entered into a Capital Lease Agreement for financing the acquisition of a 2009 International Salt Truck with a down payment of \$30,000. Also, in 2006, the City entered into a Capital Lease Agreement for financing the acquisition of a 2007 International Salt Truck with a down payment of \$30,000. These lease agreements qualify as a capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception dates. The assets acquired through capital lease are reported as follows:

	Governmental Activities		
	2009	2010	2011
	Salt Truck	Phone System	Salt Truck
Asset:			
Machinery and Equipment	\$137,276	\$0	\$143,700
Buildings and Improvements	0	195,989	0
Less: Accum Depreciation	(37,179)	(35,931)	(18,960)
	\$100,097	\$160,058	\$124,740

The future minimum lease obligations and the present value of these minimum lease payments as of December 31, 2011, were as follows:

Year Ending December 31:	Governmental Activities		
	Salt Truck	Phone System	Salt Truck
2012	\$30,151	\$42,235	\$30,825
2013	0	42,235	30,825
2014	0	0	30,825
Total Minimum Lease Payments	30,151	84,470	92,475
Less: Amount Representing Interest	(1,396)	(4,670)	(6,329)
Present Value of Minimum Lease Payments	\$28,755	\$79,800	\$86,146

Note 16 - Contractual Commitments

The City had the following contractual commitments outstanding at December 31, 2011:

Project	Remaining on Contract
Smith Road Quiet Zones	\$95,000
Airport Monitoring	7,354
Street Improvement Program - 2011	42,270
Sidewalk Improvement Program - 2011	5,517
City Hall Boiler	5,000
	\$155,141

Note 17 – Interfund Transfers and Balances

During calendar year 2011, a transfer of \$850,000 was made from the General Fund to the Street Construction Fund. This transfer was made to provide additional resources to fund current operations.

Note 18 - Jointly Governed Organizations

A. Southwest General Health Center

The Southwest General Health Center is an Ohio non-profit corporation providing health services to the communities of Berea, Brook Park, Middleburg Heights, Olmsted Falls, Strongsville, and Columbia Township. Each of these governments supports the hospital through property tax levies and has representation on the Board of Trustees.

The Health Center is governed by a Board of Trustees consisting of the following: one person who is a member of the legislative body from each of the political subdivisions, one person residing in each political subdivision who is not a member of the legislative body, three people who are residents of any of the participating political subdivisions, the president of the corporation, the president of the medical staff, the vice president of the medical staff, and the executive vice president of the corporation. The legislative bodies of each political subdivision elect their members to serve on the Board of Trustees of the Health Center. The Board exercises total control over the operation of the Health Center including budgeting, appropriating, contracting and designating management. Each City's degree of control is limited to its representation on the Board. The Southwest General Hospital special revenue fund accounts for property tax resources that are distributed to the Health Center. In 2011, the City of Middleburg Heights remitted \$252,671 to the Health Center.

B. Woodvale Union Cemetery

The Woodvale Union Cemetery is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Woodvale Union Cemetery provides burial grounds and burial services to the public. The Cemetery is a jointly governed organization among the cities of Middleburg Heights and Berea. A joint council consisting of the council members from the member communities governs the Cemetery. The joint council elects and appoints the members of the Board of Trustees. The Board consists of the following: one elected member of the legislative body from each of the political subdivisions, and one appointed resident from either of the political subdivisions who is not a member of the legislative body. The joint council exercises total control over the operation of the Cemetery including budgeting, appropriating, and contracting. Each City's degree of control is limited to its representation on the Board. In 2011, the City of Middleburg Heights contributed \$10,000 for operating expenses to the Cemetery.

C. Southwest Council of Governments

The Southwest Council of Governments helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions, and regional development. The Council's Board is comprised of one member from each of the 16 participating cities. The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. Budgets are adopted by the Board. Each City's degree of control is limited to its representation on the Board. The Council has established two subsidiary organizations, the Hazardous Material Response Team ("HAZMAT"), which provides hazardous material protection and assistance, and the Southwest Enforcement Bureau, which provides extra assistance to cities in the form of a SWAT team. In 2011, the City of Middleburg Heights contributed \$15,000 to the Council. The

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Council's financial statements may be obtained by contacting the Southwest Council of Governments, 6281 Pearl Road, Parma Heights, Ohio.

D. Northeast Ohio Public Energy Council

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 129 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities. NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 31320 Solon Road, Suite 20, Solon, Ohio 44139.

E. Suburban Water Regional Council of Governments

The City is a member of the Suburban Water Regional Council of Governments. The organization is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. The Council was formed to represent municipal corporation members in communications, understandings, uniform approaches and exchange of information between the council and the City of Cleveland with respect to water service, system and local operations, rates, maintenance and capital improvements. There are no dues or fees assessed against the members of the council. The Council consists of 70 communities.

The Council's Board is comprised of 18 trustees elected from nine regional groups. The Board oversees and manages the operation of the Council. The degree of control exercised by each community is limited to its representation in the Council and on the Board. Financial information can be obtained by contacting the Office of the Executive Secretary of the Cuyahoga County Mayors and City Managers Association, 10107 Brecksville Road, Brecksville, Ohio 44141.

Note 19 – Fund Balance

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

City of Middleburg Heights, Ohio
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For the Year Ended December 31, 2011

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Recreation</u>	<u>Bond Retirement</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>
Non-Spendable for:					
Prepaid Items	\$75,248	\$7,623	\$0	\$0	\$159,793
Materials and Supplies					
Inventory	48,115	41,302	0	0	0
Total Non-Spendable	<u>123,363</u>	<u>48,925</u>	<u>0</u>	<u>0</u>	<u>159,793</u>
Restricted for:					
Bond Retirement	0	0	907,696	0	0
Recreation	0	217,651	0	0	0
Street Construction	0	0	0	0	464,559
State Highway	0	0	0	0	151,839
Clerk of Court					
Computer	0	0	0	0	67,766
Law Enforcement	0	0	0	0	92,595
Police Pension	0	0	0	0	12,187
Fire Pension	0	0	0	0	12,187
Community Center	0	0	0	0	4,068
Total Restricted	<u>0</u>	<u>217,651</u>	<u>907,696</u>	<u>0</u>	<u>805,201</u>
Committed to:					
Capital Improvements	0	0	0	941,786	0
Medical Transport	0	0	0	0	274,607
Tree Planting	0	0	0	0	5,342
Veteran's Memorial	0	0	0	0	8,684
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>	<u>941,786</u>	<u>288,633</u>
Assigned for:					
Unpaid Obligations	266,188	0	0	0	0
Unassigned:	4,684,103	0	0	0	0
Total Fund Balance:	<u><u>\$5,073,654</u></u>	<u><u>\$266,576</u></u>	<u><u>\$907,696</u></u>	<u><u>\$941,786</u></u>	<u><u>\$1,253,627</u></u>

Combining Statements and Individual Fund Schedules – Non-major Governmental Funds

Nonmajor Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes, other than for debt service or capital projects.

Street Construction Fund To account for the portion of state gasoline taxes and motor vehicle license fees restricted for street maintenance and repair.

State Highway Fund To account for the portion of state gasoline taxes and motor vehicle license fees restricted for maintenance of State highways within the City.

Clerk of Court Computer Fund To account for the portion of court costs paid by each offender restricted for procurement and maintenance of computer services for the office of the Clerk of the Municipal Court.

Law Enforcement Fund Required by State law, to account for court fees obtained from DUI cases, as well as resources obtained from drug fines and seized contraband. Expenditures are restricted for law enforcement purposes.

Medical Transport Fund To account for the collection of proceeds from our emergency medical care transport units and related expenditures.

Police Pension Fund To account for property taxes levied for the payment of current employer contributions to the state administered police disability and pension fund.

Fire Pension Fund To account for property taxes levied for the payment of current employer contributions to the state administered fire fighters disability and pension fund.

Tree Planting Fund To account for fees charged to developers and builders to plant trees on tree lawns.

Veteran's Memorial Fund To account for donations to build a Veteran's Memorial in the City.

Southwest General Hospital Fund To account for property taxes levied for the maintenance and support of the Southwest General Health Center.

Combining Statements
Non-major Governmental Funds (Continued)

Nonmajor Capital Projects Fund

Capital Projects are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

Community Center Fund To account for bond proceeds restricted for construction of the Community Center.

City of Middleburg Heights, Ohio

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2011

	Nonmajor Special Revenue Funds	Community Center Fund	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Investments	\$1,046,196	\$4,068	\$1,050,264
Materials and Supplies Inventory	159,793	0	159,793
Accounts Receivable	43,887	0	43,887
Intergovernmental Receivable	400,978	0	400,978
Property Taxes Receivable	460,930	0	460,930
<i>Total Assets</i>	<u>\$2,111,784</u>	<u>\$4,068</u>	<u>\$2,115,852</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$60,283	\$0	\$60,283
Accrued Wages	23,926	0	23,926
Intergovernmental Payable	11,501	0	11,501
Deferred Revenue	766,515	0	766,515
<i>Total Liabilities</i>	<u>862,225</u>	<u>0</u>	<u>862,225</u>
Fund Balances			
Non-Spendable	159,793	0	159,793
Restricted	801,133	4,068	805,201
Committed	288,633	0	288,633
<i>Total Fund Balances</i>	<u>1,249,559</u>	<u>4,068</u>	<u>1,253,627</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,111,784</u>	<u>\$4,068</u>	<u>\$2,115,852</u>

City of Middleburg Heights, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2011

	Nonmajor Special Revenue Funds	Community Center Fund	Total Nonmajor Governmental Funds
Revenues			
Property Taxes	\$449,187	\$0	\$449,187
Intergovernmental	904,227	0	904,227
Interest	633	5	638
Fines, Licenses and Permits	22,778	0	22,778
Charges for Services	152,125	0	152,125
Other	3,216	0	3,216
<i>Total Revenues</i>	<u>1,532,166</u>	<u>5</u>	<u>1,532,171</u>
Expenditures			
Current:			
Security of Persons and Property:			
Police	182,826	0	182,826
Fire	250,717	0	250,717
Public Health and Welfare	181,315	0	181,315
Streets and Highways	1,691,980	0	1,691,980
General Government	6,825	0	6,825
Capital Outlay	218,698	0	218,698
<i>Total Expenditures</i>	<u>2,532,361</u>	<u>0</u>	<u>2,532,361</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,000,195)</u>	<u>5</u>	<u>(1,000,190)</u>
Other Financing Sources			
Transfers In	850,000	0	850,000
<i>Total Other Financing Sources</i>	<u>850,000</u>	<u>0</u>	<u>850,000</u>
<i>Net Change in Fund Balances</i>	(150,195)	5	(150,190)
<i>Fund Balances Beginning of Year</i>	<u>1,399,754</u>	<u>4,063</u>	<u>1,403,817</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,249,559</u></u>	<u><u>\$4,068</u></u>	<u><u>\$1,253,627</u></u>

City of Middleburg Heights, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2011

	Street Construction	State Highway	Clerk of Court Computer	Law Enforcement	Medical Transport	Police Pension
Assets						
Equity in Pooled Cash and Investments	\$444,772	\$142,725	\$67,766	\$92,420	\$260,113	\$12,187
Materials and Supplies Inventory	136,403	23,390	0	0	0	0
Accounts Receivable	0	0	0	0	43,887	0
Intergovernmental Receivable	348,303	28,241	0	175	0	9,029
Property Taxes Receivable	0	0	0	0	0	149,729
<i>Total Assets</i>	<u>\$929,478</u>	<u>\$194,356</u>	<u>\$67,766</u>	<u>\$92,595</u>	<u>\$304,000</u>	<u>\$170,945</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$59,660	\$0	\$0	\$0	\$623	\$0
Accrued Wages	22,053	0	0	0	1,873	0
Intergovernmental Payable	10,899	0	0	0	602	0
Deferred Revenue	235,904	19,127	0	0	26,295	158,758
<i>Total Liabilities</i>	<u>328,516</u>	<u>19,127</u>	<u>0</u>	<u>0</u>	<u>29,393</u>	<u>158,758</u>
Fund Balances						
Non-Spendable	136,403	23,390	0	0	0	0
Restricted	464,559	151,839	67,766	92,595	0	12,187
Committed	0	0	0	0	274,607	0
<i>Total Fund Balances</i>	<u>600,962</u>	<u>175,229</u>	<u>67,766</u>	<u>92,595</u>	<u>274,607</u>	<u>12,187</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$929,478</u>	<u>\$194,356</u>	<u>\$67,766</u>	<u>\$92,595</u>	<u>\$304,000</u>	<u>\$170,945</u>

(continued)

City of Middleburg Heights, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2011

	Fire Pension	Tree Planting	Veteran's Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
Assets					
Equity in Pooled Cash and Investments	\$12,187	\$5,342	\$8,684	\$0	\$1,046,196
Materials and Supplies Inventory	0	0	0	0	159,793
Accounts Receivable	0	0	0	0	43,887
Intergovernmental Receivable	9,029	0	0	6,201	400,978
Property Taxes Receivable	149,729	0	0	161,472	460,930
<i>Total Assets</i>	<u>\$170,945</u>	<u>\$5,342</u>	<u>\$8,684</u>	<u>\$167,673</u>	<u>\$2,111,784</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$0	\$0	\$0	\$0	\$60,283
Accrued Wages	0	0	0	0	23,926
Intergovernmental Payable	0	0	0	0	11,501
Deferred Revenue	158,758	0	0	167,673	766,515
<i>Total Liabilities</i>	<u>158,758</u>	<u>0</u>	<u>0</u>	<u>167,673</u>	<u>862,225</u>
Fund Balances					
Non-Spendable	0	0	0	0	159,793
Restricted	12,187	0	0	0	801,133
Committed	0	5,342	8,684	0	288,633
<i>Total Fund Balances</i>	<u>12,187</u>	<u>5,342</u>	<u>8,684</u>	<u>0</u>	<u>1,249,559</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$170,945</u>	<u>\$5,342</u>	<u>\$8,684</u>	<u>\$167,673</u>	<u>\$2,111,784</u>

City of Middleburg Heights, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2011

	Street Construction	State Highway	Clerk of Court Computer	Law Enforcement	Medical Transport	Police Pension
Revenues						
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$144,201
Intergovernmental	766,226	61,429	0	0	3,450	26,296
Interest	330	165	0	127	0	0
Fines, Licenses and Permits	0	0	10,325	12,453	0	0
Charges for Services	8,058	0	0	0	143,542	0
Other	0	2,296	0	0	595	0
<i>Total Revenues</i>	<u>774,614</u>	<u>63,890</u>	<u>10,325</u>	<u>12,580</u>	<u>147,587</u>	<u>170,497</u>
Expenditures						
Current:						
Security of Persons and Property:						
Police	0	0	0	7,745	0	175,081
Fire	0	0	0	0	75,636	0
Public Health and Welfare	0	0	0	0	0	0
Streets and Highways	1,610,431	81,549	0	0	0	0
General Government	0	0	6,600	0	0	0
Capital Outlay	0	0	0	0	218,698	0
<i>Total Expenditures</i>	<u>1,610,431</u>	<u>81,549</u>	<u>6,600</u>	<u>7,745</u>	<u>294,334</u>	<u>175,081</u>
<i>Excess of Revenues Over (Under)</i>						
<i>Expenditures</i>	<u>(835,817)</u>	<u>(17,659)</u>	<u>3,725</u>	<u>4,835</u>	<u>(146,747)</u>	<u>(4,584)</u>
Other Financing Sources						
Transfers In	850,000	0	0	0	0	0
<i>Total Other Financing Sources</i>	<u>850,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	14,183	(17,659)	3,725	4,835	(146,747)	(4,584)
<i>Fund Balances Beginning of Year</i>	<u>586,779</u>	<u>192,888</u>	<u>64,041</u>	<u>87,760</u>	<u>421,354</u>	<u>16,771</u>
<i>Fund Balances End of Year</i>	<u>\$600,962</u>	<u>\$175,229</u>	<u>\$67,766</u>	<u>\$92,595</u>	<u>\$274,607</u>	<u>\$12,187</u>

(continued)

City of Middleburg Heights, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
For the Year Ended December 31, 2011

	Fire Pension	Tree Planting	Veteran's Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
Revenues					
Property Taxes	\$144,201	\$0	\$0	\$160,785	\$449,187
Intergovernmental	26,296	0	0	20,530	904,227
Interest	0	0	11	0	633
Fines, Licenses and Permits	0	0	0	0	22,778
Charges for Services	0	525	0	0	152,125
Other	0	0	325	0	3,216
<i>Total Revenues</i>	<u>170,497</u>	<u>525</u>	<u>336</u>	<u>181,315</u>	<u>1,532,166</u>
Expenditures					
Current:					
Security of Persons and Property:					
Police	0	0	0	0	182,826
Fire	175,081	0	0	0	250,717
Public Health and Welfare	0	0	0	181,315	181,315
Streets and Highways	0	0	0	0	1,691,980
General Government	0	0	225	0	6,825
Capital Outlay	0	0	0	0	218,698
<i>Total Expenditures</i>	<u>175,081</u>	<u>0</u>	<u>225</u>	<u>181,315</u>	<u>2,532,361</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenditures</i>	<u>(4,584)</u>	<u>525</u>	<u>111</u>	<u>0</u>	<u>(1,000,195)</u>
Other Financing Sources					
Transfers In	0	0	0	0	850,000
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>850,000</u>
<i>Net Change in Fund Balances</i>	<u>(4,584)</u>	<u>525</u>	<u>111</u>	<u>0</u>	<u>(150,195)</u>
<i>Fund Balances Beginning of Year</i>	<u>16,771</u>	<u>4,817</u>	<u>8,573</u>	<u>0</u>	<u>1,399,754</u>
<i>Fund Balances End of Year</i>	<u>\$12,187</u>	<u>\$5,342</u>	<u>\$8,684</u>	<u>\$0</u>	<u>\$1,249,559</u>

**Individual Fund Schedules of Revenues, Expenditures and
Changes in Fund Balance-Budget (Non-GAAP Basis) and Actual**

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,541,023	\$1,541,023	\$1,610,250	\$69,227
Income Taxes	12,490,000	12,490,000	12,985,910	495,910
Other Local Taxes	550,000	550,000	529,724	(20,276)
Intergovernmental	1,084,289	1,084,289	2,140,413	1,056,124
Interest	125,000	125,000	40,564	(84,436)
Fines, Licenses and Permits	973,300	973,300	1,046,291	72,991
Charges for Services	345,800	345,800	386,890	41,090
Other	265,782	265,782	278,642	12,860
<i>Total Revenues</i>	17,375,194	17,375,194	19,018,684	1,643,490
Expenditures				
Current:				
Public Safety:				
Police:				
Personal Services	4,447,287	4,499,233	4,365,089	134,144
Other	468,402	473,415	383,196	90,219
Total Police	4,915,689	4,972,648	4,748,285	224,363
Fire:				
Personal Services	3,144,733	3,166,211	3,054,177	112,034
Other	396,303	397,744	309,810	87,934
Total Fire	3,541,036	3,563,955	3,363,987	199,968
Safety Director:				
Personal Services	58,962	59,370	59,338	32
Other	575	575	229	346
Total Safety Director	59,537	59,945	59,567	378
Total Public Safety	8,516,262	8,596,548	8,171,839	424,709
Public Health and Welfare:				
Senior Bus:				
Other	96,784	96,784	96,784	0
Total Senior Bus	96,784	96,784	96,784	0
Senior Programs				
Personal Services	43,131	44,764	44,763	1
Other	20,780	19,560	16,374	3,186
Total Senior Programs	63,911	64,324	61,137	3,187
Total Public Health and Welfare	160,695	161,108	157,921	3,187

(continued)

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Community Development:				
Planning and Zoning:				
Personal Services	\$89,961	\$90,454	\$84,499	\$5,955
Other	3,874	3,874	3,409	465
Total Planning and Zoning	93,835	94,328	87,908	6,420
Building:				
Personal Services	397,473	400,583	383,339	17,244
Other	27,285	27,507	16,218	11,289
Total Building	424,758	428,090	399,557	28,533
Engineer:				
Other	55,961	55,961	54,608	1,353
Total Engineer	55,961	55,961	54,608	1,353
Total Community Development	574,554	578,379	542,073	36,306
Economic Development:				
Personal Services	120,930	122,928	122,921	7
Other	259,625	258,620	201,451	57,169
Total Economic Development	380,555	381,548	324,372	57,176
Sanitation:				
Other	1,025,000	1,071,768	1,071,768	0
Total Refuse Removal	1,025,000	1,071,768	1,071,768	0
Total Sanitation	1,025,000	1,071,768	1,071,768	0
General Government:				
Mayor's Court:				
Personal Services	184,304	185,614	180,143	5,471
Other	64,127	64,127	50,638	13,489
Total Mayor's Court	248,431	249,741	230,781	18,960
Mayor:				
Personal Services	481,264	484,778	474,274	10,504
Other	22,573	22,638	14,462	8,176
Total Mayor	503,837	507,416	488,736	18,680

(continued)

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Finance:				
Personal Services	\$559,285	\$554,059	\$543,802	\$10,257
Other	57,170	57,100	36,825	20,275
Total Finance	616,455	611,159	580,627	30,532
Law:				
Personal Services	277,426	279,686	277,858	1,828
Other	85,548	85,548	66,379	19,169
Total Law	362,974	365,234	344,237	20,997
Service:				
Personal Services	2,713,955	2,756,500	2,654,435	102,065
Other	407,922	411,903	299,865	112,038
Total Service	3,121,877	3,168,403	2,954,300	214,103
Facilities Maintenance:				
Personal Services	419,851	422,769	417,618	5,151
Other	267,277	267,277	240,708	26,569
Total Facilities Maintenance	687,128	690,046	658,326	31,720
Council:				
Personal Services	345,257	346,432	336,746	9,686
Other	25,430	25,430	15,968	9,462
Total Council	370,687	371,862	352,714	19,148
Boards and Commissions:				
Personal Services	4,806	4,766	1,478	3,288
Other	11,950	11,950	6,562	5,388
Total Boards and Commissions	16,756	16,716	8,040	8,676
City Hall:				
Other	693,843	820,147	648,883	171,264
Statutory Accounts:				
Other	630,380	630,380	615,974	14,406
Total Statutory Accounts	630,380	630,380	615,974	14,406
Total General Government	7,252,368	7,431,104	6,882,618	548,486
<i>Total Expenditures</i>	17,909,434	18,220,455	17,150,591	1,069,864

(continued)

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(\$534,240)</u>	<u>(\$845,261)</u>	<u>\$1,868,093</u>	<u>\$2,713,354</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(850,000)</u>	<u>(850,000)</u>	<u>(850,000)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(850,000)</u>	<u>(850,000)</u>	<u>(850,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,384,240)	(1,695,261)	1,018,093	2,713,354
<i>Fund Balance Beginning of Year</i>	1,464,924	1,464,924	1,464,924	0
Prior Year Encumbrances Appropriated	<u>345,576</u>	<u>345,576</u>	<u>345,576</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$426,260</u></u>	<u><u>\$115,239</u></u>	<u><u>\$2,828,593</u></u>	<u><u>\$2,713,354</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Recreation Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Income Taxes	\$1,800,000	\$1,800,000	\$1,533,973	(\$266,027)
Charges for Services	1,173,200	1,173,200	1,257,516	84,316
Other	750	750	3,849	3,099
<i>Total Revenues</i>	<u>2,973,950</u>	<u>2,973,950</u>	<u>2,795,338</u>	<u>(178,612)</u>
Expenditures				
Current:				
Culture and Recreation:				
Personal Services	2,035,675	2,041,788	2,010,284	31,504
Other	941,862	941,862	854,859	87,003
<i>Total Expenditures</i>	<u>2,977,537</u>	<u>2,983,650</u>	<u>2,865,143</u>	<u>118,507</u>
<i>Net Change in Fund Balance</i>	(3,587)	(9,700)	(69,805)	(60,105)
<i>Fund Balance Beginning of Year</i>	149,929	149,929	149,929	0
Prior Year Encumbrances Appropriated	<u>69,876</u>	<u>69,876</u>	<u>69,876</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$216,218</u>	<u>\$210,105</u>	<u>\$150,000</u>	<u>(\$60,105)</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Bond Retirement Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$230,003	\$230,003	\$240,336	\$10,333
Income Taxes	1,200,000	1,200,000	1,200,000	\$0
Special Assessments	215,000	215,000	215,663	663
Intergovernmental	62,348	62,348	50,449	(11,899)
Interest	8,519	8,519	8,519	0
<i>Total Revenues</i>	<u>1,715,870</u>	<u>1,715,870</u>	<u>1,714,967</u>	<u>(903)</u>
Expenditures				
Current:				
General Government:				
Other	12,600	12,600	2,267	10,333
Debt Service:				
Principal Retirement	1,896,500	1,896,500	1,896,457	43
Interest and Fiscal Charges	393,100	393,100	392,935	165
<i>Total Expenditures</i>	<u>2,302,200</u>	<u>2,302,200</u>	<u>2,291,659</u>	<u>10,541</u>
<i>Net Change in Fund Balance</i>	(586,330)	(586,330)	(576,692)	9,638
<i>Fund Balance Beginning of Year</i>	<u>1,268,585</u>	<u>1,268,585</u>	<u>1,268,585</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$682,255</u></u>	<u><u>\$682,255</u></u>	<u><u>\$691,893</u></u>	<u><u>\$9,638</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Capital Improvements Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Income Taxes	\$790,000	\$790,000	\$801,604	\$11,604
Intergovernmental	0	177,840	177,840	0
Charges for Services	14,527	14,527	12,048	(2,479)
Other	324,000	354,000	334,849	(19,151)
<i>Total Revenues</i>	<u>1,128,527</u>	<u>1,336,367</u>	<u>1,326,341</u>	<u>(10,026)</u>
Expenditures				
Current:				
Capital Outlay	1,564,890	2,044,388	1,447,346	597,042
Total Capital Outlay	<u>1,564,890</u>	<u>2,044,388</u>	<u>1,447,346</u>	<u>597,042</u>
Debt Service:				
Principal Retirement	335,000	335,000	335,000	0
Interest and Fiscal Charges	11,693	11,693	11,693	0
Total Debt Service	<u>346,693</u>	<u>346,693</u>	<u>346,693</u>	<u>0</u>
<i>Total Expenditures</i>	<u>1,911,583</u>	<u>2,391,081</u>	<u>1,794,039</u>	<u>597,042</u>
<i>Net Change in Fund Balance</i>	(783,056)	(1,054,714)	(467,698)	587,016
<i>Fund Balance Beginning of Year</i>	434,938	434,938	434,938	0
Prior Year Encumbrances Appropriated	<u>630,301</u>	<u>630,301</u>	<u>630,301</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$282,183</u></u>	<u><u>\$10,525</u></u>	<u><u>\$597,541</u></u>	<u><u>\$587,016</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Construction Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$790,000	\$790,000	\$776,694	(\$13,306)
Interest	1,250	1,250	330	(920)
Charges for Services	15,000	15,000	8,058	(6,942)
Other	5,000	5,000	0	(5,000)
<i>Total Revenues</i>	<u>811,250</u>	<u>811,250</u>	<u>785,082</u>	<u>(26,168)</u>
Expenditures				
Current:				
Transportation:				
Streets and Highways:				
Personal Services	791,963	796,731	746,697	50,034
Other	1,280,950	1,304,750	1,104,579	200,171
<i>Total Expenditures</i>	<u>2,072,913</u>	<u>2,101,481</u>	<u>1,851,276</u>	<u>250,205</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,261,663)</u>	<u>(1,290,231)</u>	<u>(1,066,194)</u>	<u>224,037</u>
Other Financing Sources				
Transfers In	850,000	850,000	850,000	0
<i>Net Change in Fund Balance</i>	(411,663)	(440,231)	(216,194)	224,037
<i>Fund Balance Beginning of Year</i>	262,840	262,840	262,840	0
Prior Year Encumbrances Appropriated	184,950	184,950	184,950	0
<i>Fund Balance End of Year</i>	<u>\$36,127</u>	<u>\$7,559</u>	<u>\$231,596</u>	<u>\$224,037</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
State Highway Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$64,500	\$64,500	\$62,277	(\$2,223)
Interest	650	650	165	(485)
Other	0	0	2,296	2,296
<i>Total Revenues</i>	<u>65,150</u>	<u>65,150</u>	<u>64,738</u>	<u>(412)</u>
Expenditures				
Current:				
Transportation:				
Streets and Highways:				
Other	182,803	182,803	160,481	22,322
<i>Net Change in Fund Balance</i>	(117,653)	(117,653)	(95,743)	21,910
<i>Fund Balance Beginning of Year</i>	83,995	83,995	83,995	0
Prior Year Encumbrances Appropriated	77,803	77,803	77,803	0
<i>Fund Balance End of Year</i>	<u>\$44,145</u>	<u>\$44,145</u>	<u>\$66,055</u>	<u>\$21,910</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Clerk of Courts Computer Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines, Licenses and Permits	\$10,000	\$10,000	\$10,325	\$325
Expenditures				
Current:				
General Government:				
Other	7,839	7,839	7,433	406
<i>Net Change in Fund Balance</i>	2,161	2,161	2,892	731
<i>Fund Balance Beginning of Year</i>	63,702	63,702	63,702	0
Prior Year Encumbrances Appropriated	339	339	339	0
<i>Fund Balance End of Year</i>	<u>\$66,202</u>	<u>\$66,202</u>	<u>\$66,933</u>	<u>\$731</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Law Enforcement Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$560	\$560	\$127	(\$433)
Fines, Licenses and Permits	3,600	3,600	12,385	8,785
<i>Total Revenues</i>	<u>4,160</u>	<u>4,160</u>	<u>12,512</u>	<u>8,352</u>
Expenditures				
Current:				
Public Safety:				
Other	23,830	26,730	18,936	7,794
Capital Outlay	0	0	0	0
<i>Total Transportation</i>	<u>23,830</u>	<u>26,730</u>	<u>18,936</u>	<u>7,794</u>
<i>Net Change in Fund Balance</i>	(19,670)	(22,570)	(6,424)	16,146
<i>Fund Balance Beginning of Year</i>	86,613	86,613	86,613	0
Prior Year Encumbrances Appropriated	11,830	11,830	11,830	0
<i>Fund Balance End of Year</i>	<u>\$78,773</u>	<u>\$75,873</u>	<u>\$92,019</u>	<u>\$16,146</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Medical Transport Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for Services	\$130,500	\$130,500	\$147,502	\$17,002
Intergovernmental	3,000	3,000	3,450	450
Other	0	0	595	595
<i>Total Revenues</i>	<u>133,500</u>	<u>133,500</u>	<u>151,547</u>	<u>18,047</u>
Expenditures				
Current:				
Transportation:				
Public Safety:				
Personal Services	34,930	35,210	33,640	1,570
Other	283,000	283,595	273,805	9,790
<i>Total Expenditures</i>	<u>317,930</u>	<u>318,805</u>	<u>307,445</u>	<u>11,360</u>
<i>Net Change in Fund Balance</i>	(184,430)	(185,305)	(155,898)	29,407
<i>Fund Balance Beginning of Year</i>	193,167	193,167	193,167	0
Prior Year Encumbrances Appropriated	<u>215,000</u>	<u>215,000</u>	<u>215,000</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$223,737</u></u>	<u><u>\$222,862</u></u>	<u><u>\$252,269</u></u>	<u><u>\$29,407</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Pension Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$138,001	\$138,001	\$144,202	\$6,201
Intergovernmental	27,574	27,574	26,295	(1,279)
<i>Total Revenues</i>	<u>165,575</u>	<u>165,575</u>	<u>170,497</u>	<u>4,922</u>
Expenditures				
Current:				
Public Safety:				
Personal Services	175,000	175,000	175,000	0
Other	135	135	81	54
<i>Total Expenditures</i>	<u>175,135</u>	<u>175,135</u>	<u>175,081</u>	<u>54</u>
<i>Net Change in Fund Balance</i>	(9,560)	(9,560)	(4,584)	4,976
<i>Fund Balance Beginning of Year</i>	<u>16,771</u>	<u>16,771</u>	<u>16,771</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$7,211</u>	<u>\$7,211</u>	<u>\$12,187</u>	<u>\$4,976</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Pension Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$138,001	\$138,001	\$144,202	\$6,201
Intergovernmental	27,574	27,574	26,295	(1,279)
<i>Total Revenues</i>	<u>165,575</u>	<u>165,575</u>	<u>170,497</u>	<u>4,922</u>
Expenditures				
Current:				
Public Safety:				
Personal Services	175,000	175,000	175,000	0
Other	135	135	81	54
<i>Total Expenditures</i>	<u>175,135</u>	<u>175,135</u>	<u>175,081</u>	<u>54</u>
<i>Net Change in Fund Balance</i>	(9,560)	(9,560)	(4,584)	4,976
<i>Fund Balance Beginning of Year</i>	<u>16,771</u>	<u>16,771</u>	<u>16,771</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$7,211</u>	<u>\$7,211</u>	<u>\$12,187</u>	<u>\$4,976</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Tree Planting Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	<u>\$2,000</u>	<u>\$2,000</u>	<u>\$525</u>	<u>(\$1,475)</u>
Expenditures				
Current:				
General Government:				
Other	<u>6,500</u>	<u>6,500</u>	<u>0</u>	<u>6,500</u>
<i>Net Change in Fund Balance</i>	(4,500)	(4,500)	525	5,025
<i>Fund Balance Beginning of Year</i>	<u>4,817</u>	<u>4,817</u>	<u>4,817</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$317</u></u>	<u><u>\$317</u></u>	<u><u>\$5,342</u></u>	<u><u>\$5,025</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Veteran's Memorial Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$50	\$50	\$11	(\$39)
Other	500	500	325	(175)
<i>Total Revenues</i>	<u>550</u>	<u>550</u>	<u>336</u>	<u>(214)</u>
Expenditures				
Current:				
General Government:				
Other	9,050	9,050	225	8,825
<i>Net Change in Fund Balance</i>	(8,500)	(8,500)	111	8,611
<i>Fund Balance Beginning of Year</i>	<u>8,573</u>	<u>8,573</u>	<u>8,573</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$73</u>	<u>\$73</u>	<u>\$8,684</u>	<u>\$8,611</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Southwest General Hospital Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$153,456	\$160,785	\$160,785	\$0
Intergovernmental	52,155	20,530	20,530	0
<i>Total Revenues</i>	<u>205,611</u>	<u>181,315</u>	<u>181,315</u>	<u>0</u>
Expenditures				
Current:				
Public Health and Welfare:				
Other	276,796	252,758	252,758	0
<i>Net Change in Fund Balance</i>	(71,185)	(71,443)	(71,443)	0
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	71,443	71,443	71,443	0
<i>Fund Balance End of Year</i>	<u>\$258</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Community Center Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	<u>\$20</u>	<u>\$20</u>	<u>\$6</u>	<u>(\$14)</u>
Expenditures				
Current:				
Capital Outlay:				
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	20	20	6	(14)
<i>Fund Balance Beginning of Year</i>	<u>4,063</u>	<u>4,063</u>	<u>4,063</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4,083</u></u>	<u><u>\$4,083</u></u>	<u><u>\$4,069</u></u>	<u><u>(\$14)</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Health Insurance Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for Service	<u>\$1,735,000</u>	<u>\$1,735,000</u>	<u>\$1,732,896</u>	<u>(\$2,104)</u>
Expenditures				
General Government:				
Other	<u>2,000,000</u>	<u>2,000,000</u>	<u>1,766,626</u>	<u>233,374</u>
<i>Net Change in Fund Balance</i>	(265,000)	(265,000)	(33,730)	231,270
<i>Fund Balance Beginning of Year</i>	<u>781,419</u>	<u>781,419</u>	<u>781,419</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$516,419</u></u>	<u><u>\$516,419</u></u>	<u><u>\$747,689</u></u>	<u><u>\$231,270</u></u>

Combining Statements – Agency Funds

To account for assets held by the city as an agent for individuals, private organizations, other governmental units, and other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Flexible Spending Account Fund To account for voluntary employee payroll deductions, used by the employee to pay for eligible Medical and Dependent Care expenses with pre-tax dollars, pursuant to Section 125 of the Internal Revenue Code.

Board of Building Standard Fee Fund To account for state building fees collected from builders and disbursed to the State Board of Building Standards.

Mayor's Court Fund To account for funds received and disbursed by the Mayor's Court pursuant to the laws of the State.

Deposits Fund To account for various deposits from contractors, builders, residents, or others to insure compliance with various City ordinances.

City of Middleburg Heights, Ohio
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended December 31, 2011

	Ending Balance 12/31/10	Additions	Deductions	Ending Balance 12/31/11
<i>Flexible Spending Account</i>				
Assets				
Equity in Pooled Cash and Investments	\$4,692	\$50,735	\$47,186	\$8,241
Liabilities				
Deposits Held and Due to Others	\$4,692	\$50,735	\$47,186	\$8,241
<i>Board of Buildings Standards Fee</i>				
Assets				
Equity in Pooled Cash and Investments	\$41	\$3,799	\$3,686	\$154
Liabilities				
Deposits Held and Due to Others	\$41	\$3,799	\$3,686	\$154
<i>Mayor's Court</i>				
Assets				
Cash in Segregated Accounts	\$47,521	\$868,903	\$862,482	\$53,942
Liabilities				
Deposits Held and Due to Others	\$47,521	\$868,903	\$862,482	\$53,942
<i>Deposits</i>				
Assets				
Equity in Pooled Cash and Investments	\$223,100	\$95,240	\$110,965	\$207,375
Liabilities				
Deposits Held and Due to Others	\$223,100	\$95,240	\$110,965	\$207,375
<i>Total - All Agency Funds</i>				
Assets				
Equity in Pooled Cash and Investments	\$227,833	\$149,774	\$161,837	\$215,770
Cash in Segregated Accounts	\$47,521	\$868,903	\$862,482	\$53,942
Total Assets	\$275,354	\$1,018,677	\$1,024,319	\$269,712
Liabilities				
Deposits Held and Due to Others	\$275,354	\$1,018,677	\$1,024,319	\$269,712

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Statistical Section

This part of the City of Middleburg Heights, Ohio’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

Financial Trends – These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.

<i>Net Assets by Component-Last Ten Years</i>	84
<i>Changes in Net Assets-Last Ten Years</i>	85
<i>Fund Balances, Governmental Funds- Last Ten Years</i>	87
<i>Changes in Fund Balances, Governmental Funds-Last Ten Years</i>	89

Revenue Capacity – These schedules contain information to help the reader assess the City’s most significant local revenue source, the income tax and the property tax.

<i>Tax Revenues by Source, Governmental Funds-Last Ten Years</i>	91
<i>Income Tax Revenue Base and Collections-Last Ten Years</i>	92
<i>Principal Taxpayers-Current Year and Nine Years Ago</i>	93
<i>Property Tax Rates-All Direct and Overlapping Governments</i>	94
<i>Assessed and Estimated Actual Value of Taxable Property-Last Ten Years</i>	95
<i>Property Tax Levies and Collections-Real and Public Utility Taxes-Last Ten Years</i>	96

Debt Capacity – These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.

<i>Ratios of General Bonded Debt and Legal Debt Margins-Last Ten Years</i>	97
<i>Computation of Direct and Overlapping Debt</i>	99

Economic and Demographic Information – These schedules offer economic and demographic indicators to help the reader understand the environment within which the City’s financial activities take place.

<i>Demographic and Economic Statistics-Last Ten Years</i>	100
<i>Principal Employers-Current Year and Nine Years Ago</i>	101

Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.

<i>Full-time City Employees by Function/Program-Last Ten Years</i>	102
<i>Operating Indicators by Function/Program-Last Ten Years</i>	103
<i>Capital Asset Statistics by Function/Program-Last Ten Years</i>	105

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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City of Middleburg Heights, Ohio
Net Assets by Component
Last Ten Years
(accrual basis of accounting)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental Activities										
Invested in Capital Assets,										
Net of Related Debt	\$47,395,795	\$45,336,826	\$43,670,819	\$35,941,389	\$33,862,810	\$32,770,521	\$31,196,151	\$29,822,417	\$28,782,469	\$26,448,543
Restricted for:										
Capital Projects	1,020,901	1,105,143	849,193	1,202,622	1,529,607	1,596,987	551,559	442,211	1,131,259	1,779,854
Debt Service	1,988,524	2,824,066	2,870,466	3,083,637	3,237,703	3,312,729	3,939,645	4,128,272	4,673,180	5,576,849
Other Purposes	452,608	482,196	492,426	469,104	396,550	368,712	398,548	418,588	404,227	1,631,319
Unrestricted	6,006,694	5,344,333	5,796,309	4,575,931	4,868,489	4,760,416	4,085,445	5,270,879	7,330,254	6,489,076
Total Net Assets	\$56,864,522	\$55,092,564	\$53,679,213	\$45,272,683	\$43,895,159	\$42,809,365	\$40,171,348	\$40,082,367	\$42,321,389	\$41,925,641

City of Middleburg Heights, Ohio
Changes in Net Assets
Last Ten Years
(accrual basis of accounting)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Program Revenues										
Governmental Activities:										
Charges for Services:										
Security of Persons and Property:										
Police	\$684,320	\$620,746	\$642,294	\$683,545	\$760,864	\$672,077	\$679,012	\$766,507	\$743,258	\$385,002
Fire	512,706	462,126	434,991	426,413	394,681	384,615	355,800	357,415	424,981	244,939
Safety Director	0	0	0	0	0	0	0	0	0	0
Public Health and Welfare	23,924	22,980	16,515	1,733	5,929	2,739	0	0	0	0
Culture and Recreation	1,243,202	1,211,993	1,177,233	1,172,304	1,121,296	1,105,925	1,054,775	992,986	921,023	777,934
Community Development	233,664	144,288	185,671	186,603	353,339	354,273	329,658	198,759	217,690	255,325
Economic Development	4,275	5,768	3,000	1,500	1,750	500	0	0	0	0
Streets and Highways	8,058	18,482	10,875	24,426	0	758	4,867	0	0	17,270
Sanitation	0	0	0	0	0	0	0	0	0	0
General Government	178,816	176,929	165,561	148,066	164,540	227,337	174,977	214,146	153,359	99,619
Interest and Fiscal Charges	0	0	0	0	0	0	0	0	0	0
Operating Grants and Contributions	842,714	862,290	849,270	875,100	862,363	938,974	761,102	756,071	689,679	633,117
Capital Grants and Contributions	1,289,377	1,183,203	7,258,633	162,694	184,981	1,138,124	1,153,013	539,301	1,362,161	1,231,366
Total Governmental Activities Program Revenues	5,021,056	4,708,805	10,744,043	3,682,384	3,849,743	4,825,322	4,513,204	3,825,185	4,512,151	3,644,572
Expenses										
Governmental Activities:										
Security of Persons and Property:										
Police	4,919,272	5,143,489	4,806,928	4,727,460	4,441,487	4,234,859	4,341,528	4,343,435	3,998,227	3,604,024
Fire	3,801,258	3,726,461	3,696,714	3,639,936	3,588,665	3,260,065	3,208,411	3,026,842	2,851,306	2,934,924
Safety Director	58,909	59,728	57,850	55,867	53,720	50,592	48,360	45,650	42,266	31,107
Public Health and Welfare	330,767	362,515	339,612	284,520	263,939	256,254	246,274	258,754	253,092	249,733
Culture and Recreation	3,176,067	3,237,956	3,280,588	3,163,391	3,159,631	3,013,378	3,080,371	3,152,424	2,924,858	2,800,419
Community Development	534,590	552,358	579,608	620,457	645,709	589,575	632,819	631,527	605,855	537,174
Economic Development	305,201	325,270	286,350	164,696	163,873	95,056	0	0	0	0
Streets and Highways	2,786,636	3,140,956	3,052,119	3,011,490	2,679,466	2,089,356	2,642,158	3,345,946	2,901,524	2,675,763
Sanitation	1,091,845	933,094	948,225	939,330	948,598	851,522	767,324	729,743	716,221	692,434
General Government	7,186,714	7,089,138	7,321,308	7,159,940	6,871,475	6,132,310	6,308,086	6,295,289	5,912,798	5,621,897
Interest and Fiscal Charges	457,423	527,452	580,827	474,061	836,386	905,016	974,678	1,045,256	1,127,571	1,210,872
Total Governmental Activities Expenses	24,648,682	25,098,417	24,950,129	24,241,148	23,652,949	21,477,983	22,250,009	22,874,866	21,333,718	20,358,347

Net (Expense)/Revenue

Governmental Activities:

Security of Persons and Property:

Police	(4,234,952)	(4,522,123)	(4,164,093)	(4,038,095)	(3,680,623)	(3,562,782)	(3,647,516)	(3,576,928)	(3,254,969)	(3,219,022)
Fire	(3,284,507)	(3,261,335)	(3,258,223)	(3,210,523)	(3,193,984)	(2,270,366)	(2,851,611)	(2,669,427)	(2,426,325)	(2,685,481)
Safety Director	(58,909)	(59,728)	(57,850)	(55,867)	(53,720)	(50,592)	(48,360)	(45,650)	(42,266)	(31,107)
Public Health and Welfare	(306,843)	(339,535)	(323,097)	(282,787)	(258,010)	(253,515)	(246,274)	(258,754)	(253,092)	(249,733)
Culture and Recreation	(1,932,865)	(2,025,963)	(2,103,355)	(1,991,087)	(2,038,335)	(1,907,453)	(2,025,596)	(2,159,438)	(2,003,835)	(2,022,485)
Community Development	(300,926)	(408,070)	(393,937)	(433,854)	(292,370)	(235,302)	(303,161)	(432,768)	(388,165)	(281,849)
Economic Development	(300,926)	(319,502)	(283,350)	(163,196)	(162,123)	(94,556)	0	0	0	0
Streets and Highways	(650,532)	(1,080,601)	5,062,618	(1,958,090)	(1,632,122)	(616,584)	(739,176)	(2,050,574)	(849,684)	(798,514)
Sanitation	(1,091,845)	(933,094)	(948,225)	(939,330)	(948,598)	(851,522)	(767,324)	(729,743)	(716,221)	(692,434)
General Government	(7,007,898)	(6,912,209)	(7,155,747)	(7,011,874)	(6,706,935)	(5,904,973)	(6,133,109)	(6,081,143)	(5,759,439)	(5,522,278)
Interest and Fiscal Charges	(457,423)	(527,452)	(580,827)	(474,061)	(836,386)	(905,016)	(974,678)	(1,045,256)	(1,127,571)	(1,210,872)
Total Net Expense	(19,627,626)	(20,389,612)	(14,206,086)	(20,558,764)	(19,803,206)	(16,652,661)	(17,736,805)	(19,049,681)	(16,821,567)	(16,713,775)

General Revenues

Property and Other Local Taxes Levied for:

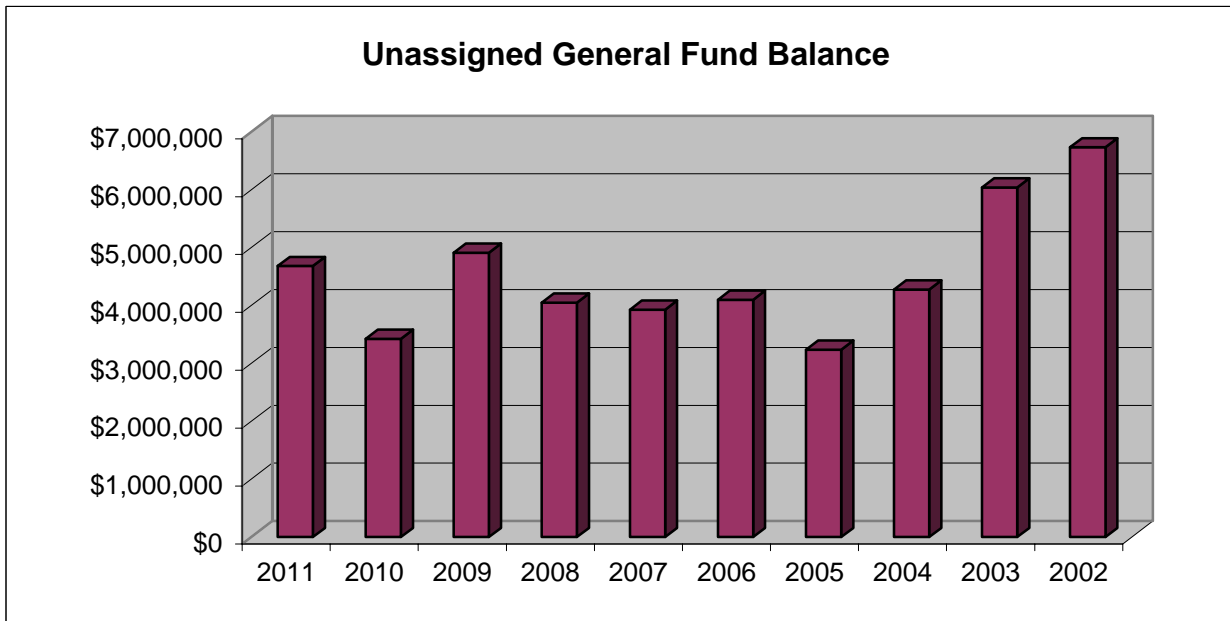
General Purposes	2,122,527	1,946,835	1,983,876	2,082,355	2,104,512	2,009,978	1,927,455	1,947,370	1,871,807	1,939,239
Debt Service	238,448	418,706	447,616	459,118	473,010	439,446	422,528	491,408	453,296	533,931
Police and Fire Pension	286,136	291,830	298,410	306,078	315,340	292,962	281,686	297,148	271,698	281,718
Public Health and Welfare	159,755	160,477	156,133	168,159	180,878	189,236	183,855	198,408	187,195	196,787
Income Tax Levied for:										
General Purposes	13,529,681	11,350,197	11,039,967	11,285,237	10,452,686	10,169,116	8,990,441	8,507,278	8,682,559	7,070,761
Debt Service	1,097,026	1,679,911	1,520,127	1,894,990	2,056,875	1,485,088	1,974,159	1,681,241	1,746,570	1,917,477
Recreation	1,569,497	1,690,513	1,591,301	1,596,976	1,579,588	1,277,277	1,454,103	1,432,876	1,656,965	1,654,043
Capital Outlay	608,868	1,591,385	1,520,723	1,587,193	1,563,051	890,868	728,306	681,137	710,614	1,373,349
Grants and Entitlements not Restricted to										
Specific Programs	1,341,682	2,244,208	3,552,070	1,794,816	1,268,580	1,792,104	1,187,184	1,053,794	1,129,313	1,139,198
Investment Earnings	74,330	62,294	97,034	339,326	537,883	456,495	287,866	164,962	236,156	424,299
Miscellaneous	321,634	366,607	405,359	422,040	356,597	288,108	388,203	355,037	271,142	767,857
Total General Revenues	21,349,584	21,802,963	22,612,616	21,936,288	20,889,000	19,290,678	17,825,786	16,810,659	17,217,315	17,298,659

Change in Net Assets

	\$1,721,958	\$1,413,351	\$8,406,530	\$1,377,524	\$1,085,794	\$2,638,017	\$88,981	(\$2,239,022)	\$395,748	\$584,884
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City of Middleburg Heights, Ohio
Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2011	2010	2009	2008
General Fund				
Nonspendable	\$123,363	\$122,612	\$138,642	\$137,211
Assigned	266,188	246,735	271,315	229,568
Unassigned	4,684,103	3,424,467	4,911,804	4,051,436
<i>Total General Fund</i>	<u>5,073,654</u>	<u>3,793,814</u>	<u>5,321,761</u>	<u>4,418,215</u>
All Other Governmental Funds				
Nonspendable	208,718	263,459	227,412	195,881
Restricted	1,930,548	2,519,190	2,446,356	2,418,999
Committed	1,230,419	1,461,609	1,009,860	1,194,834
<i>Total All Other Governmental Funds</i>	<u>3,369,685</u>	<u>4,244,258</u>	<u>3,683,628</u>	<u>3,809,714</u>
<i>Total Governmental Funds</i>	<u><u>\$8,443,339</u></u>	<u><u>\$8,038,072</u></u>	<u><u>\$9,005,389</u></u>	<u><u>\$8,227,929</u></u>



Note: Gasb 54 was implemented for years 2002 - 2010 and the amounts are unaudited

2007	2006	2005	2004	2003	2002
\$141,197	\$145,094	\$131,661	\$156,895	\$135,657	\$90,741
186,616	135,025	216,652	120,798	174,103	263,148
3,929,119	4,099,457	3,237,376	4,278,365	6,041,544	6,736,006
4,256,932	4,379,576	3,585,689	4,556,058	6,351,304	7,089,895
199,136	150,461	135,409	150,736	180,379	179,013
2,437,342	2,284,900	2,739,523	3,040,079	3,820,655	4,839,615
1,841,166	1,803,760	838,818	838,276	1,389,295	1,421,064
4,477,644	4,239,121	3,713,750	4,029,091	5,390,329	6,439,692
\$8,734,576	\$8,618,697	\$7,299,439	\$8,585,149	\$11,741,633	\$13,529,587

Note: Gasb 54 was implemented for years 2002 - 2010 and the amounts are unaudited

City of Middleburg Heights, Ohio
Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2011	2010	2009	2008
Revenues				
Property Taxes	\$2,299,773	\$2,244,665	\$2,398,978	\$2,400,470
Income Taxes	16,726,038	16,184,484	15,810,195	16,176,983
Other Local Taxes	524,929	514,964	494,692	577,467
Intergovernmental	2,544,924	2,878,977	4,452,591	2,652,042
Special Assessments	215,663	218,592	155,908	213,368
Interest	74,330	62,294	158,609	339,326
Fines, Licenses and Permits	1,076,206	899,685	970,642	999,295
Charges for Services	1,785,024	1,762,696	1,677,224	1,669,275
Other	337,743	368,072	407,770	480,379
Total Revenues	25,584,630	25,134,429	26,526,609	25,508,605
Expenditures				
Current:				
General Government:				
Security of Persons and Property	8,395,875	8,776,924	8,049,713	7,928,650
Public Health and Welfare	330,767	362,515	338,927	280,413
Culture and Recreation	2,771,542	2,844,270	2,800,812	2,708,975
Community Development	532,084	544,812	597,099	613,927
Economic Development	304,620	321,510	280,958	150,505
Streets and Highways	1,691,980	1,758,271	1,563,244	1,729,497
Sanitation	1,091,845	933,094	948,225	939,330
General Government	6,620,502	6,771,287	6,765,399	6,371,715
Capital Outlay	1,494,121	2,131,384	2,144,886	2,703,366
Debt Service:				
Principal Retirement	1,988,289	1,973,229	1,925,422	2,276,598
Interest and Fiscal Charges	408,146	477,982	531,253	460,452
Bond Issuance Costs	0	0	0	194,549
Total Expenditures	25,629,771	26,854,935	25,945,938	26,357,977
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(45,141)</i>	<i>(1,112,824)</i>	<i>580,671</i>	<i>(849,372)</i>
Other Financing Sources (Uses)				
General Obligation Bonds Issued	0	0	0	0
Refunding Bonds Issued	0	0	0	12,180,000
Premium on Debt Issuance	0	0	0	187,315
Payment to Refunded Bond Escrow Agent	0	0	0	(12,171,866)
Sale of Capital Assets	303,539	1,807	800	10,000
Inception of Capital Lease	0	143,700	195,989	137,276
Loan Proceeds	146,869	607,682	0	0
Transfers In	850,000	2,118,585	850,000	850,000
Transfers Out	(850,000)	(2,118,585)	(850,000)	(850,000)
Total Other Financing Sources (Uses)	450,408	753,189	196,789	342,725
Net Change in Fund Balances	\$405,267	(\$967,317)	\$777,460	(\$506,647)
Debt Service as a percentage of noncapital expenditures	10.29%	10.00%	13.86%	11.13%

2007	2006	2005	2004	2003	2002
\$2,506,371	\$2,399,205	\$2,321,783	\$2,368,704	\$2,245,912	\$2,288,560
15,421,461	13,754,427	12,914,040	12,554,485	12,555,322	12,303,925
554,088	569,575	542,499	532,080	581,244	601,078
2,136,074	3,259,702	2,101,960	2,405,486	3,033,358	1,945,744
177,035	223,391	220,757	257,223	212,521	386,563
537,883	456,495	287,866	153,393	225,762	393,370
1,234,800	1,116,500	1,138,066	1,139,530	1,071,550	708,045
1,545,425	1,594,664	1,450,352	1,422,075	1,419,832	991,998
358,957	309,760	286,986	246,698	271,142	494,481
24,472,094	23,683,719	21,264,309	21,079,674	21,616,643	20,113,764
7,522,883	7,055,890	7,220,518	7,187,492	6,356,082	5,918,175
259,832	252,147	242,167	251,187	244,428	240,355
2,614,153	2,554,708	2,631,011	2,648,981	2,485,636	2,328,033
626,627	570,045	638,449	623,163	598,079	522,904
161,916	86,653	0	0	0	0
1,581,516	1,322,841	1,758,966	1,618,920	1,529,623	1,328,920
948,598	851,522	767,324	729,743	716,221	692,434
6,166,876	5,609,843	5,814,271	5,866,851	5,373,213	4,966,300
1,735,992	1,446,315	745,997	2,503,769	3,273,070	2,717,128
1,900,036	1,833,587	1,783,106	1,757,653	1,697,225	1,696,822
841,476	908,485	977,988	1,048,399	1,131,020	1,252,987
0	0	0	0	0	0
24,359,905	22,492,036	22,579,797	24,236,158	23,404,597	21,664,058
112,189	1,191,683	(1,315,488)	(3,156,484)	(1,787,954)	(1,550,294)
0	0	0	0	0	905,000
0	0	0	0	0	0
690	0	0	0	0	0
0	0	0	0	0	0
3,000	7,475	29,778	0	0	0
0	120,100	0	0	0	0
0	0	0	0	0	0
750,000	1,488,000	850,000	797,018	1,227,083	1,111,466
(750,000)	(1,488,000)	(850,000)	(797,018)	(1,227,083)	(1,111,466)
3,690	127,575	29,778	0	0	905,000
\$115,879	\$1,319,258	(\$1,285,710)	(\$3,156,484)	(\$1,787,954)	(\$645,294)
11.71%	13.09%	12.98%	12.08%	13.38%	14.75%

City of Middleburg Heights, Ohio
Tax Revenues by Source, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

Year	Property Taxes	Income Taxes	Other Local Taxes	Total
2011	\$2,299,773	\$16,726,038	\$524,929	\$19,550,740
2010	2,244,665	16,184,484	514,964	18,944,113
2009	2,398,978	15,810,195	494,692	18,703,865
2008	2,400,470	16,176,983	577,467	19,154,920
2007*	2,506,371	15,421,461	554,088	18,481,920
2006	2,399,205	13,754,427	569,575	16,723,207
2005	2,321,783	12,914,040	542,499	15,778,322
2004	2,368,704	12,554,485	532,080	15,455,269
2003	2,245,912	12,555,322	581,244	15,382,478
2002	2,288,560	12,303,925	601,078	15,193,563

* Beginning in 2007 a change in the income tax rate from 1.75% to 2.00% for Capital Improvements, Debt Retirement and General Municipal Functions was passed by the voters.

City of Middleburg Heights, Ohio
Income Tax Revenue Base and Collections (Cash Basis)
Last Ten Years

Tax Year	Tax Rate	Total Tax Collected	Taxes from Withholding	Percentage of Taxes from Withholding	Taxes from Individuals	Percentage of Taxes from Individuals	Taxes from Net Profits	Percentage of Taxes from Net Profits
2011	2.00%	\$16,097,705	\$13,272,250	82.4%	\$995,822	6.2%	\$1,829,633	11.4%
2010	2.00%	15,663,489	12,922,672	82.5%	923,354	5.9%	1,817,462	11.6%
2009	2.00%	15,538,504	12,986,724	83.6%	939,809	6.0%	1,611,971	10.4%
2008	2.00%	15,934,338	12,922,443	81.1%	959,605	6.0%	2,052,290	12.9%
2007*	2.00%	14,954,277	12,551,335	83.9%	883,312	5.9%	1,519,630	10.2%
2006	1.75%	13,426,469	11,102,728	82.7%	777,397	5.8%	1,546,344	11.5%
2005	1.75%	12,441,974	10,426,199	83.8%	792,071	6.4%	1,223,704	9.8%
2004	1.75%	12,608,294	10,855,024	86.1%	718,757	5.7%	1,034,513	8.2%
2003	1.75%	12,592,155	10,461,929	83.1%	768,988	6.1%	1,361,238	10.8%
2002	1.75%	12,021,744	10,393,208	86.4%	768,275	6.4%	860,261	7.2%

* Beginning in 2007 a change in the income tax rate from 1.75% to 2.00% for Capital Improvements, Debt Retirement and General Municipal Functions was passed by the voters.

Source: Regional Income Tax Agency "Period 12 Totals" - remitted to the City Between February Year One and January Year Two.

City of Middleburg Heights, Ohio
Principal Taxpayers
Current Year and Nine Years Ago (Cash Basis)

The following are the principal income taxpayers in the City of Middleburg Heights, ranked in order of payroll withholding:

2011

Rank	Taxpayer
1	Southwest General Hospital
2	United Parcel Service
3	Quadax Inc.
4	Amerimark Direct LLC
5	Berea City School District
6	Zin Technologies Inc.
7	City of Middleburg Heights
8	Polaris Joint Vocational
9	Codonics Inc
10	Brewer Garrett Co

2002

2011 Rank	Rank	Taxpayer
1	1	Southwest General Hospital
2	2	United Parcel Service
13	3	Sears Roebuck & Company
7	4	City of Middleburg Heights
8	5	Polaris Joint Vocational
5	6	Berea City School District
	7	Transamerica Holdings
9	8	Codonics, Inc.
	9	Advanstar Communications
	10	Cardiovascular Medicine Associates

Source: Regional Income Tax Agency

Due to legal restrictions and confidentiality requirements, the City cannot disclose the amount of withholdings by taxpayer.

City of Middleburg Heights, Ohio
Property Tax Rates - All Direct and Overlapping Governments
(Per \$1,000 of Assessed Value)
Last Ten Years

Tax Year/ Collection Year	City of Middleburg Heights						Polaris JVS & Berea		Total
	General Fund	Debt Service Fund	Police Pension Fund	Fire Pension Fund	Southwest Community Hospital	Total	School District	Cuyahoga County (1)	
2002/2003	2.85	1.00	0.30	0.30	1.00	5.45	72.20	17.60	95.25
2003/2004	2.85	1.00	0.30	0.30	1.00	5.45	72.20	19.40	97.05
2004/2005	2.95	0.90	0.30	0.30	1.00	5.45	72.20	20.30	97.95
2005/2006	2.95	0.90	0.30	0.30	1.00	5.45	72.10	20.30	97.85
2006/2007	2.95	0.90	0.30	0.30	1.00	5.45	77.30	20.20	102.95
2007/2008	2.95	0.90	0.30	0.30	1.00	5.45	77.30	20.20	102.95
2008/2009	2.95	0.90	0.30	0.30	1.00	5.45	77.30	20.60	103.35
2009/2010	2.95	0.90	0.30	0.30	1.00	5.45	77.40	20.60	103.45
2010/2011	3.35	0.50	0.30	0.30	1.00	5.45	77.30	20.90	103.65
2011/2012	3.35	0.50	0.30	0.30	1.00	5.45	77.40	20.80	103.65

(1) Rate for Cuyahoga County includes the Library, Cleveland Metro Park, Cuyahoga Community College and the Cleveland-Cuyahoga Port Authority.

Source: Cuyahoga County Auditor

City of Middleburg Heights, Ohio
Assessed and Estimated Actual Value of Taxable Property
Last Ten Years

Tax Year/ Collection Year	Real Property (1)			Personal Property (1)			Public Utility Property (1)			Total			Ratio of Total Assessed		Total Direct Tax Rate Mills
	Assessed Value	Estimated Actual Value	Assessed Value	Assessed Value	Estimated Actual Value	Assessed Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Value To Total Estimated	Value To Total Actual Value	
2002/2003	464,168,000	1,326,194,286	46,222,909	184,891,636	15,398,852	13,550,990	523,941,899	1,526,484,774	34.3%	5.45					
2003/2004	491,230,770	1,403,516,486	44,252,676	177,010,704	15,295,398	13,459,950	548,943,396	1,595,822,588	34.4%	5.45					
2004/2005	498,434,550	1,424,098,714	45,358,039	197,208,815	15,000,057	13,200,050	556,992,639	1,636,307,586	34.0%	5.45					
2005/2006	494,600,890	1,413,145,400	45,922,606	199,663,504	13,434,807	11,822,630	552,346,126	1,626,243,711	34.0%	5.45					
2006/2007	538,328,450	1,538,081,285	38,632,772	206,041,450	13,403,829	11,795,370	588,756,592	1,757,526,564	33.5%	5.45					
2007/2008	542,446,760	1,549,847,885	26,697,752	213,582,016	11,360,568	9,997,300	579,141,812	1,774,790,469	32.6%	5.45					
2008/2009	544,498,220	1,555,709,200	14,219,539	227,512,624	11,686,659	10,284,260	569,002,019	1,794,908,483	31.7%	5.45					
2009/2010	520,228,840	1,486,368,114	-	-	12,204,284	10,739,770	530,968,610	1,498,572,398	35.4%	5.45					
2010/2011	519,254,880	1,483,585,371	-	-	12,489,045	10,990,360	530,245,240	1,496,074,416	35.4%	5.45					
2011/2012	519,580,370	1,484,515,342	-	-	12,950,295	11,396,260	530,976,630	1,497,465,637	35.5%	5.45					

(1) The percentages for tax year 2011 were 35% for all Real Property and 88% for Public Utility Property.

Source: Cuyahoga County Auditor

City of Middleburg Heights, Ohio
Property Tax Levies and Collections - Real and Public Utility Taxes
Last Ten Years

Tax Year/ Collection Year	Current Levy (1)	Current Collections	Percent of Current Levy Collected	Collection Including Delinquencies (1)	Total Collections As Percent of Current Levy	Accumulated Delinquency
2001/2002	2,340,255	2,216,737	94.7	2,291,772	97.9	163,897
2002/2003	2,294,350	2,196,677	95.7	2,256,797	98.4	115,621
2003/2004	2,420,193	2,292,801	94.7	2,354,793	97.4	162,854
2004/2005	2,453,253	2,277,192	92.8	2,340,210	95.4	111,224
2005/2006	2,423,430	2,299,832	94.9	2,363,723	97.5	84,041
2006/2007	2,619,454	2,501,316	95.5	2,550,730	97.4	90,448
2007/2008	2,712,622	2,574,035	94.9	2,655,520	97.9	124,972
2008/2009	2,645,923	2,539,405	96.0	2,623,494	99.2	115,126
2009/2010	2,537,015	2,450,568	96.6	2,500,072	98.5	159,157
2010/2011	2,535,734	2,448,667	98.6	2,544,126	100.0	148,230

(1) Includes homestead/rollback taxes assessed locally but distributed through the State. This reimbursement from the State is a form of Local Property Tax relief which the City accounts for as Intergovernmental Revenue.

Source: Cuyahoga County Auditor

City of Middleburg Heights, Ohio
Ratios of General Bonded Debt and Legal Debt Margins
Last Ten Years

	2011	2010	2009
General Obligation Bonds	7,985,152	9,730,327	11,456,736
Percent of estimated actual property value	0.53%	0.65%	0.76%
Per Capita	\$500.76	\$610.20	\$737.15
Special Assessment Bonds	947,096	1,098,379	1,227,784
Bond Anticipation Notes	0	335,000	500,000
Capital Leases	194,701	286,533	260,247
Total Gross Indebtedness	<u>9,126,949</u>	<u>11,450,239</u>	<u>13,444,767</u>
Percentage of Personal Income	1.89%	2.38%	3.43%
Per Capita	\$572.37	\$718.06	\$865.06
Less:			
Special Assessment Bonds	(947,096)	(1,098,379)	(1,227,784)
Community & Service Center Refunding Bonds	(7,685,000)	(9,205,000)	(10,565,000)
Community Center Bonds	0	0	0
Service Center Bonds	0	0	0
Capital Leases	(194,701)	(286,533)	(260,247)
Bond Retirement Fund Balance	<u>(907,696)</u>	<u>(1,586,109)</u>	<u>(739,402)</u>
Total Net Debt Applicable to Debt Limit	<u>(607,544)</u>	<u>(725,782)</u>	<u>652,334</u>
Overall Legal Debt Limit			
10 1/2% of Assessed Valuation	<u>55,752,546</u>	<u>55,675,750</u>	<u>55,751,704</u>
Legal Debt Margin Within 10 1/2% Limitations	<u>\$56,360,090</u>	<u>\$56,401,532</u>	<u>\$55,099,370</u>
Legal Debt Margin as a Percentage of the Debt Limit	101.09%	101.30%	98.83%
Unvoted Debt Limitation			
5 1/2% of Assessed Valuation	\$29,203,715	\$29,163,488	\$29,203,274
Net Unvoted Indebtedness Authorized by Council	9,126,949	11,450,239	13,444,767
Less:			
Special Assessment Bonds	(947,096)	(1,098,379)	(1,227,784)
Community & Service Center Refunding Bonds	(7,685,000)	(9,205,000)	(10,565,000)
Community Center Bonds	0	0	0
Service Center Bonds	0	0	0
Capital Leases	(194,701)	(286,533)	(260,247)
General Obligation Bond Retirement Fund Balance	<u>(907,696)</u>	<u>(1,586,109)</u>	<u>(739,402)</u>
Net Debt Within 5 1/2% Limitations	<u>(607,544)</u>	<u>(725,782)</u>	<u>652,334</u>
Unvoted Legal Debt Margin Within 5 1/2% Limitations	<u>\$29,811,259</u>	<u>\$29,889,270</u>	<u>\$28,550,940</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation	102.08%	102.49%	97.77%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

2008	2007	2006	2005	2004	2003	2002
\$13,154,922	\$14,796,884	\$16,423,178	\$18,110,804	\$19,769,318	\$21,408,718	\$22,989,008
0.73%	0.83%	0.93%	1.11%	1.21%	1.34%	1.51%
\$846.41	\$952.06	\$1,056.70	\$1,165.28	\$1,271.99	\$1,377.48	\$1,479.15
1,364,806	1,509,480	1,647,282	1,763,243	1,887,835	2,006,087	2,123,022
0	0	0	0	0	500,000	600,000
154,473	69,160	90,100	0	0	0	0
<u>14,674,201</u>	<u>16,375,524</u>	<u>18,160,560</u>	<u>19,874,047</u>	<u>21,657,153</u>	<u>23,914,805</u>	<u>25,712,030</u>
3.75%	4.18%	4.64%	5.07%	5.53%	6.11%	6.56%
\$944.16	\$1,053.63	\$1,168.48	\$1,278.73	\$1,393.46	\$1,538.72	\$1,654.36
(1,364,806)	(1,509,480)	(1,647,282)	(1,763,243)	(1,887,835)	(2,006,087)	(2,123,022)
(11,915,000)	0	0	0	0	0	0
0	(8,853,500)	(9,783,500)	(10,703,500)	(11,613,500)	(12,513,500)	(13,383,500)
0	(4,258,500)	(4,708,500)	(5,128,500)	(5,538,500)	(5,948,500)	(6,348,500)
(154,473)	(69,160)	(90,100)	0	0	0	0
<u>(825,810)</u>	<u>(842,882)</u>	<u>(780,071)</u>	<u>(1,331,605)</u>	<u>(1,392,721)</u>	<u>(1,694,483)</u>	<u>(1,995,372)</u>
414,112	842,002	1,151,107	947,199	1,224,597	1,752,235	1,861,636
59,745,212	60,809,890	61,819,442	57,996,343	58,484,227	57,639,057	55,013,899
<u>\$59,331,100</u>	<u>\$59,967,888</u>	<u>\$60,668,335</u>	<u>\$57,049,144</u>	<u>\$57,259,630</u>	<u>\$55,886,822</u>	<u>\$53,152,263</u>
99.31%	98.62%	98.14%	98.37%	97.91%	96.96%	96.62%
\$31,295,111	\$31,852,800	\$32,381,613	\$30,379,037	\$30,634,595	\$30,191,887	\$28,816,804
14,674,201	16,375,524	18,160,560	19,874,047	21,657,153	23,914,805	25,712,030
(1,364,806)	(1,509,480)	(1,647,282)	(1,763,243)	(1,887,835)	(2,006,087)	(2,123,022)
(11,915,000)	0	0	0	0	0	0
0	(8,853,500)	(9,783,500)	(10,703,500)	(11,613,500)	(12,513,500)	(13,383,500)
0	(4,258,500)	(4,708,500)	(5,128,500)	(5,538,500)	(5,948,500)	(6,348,500)
(154,473)	(69,160)	(90,100)	0	0	0	0
<u>(825,810)</u>	<u>(842,882)</u>	<u>(780,071)</u>	<u>(1,331,605)</u>	<u>(1,392,721)</u>	<u>(1,694,483)</u>	<u>(1,995,372)</u>
414,112	842,002	1,151,107	947,199	1,224,597	1,752,235	1,861,636
<u>\$30,880,999</u>	<u>\$31,010,798</u>	<u>\$31,230,506</u>	<u>\$29,431,838</u>	<u>\$29,409,998</u>	<u>\$28,439,652</u>	<u>\$26,955,168</u>
98.68%	97.36%	96.45%	96.88%	96.00%	94.20%	93.54%

City of Middleburg Heights, Ohio
Computation of Direct and Overlapping Debt
December 31, 2011

Jurisdiction	Debt Outstanding	Percentage Applicable To City of Middleburg Heights ©	Amount Applicable To City of Middleburg Heights
Direct:			
City of Middleburg Heights	\$ 8,932,248 (a)	100.00%	\$ 8,932,248
Overlapping:			
Berea School District	12,405,000 (b)	37.78%	4,686,343
Cuyahoga County	298,113,842 (b)	1.78%	5,312,389
Greater Cleveland Regional Transit	142,080,000 (b)	1.78%	2,531,866
Total Overlapping	<u>452,598,842</u>		<u>12,530,598</u>
Total Direct and Overlapping	<u>\$ 461,531,090</u>		<u>\$ 21,462,846</u>

(a) Total General Obligation Debt Outstanding, including Special Assessment Debt with a government commitment. Source: City of Middleburg Heights, Finance Department

(b) Gross General Obligation Debt Outstanding. Source: Cuyahoga County Auditor

(c) Percentages were determined by dividing each overlapping subdivision's assessed valuation within the City by its total assessed valuation.

City of Middleburg Heights, Ohio
Demographic and Economic Statistics
Last Ten Years

Year	Population (1)		Total Personal Income (2)	Per Capita Personal Income (1)		Median Household Income (1)	Unemployment Rate (3)	
2011	15,946	b	\$481,792,444	\$30,214	b	\$65,545	b	7.7%
2010	15,946	b	481,792,444	30,214	b	65,545	b	9.2%
2009	15,542	a	391,673,942	25,201	a	60,015	a	9.0%
2008	15,542	a	391,673,942	25,201	a	60,015	a	6.6%
2007	15,542	a	391,673,942	25,201	a	60,015	a	5.9%
2006	15,542	a	391,673,942	25,201	a	60,015	a	5.4%
2005	15,542	a	391,673,942	25,201	a	60,015	a	6.5%
2004	15,542	a	391,673,942	25,201	a	60,015	a	6.5%
2003	15,542	a	391,673,942	25,201	a	60,015	a	6.7%
2002	15,542	a	391,673,942	25,201	a	60,015	a	6.5%

(1) Source: U.S. Bureau of the Census

(a) 2000 Federal Census

(b) 2010 Federal Census

(2) Source: Computation of per capita personal income multiplied by population

(3) Source: Ohio Bureau of Employment Services,

U.S. Department of Labor, Bureau of Labor Statistics for Cleveland MSA

City of Middleburg Heights, Ohio
Principal Employers
Current Year and Nine Years Ago

2011		
Employer	Employees	Percentage of Total City Employment
Southwest General Hospital	2,249	12.02%
United Parcel Service	1,801	9.62%
Amerimark Direct LLC	581	3.10%
Quadax Inc.	454	2.43%
Polaris Joint Vocational	432	2.31%
City of Middleburg Heights	429	2.29%
Berea City School District	281	1.50%
Codonics	183	0.98%
Zin Technologies Inc.	180	0.96%
Brewer Garrett Co	147	0.79%
Total	6,737	36.00%
Total City Employment	18,715	

2002		
Employer	Employees	Percentage of Total City Employment
Southwest General Hospital	2,955	15.44%
United Parcel Service	2,579	13.47%
Sears Roebuck & Company	979	5.11%
City of Middleburg Heights	485	2.53%
Polaris Joint Vocational	474	2.48%
Berea City School District	314	1.64%
Transamerica Holdings	299	1.56%
Codonics, Inc.	191	1.00%
Advanstar Communications	180	0.94%
Cardiovascular Medicine Associates	46	0.24%
Total	8,502	44.42%
Total City Employment	19,140	

Source: Regional Income Tax Agency. Total City Employment based upon estimate from the Regional Income Tax Agency withholding information. Information prior to 2000 is not available.

City of Middleburg Heights, Ohio
Full-Time City Employees by Function/Program
Last Ten Years

Function/Program	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Government:										
Council	2	2	2	2	2	2	2	2	2	2
Finance	5	5	5	5	5	5	5	5	5	5
Law	2	2	2	2	2	2	2	2	2	2
Mayor's Court	2	2	2	2	2	2	2	2	2	2
Mayor's Office	4	4	4	4	4	4	4	4	4	4
Public Service	34	34	34	33	33	32	33	33	33	32
Community Development:										
Planning & Zoning	1	1	1	1	1	1	1	1	1	1
Building	4	4	4	5	5	5	5	5	5	5
Economic Development:										
	1	1	1	1	1	1	0	0	0	0
Public Safety:										
Police	38	41	38	38	38	38	39	41	41	40
Fire	27	27	27	27	26	26	26	26	27	27
Culture and Recreation:										
Programs	2	2	2	2	2	2	2	2	2	2
Recreation Center	9	9	11	11	11	11	11	12	12	13
Streets and Highways:										
Street Department	10	10	10	10	10	11	12	12	12	12
Totals:	<u>141</u>	<u>144</u>	<u>143</u>	<u>143</u>	<u>142</u>	<u>142</u>	<u>144</u>	<u>147</u>	<u>148</u>	<u>147</u>

Source: City of Middleburg Heights, Finance Department

City of Middleburg Heights, Ohio
Operating Indicators by Function/Program
Last Ten Years

Operating Indicators by Function/Program	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Fire										
Emergency Responses	2,770	2,553	2,498	2,647	2,565	2,431	2,471	2,355	2,424	2,163
Ambulance runs	2,036	1,904	1,823	1,848	1,711	1,606	1,755	1,738	1,866	1,709
Fire Runs	734	649	675	799	854	825	716	617	558	454
Fire Safety Inspections/Re-Inspections	170	338	453	370	387	230	267	231	283	387
Fire Protection Systems Inspected	48	111	226	211	331	129	208	355	380	195
Building/Fire Protection Plan Received	139	139	138	177	300	275	261	173	15	N/A
Number of Community Program Hours	200	382	440	261	180	218	220	125	94	80
Hydrants Tested	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,078	1,078	1,078
Public Service										
Snowfall in inches ¹	69.5	59.8	66.7	85.3	62.3	34.6	108.4	95.8	98.6	69.8
Tons of salt used	5,796	7,326	5,000	6,000	7,286	3,255	7,500	5,080	6,999	5,000
Asphalt used in road maintenance (tons)	351.5	317.5	447	149.5	191	117.0	160.5	213.5	164.5	156.5
Concrete used in road maintenance (yards)	286.75	458.5	210	314.5	376.5	272.0	389.5	203.0	162.0	123.5
Number of Trees removed	122	84	53	115	158	78	88	148	84	114
Number of Trees planted	134	198	155	119	154	99	102	177	191	200
Senior citizen driveway plowing participants	1,155	1,127	1,112	1,119	1,100	1,100	1,071	1,129	1,073	1,024
Building										
Number of Permits issued by type:										
Building Permits	196	166	148	186	269	255	273	279	261	293
Electrical Permits	225	156	142	177	220	226	244	248	243	239
Plumbing Permits	121	92	78	96	131	125	139	179	161	185
HVAC Permits	131	125	102	127	142	153	188	199	224	217
Miscellaneous Permits	734	616	631	633	676	674	673	715	699	575
Inspections performed	1,956	1,671	1,577	1,000	2,705	2,743	3,285	3,445	3,288	2,920
Estimated value of construction	\$15,993,740	\$4,940,229	\$10,141,903	\$16,361,351	\$34,020,291	\$21,074,047	\$24,200,342	\$15,857,695	\$14,233,591	\$22,350,722
Number of Plans examined	134	98	54	124	136	80	59	21	24	23
Court										
Number of court cases	6,826	6,246	6,831	7,237	6,796	7,195	7,980	10,251	9,015	5,405
Number of tickets	5,614	5,236	5,670	5,985	6,610	5,828	6,430	8,917	7,524	4,530
Number of Transferred Cases	283	463	303	291	385	359	530	631	467	362
Number of Waivers taken at Violations Bureau (Estimated)	1,674	1,943	2,072	2,274	2,655	1,897	2,322	2,600	2,000	1,000
Number of Court Appearances (Estimated prior to 2005)	2,232	2,515	2,864	3,162	3,167	1,155	1,786	2,000	1,800	1,500
Number of Waivers received by Mail (Estimated)	1,674	1,943	2,072	2,274	2,654	1,898	2,322	4,300	3,700	2,000

City of Middleburg Heights, Ohio
Operating Indicators by Function/Program (continued)
Last Ten Years

Operating Indicators by Function/Program	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Council										
Number of Ordinances & resolutions	105	91	100	111	123	83	133	104	92	108
Finance										
Number of checks processed (excluding payroll)	3,624	3,486	3,578	3,644	3,756	3,561	3,474	3,826	3,741	4,135
Number of Purchase orders issued	3,230	3,122	3,251	3,197	3,400	3,264	3,504	3,755	3,711	4,189
Number of W-2 forms issued	429	434	426	435	420	420	438	477	484	485
City W-2 Wages (in Millions) ²	\$11.72	\$11.80	\$11.51	\$11.10	\$10.63	\$10.34	\$10.22	\$10.20	\$9.42	\$8.90
Mayor's Office										
Newsletters mailed (Winter and Summer issues) ³	8,413	8,386	8,384	8,494	8,377	15,642	16,110	14,746	13,846	12,944
Recreation										
Number of Memberships	7,788	7,834	7,681	7,944	7,829	7,658	7,239	7,360	6,686	6,419
Learn to Swim enrollment	1,562	1,356	1,358	1,419	1,481	1,344	1,418	1,367	1,252	1,152
Enrollment in athletics programs	1,761	1,803	1,928	1,910	2,072	1,973	2,029	2,081	2,045	1,919
Number of Rental Events	2,967	2,172	1,783	1,800	1,595	1,549	1,429	1,301	1,220	1,185
Enrollment in classes, programs, and special events	14,603	13,352	10,674	10,542	9,756	5,312	5,213	5,344	4,592	4,786
Law										
Number of new litigations filed (traffic & criminal cases)	552	525	628	615	689	659	1,266	1,100	914	742
Number of Municipal Court cases heard and disposed	589	586	682	661	706	812	1,151	1,140	961	783
Planning & Zoning										
Number of Planning commission agenda items	82	68	52	79	94	73	72	87	78	92
Civil Service										
Number of Exams given	57	96	97	57	73	37	123	59	144	25

1 - National Weather Service, Cleveland, OH - Hopkins International Airport

2 - The 2004 payroll included 27 pay periods as opposed to the normal 26 pay periods.

3 - Prior to 2007, newsletters were mailed bi-annually to residents, beginning in 2007 newsletters were mailed annually.

Source: All other data not specifically footnoted was compiled by the departments of the City of Middleburg Heights.

City of Middleburg Heights, Ohio
Capital Asset Statistics by Function/Program
Last Ten Years

Function/Program	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government:										
Other Departmental Vehicles	5	5	5	5	7	6	6	6	6	4
City Hall Square Footage	18,746	18,746	18,746	18,746	18,746	18,746	18,746	18,746	18,746	18,746
Police:										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Vehicles	23	25	23	23	29	22	21	22	22	21
Square Footage of Building	13,400	13,400	13,400	13,400	13,400	13,400	13,400	13,400	13,400	13,400
Fire:										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Vehicles	10	10	10	10	10	10	10	10	10	10
Square Footage of Building	19,730	19,730	19,730	19,730	19,730	19,730	19,730	19,730	19,730	19,730
Culture and Recreation:										
Number of Parks	1	1	1	1	1	1	1	1	1	1
Number of Vehicles	2	1	1	1	2	2	3	3	3	2
Recreation Center Square Footage	83,768	83,768	83,768	83,768	83,768	83,768	83,768	83,768	83,768	83,768
Public Service:										
Number of Vehicles	42	45	43	45	42	41	44	43	42	44
Service Center Square Footage	62,445	62,445	62,445	62,445	62,445	62,445	62,445	62,445	62,445	62,445
Streets (miles)	65	65	65	65	65	65	65	65	65	65
Senior Transportation:										
Number of Vehicles	2	2	2	2	2	2	2	2	2	2

Source: City of Middleburg Heights, Finance Department



Dave Yost • Auditor of State

CITY OF MIDDLEBURG HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 28, 2012**