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# City Of Middleburg Heights, Ohio



## **Comprehensive Annual Financial Report**

For The Year Ended December 31, 2004

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Issued By The Department of Finance

Timothy Pope, CPA  
Director

John Mockler, CPA  
Assistant Director





**Auditor of State  
Betty Montgomery**

Members of the City Council  
City of Middleburg Heights  
Middleburg Heights, Ohio

We have reviewed the *Independent Auditor's Report* of the City of Middleburg Heights, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2004 through December 31, 2004. 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 "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

June 21, 2005

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**City of Middleburg Heights, Ohio**  
*Comprehensive Financial Annual Report*  
*For the Year Ended December 31, 2004*  
*Table of Contents*

***I. Introductory Section***

Title Page.....	i
Table of Contents.....	ii
Transmittal Letter.....	v
GFOA Certificate of Achievement.....	xi
Listing of Principal City Officials-Elected and Appointed Officials	xii
Listing of Principal City Officials-Special Boards and Commissions	xiii
Organizational Chart.....	xiv

***II. Financial Section***

Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet-Governmental Funds.....	15
Statement of Revenues, Expenditures and	
Changes in Fund Balances-Governmental Funds.....	17
Statement of Revenues, Expenditures and	
Changes in Fund Balance-Budget	
(Non-GAAP Basis) and Actual:	
General Fund.....	19
Recreation Fund.....	20
Statement of Fund Net Assets-Proprietary Fund.....	21
Statement of Revenues, Expenses, and Changes in Fund Net	
Assets- Proprietary Fund.....	22
Statement of Cash Flows-Proprietary Fund.....	23
Statement of Fiduciary Net Assets-Fiduciary Funds.....	24
Notes to the Basic Financial Statements.....	25
Combining Statements and Individual Fund Schedules:	
Combining Statements-Nonmajor Governmental Funds:	
Fund Descriptions.....	49
Combining Balance Sheet-Nonmajor Governmental Funds..	51
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances-Nonmajor Governmental Funds...	52
Combining Balance Sheet-Nonmajor Special Revenue Funds....	53
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances-Nonmajor Special Revenue Funds	55
Combining Balance Sheet-Nonmajor Capital Projects Funds.....	57
Combining Statement of Revenues, Expenditures and	

**City of Middleburg Heights, Ohio**  
*Comprehensive Financial Annual Report*  
*For the Year Ended December 31, 2004*  
*Table of Contents*

Changes in Fund Balances-Nonmajor Capital Projects Funds.	58
Combining Statements-Agency Funds:	
Fund Descriptions.....	59
Combining Statement of Changes in Assets and Liabilities-Agency Funds.....	60
Individual Fund Schedules of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP Basis) and Actual:	
Major Funds:	
General Fund.....	62
Recreation Fund.....	66
General Obligation Bond Retirement Fund.....	67
Special Assessment Bond Retirement Fund.....	68
Capital Improvements Fund.....	69
Road Improvements Fund.....	70
Nonmajor Funds:	
Street Construction, Maintenance and Repair Fund.....	71
State Highway Fund.....	72
Clerk of Courts Computer Services Fund.....	73
Law Enforcement Fund.....	74
Medical Transport Fund.....	75
Sewer Maintenance Fund.....	76
Police Pension Fund.....	77
Fire Pension Fund.....	78
Tree Planting Fund.....	79
Veteran’s Memorial Fund.....	80
Southwest General Hospital Fund.....	81
Community Center Fund.....	82
Service Center Fund.....	83
City Hall/Fire Station Expansion Fund.....	84
Health Insurance Fund.....	85

**III. Statistical Section**

Table of Contents .....	86
Net Assets by Component-Last Three Years.....	87
Changes in Net Assets-Last Three Years.....	88
Fund Balances, Governmental Funds- Last Ten Years.....	90
Changes in Fund Balances, Governmental Funds-Last Ten Years.....	92
Tax Revenues by Source, Governmental Funds-Last Ten Years.....	94
Income Tax Revenue Base and Collections-Last Ten Years.....	95
Principal Taxpayers-Current and Nine Years Ago.....	96
Property Tax Rates-All Direct and Overlapping Governments.....	97

**City of Middleburg Heights, Ohio**  
*Comprehensive Financial Annual Report*  
*For the Year Ended December 31, 2004*  
*Table of Contents*

Assessed and Estimated Actual Value of Taxable Property- Last Ten Years.....	98
Property Tax Levies and Collections-Real and Public Utility Taxes-Last Ten Years.....	99
Ratios of General Bonded Debt and Legal Debt Margins- Last Ten Years.....	100
Computation of Direct and Overlapping Debt.....	102
Demographic and Economic Statistics-Last Ten Years.....	103
Principal Employers-Current and Four Years Ago.....	104
Full-time City Employees by Function/Program-Last Ten Years.....	105
Operating Indicators by Function/Program-Last Ten Years.....	106
Capital Asset Statistics by Function/Program-Last Ten Years.....	108

**Finance Department**  
**CITY OF MIDDLEBURG HEIGHTS**

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**Gary W. Starr**  
Mayor

**Timothy Pope, CPA**  
Director of Finance

June 1, 2005

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

We are pleased to submit the Comprehensive Annual Financial Report of the City of Middleburg Heights (the "City") for the year ended December 31, 2004. We believe this report, prepared by the Department of Finance, presents comprehensive financial and operating information about the City's activities during 2004 that should be useful to citizens and taxpayers. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to set forth fairly the financial position and the results of operations of the City; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

The financial section begins with the Independent Auditors' Report and includes Management's Discussion and Analysis, the Basic Financial Statements and Notes that 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.

### **CITY ORGANIZATION**

The City of Middleburg Heights is approximately 8 square miles and is located in northeastern Ohio, southwest of Cleveland, within the boundaries of Cuyahoga County. The City's population from the 2000 federal census was 15,542. 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 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 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**

**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 Southwest Suburban Airport Council of Governments. Note 17 describes the City's relationship to these entities.

## **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 development of the commercial corridor, west of Interstate 71, during the last ten years is responsible for an increase in service industry jobs in the City. Construction of Hepburn Road has added 70 acres of commercially zoned land accessible for future expansion, and the widening of Engle Road has made the area even more desirable. According to an article in *Crain's Cleveland Business*, "The Middleburg Heights commercial market has prospered by filling a niche between the high-end corporate office space and the older commercial space of Cleveland and suburbs bordering the airport."

**Major Industries Affecting the City Economy:** With its juxtaposition to Cleveland Hopkins Airport and Interstate 71, the City of Middleburg Heights has found a home for several international shipping and package delivery carriers. As a hub for companies such as UPS, FedEx, ABX Logistics, Emery Worldwide, BAX Global and others, the shipping industry continues to employ over 1,500 in the City.

The Engle/Bagley Road business district continues to grow and play a vital role in providing the City of Middleburg Heights tax dollars. There is over 2,239,560 square feet of commercial space in the Engle/Bagley Road area with over 1,000,000 square feet proposed for the future. With the completion of the reconstruction and widening of Engle Road in 2002, the traffic flow in this business district has improved, assuring continued growth in this area.

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

**Future Economic Outlook:** Since its founding in 1920, the Southwest General Health Center has served southwestern Cuyahoga, eastern Lorain and northern Medina counties from its primary facility located in Middleburg Heights. The health center is a private, not-for-profit, 336-bed facility.

The 1997 partnership with University Hospitals Health System made Southwest General the flagship hospital for University on Cleveland's west side. The agreement brought the world-renowned services of Rainbow Babies & Children's Hospital, MacDonald Women's Hospital and the Ireland Cancer Center to the Southwest campus. The partnership also opened the door for perinatal and neonatal services to be available at Southwest General.

The partnering agreement with University Hospitals Health System was renewed for another ten years in 2002.

New buildings and projects started and/or completed in 2004 include the following:

- Sunnyside Honda (addition)
- Ganley BMW (addition)
- Dr. Postel D.D.S. (new)
- Ripepi and Sons Funeral Home (renovation and addition)
- Arby's (new restaurant)
- Cross Country Inn (Upgrade to Ramada Inn)
- On Time Delivery (addition)
- Dairy Deli (Fuel Station and convenience store)
- Old Oak Bible Church (addition)
- Foundation Surgery Affiliates of Middleburg Heights (new building)
- Teamz Bar and Grill
- Don Tequila (new restaurant)
- Lifeworks (new imaging center)
- Cold Stone Creamery (new business)
- Carpet and Tile Liquidators (new)
- Woodvale Cemetery (expansion of office and work building)

New projects proposed or in process in 2004 include the following:

- Rich's Towing (new building)
- El Rodeo Mexican Restaurant
- Pioneer Park Office Building (new)
- Conceptual Business Medical Campus (new building)

With low mortgage interest rates, the City is not only seeing expansion of its industrial and commercial base, but also continues to see an upsurge of new residential construction projects. Current residential construction includes:

- Chandler's Inc. – new subdivision consisting of 13 single family homes in the price range of \$350,000 to \$450,000.
- Crystal Lakes Phase 3 – Subdivision of 73 two-bedroom condominiums in the \$125,000 range.
- Deer Creek Estates – 19 sublots total. Only 3 remain, priced from \$300,000 to \$400,000
- Nantucket Woods - 48 Detached Cluster Units (20 remaining)
- Silver Oaks – Phase 3 started. 106 total sublots in the range of \$190,000 to \$250,000.
- Fox Hollow Court Condominiums – 16 units from \$180,000 to \$200,000
- Wexford Glen – Approximately 50 cluster homes in the \$225,000 to \$250,000 range.

All these projects serve to assure the continued expansion of the City's commercial tax and housing base. Both are integral to the future economic development of the City of Middleburg Heights.

### **MAJOR INITIATIVES**

***Current year projects:*** The City is currently focused on saving more money. Increased co-pays for employee health insurance is estimated to save the City \$50,000 in 2005 and as much as \$70,000 in 2006. The City has also committed to two Workers Compensation Programs in 2005 that could potentially save the City another \$75,000 per year.

***Future Projects:*** The City has continued its commitment to the preservation of green space. Cleveland Metroparks Big Creek Reservation runs through the heart of the City. The scenic hiking and biking trail provides recreational opportunities for residents and ties into the 3,189 acre Mill Stream Run Reservation. Lake Isaac, a 180 acre fish and fowl sanctuary, also owned by Cleveland Metroparks, is a beautiful setting for recreational activities from picnics to quiet reflection.

The City has been supportive of the Cleveland Metroparks' efforts to acquire properties along the riparian corridor of Abram Creek from Lake Isaac to Lake Abram, a 105 acre marsh and woodland habitat protection area, also located in the City of Middleburg Heights. The "Lake-to-Lake All Purpose Trail" would directly link to the existing Big Creek all-purpose trail and provide the opportunity for future linkages with adjoining businesses and institutions as well as surrounding neighborhoods. The City recently received a \$400,000 state grant to help fund the project. The Metroparks continues to acquire "conservation easements" from property owners and has received over \$270,000 worth of donated land so far. The project is estimated to be completed by 2010.

Furthermore, the City itself owns and maintains approximately 20 acres of outdoor park and recreational area.

The City has received the designation of "Tree City USA" for eight years running from the National Arbor Day Foundation. The City believes that with its continued dedication to preservation and maintenance of trees, it will again receive the designation in future years.

## FINANCIAL CONDITION

This is the third year that the City of Middleburg Heights has prepared financial statements in accordance with GASB Statement 34, "Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments" GASB 34 creates new basic financial Statements for reporting on the City's financial activities as follows:

***Government-wide financial statements*** These statements are prepared on an accrual basis of accounting which is similar to the basis of accounting followed by businesses.

***Fund financial statements*** These statements present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include a reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Fiduciary funds use the accrual basis of accounting.

***Statement of budgetary comparisons*** These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

As part of the new reporting model, management is responsible for preparing a discussion and analysis of the City. This discussion follows the Independent Auditors' Report providing an assessment of the City finances for 2004.

### **Cash Management**

All City cash is pooled for investment purposes in order to generate the highest possible yield. A majority of the City's deposits are collateralized by pooled collateral. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least one hundred five percent of the public funds on deposit. Trustees, including the Federal Reserve Bank and designated third party trustees of the financial institutions, hold the collateral.

### **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 the year the City contracted with Compensation Analysts, Inc. to manage our insurance coverage. These risks are fully insured.

The City provides two different medical plans for full time employees and 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 is also offered at no cost to the employee. All covered employees also receive prescription vision and dental benefits. Full time employees and council members are covered by a \$30,000 term life insurance and accidental death and dismemberment policy.

For the traditional 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 stop loss coverage of \$40,000 per individual per year. Control of the plan rests with the City.

The State of Ohio provides worker's compensation coverage. 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.

## OTHER INFORMATION

**Independent Audit:** In accordance with Ohio law, annual independent audits are required to be performed on all financial operations of the City. These audits are conducted by either the Auditor of the State of Ohio or, if the Auditor permits, an independent public accounting firm. The City of Middleburg Heights has contracted with the accounting firm of Ciuni & Panichi, Inc., to perform these services for 2004. Their report is presented in the financial section of this report.

**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, 2003. 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 nine 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.

The City also received a *Certificate of Recognition* from the Governmental Accounting Standards Board for early implementation of GASB 34 for its December 31, 2002 Comprehensive Annual Financial Report.

**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. We would like to express our appreciation to all staff members who have contributed or assisted in its preparation.

In closing, we 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,



Timothy Pope, 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, 2003

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.



*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director

**City of Middleburg Heights, Ohio**  
*Listing of Principal City Officials*  
*As of December 31, 2004*

**ELECTED OFFICIALS**

Mayor.....	Gary W. Starr
Council President.....	Alan C. Budney
Councilman At-Large .....	Tim Ali
Councilman At-Large .....	James F. Sheppard
Councilman Ward 1 .....	Matthew Castelli
Councilman Ward 2 .....	James P. Herron
Councilman Ward 3 .....	David Bortolotto
Councilman Ward 4.....	Raymond G. Guttman

**APPOINTED OFFICIALS**

Director of Finance .....	Timothy Pope, CPA
Assistant Finance Director.....	John Mockler, CPA
Director of Public Service.....	Frank D. Castelli
Chief Building Official .....	Robert M. Cline
Assistant Building Director.....	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.....	Bernard M. Benedict
Court Administrator .....	Therese Fairman
Executive Assistant.....	Jeffrey Minch
Clerk of Council.....	Mary Ann Meola

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**City of Middleburg Heights, Ohio**

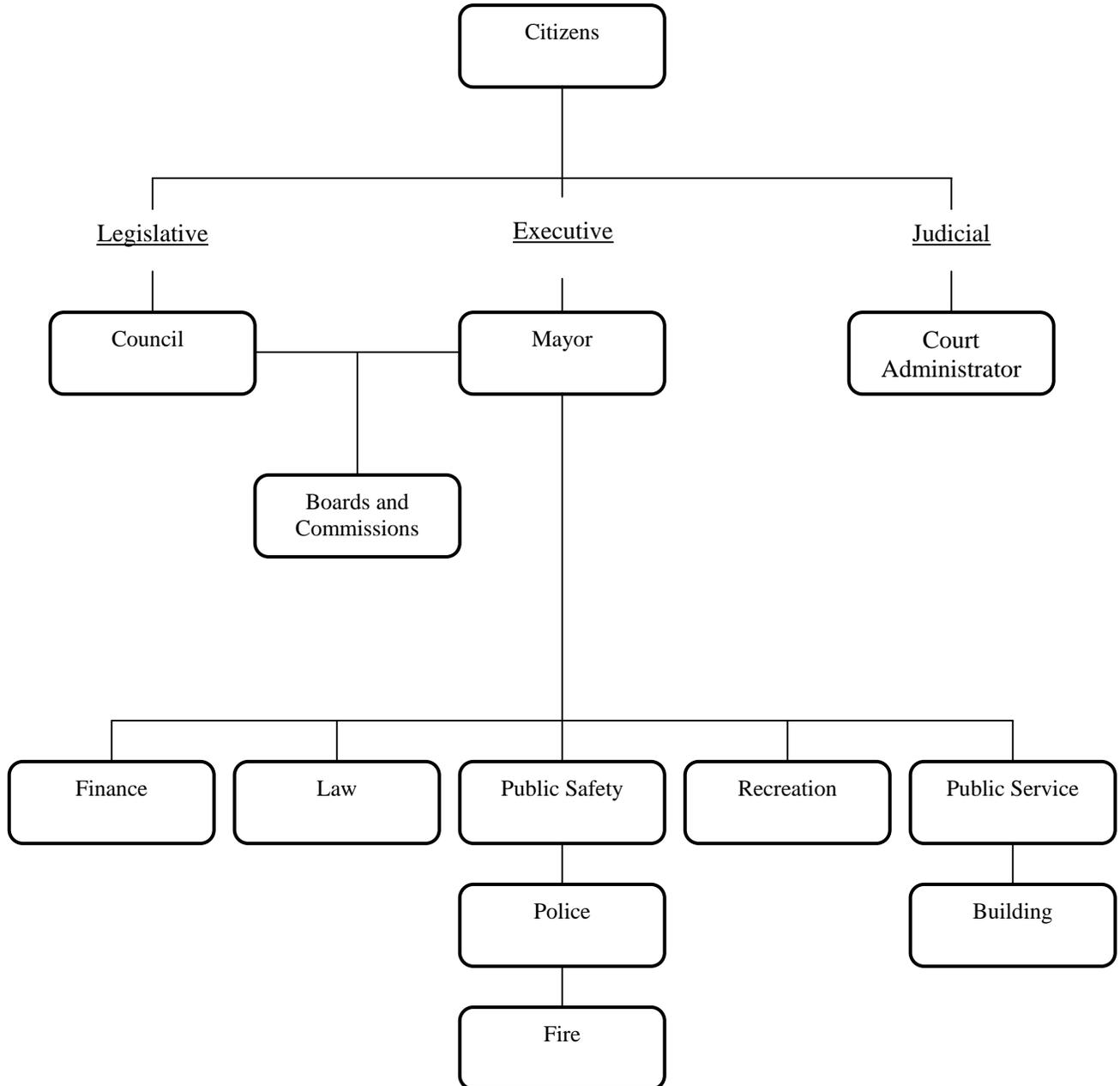
*Listing of Principal City Officials*

*As of December 31, 2004*

**SPECIAL BOARDS AND COMMISSIONS**

Planning Commission .....	Joseph Caterini
Planning Commission .....	John J. Grech
Planning Commission .....	Diane Mille
Planning Commission .....	John Nauer
Planning Commission .....	Randall Over
Planning Commission .....	Rose Zatezalo
Planning Commission .....	Marion Zgrabik
Board of Zoning and Building Appeals .....	Fred Duprow
Board of Zoning and Building Appeals .....	Pamela Marek
Board of Zoning and Building Appeals .....	Barbara Mihuta
Board of Zoning and Building Appeals (Alternative) .....	Alice Kuczma
Board of Zoning and Building Appeals .....	Doretta Selvaggio
Board of Zoning and Building Appeals .....	David Sliman
Civil Service.....	Walter Gainer
Civil Service.....	Eileen Herold
Civil Service.....	Kathryn Cannon
Secretary - Civil Service .....	Jan Brocklehurst
Secretary - Boards and Commissions .....	Kimberly Drown

**City of Middleburg Heights, Ohio**  
*Organizational Chart*  
*For the Year Ended December 31, 2004*



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## Independent Auditors' Report

Members of the City Council  
Middleburg Heights, Ohio

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, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Middleburg Heights, Ohio's management. Our responsibility is to express an opinion 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 the 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, 2004, and the respective changes in financial position and the respective budgetary comparison for the General and Recreation Funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2005 on our consideration of the City of Middleburg Heights, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Members of the City Council  
Middleburg Heights, Ohio

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Cini & Parichi, Inc.*

Cleveland, Ohio  
June 1, 2005

**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*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, 2004. 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 and the basic financial statements to enhance their understanding of the City's financial performance.

## **Financial Highlights**

Key Financial highlights for 2004 are as follows:

- The assets of the City of Middleburg Heights exceeded its liabilities at the close of the most recent fiscal year by \$40,082,367 (*net assets*). Of this amount, \$5,270,879 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total Net Assets decreased \$2,239,022 or a 5.3 percent decrease from 2003. The decrease was primarily due to the following: 1) In 2004, negotiated increases for salaries and fringes averaged about 4%. 2) In 2004 the city had an extra, twenty-seventh pay, which added approximately \$443,000 to salaries and fringes in 2004. 3) Income tax collections fell by \$494,176 from 2003. 4) Expenses for streets and highways increased by \$538,288 mostly due to expenses associated with the maintenance and repair of Bagley Road and West 130<sup>th</sup> Street, and depreciation.
- Total Assets of the City decreased \$3,805,400, which represents a 5.3 percent decrease from 2003.
- Total Capital Assets decreased by \$717,704 or 1.37 percent from 2003.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,829,672, a decrease of \$2,911,961 in comparison with the prior year.
- Total outstanding Long-term liabilities were \$23,883,276. This was a 5.98% decrease from the balance at the end of 2003.
- On a cash basis, City income tax collections decreased 1.82% from 2003. Income tax collections have been essentially flat since 2000.

## **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.

**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

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 13 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Middleburg Heights maintains 20 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, General Obligation Bond Retirement Fund, Special Assessment Bond Retirement Fund, Capital Improvements Fund and Road Improvement Fund; all of which are considered to be major funds. Data from the other 14 nonmajor 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.

**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

**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 such a fund for its self-insurance of health related employee benefits. Because this fund only benefits governmental functions, this fund 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, which is considered a nonmajor fund. The basic proprietary fund financial statements can be found on pages 21 to 23 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 25 to 48 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 and internal service funds are presented, as well as individual detailed budgetary comparisons for all funds. This information can be found on pages 51 to 85 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 2004?" 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 City 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

## **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 2004 compared to 2003.

**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

**Table 1 Net Assets**

	Governmental Activities	
	2004	2003
<b>Assets</b>		
Current and Other Assets	\$16,652,785	\$19,740,481
Capital Assets, Net	51,479,570	52,197,274
<i>Total Assets</i>	68,132,355	71,937,755
<b>Liabilities</b>		
Current Liabilities	4,166,712	4,214,706
Long-term Liabilities		
Due within One Year	3,124,144	2,958,013
Due in More Than One Year	20,759,132	22,443,647
<i>Total Liabilities</i>	28,049,988	29,616,366
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	29,822,417	28,782,469
Restricted for:		
Capital Projects	442,211	1,131,259
Debt Service	4,128,272	4,673,180
Other Purposes	418,588	404,227
Unrestricted	5,270,879	7,330,254
<i>Total Net Assets</i>	\$40,082,367	\$42,321,389

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, assets exceed liabilities by \$40,082,367 at the close of the most recent fiscal year.

The largest portion of the City's net assets (74.4%) 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 \$3,805,400 from 2003 to 2004, while the City's total liabilities decreased by \$1,566,378. The most significant change was a decrease in Equity in Pooled Cash and Cash Equivalents, of \$3,092,510 during the fiscal year. The decrease in liabilities was mainly due to the scheduled retirement of bonded debt.

Total net assets of the City's governmental activities decreased by \$2,239,022. The primary reasons for this decrease was previously discussed in the "Financial Highlights".

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 2003.

**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

**Table 2 Changes in Net Assets**

	Governmental Activities 2004	Governmental Activities 2003
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$2,529,813	\$2,460,311
Operating Grants and Contributions	756,071	689,679
Capital Grants and Contributions	539,301	1,362,161
Total Program Revenues	<u>3,825,185</u>	<u>4,512,151</u>
General Revenues		
Property Taxes & Other Local Taxes	2,934,334	2,783,996
Income Taxes	12,302,532	12,796,708
Grants and Entitlements	1,053,794	1,129,313
Investment Income	164,962	236,156
Miscellaneous	355,037	271,142
Total General Revenues	<u>16,810,659</u>	<u>17,217,315</u>
<i>Total Revenues</i>	<u>20,635,844</u>	<u>21,729,466</u>
<b>Program Expenses</b>		
General Government	6,295,289	5,912,798
Security of Persons and Property		
Police	4,343,435	3,998,227
Fire	3,026,842	2,851,306
Safety Director	45,650	42,266
Public Health Services	258,754	253,092
Culture and Recreation	3,152,424	2,924,858
Community Development	631,527	605,855
Streets and Highways	3,345,946	2,901,524
Sanitation	729,743	716,221
Interest and Fiscal Charges	1,045,256	1,127,571
Total Program Expenses	<u>22,874,866</u>	<u>21,333,718</u>
Increase (decrease) in Net Assets	<u>(\$2,239,022)</u>	<u>\$395,748</u>

***Governmental Activities***

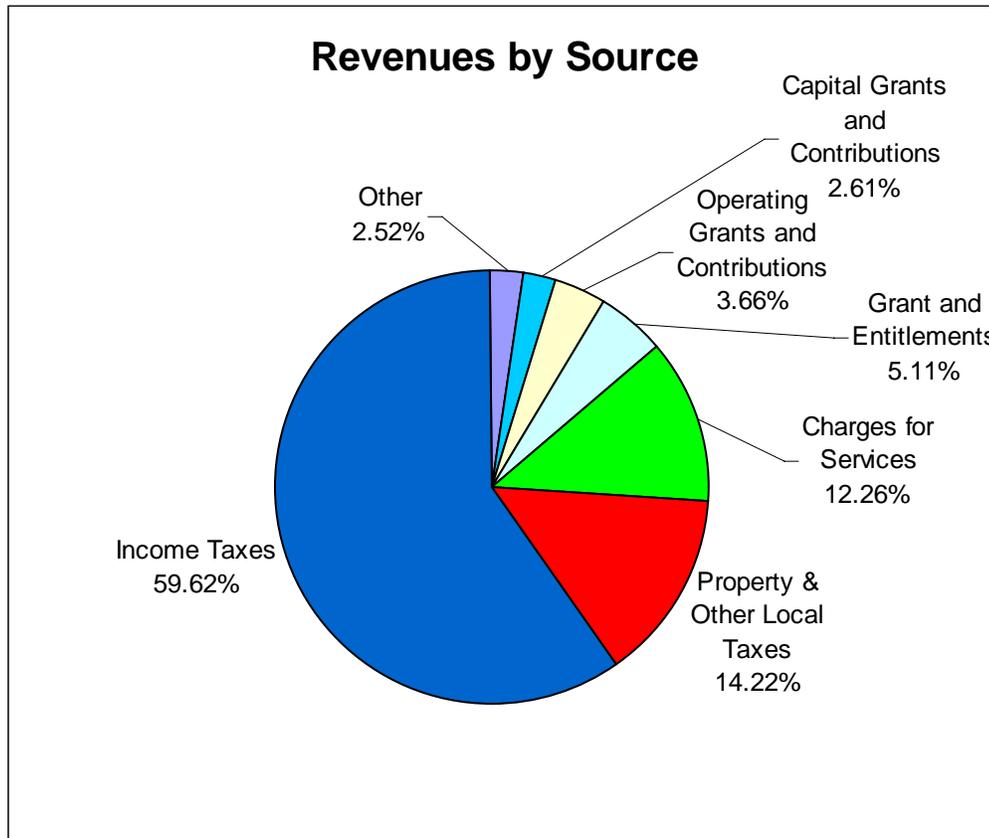
Governmental activities decreased the City's net assets by \$2,239,022. A discussion of the reasons for the decrease in net assets is as follows:

Several types of revenues fund our governmental activities, with the City income tax being the biggest contributor. The income tax rate was 1.75% for 2004. This rate was increased from 1.0% in 1998 by a vote of the residents for the purpose of building and operating a community center and a new service center. Both 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 1.75% for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City. In 2004, cash basis

**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

income tax collections decreased by 1.82% compared to 2003, the third year to year decrease over the last four years.

Over the years a major factor in increasing the City's net assets has been the City's ability to partner with the State of Ohio and Cuyahoga County to obtain infrastructure improvements largely funded by the State and County. In 2004 The Sprague Road Project was completed, in 2003 the city recognized \$1,137,646 in capital grants and contributions for this project, while only \$224,664 was recognized in 2004 thus explaining the reduction in capital grants and contributions reflected in table 2 above.



The income tax revenue for 2004 was \$12,302,532. Of the \$20,635,844 in total revenues, income tax accounts for 59.62% of that total. Property and other local taxes of \$2,934,334 account for 14.22% of total revenues, and operating grants and contributions, capital grants and contributions, general revenues from grants and entitlements account for 11.38% of total revenues, and charges for services, investment income, and other revenue make up the remaining 14.78%.

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.

Most of the increase in expenses for 2004 was due to salaries and fringes. In 2004 the city had a one year agreement with the City's Union's as well as a one year salary ordinance covering non-elected administrative personnel. These agreements generally called for 3.25-4.5% increases in 2004, but also provided significant annual step increases within pay grades for employees below the final step or below midpoint. In 2004 overall wages to employees increased approximately 4.0% with a corresponding increase for fringe benefits directly and incrementally related to the amount of salary paid to the employee, such as Medicare taxes, Worker's Compensation premiums and employer contributions to the

**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

retirement systems. In addition to the increase noted above, in 2004 the city had an extra twenty-seventh pay, as occurs about every eleven years, which added approximately \$443,000 to salary and fringe expenses in 2004.

While health care costs increased by a modest 2% in 2004, these costs continue to be a substantial drain on city resources. City expenses for worker's compensation in 2004 were still high by historical standards. The City's premium for Worker's Compensation administered by the State Bureau of Worker's Compensation went from \$35,911 in 2002 to \$340,213 in 2003; a slight decrease to \$334,703 was recorded for 2004. The increases over the past two years is largely the result of recent poor claims experience by the City, and the State rescinding a premium dividend program that in past years greatly reduced the City's premium for this coverage sometimes to \$0. Increases in most other expenses closely paralleled inflation and growth in the demand for services.

The largest program function for the City relates to security of persons and property. In 2004, 32.42% of program expenses for governmental activities were for security of persons and property, which include the police and fire departments. The next largest function was general government, which accounted for 27.52% of the expenses in 2004. 13.78% of the expenses were spent on culture and recreation, while expenses for street and highway maintenance, including snow removal accounted for 14.63%. All other expenses, primarily interest and fiscal charges and sanitation expense for refuse removal, accounted for the remaining 11.65%.

### **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. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Information about the City's governmental funds begins on page 15. These funds are accounted for by using the modified accrual basis of accounting.

As of December 31, 2004, the City's governmental funds reported combined ending fund balances of \$8,829,672. Of that amount, \$8,326,553 constitutes unreserved fund balances, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchases of the prior period (\$503,119).

All governmental funds had total revenues of \$21,079,674 and expenditures of \$23,991,635, leaving a deficit of \$2,911,961. The majority of this deficit is attributable to increases in salaries and fringes (including an extra twenty-seventh pay in 2004) and other normal operating expenses over and above growth in revenue, particularly income tax revenue. Other significant items contributing to the shortfall included expenses of \$189,260 and \$155,450 to conclude the City's participation in the Engle Road and Sprague Road improvement projects respectively, as well as outlays of approximately \$382,000 related to the maintenance and repair of Bagley Road and West 130<sup>th</sup> Street. Improvements to Woodvale Cemetery contributed approximately \$108,000 to the 2004 shortfall; however, the cemetery has agreed to reimburse the city for this expense over the next five years.

**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

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 \$4,800,581, of which \$4,679,783 was unreserved. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to the sum of total fund expenditures and other financing uses. Unreserved fund balance represents 32.18% of total General Fund expenditures and other financing uses, while total fund balance represents 33.01% of that same amount.

During the current fiscal year, the fund balance of the City's General Fund decreased by \$1,550,723. The 2004 decrease was more than double the decrease of \$738,591 reported in 2003. On a modified accrual basis of accounting, total income tax receipts recorded in 2004 were almost equal to the total amount posted in 2003. However, the amount of income tax posted to the General Fund increased by approximately 2.66% due to a change in the allocation of income tax dollars done in 2004. In Prior years, the first one percent of income taxes was split with 80% going to the General Fund and the remaining 20% to the Capital Improvements Fund. Beginning in 2003, and continued in 2004 that allocation was changed with 90% going to the General Fund and 10% going to the Capital Improvements Fund. In addition, after a careful analysis of the City's General Obligation Bond Retirement Fund balance, it was decided that less income tax revenue could be posted to that fund and instead be credited to the General Fund. Over 70% of General Fund expenditures are for salaries and fringes. Pay increases, a twenty-seventh pay in 2004, as well as increases in health benefit costs and workers compensation account for most of the overall decrease in the General Fund balance. In all, the actual decrease in General Fund balance was less than the anticipated budget decrease originally estimated at approximately \$2.3 million.

The City's Recreation Fund experienced a decrease in fund balance of \$181,870 because less income tax was receipted than initially anticipated and higher expenses mainly due to salary and fringe benefit increases, including a twenty-seventh pay in 2004.

As noted above in the discussion of the General Fund, the balance in the General Obligation Bond Retirement Fund decreased because less income tax revenue was allocated to this fund.

The Balance in the Special Assessment Bond Retirement Fund was reduced by virtue of a final payment to conclude the Engle Road project.

As noted in the discussion of the General Fund, the balance in the Capital Improvements fund decreased primarily due to a reallocation of income tax receipts.

The decrease in the Road Improvements Fund balance was mostly due to expenditures incurred to conclude the Sprague Road project.

***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 2004 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 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 Department, Fire Department and Service Department as well as most administrative, legislative and executive activities. The General Fund is monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

For the General Fund, original budgeted revenues were \$13.3 million. The final budgeted amount was \$13.0 million. The City's ending unencumbered cash balance in the General Fund was \$1,168,938 above the final budgeted amount.

The differences between the General Fund's original budget and the final amended budget were minor, amounting to about 3.3%. Over 75% of these revisions were due to salary negotiations concluded during 2004 and an appropriation for the Woodvale Cemetery project.

**Capital Assets and Debt Administration**

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

	Governmental Activities	
	2004	2003
Land	\$3,107,462	\$3,107,462
Land Improvements	545,451	584,635
Buildings and Improvements	25,364,214	25,912,263
Machinery and Equipment	3,093,092	3,109,001
Furniture and Fixtures	64,612	54,768
Infrastructure		
Streets	11,509,759	10,309,803
Sidewalks	420,454	355,869
Traffic Signals	2,373,254	2,463,704
Water Mains	1,364,474	1,301,036
Sanitary Sewers	1,599,741	1,615,025
Storm Sewers	1,872,890	1,702,530
Construction in Progress	164,167	1,681,178
<b>Total Capital Assets</b>	<b>\$51,479,570</b>	<b>\$52,197,274</b>

Total capital assets of the City as of December 31, 2004 were \$51,479,570, \$717,704 less than in 2003. The decrease in capital assets is mainly due to current year depreciation expense in excess of capital asset additions. The most significant increase in the city's capital assets came as a result of infrastructure improvements to Sprague Road, which increased capital assets by approximately \$380,000 in 2004. As in past years, the City acquired several new vehicles for the Police Department at a cost of approximately \$89,000; and in 2004 a new medical rescue vehicle was purchased for the Fire Department costing approximately \$198,000. 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, 2004, the City had \$23,883,276 in bonds and compensated absences outstanding with \$3,124,144 due within one year.

**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

**Table 4 Outstanding Long-Term Obligations at Year End**

	Governmental Activities	
	2004	2003
General Obligation Bonds	\$19,769,318	\$21,408,718
Special Assessment Bonds	1,887,835	2,006,087
Compensated Absences	2,226,123	1,986,855
<b>Total</b>	<b>\$23,883,276</b>	<b>\$25,401,660</b>

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) 1998 Community Center voted issue for the construction of the City community center to be repaid from a dedicated 3/4% of the City's municipal income tax; (5) 1998 Service Center voted issue for the construction of the City service center also to be repaid from the dedicated 3/4% of the City's municipal income tax; and (6) Various purpose bonds issued in 2002. Also included is a small manuscript bond issued in 1992 that is owned by the City, for the construction of the Pearl Rd. sanitary sewer.

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. The County Auditor collects principal and interest for these bonds on behalf of the City for special assessments to be used for debt service.

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 \$57.3 million on December 31, 2004.

Additional information concerning the City's debt can be found in the notes to the financial statements.

**The Future**

The City of Middleburg Heights continues to address the needs of the community under these difficult economic times. The Mayor and City Council will consider all its options to maintain the service level that has come to be expected by its residents while balancing a tight budget.

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, tax payers, 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 Timothy Pope, CPA, City of Middleburg Heights, 15700 Bagley Rd., Middleburg Heights, Ohio 44130, telephone 440-234-8989, or email [tpope@middleburgheights.com](mailto:tpope@middleburgheights.com).

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**City of Middleburg Heights, Ohio**

*Statement of Net Assets*

*December 31, 2004*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,613,213
Cash and Cash Equivalents:	
With Fiscal Agents	2,887
Investment in Manuscript Bonds	227,151
Accounts Receivable	116,608
Accrued Interest Receivable	27,977
Intergovernmental Receivable	1,165,979
Prepaid Items	155,755
Materials and Supplies Inventory	151,876
Income Tax Receivable	2,651,913
Property Taxes Receivable	2,575,357
Other Local Taxes Receivable	41,486
Special Assessments Receivable	1,887,835
Unamortized Bond Issue Costs	34,748
Nondepreciable Capital Assets	3,271,629
Depreciable Capital Assets	48,207,941
	<hr/>
<i>Total Assets</i>	68,132,355
	<hr/>
<b>Liabilities</b>	
Accounts Payable	716,244
Accrued Wages	71,551
Retainage Payable	4,000
Intergovernmental Payable	579,226
Matured Bonds Principal and Interest Payable	2,887
Accrued Interest Payable	81,499
Claims Payable	78,048
Deferred Revenue	2,389,832
Unearned Revenue	243,425
Long-Term Liabilities:	
Due Within One Year	3,124,144
Due In More Than One Year	20,759,132
	<hr/>
<i>Total Liabilities</i>	28,049,988
	<hr/>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	29,822,417
Restricted for:	
Capital Projects	442,211
Debt Service	4,128,272
Other Purposes	418,588
Unrestricted	5,270,879
	<hr/>
<i>Total Net Assets</i>	\$40,082,367
	<hr/> <hr/>

See accompanying notes to the basic financial statements



**City of Middleburg Heights, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2004*

	General	Recreation	General Obligation Bond Retirement	Special Assessment Bond Retirement	Capital Improvements	Road Improvements
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$3,393,579	\$410,554	\$1,009,391	\$497,027	\$213,559	\$314,445
Cash and Cash Equivalents						
With Fiscal Agents	0	0	2,887	0	0	0
Materials and Supplies Inventory	22,810	29,396	0	0	0	0
Investment in Manuscript Bond	0	0	40,800	186,351	0	0
Accrued Interest Receivable	26,816	0	229	932	0	0
Accounts Receivable	114,402	0	0	0	2,206	0
Interfund Receivable	72,000	0	0	0	0	45,854
Intergovernmental Receivable	586,572	0	28,711	0	175,666	0
Prepaid Items	134,085	21,670	0	0	0	0
Income Taxes Receivable	1,715,061	347,525	442,445	0	146,882	0
Property Taxes Receivable	1,569,190	0	478,737	0	0	0
Other Local Taxes Receivable	41,486	0	0	0	0	0
Special Assessments Receivable	0	0	0	1,887,835	0	0
<i>Total Assets</i>	<u>\$7,676,001</u>	<u>\$809,145</u>	<u>\$2,003,200</u>	<u>\$2,572,145</u>	<u>\$538,313</u>	<u>\$360,299</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$141,570	\$42,705	\$0	\$0	\$97,665	\$360,299
Accrued Wages	45,640	14,722	0	0	0	0
Intergovernmental Payable	264,646	51,136	0	0	0	0
Matured Bonds & Interest Payable	0	0	2,887	0	0	0
Retainage Payable	4,000	0	0	0	0	0
Interfund Payable	45,854	0	0	0	72,000	0
Deferred Revenue	2,373,710	78,659	607,592	1,887,835	35,451	0
Unearned Revenue	0	243,425	0	0	0	0
<i>Total Liabilities</i>	<u>2,875,420</u>	<u>430,647</u>	<u>610,479</u>	<u>1,887,835</u>	<u>205,116</u>	<u>360,299</u>
<b>Fund Balances</b>						
Reserved for Encumbrances	120,798	33,319	0	0	123,717	0
Unreserved, Undesignated, Reported in:						
General Fund	4,679,783	0	0	0	0	0
Special Revenue Funds	0	345,179	0	0	0	0
Debt Service Funds	0	0	1,392,721	684,310	0	0
Capital Projects Funds	0	0	0	0	209,480	0
<i>Total Fund Balances</i>	<u>4,800,581</u>	<u>378,498</u>	<u>1,392,721</u>	<u>684,310</u>	<u>333,197</u>	<u>0</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$7,676,001</u>	<u>\$809,145</u>	<u>\$2,003,200</u>	<u>\$2,572,145</u>	<u>\$538,313</u>	<u>\$360,299</u>

See accompanying notes to the basic financial statements

**City of Middleburg Heights, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2004*

Other Governmental Funds	Total Governmental Funds		
		<b>Total Governmental Fund Balances</b>	<b>\$8,829,672</b>
		<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
\$1,133,500	\$6,972,055	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	51,479,570
0	2,887	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
99,670	151,876	Delinquent Property Taxes	185,525
0	227,151	Income Taxes	600,237
0	27,977	Intergovernmental	679,830
0	116,608	Special Assessments	1,887,835
0	117,854	Charges for Services	31,138
375,030	1,165,979	Total	3,384,565
0	155,755		
0	2,651,913	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.	563,110
527,430	2,575,357		
0	41,486		
0	1,887,835		
<u>\$2,135,630</u>	<u>\$16,094,733</u>	Unamortized bond issue costs.	34,748
		Intergovernmental Payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(244,523)
\$74,005	\$716,244		
11,189	71,551	Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(81,499)
18,921	334,703		
0	2,887	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
0	4,000	General Obligation Bonds	(19,769,318)
0	117,854	Special Assessment Bonds	(1,887,835)
791,150	5,774,397	Compensated Absences	(2,226,123)
0	243,425	Total	(23,883,276)
895,265	7,265,061		
225,285	503,119	<i>Net Assets of Governmental Activities</i>	<u><u>\$40,082,367</u></u>
0	4,679,783		
983,171	1,328,350		
0	2,077,031		
31,909	241,389		
<u>1,240,365</u>	<u>8,829,672</u>		
<u>\$2,135,630</u>	<u>\$16,094,733</u>		

**City of Middleburg Heights, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2004*

	General	Recreation	General Obligation Bond Retirement	Special Assessment Bond Retirement	Capital Improvements	Road Improvements
<b>Revenues</b>						
Property Taxes	\$1,391,677	\$0	\$488,308	\$0	\$0	\$0
Income Taxes	8,718,746	1,450,105	1,690,542	0	695,092	0
Other Local Taxes	532,080	0	0	0	0	0
Intergovernmental	948,893	0	62,769	0	175,666	399,655
Special Assessments	0	0	0	257,223	0	0
Interest	58,592	7,631	34,019	30,148	7,059	0
Fines, Licenses and Permits	1,056,707	0	0	0	0	0
Charges for Services	84,872	992,986	0	0	18,637	0
Other	201,215	16,389	13,700	8,436	5,908	0
<i>Total Revenues</i>	<u>12,992,782</u>	<u>2,467,111</u>	<u>2,289,338</u>	<u>295,807</u>	<u>902,362</u>	<u>399,655</u>
<b>Expenditures</b>						
Current:						
Security of Persons and Property						
Police	3,905,212	0	0	0	0	0
Fire	2,580,919	0	0	0	0	0
Safety Director	47,021	0	0	0	0	0
Public Health and Welfare	32,721	0	0	0	0	0
Culture and Recreation	0	2,648,981	0	0	0	0
Community Development	623,163	0	0	0	0	0
Streets and Highways	0	0	0	0	0	0
Sanitation	729,743	0	0	0	0	0
General Government	5,827,708	0	379	7,448	0	0
Capital Outlay	0	0	0	189,260	1,487,674	555,105
Debt Service:						
Principal Retirement	0	0	1,639,400	118,252	0	0
Interest and Fiscal Charges	0	0	951,321	97,078	0	0
<i>Total Expenditures</i>	<u>13,746,487</u>	<u>2,648,981</u>	<u>2,591,100</u>	<u>412,038</u>	<u>1,487,674</u>	<u>555,105</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(753,705)</u>	<u>(181,870)</u>	<u>(301,762)</u>	<u>(116,231)</u>	<u>(585,312)</u>	<u>(155,450)</u>
<b>Other Financing Sources (Uses)</b>						
General Obligation Bonds Issued	0	0	0	0	0	0
Transfers In	0	0	0	0	31,164	45,854
Transfers Out	(797,018)	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(797,018)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31,164</u>	<u>45,854</u>
<i>Net Change in Fund Balances</i>	(1,550,723)	(181,870)	(301,762)	(116,231)	(554,148)	(109,596)
<i>Fund Balances Beginning of Year</i>	<u>6,351,304</u>	<u>560,368</u>	<u>1,694,483</u>	<u>800,541</u>	<u>887,345</u>	<u>109,596</u>
<i>Fund Balances End of Year</i>	<u>\$4,800,581</u>	<u>\$378,498</u>	<u>\$1,392,721</u>	<u>\$684,310</u>	<u>\$333,197</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

**City of Middleburg Heights, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2004*

Other Governmental Funds	Total Governmental Funds		
		<b>Net Change in Fund Balances - Total Governmental Funds</b>	(\$2,911,961)
		<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
\$488,719	\$2,368,704	Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
0	12,554,485	Capital Asset Additions	998,642
0	532,080	Current Year Depreciation	(1,491,383)
818,503	2,405,486	Total	(492,741)
0	257,223		
15,944	153,393	Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(224,963)
82,823	1,139,530		
325,580	1,422,075	Revenues in the statement of activities that do not provide current	
1,050	246,698	Delinquent Property Taxes	33,550
1,732,619	21,079,674	Income Tax	(251,953)
		Intergovernmental	88,039
169,479	4,074,691	Special Assessments	(118,252)
240,338	2,821,257	Charges for Services	(31,792)
0	47,021	Total	(280,408)
218,466	251,187	Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,757,652
0	2,648,981		
0	623,163	In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	5,625
1,618,920	1,618,920	Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable (which represent contractually required pension contributions), do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
0	729,743	Compensated Absences	(239,268)
31,317	5,866,852	Pension Obligation	(39,725)
271,730	2,503,769	Total	(278,993)
0	1,757,652	Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(2,482)
0	1,048,399		
2,550,250	23,991,635	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.	189,249
(817,631)	(2,911,961)	<i>Change in Net Assets of Governmental Activities</i>	<u><u>(\$2,239,022)</u></u>
0	0		
720,000	797,018		
0	(797,018)		
720,000	0		
(97,631)	(2,911,961)		
1,337,996	11,741,633		
<u>\$1,240,365</u>	<u>\$8,829,672</u>		

**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, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$1,383,843	\$1,391,677	\$1,391,677	\$0
Income Taxes	9,311,542	8,787,000	8,791,073	4,073
Other Local Taxes	570,000	531,000	534,164	3,164
Intergovernmental	869,152	941,172	941,858	686
Interest	125,000	100,000	104,319	4,319
Fines, Licenses and Permits	886,150	1,063,110	1,054,167	(8,943)
Charges for Services	46,225	24,080	24,557	477
Other	148,553	159,226	156,712	(2,514)
<i>Total Revenues</i>	<u>13,340,465</u>	<u>12,997,265</u>	<u>12,998,527</u>	<u>1,262</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property:				
Police	4,121,595	4,249,778	4,005,677	244,101
Fire	2,882,704	2,898,409	2,652,980	245,429
Safety Director	48,325	49,264	47,952	1,312
Public Health and Welfare	35,526	36,196	33,548	2,648
Community Development	696,542	733,113	657,406	75,707
Sanitation	736,450	736,450	732,375	4,075
General Government	6,317,311	6,624,954	6,048,550	576,404
<i>Total Expenditures</i>	<u>14,838,453</u>	<u>15,328,164</u>	<u>14,178,488</u>	<u>1,149,676</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,497,988)</u>	<u>(2,330,899)</u>	<u>(1,179,961)</u>	<u>1,150,938</u>
<b>Other Financing Sources (Uses)</b>				
Advances Out	0	(90,000)	(72,000)	18,000
Transfers Out	(800,000)	(751,164)	(751,164)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(800,000)</u>	<u>(841,164)</u>	<u>(823,164)</u>	<u>18,000</u>
<i>Net Change in Fund Balance</i>	<u>(2,297,988)</u>	<u>(3,172,063)</u>	<u>(2,003,125)</u>	<u>1,168,938</u>
<i>Fund Balance Beginning of Year</i>	5,044,020	5,044,020	5,044,020	0
Prior Year Encumbrances Appropriated	222,374	222,374	222,374	0
<i>Fund Balance End of Year</i>	<u>\$2,968,406</u>	<u>\$2,094,331</u>	<u>\$3,263,269</u>	<u>\$1,168,938</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, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Income Taxes	\$1,490,000	\$1,404,000	\$1,404,979	\$979
Charges for Services	925,500	925,500	1,015,832	90,332
Interest	5,000	7,750	8,279	529
Other	11,320	16,203	16,389	186
<i>Total Revenues</i>	<u>2,431,820</u>	<u>2,353,453</u>	<u>2,445,479</u>	<u>92,026</u>
<b>Expenditures</b>				
Current:				
Culture and Recreation	<u>2,833,646</u>	<u>2,882,469</u>	<u>2,740,502</u>	<u>141,967</u>
<i>Total Expenditures</i>	<u>2,833,646</u>	<u>2,882,469</u>	<u>2,740,502</u>	<u>141,967</u>
<i>Net Change in Fund Balance</i>	(401,826)	(529,016)	(295,023)	233,993
<i>Fund Balance Beginning of Year</i>	591,449	591,449	591,449	0
Prior Year Encumbrances Appropriated	<u>62,073</u>	<u>62,073</u>	<u>62,073</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$251,696</u></u>	<u><u>\$124,506</u></u>	<u><u>\$358,499</u></u>	<u><u>\$233,993</u></u>

See accompanying notes to the basic financial statements

**City of Middleburg Heights, Ohio**

*Statement of Fund Net Assets*

*Proprietary Fund*

*December 31, 2004*

	<u>Governmental Activities Internal Service Fund - Insurance</u>
<b>Assets</b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$641,158</u>
<i>Total Assets</i>	<u>641,158</u>
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Claims Payable	<u>78,048</u>
<i>Total Liabilities</i>	<u>78,048</u>
<b>Net Assets</b>	
Unrestricted	<u>563,110</u>
<i>Total Net Assets</i>	<u><u>\$563,110</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, 2004*

	Governmental Activities Internal Service Fund - Insurance
<b>Operating Revenues</b>	
Charges for Services	\$1,639,083
<i>Total Operating Revenues</i>	1,639,083
<b>Operating Expenses</b>	
Contractual Services	372,850
Claims	1,088,553
<i>Total Operating Expenses</i>	1,461,403
<i>Operating Income</i>	177,680
<b>Non Operating Revenue</b>	
Interest	11,569
<i>Total Non Operating Revenue</i>	11,569
<i>Change in Net Assets</i>	189,249
<i>Net Assets Beginning of Year</i>	373,861
<i>Net Assets End of Year</i>	\$563,110

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, 2004*

	Governmental Activities Internal Service Fund - Insurance
<i><b>Increase (Decrease) In Cash and Cash Equivalents</b></i>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services	\$1,639,083
Cash Payments to Suppliers for Services	(372,850)
Cash Payments for Claims	(1,112,932)
	153,301
<b>Cash Flows from Investing Activities</b>	
Interest	12,952
	166,253
<i>Cash and Cash Equivalents Beginning of Year</i>	474,905
<i>Cash and Cash Equivalents End of Year</i>	\$641,158
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
<i>Operating Income</i>	\$177,680
Adjustments:	
Decrease in Claims Payable	(24,379)
	\$153,301
<i>Net Cash Provided by Operating Activities</i>	\$153,301

See accompanying notes to the basic financial statements

**City of Middleburg Heights, Ohio**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*December 31, 2004*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$320,443</u>
<b>Liabilities</b>	
Deposits Held and Due to Others	<u>\$320,443</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, 2004*

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**Note 1 – Description of the City and Reporting Entity**

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.

***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, the Southwest Suburban Airport Council of Governments, and the Suburban Water Regional Council of Governments. Refer to Note 17 for the City’s relationship to these entities.

**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 City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the City’s accounting policies are described below.

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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***A. 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.

***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 activity of the Health Insurance internal service fund is eliminated to avoid the double counting of revenues and expenses.

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.

***B. 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 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

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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provided it is expended or transferred according to the charter of the City and/or the general laws of Ohio.

***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.

***General Obligation Bond Retirement Fund*** The general obligation 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.

***Special Assessment Bond Retirement Fund*** The special assessment bond retirement fund is used to account for 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.

***Road Improvements Fund*** The road improvements fund accounts for resources specifically earmarked for improvements to City streets and related infrastructure.

The other governmental funds of the City account for grants and other resources whose use is restricted to 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.

***C. 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.

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**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.

***D. 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 Revenue*** Deferred 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, 2004, but which were levied to finance year 2005 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, 2004.

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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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.

***E. Cash and Cash Equivalents***

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. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents".

During fiscal year 2004, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio), Money Market Mutual Funds, manuscript bonds, Federal Agency Securities, U.S. Treasury Notes and Bonds, non-negotiable certificates of deposit, and repurchase agreements.

Investments are reported at fair value, which is based on quoted market prices. Nonparticipating 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, 2004.

Investment procedures are restricted by provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2004 amounted to \$58,592, which includes \$11,111 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 equivalents.

Cash held for the City by its paying agent for the payment of debt principal and interest as they come due, is included on the financial statements as "Cash and Cash Equivalents with Fiscal Agents".

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2004, 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.

***G. Inventory***

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

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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***H. 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.

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:

<u>Description</u>	<u>Estimated Lives</u>
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

***I. Interfund Balances***

On the fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund loans, which do not represent available expendable resources, are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets.

***J. 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.

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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***K. 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, compensated absences, special termination benefits, and contractually required pension contributions 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.

***L. Fund Balance Reserve***

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. A fund balance reserve has been established for encumbrances.

***M. 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.

***N. 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.

***O. 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.

***P. 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.

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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***Q. 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 nonoperating.

***R. 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 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 2004, the City has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units and GASB Statement No. 44, "Economic Condition Reporting: The Statistical Section".

GASB Statement No. 39 amends Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as a component unit based on the nature and significance of their relationship with the primary government. Generally, this Statement requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. The implementation of this Statement had no impact on the City's financial statements.

GASB Statement No. 44 amends portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, which guide the preparation of the statistical section.

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**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).
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>		
	General	Recreation
GAAP Basis	(\$1,550,723)	(\$181,870)
Net Adjustment for Revenue Accruals	65,629	(22,108)
Fair Value Adjustment for Investments 2003	176	476
Fair Value Adjustment for Investments 2004	(44,084)	0
Net Adjustment for Expenditure Accruals	(299,728)	(39,466)
Encumbrances	(174,395)	(52,055)
Budget Basis	(\$2,003,125)	(\$295,023)

**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.

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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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.

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, commercial paper, bankers acceptances, 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 thirty 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 stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. 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 treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

**Deposits.** At year-end, the carrying amount of the City's deposits was (\$113,514) and the bank balance was \$333,698. \$102,888 of the bank balance was covered by federal depository insurance. \$230,810 was uninsured and uncollateralized. Although the securities were held by the pledging financial institution's trust department or agent in the financial institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**Investments.** The City's investments are required to be categorized to give an indication of the level of custodial credit risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. STAROhio and the

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

Money Market Mutual Funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 3	Fair Value
Federal Home Loan Bank Bonds		\$2,964,614	\$2,964,614
Federal Home Loan Mortgage Corporation		1,986,670	1,986,670
Manuscript Bonds	\$227,151		227,151
Keybank Money Market			2,037,137
Huntington Bank Money Market			437,493
STAROhio			621,256
Total Investments	<u>\$227,151</u>	<u>\$4,951,284</u>	<u>\$8,274,321</u>

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less and cash and investments of the cash management pool.

A reconciliation between the classification of cash and investments on the financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement 9</i>	\$7,933,656	\$227,151
<b>Investments:</b>		
Federal Home Loan Bank Bonds	(2,964,614)	2,964,614
Federal Home Loan Mortgage Corporation	(1,986,670)	1,986,670
KeyBank Money Market	(2,037,137)	2,037,137
Huntington Bank Money Market	(437,493)	437,493
STAROhio	(621,256)	621,256
<i>GASB Statement 3</i>	<u>(\$113,514)</u>	<u>\$8,274,321</u>

**Note 6 – Receivables**

Receivables at December 31, 2004, 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 \$1,763,243 in the Special Assessment Bond Retirement Fund. At December 31, 2004 the amount of delinquent special assessments was \$15,490.

**A. Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2004 for real and public utility property taxes

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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represents collections of 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

2004 real property taxes are levied after October 1, 2004 on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

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. 2004 public utility property taxes, which became a lien December 31, 2003, are levied after October 1, 2004, and collected in 2004 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003 on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent for inventory.

The tax rate for all City operations for the year ended December 31, 2004, was \$5.45 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	\$498,434,550
Public Utility Tangible Property	13,200,050
Tangible Personal Property	<u>45,358,039</u>
Total Valuation	<u><u>\$556,992,639</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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

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 and tangible personal property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2004 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 2004 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***

The City levies a municipal income tax of 1.75 percent on all income earned within the City as well as on income of residents earned outside of the City. In the latter case, 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

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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	\$335,682
Local Government Funds	310,071
County Auditor - Bagley Rd. Reimbursement	175,666
Homestead and Rollback	136,031
Woodvale Cemetery Reimbursement	133,339
Estate Tax	32,075
Public Utility Reimbursement	16,016
Permissive Motor Vehicle License Tax	8,710
Prisoner Board and Care	7,800
Liquor Permit	5,982
Other	4,607
Total	\$1,165,979

**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 2004, the City contracted with Jackson, Dieken, and Associates for all their insurance. A summary of insurance coverage is as follows:

Company	Type of Coverage	Coverage
Arch Insurance Company	Comprehensive general liability	\$1 million per occurrence/ 3 million aggregate
Arch Insurance Company	Employee Benefits	\$1 million per occurrence/ 3 million aggregate
Arch Insurance Company	Blanket building and contents	\$35,567,222
Arch Insurance Company	Inland marine coverage	\$2,149,065
Arch Insurance Company	Public Officials Liability	\$1,000,000
Arch Insurance Company	Law Enforcement Liability	\$1,000,000
Arch Insurance Company	Commercial Crime/Employee Dishonesty	\$50,000 - \$100,000
Arch Insurance Company	Commercial Automobile	\$1,000,000
Arch Insurance Company	Commercial Umbrella/Natural Disasters	\$10,000,000
Arch Insurance Company	Ohio Stop Gap	\$1,000,000
Travelers Insurance Company	Boiler and Machinery	\$20,000,000

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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.

The City provides 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 is also offered and is fully insured. All covered employees also receive prescription, dental and vision benefits. Starting in 2001, employees declining health care benefits can receive a monthly opt-out payment ranging from \$14 to \$100. Full time employees and council members also receive 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 \$40,000 per individual and \$1,601,440 in aggregate. In 2004 the City funded the self-insurance internal service fund at \$488 per month for single coverage and \$1054 per month for family coverage. These charges are paid by the fund from which the employee's compensation is paid.

The claims liability of \$78,048, as estimated by the third party administrator and reported in the internal service fund at December 31, 2004, 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
2003	\$96,253	\$1,094,759	(\$1,088,585)	\$102,427
2004	\$102,427	\$1,088,553	(\$1,112,932)	\$78,048

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, 2004, was as follows:

	Restated Balance 12/31/2003	Additions	Deletions	Balance 12/31/2004
<b>Governmental Activities</b>				
<i>Capital Assets not being Depreciated:</i>				
Land	\$3,107,462	\$0	\$0	\$3,107,462
Construction-In-Progress	1,681,178	384,519	(1,901,530)	164,167
<b>Total Capital Assets, not being Depreciated</b>	<u>4,788,640</u>	<u>384,519</u>	<u>(1,901,530)</u>	<u>3,271,629</u>

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2004

	Restated			Balance
	12/31/2003	Additions	Deletions	12/31/2004
<b><i>Capital Assets being Depreciated:</i></b>				
Land Improvements	1,032,245	24,257	0	1,056,502
Buildings and Improvements	29,943,726	83,676	0	30,027,402
Furniture and Fixtures	66,797	13,465	0	80,262
Machinery and Equipment	6,009,147	453,666	(224,963)	6,237,850
Infrastructure:				
Streets	11,082,846	1,515,436	0	12,598,282
Sidewalks	375,735	75,875	0	451,610
Traffic Signals	2,879,927	56,365	0	2,936,292
Water Mains	1,498,571	84,546	0	1,583,117
Sanitary Sewers	1,888,699	10,032	0	1,898,731
Storm Sewers	1,899,776	198,335	0	2,098,111
<b>Total Capital Assets being Depreciated</b>	<u>56,677,469</u>	<u>2,515,653</u>	<u>(224,963)</u>	<u>58,968,159</u>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(447,610)	(63,441)	0	(511,051)
Buildings and Improvements	(4,031,463)	(631,725)	0	(4,663,188)
Furniture and Fixtures	(12,029)	(3,621)	0	(15,650)
Machinery and Equipment	(2,900,146)	(244,612)	0	(3,144,758)
Infrastructure:				
Streets	(773,043)	(315,480)	0	(1,088,523)
Sidewalks	(19,866)	(11,290)	0	(31,156)
Traffic Signals	(416,223)	(146,815)	0	(563,038)
Water Mains	(197,535)	(21,108)	0	(218,643)
Sanitary Sewers	(273,674)	(25,316)	0	(298,990)
Storm Sewers	(197,246)	(27,975)	0	(225,221)
<b>Total Accumulated Depreciation</b>	<u>(9,268,835)</u>	<u>(1,491,383)*</u>	<u>0</u>	<u>(10,760,218)</u>
<b>Total Capital Assets being Depreciated, Net</b>	<u>47,408,634</u>	<u>1,024,270</u>	<u>(224,963)</u>	<u>48,207,941</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$52,197,274</u>	<u>\$1,408,789</u>	<u>(\$2,126,493)</u>	<u>\$51,479,570</u>

\* Depreciation expense was charged to governmental activities as follows:

General Government	\$383,713
Public Safety:	
Police	86,499
Fire	28,772
Health and Welfare	7,567
Streets and Highways	547,984
Culture and Recreation	429,820
Community Development	7,028
<b>Total Depreciation Expense</b>	<u>\$1,491,383</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 provide 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 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 Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. Employees are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The City contributed 13.55 percent of covered payroll, of which 4.0 percent was used to fund health care coverage for retirees. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2004, 2003 and 2002 were \$813,882, \$747,250, and \$705,400, 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. 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, 2004, 2003 and 2002 were \$877,414, \$801,342, and \$749,525, respectively. The full amount has been contributed for 2003 and 2002. 72.1 percent has been contributed for 2004 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 (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional 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 recipients and qualified survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority requiring employers to fund post-retirement health care through their contributions to OPERS. The 2004 employer contribution rate was 13.55 percent of covered payroll; 4.0 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.0 percent. An annual increase of 4.0 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next eight years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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

At December 31, 2004, the number of active contributing participants in the Traditional and Combined Plans totaled 369,885. The City's actual contributions for 2004, which were used to fund postemployment benefits, were \$240,258. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retirement Medical Account that can be used to fund future health care expenses.

***B. Ohio Police and Fire Pension Fund***

The Ohio Police and Fire Pension Fund (OP&F) provides access to postretirement 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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a two-thirds basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the OP&F's Board of Trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004 and 2003. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$184,576 for police and \$133,234 for fire. The OP&F's total health care expenses for the year ended December 31, 2003, (the latest actuarial information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of participants eligible to receive health care benefits as of December 31, 2003 (the date of the last actuarial valuation available), was 13,662 for police and 10,474 for firefighters.

**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. Beginning in July 2001, 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, 2004*

**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 - 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
<b>General Obligation Bonds</b>			
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
Community Center	1998	3.35 - 5.125 %	16,467,500
Service Center	1998	3.35 - 5.125 %	7,997,500
Emergency Generator	2002	1.60 - 4.50 %	475,000
Pearl Road Sanitary Sewer	1992	6.75%	102,000
Pearl Road Improvents	2002	1.60 - 2.60 %	220,000
<b>Special Assessments Bonds</b>			
Engle Road Improvments	1998	3.35 -5.125%	\$814,000
Engle Road Improvments	2002	1.60 - 4.50 %	210,000
Newton Road Refunding	1998	3.35 -5.125%	295,341
Pearl Road Sanitary Sewer	1992	6.75%	102,000
Claremont/Morningside Road Improvements	1994	4.75 - 8.00%	301,000
Hepburn Road Improvements	1998	3.35 -5.125%	611,000
Fowles Road Sanitary Sewer	1999	6.00%	216,000

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

	Outstanding 12/31/03	Additions	(Reductions)	Outstanding 12/31/04	Amounts Due in One Year
<b>General Obligation Bonds:</b>					
Real Estate Acquisition Refunding	\$91,332	\$0	(\$10,468)	\$80,864	\$10,830
City Hall/Fire Station Refunding	2,100,154	0	(240,729)	1,859,425	249,030
Bagley Rd./I-71/Newton Rd. Refunding	113,851	0	(13,050)	100,801	13,500
Community Center	12,513,500	0	(900,000)	11,613,500	910,000
Service Center	5,948,500	0	(410,000)	5,538,500	410,000
Emergency Generator	460,000		(20,000)	440,000	20,000
Pearl Road Sanitary Sewer	1,381	0	(153)	1,228	154
Pearl Road Improvements	180,000		(45,000)	135,000	45,000
<b>Total General Obligation Bonds</b>	<b>21,408,718</b>	<b>0</b>	<b>(1,639,400)</b>	<b>19,769,318</b>	<b>1,658,514</b>

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2004

Special Assessment Bonds:					
Engle Road Improvements	671,000	0	(30,000)	641,000	35,000
Engle Road Improvements	205,000		(10,000)	195,000	10,000
Newton Road Refunding	224,664	0	(25,752)	198,912	26,640
Pearl Road Sanitary Sewer	44,519	0	(4,947)	39,572	4,946
Claremont/Morningside Road Imp.	165,000	0	(15,000)	150,000	15,000
Hepburn Road Improvements	502,000	0	(25,000)	477,000	25,000
Fowles Road Sanitary Sewer	193,904	0	(7,553)	186,351	8,006
Total Special Assessment Bonds	<u>2,006,087</u>	<u>0</u>	<u>(118,252)</u>	<u>1,887,835</u>	<u>124,592</u>
Compensated Absences	<u>1,986,855</u>	<u>267,862</u>	<u>(28,594)</u>	<u>2,226,123</u>	<u>1,341,038</u>
Total Long-Term Liabilities	<u>\$25,401,660</u>	<u>\$267,862</u>	<u>(\$1,786,246)</u>	<u>\$23,883,276</u>	<u>\$3,124,144</u>

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.

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.

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 a liability from the statement of net assets. As of December 31, 2004 the amount of defeased debt outstanding amounted to \$2,165,000.

The compensated absences liability will be paid from the general fund, the street construction, maintenance and repair fund and the recreation fund.

The City's overall legal debt margin was \$58,484,227 at December 31, 2004. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2004, are as follows:

Year	General Obligation Bonds		Special Assessment Bonds		Totals
	Principal	Interest	Principal	Interest	
2005	\$1,658,514	\$888,746	\$124,592	\$89,242	\$2,761,094
2006	1,687,626	824,497	115,961	83,988	2,712,072
2007	1,741,294	758,093	137,802	78,981	2,716,170
2008	1,814,962	672,586	144,674	72,065	2,704,287
2009	1,598,186	582,255	137,022	64,754	2,382,217
2010-2014	6,926,736	1,850,532	653,960	228,909	9,660,137
2015-2019	4,247,000	475,406	528,824	75,744	5,326,974
2020-2022	95,000	8,775	45,000	4,050	152,825
Total	<u>\$19,769,318</u>	<u>\$6,060,890</u>	<u>\$1,887,835</u>	<u>\$697,733</u>	<u>\$28,415,776</u>

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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Conduit Debt Obligations: In December of 1999, the City entered into a \$3,650,000 lease-sublease purchase with the Southwest General Health Center and a local financial institution for the purpose of purchasing various medical equipment. The City is not obligated in any way to repay this debt.

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, 2004, the aggregate principal amount of conduit debt obligations outstanding is \$56,750,000.

**Note 14 – Bond Anticipation Notes Payable**

Note activity for the year ended December 31, 2004, was as follows:

	Outstanding 12/31/03	Additions	(Reductions)	Outstanding 12/31/04
Sprague Road Improvements 1.70%	\$500,000	\$0	(\$500,000)	\$0
Total	<u>\$500,000</u>	<u>\$0</u>	<u>(\$500,000)</u>	<u>\$0</u>

The liability for the \$500,000 note for Sprague Road improvements was retired during 2004. No new notes were issued in 2004.

**Note 15 - Contractual Commitments**

The City had the following contractual commitments outstanding at December 31, 2004:

Project	Remaining on Contract
Sprague Road Improvements	\$360,299
Road Salt	179,807
Bagley Road Improvements	62,449
Salt Truck Body & Plow	55,509
Webster Road Bridge	45,000
City Website	41,460
W. 130th Street Improvements	32,915
2004 Street Improvement Program	16,807
Woodvale Cemetery Improvements	14,948
Storm Sewer on Big Creek Parkway	12,000
Police Computer Network Upgrade	6,602
	<u>\$827,796</u>

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**Note 16 – Interfund Transfers and Balances**

During calendar year 2004, transfers of \$720,000 and \$31,164 were made from the General Fund to the Street Construction, Maintenance and Repair and Capital Improvements Funds, respectively. These transfers were made to provide additional resources to fund current operations and various capital improvements. At December 31, 2004, a transfer and an interfund receivable/payable of \$45,854 from the General Fund to the Road Improvements Fund has been recorded to fund the City's share of the Sprague Road Widening Project. Also, an advance and an interfund receivable/payable of \$72,000 from the General Fund to the Capital Improvements Fund has been recorded to provide resources to fund various capital improvements.

**Note 17 - Jointly Governed Organizations**

**A. Southwest General Health Center**

The Southwest General Health Center is an Ohio nonprofit 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 2004, the City of Middleburg Heights remitted \$218,466 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 2004, the City of Middleburg Heights contributed \$7,500 for operating expenses to the Cemetery. In addition, the cities of Berea and Middleburg Heights each contributed \$133,339 for the renovation and construction of the Cemetery buildings. Woodvale Union Cemetery will reimburse the City for the construction costs over the next five years as follows: \$25,000 for 2005 through 2008, with the balance of \$33,339 being paid in 2009. The amount to be reimbursed has been reflected as an intergovernmental receivable on the Entity-wide Statement of Net Assets and Governmental Funds Balance Sheet.

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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***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 sixteen 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 2004, the City of Middleburg Heights contributed \$7,500 to the Council. The Council's financial statements may be obtained by contacting the Southwest Council of Governments, 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 100 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 Dan DiLiberto, Board Chairman, 1615 Clark Avenue, Cleveland, OH 44109.

***E. Southwest Suburban Airport Council of Governments***

The City is a member of the Southwest Suburban Airport Council of Governments ("SSAC"). SSAC was formed to protect the environment and quality of life within the southwest suburban area from the impact of expansion at Cleveland Hopkins International Airport. The Council presently includes the cities of Middleburg Heights and Berea.

The Council's Board is comprised of one member from each of the participating communities. The Board oversees and manages the operation of the Council. The degree of control exercised by each City is limited to its representation on the Board. In 2004, the City of Middleburg Heights contributed \$66,000 to the Council. Financial information can be obtained by contacting Timothy Pope, Treasurer, 15700 Bagley Road, Middleburg Heights, Ohio 44130.

***F. 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

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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dues or fees assessed against the members of the council. The Council presently 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 18 – Restatement of Prior Year Net Assets**

	<u>Governmental Activities</u>
Net Assets, December 31, 2003	\$ 38,522,354
Restatement Adjustment:	
Capital Assets	<u>3,799,035</u>
Net Assets, December 31, 2003 as restated	<u><u>\$ 42,321,389</u></u>

In 2004, the City received the Final Cost Summary for the Engle Road Widening Project from the Ohio Department of Transportation. Due to an understatement of project costs the City has revised the amounts previously included in Capital Assets for this project.

## **Combining Statements and Individual Fund Schedules – Nonmajor Governmental Funds**

### ***Nonmajor Special Revenue Funds***

To account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law and/or administrative action to expenditures for specified purposes.

***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 Mayor's 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.

***Sewer Maintenance Fund*** To account for the unexpended balance in this former enterprise fund used to account for the operations of the City's sewage treatment plant which discontinued operations in December 1992.

***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**  
**Nonmajor Governmental Funds (Continued)**

*Nonmajor Capital Projects Funds*

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.

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

*City Hall/Fire Station Expansion Fund* To account for bond proceeds restricted for improvements to City Hall/Fire Station Expansion.

**City of Middleburg Heights, Ohio**

*Combining Balance Sheet*

*Nonmajor Governmental Funds*

*December 31, 2004*

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,059,937	\$73,563	\$1,133,500
Materials and Supplies Inventory	99,670	0	99,670
Intergovernmental Receivable	375,030	0	375,030
Property Taxes Receivable	527,430	0	527,430
<i>Total Assets</i>	<u>\$2,062,067</u>	<u>\$73,563</u>	<u>\$2,135,630</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$74,005	\$0	\$74,005
Accrued Wages	11,189	0	11,189
Intergovernmental Payable	18,921	0	18,921
Deferred Revenue	791,150	0	791,150
<i>Total Liabilities</i>	<u>895,265</u>	<u>0</u>	<u>895,265</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	183,631	41,654	225,285
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	983,171	0	983,171
Capital Projects Funds	0	31,909	31,909
<i>Total Fund Balances</i>	<u>1,166,802</u>	<u>73,563</u>	<u>1,240,365</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,062,067</u>	<u>\$73,563</u>	<u>\$2,135,630</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, 2004*

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Property Taxes	\$488,719	\$0	\$488,719
Intergovernmental	818,503	0	818,503
Interest	14,769	1,175	15,944
Fines, Licenses and Permits	82,823	0	82,823
Charges for Services	325,580	0	325,580
Other	1,050	0	1,050
<i>Total Revenues</i>	<u>1,731,444</u>	<u>1,175</u>	<u>1,732,619</u>
<b>Expenditures</b>			
Current:			
Security of Persons and Property:			
Police	169,479	0	169,479
Fire	240,338	0	240,338
Public Health and Welfare	218,466	0	218,466
Streets and Highways	1,618,920	0	1,618,920
General Government	31,317	0	31,317
Capital Outlay	261,550	10,180	271,730
<i>Total Expenditures</i>	<u>2,540,070</u>	<u>10,180</u>	<u>2,550,250</u>
<i>Excess of Revenues Under Expenditures</i>	(808,626)	(9,005)	(817,631)
<b>Other Financing Sources</b>			
Transfers In	720,000	0	720,000
<i>Total Other Financing Sources</i>	<u>720,000</u>	<u>0</u>	<u>720,000</u>
<i>Net Change in Fund Balances</i>	(88,626)	(9,005)	(97,631)
<i>Fund Balances Beginning of Year</i>	<u>1,255,428</u>	<u>82,568</u>	<u>1,337,996</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,166,802</u></u>	<u><u>\$73,563</u></u>	<u><u>\$1,240,365</u></u>

**City of Middleburg Heights, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Special Revenue Funds*  
*December 31, 2004*

	Street Construction	State Highway	Clerk of Court Computer	Law Enforcement	Medical Transport	Sewer Maintenance
<b>Assets</b>						
Equity in Pooled Cash and						
Cash Equivalents	\$242,852	\$77,995	\$70,995	\$146,987	\$501,869	\$0
Materials and Supplies Inventory	90,490	9,180	0	0	0	0
Intergovernmental Receivable	318,563	25,829	0	150	0	0
Property Taxes Receivable	0	0	0	0	0	0
<i>Total Assets</i>	<u>\$651,905</u>	<u>\$113,004</u>	<u>\$70,995</u>	<u>\$147,137</u>	<u>\$501,869</u>	<u>\$0</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$66,679	\$0	\$0	\$0	\$7,326	\$0
Accrued Wages	10,739	0	0	0	450	0
Intergovernmental Payable	18,168	0	0	0	753	0
Deferred Revenue	215,740	17,492	0	0	0	0
<i>Total Liabilities</i>	<u>311,326</u>	<u>17,492</u>	<u>0</u>	<u>0</u>	<u>8,529</u>	<u>0</u>
<b>Fund Balances</b>						
Reserved for Encumbrances	134,482	26,846	15,000	6,742	561	0
Unreserved, Undesignated	206,097	68,666	55,995	140,395	492,779	0
<i>Total Fund Balances</i>	<u>340,579</u>	<u>95,512</u>	<u>70,995</u>	<u>147,137</u>	<u>493,340</u>	<u>0</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$651,905</u>	<u>\$113,004</u>	<u>\$70,995</u>	<u>\$147,137</u>	<u>\$501,869</u>	<u>\$0</u>

(continued)

**City of Middleburg Heights, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Special Revenue Funds (continued)*  
*December 31, 2004*

	Police Pension	Fire Pension	Tree Planting	Veterans Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$3,750	\$3,750	\$5,304	\$6,435	\$0	\$1,059,937
Materials and Supplies Inventory	0	0	0	0	0	99,670
Intergovernmental Receivable	9,473	9,473	0	0	11,542	375,030
Property Taxes Receivable	159,578	159,578	0	0	208,274	527,430
<i>Total Assets</i>	<u>\$172,801</u>	<u>\$172,801</u>	<u>\$5,304</u>	<u>\$6,435</u>	<u>\$219,816</u>	<u>\$2,062,067</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$0	\$0	\$0	\$0	\$0	\$74,005
Accrued Wages	0	0	0	0	0	11,189
Intergovernmental Payable	0	0	0	0	0	18,921
Deferred Revenue	169,051	169,051	0	0	219,816	791,150
<i>Total Liabilities</i>	<u>169,051</u>	<u>169,051</u>	<u>0</u>	<u>0</u>	<u>219,816</u>	<u>895,265</u>
<b>Fund Balances</b>						
Reserved for Encumbrances	0	0	0	0	0	183,631
Unreserved, Undesignated	3,750	3,750	5,304	6,435	0	983,171
<i>Total Fund Balances</i>	<u>3,750</u>	<u>3,750</u>	<u>5,304</u>	<u>6,435</u>	<u>0</u>	<u>1,166,802</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$172,801</u>	<u>\$172,801</u>	<u>\$5,304</u>	<u>\$6,435</u>	<u>\$219,816</u>	<u>\$2,062,067</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, 2004*

	Street Construction	State Highway	Clerk of Court Computer	Law Enforcement	Medical Transport	Sewer Maintenance
<b>Revenues</b>						
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental	701,252	56,858	0	0	0	0
Interest	3,722	903	0	2,293	6,642	37
Fines, Licenses and Permits	0	0	74,468	8,355	0	0
Charges for Services	0	0	0	0	324,380	0
Other	250	0	0	0	0	0
<i>Total Revenues</i>	<u>705,224</u>	<u>57,761</u>	<u>74,468</u>	<u>10,648</u>	<u>331,022</u>	<u>37</u>
<b>Expenditures</b>						
Current:						
Security of Persons and Property:						
Police	0	0	0	366	0	0
Fire	0	0	0	0	71,225	0
Public Health and Welfare	0	0	0	0	0	0
Streets and Highways	1,545,236	73,684	0	0	0	0
General Government	0	0	3,473	0	0	4,800
Capital Outlay	0	0	0	23,186	235,714	2,650
<i>Total Expenditures</i>	<u>1,545,236</u>	<u>73,684</u>	<u>3,473</u>	<u>23,552</u>	<u>306,939</u>	<u>7,450</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenditures</i>	(840,012)	(15,923)	70,995	(12,904)	24,083	(7,413)
<b>Other Financing Sources</b>						
Transfers In	720,000	0	0	0	0	0
<i>Total Other Financing Sources</i>	<u>720,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(120,012)	(15,923)	70,995	(12,904)	24,083	(7,413)
<i>Fund Balances Beginning of Year</i>	<u>460,591</u>	<u>111,435</u>	<u>0</u>	<u>160,041</u>	<u>469,257</u>	<u>7,413</u>
<i>Fund Balances End of Year</i>	<u><u>\$340,579</u></u>	<u><u>\$95,512</u></u>	<u><u>\$70,995</u></u>	<u><u>\$147,137</u></u>	<u><u>\$493,340</u></u>	<u><u>\$0</u></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, 2004*

	Police Pension	Fire Pension	Tree Planting	Veterans Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
<b>Revenues</b>						
Property Taxes	\$146,492	\$146,492	\$0	\$0	\$195,735	\$488,719
Intergovernmental	18,831	18,831	0	0	22,731	818,503
Interest	541	541	0	90	0	14,769
Fines, Licenses and Permits	0	0	0	0	0	82,823
Charges for Services	0	0	1,200	0	0	325,580
Other	0	0	0	800	0	1,050
<i>Total Revenues</i>	<u>165,864</u>	<u>165,864</u>	<u>1,200</u>	<u>890</u>	<u>218,466</u>	<u>1,731,444</u>
<b>Expenditures</b>						
Current:						
Security of Persons and Property:						
Police	169,113	0	0	0	0	169,479
Fire	0	169,113	0	0	0	240,338
Public Health and Welfare	0	0	0	0	218,466	218,466
Streets and Highways	0	0	0	0	0	1,618,920
General Government	0	0	22,564	480	0	31,317
Capital Outlay	0	0	0	0	0	261,550
<i>Total Expenditures</i>	<u>169,113</u>	<u>169,113</u>	<u>22,564</u>	<u>480</u>	<u>218,466</u>	<u>2,540,070</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenditures</i>	(3,249)	(3,249)	(21,364)	410	0	(808,626)
<b>Other Financing Sources</b>						
Transfers In	0	0	0	0	0	720,000
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>720,000</u>
<i>Net Change in Fund Balances</i>	(3,249)	(3,249)	(21,364)	410	0	(88,626)
<i>Fund Balances Beginning of Year</i>	<u>6,999</u>	<u>6,999</u>	<u>26,668</u>	<u>6,025</u>	<u>0</u>	<u>1,255,428</u>
<i>Fund Balances End of Year</i>	<u><u>\$3,750</u></u>	<u><u>\$3,750</u></u>	<u><u>\$5,304</u></u>	<u><u>\$6,435</u></u>	<u><u>\$0</u></u>	<u><u>\$1,166,802</u></u>

**City of Middleburg Heights, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Capital Projects Funds*  
*December 31, 2004*

	Community Center	Service Center	City Hall/ Fire Station Expansion	Total Nonmajor Capital Projects Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$47,279	\$21,533	\$4,751	\$73,563
<i>Total Assets</i>	<u>\$47,279</u>	<u>\$21,533</u>	<u>\$4,751</u>	<u>\$73,563</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$0	\$0	\$0	\$0
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	41,654	0	0	41,654
Unreserved, Undesignated	5,625	21,533	4,751	31,909
<i>Total Fund Balances</i>	<u>47,279</u>	<u>21,533</u>	<u>4,751</u>	<u>73,563</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$47,279</u>	<u>\$21,533</u>	<u>\$4,751</u>	<u>\$73,563</u>

**City of Middleburg Heights, Ohio**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Capital Projects Funds*  
*For the Year Ended December 31, 2004*

	Community Center	Service Center	City Hall/Fire Station Expansion	Total Nonmajor Capital Projects Funds
<b>Revenues</b>				
Interest	\$804	\$304	\$67	\$1,175
<i>Total Revenues</i>	804	304	67	1,175
<b>Expenditures</b>				
Current:				
Capital Outlay	10,180	0	0	10,180
<i>Total Expenditures</i>	10,180	0	0	10,180
<i>Net Change in Fund Balances</i>	(9,376)	304	67	(9,005)
<i>Fund Balances Beginning of Year</i>	56,655	21,229	4,684	82,568
<i>Fund Balances End of Year</i>	\$47,279	\$21,533	\$4,751	\$73,563

## 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, 2004*

	Beginning Balance 12/31/03	Additions	Deductions	Ending Balance 12/31/04
<b><i>Flexible Spending Account</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$766	\$17,590	\$17,125	\$1,231
<b>Liabilities</b>				
Deposits Held and Due to Others	\$766	\$17,590	\$17,125	\$1,231
<b><i>Board of Buildings Standards Fee</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$31	\$2,369	\$2,333	\$67
<b>Liabilities</b>				
Deposits Held and Due to Others	\$31	\$2,369	\$2,333	\$67
<b><i>Mayor's Court</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$52,706	\$988,744	\$995,424	\$46,026
<b>Liabilities</b>				
Deposits Held and Due to Others	\$52,706	\$988,744	\$995,424	\$46,026
<b><i>Deposits</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$270,778	\$78,319	\$75,978	\$273,119
<b>Liabilities</b>				
Deposits Held and Due to Others	\$270,778	\$78,319	\$75,978	\$273,119
<b><i>Total - All Agency Funds</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$324,281	\$1,087,022	\$1,090,860	\$320,443
<b>Liabilities</b>				
Deposits Held and Due to Others	\$324,281	\$1,087,022	\$1,090,860	\$320,443

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**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, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$1,383,843	\$1,391,677	\$1,391,677	\$0
Income Taxes	9,311,542	8,787,000	8,791,073	4,073
Other Local Taxes	570,000	531,000	534,164	3,164
Intergovernmental	869,152	941,172	941,858	686
Interest	125,000	100,000	104,319	4,319
Fines, Licenses and Permits	886,150	1,063,110	1,054,167	(8,943)
Charges for Services	46,225	24,080	24,557	477
Other	148,553	159,226	156,712	(2,514)
<i>Total Revenues</i>	13,340,465	12,997,265	12,998,527	1,262
<b>Expenditures</b>				
Current:				
Public Safety:				
Police:				
Personal Services	3,689,818	3,808,001	3,681,264	126,737
Other	431,777	441,777	324,413	117,364
Total Police	4,121,595	4,249,778	4,005,677	244,101
Fire:				
Personal Services	2,547,630	2,561,210	2,389,566	171,644
Other	335,074	337,199	263,414	73,785
Total Fire	2,882,704	2,898,409	2,652,980	245,429
Safety Director:				
Personal Services	47,070	48,009	47,936	73
Other	1,255	1,255	16	1,239
Total Safety Director	48,325	49,264	47,952	1,312
Total Public Safety	7,052,624	7,197,451	6,706,609	490,842
Public Health and Welfare:				
Senior Bus:				
Personal Services	27,601	28,271	27,653	618
Other	7,925	7,925	5,895	2,030
Total Public Health and Welfare	35,526	36,196	33,548	2,648

(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, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Community Development:				
Planning and Zoning:				
Personal Services	\$65,794	\$66,933	\$60,314	\$6,619
Other	3,500	3,500	1,465	2,035
Total Planning and Zoning	69,294	70,433	61,779	8,654
Building:				
Personal Services	480,095	491,565	436,856	54,709
Other	29,231	29,231	19,696	9,535
Total Building	509,326	520,796	456,552	64,244
Engineer:				
Personal Services	95,822	106,384	106,297	87
Other	22,100	35,500	32,778	2,722
Total Engineer	117,922	141,884	139,075	2,809
Total Community Development	696,542	733,113	657,406	75,707
Sanitation:				
Refuse Removal:				
Other	736,450	736,450	732,375	4,075
General Government:				
Mayor's Court:				
Personal Services	136,086	158,259	151,407	6,852
Other	79,873	72,873	59,266	13,607
Total Mayor's Court	215,959	231,132	210,673	20,459
Mayor:				
Personal Services	427,469	432,290	417,157	15,133
Other	21,669	21,669	13,437	8,232
Total Mayor	449,138	453,959	430,594	23,365

(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, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Finance:				
Personal Services	\$475,149	\$488,082	\$467,774	\$20,308
Other	82,449	82,449	60,854	21,595
Total Finance	557,598	570,531	528,628	41,903
Law:				
Personal Services	241,745	247,490	232,396	15,094
Other	153,221	153,221	84,407	68,814
Total Law	394,966	400,711	316,803	83,908
Service:				
Personal Services	2,354,690	2,420,545	2,320,903	99,642
Other	351,862	359,897	294,458	65,439
Total Service	2,706,552	2,780,442	2,615,361	165,081
Facilities Maintenance:				
Personal Services	290,803	300,254	290,708	9,546
Other	201,206	206,206	185,250	20,956
Total Facilities Maintenance	492,009	506,460	475,958	30,502
Council:				
Personal Services	291,802	294,752	275,091	19,661
Other	32,090	32,090	13,512	18,578
Total Council	323,892	326,842	288,603	38,239
Boards and Commissions:				
Personal Services	9,931	10,042	6,060	3,982
Other	3,900	7,464	6,160	1,304
Total Boards and Commissions	13,831	17,506	12,220	5,286
City Hall:				
Other	641,436	814,141	672,976	141,165
Statutory Accounts:				
Other	521,930	523,230	496,734	26,496
Total General Government	6,317,311	6,624,954	6,048,550	576,404
Total Expenditures	14,838,453	15,328,164	14,178,488	1,149,676

(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, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<i>Excess of Revenues Under Expenditures</i>	<u>(\$1,497,988)</u>	<u>(\$2,330,899)</u>	<u>(\$1,179,961)</u>	<u>\$1,150,938</u>
<b>Other Financing Sources (Uses)</b>				
Advances Out	0	(90,000)	(72,000)	18,000
Transfers Out	<u>(800,000)</u>	<u>(751,164)</u>	<u>(751,164)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(800,000)</u>	<u>(841,164)</u>	<u>(823,164)</u>	<u>18,000</u>
<i>Net Change in Fund Balance</i>	(2,297,988)	(3,172,063)	(2,003,125)	1,168,938
<i>Fund Balance Beginning of Year</i>	5,044,020	5,044,020	5,044,020	0
Prior Year Encumbrances Appropriated	<u>222,374</u>	<u>222,374</u>	<u>222,374</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,968,406</u></u>	<u><u>\$2,094,331</u></u>	<u><u>\$3,263,269</u></u>	<u><u>\$1,168,938</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, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Income Taxes	\$1,490,000	\$1,404,000	\$1,404,979	\$979
Charges for Services	925,500	925,500	1,015,832	90,332
Interest	5,000	7,750	8,279	529
Other	11,320	16,203	16,389	186
<i>Total Revenues</i>	<u>2,431,820</u>	<u>2,353,453</u>	<u>2,445,479</u>	<u>92,026</u>
<b>Expenditures</b>				
Current:				
Culture and Recreation:				
Personal Services	1,927,552	1,975,375	1,925,809	49,566
Other	906,094	907,094	814,693	92,401
<i>Total Expenditures</i>	<u>2,833,646</u>	<u>2,882,469</u>	<u>2,740,502</u>	<u>141,967</u>
<i>Net Change in Fund Balance</i>	(401,826)	(529,016)	(295,023)	233,993
<i>Fund Balance Beginning of Year</i>	591,449	591,449	591,449	0
Prior Year Encumbrances Appropriated	<u>62,073</u>	<u>62,073</u>	<u>62,073</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$251,696</u></u>	<u><u>\$124,506</u></u>	<u><u>\$358,499</u></u>	<u><u>\$233,993</u></u>

**City of Middleburg Heights, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Obligation Bond Retirement Fund*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$485,560	\$488,308	\$488,308	\$0
Income Taxes	1,700,000	1,602,000	1,603,613	1,613
Intergovernmental	62,345	62,769	62,769	0
Interest	50,000	30,500	36,273	5,773
Other	9,268	13,700	13,700	0
<i>Total Revenues</i>	<u>2,307,173</u>	<u>2,197,277</u>	<u>2,204,663</u>	<u>7,386</u>
<b>Expenditures</b>				
General Government	10,000	10,450	379	10,071
Debt Service:				
Principal Retirement	1,639,401	1,639,401	1,639,400	1
Interest and Fiscal Charges	951,322	951,322	951,321	1
<i>Total Expenditures</i>	<u>2,600,723</u>	<u>2,601,173</u>	<u>2,591,100</u>	<u>10,073</u>
<i>Net Change in Fund Balance</i>	(293,550)	(403,896)	(386,437)	17,459
<i>Fund Balance Beginning of Year</i>	<u>1,436,627</u>	<u>1,436,627</u>	<u>1,436,627</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,143,077</u>	<u>\$1,032,731</u>	<u>\$1,050,190</u>	<u>\$17,459</u>

**City of Middleburg Heights, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Special Assessment Bond Retirement Fund*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Special Assessments	\$220,476	\$256,852	\$257,223	\$371
Interest	20,000	32,000	32,856	856
Other	0	8,400	8,436	36
<i>Total Revenues</i>	<u>240,476</u>	<u>297,252</u>	<u>298,515</u>	<u>1,263</u>
<b>Expenditures</b>				
General Government	11,479	11,479	8,356	3,123
Capital Outlay	0	189,261	189,260	1
Debt Service:				
Principal Retirement	618,251	618,251	618,252	(1)
Interest and Fiscal Charges	99,161	99,161	99,161	0
<i>Total Expenditures</i>	<u>728,891</u>	<u>918,152</u>	<u>915,029</u>	<u>3,123</u>
<i>Net Change in Fund Balance</i>	(488,415)	(620,900)	(616,514)	4,386
<i>Fund Balance Beginning of Year</i>	1,298,414	1,298,414	1,298,414	0
Prior Year Encumbrances Appropriated	<u>1,479</u>	<u>1,479</u>	<u>1,479</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$811,478</u></u>	<u><u>\$678,993</u></u>	<u><u>\$683,379</u></u>	<u><u>\$4,386</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, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Income Taxes	\$733,959	\$691,000	\$691,589	\$589
Charges for Services	25,000	17,100	18,637	1,537
Interest	25,000	14,000	13,612	(388)
Other	3,997	5,908	5,908	0
<i>Total Revenues</i>	<u>787,956</u>	<u>728,008</u>	<u>729,746</u>	<u>1,738</u>
<b>Expenditures</b>				
Capital Outlay	690,472	1,704,202	1,687,331	16,871
<i>Total Expenditures</i>	<u>690,472</u>	<u>1,704,202</u>	<u>1,687,331</u>	<u>16,871</u>
<i>Excess of Revenues Under Expenditures</i>	<u>97,484</u>	<u>(976,194)</u>	<u>(957,585)</u>	<u>18,609</u>
<b>Other Financing Sources</b>				
Advances In	0	90,000	72,000	(18,000)
Operating Transfers In	0	31,164	31,164	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>121,164</u>	<u>103,164</u>	<u>(18,000)</u>
<i>Net Change in Fund Balance</i>	97,484	(855,030)	(854,421)	609
<i>Fund Balance Beginning of Year</i>	621,360	621,360	621,360	0
Prior Year Encumbrances Appropriated	<u>234,444</u>	<u>234,444</u>	<u>234,444</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$953,288</u></u>	<u><u>\$774</u></u>	<u><u>\$1,383</u></u>	<u><u>\$609</u></u>

**City of Middleburg Heights, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Road Improvements Fund*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Intergovernmental	\$0	\$174,991	\$174,991	\$0
<b>Expenditures</b>				
Capital Outlay	<u>43,592</u>	<u>489,435</u>	<u>489,435</u>	<u>0</u>
<i>Total Expenditures</i>	<u>43,592</u>	<u>489,435</u>	<u>489,435</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(43,592)	(314,444)	(314,444)	0
<i>Fund Balance Beginning of Year</i>	270,852	270,852	270,852	0
Prior Year Encumbrances Appropriated	<u>43,592</u>	<u>43,592</u>	<u>43,592</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$270,852</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

**City of Middleburg Heights, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Street Constuction, Maintenance and Repair Fund*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$630,000	\$680,225	\$680,110	(\$115)
Interest	3,000	3,500	3,722	222
Other	0	0	250	250
<i>Total Revenues</i>	<u>633,000</u>	<u>683,725</u>	<u>684,082</u>	<u>357</u>
<b>Expenditures</b>				
Current:				
Transportation:				
Streets and Highways:				
Personal Services	780,216	792,261	774,590	17,671
Other	811,994	968,149	934,022	34,127
<i>Total Expenditures</i>	<u>1,592,210</u>	<u>1,760,410</u>	<u>1,708,612</u>	<u>51,798</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(959,210)</u>	<u>(1,076,685)</u>	<u>(1,024,530)</u>	<u>52,155</u>
<b>Other Financing Sources</b>				
Transfers In	800,000	720,000	720,000	0
<i>Net Change in Fund Balance</i>	(159,210)	(356,685)	(304,530)	52,155
<i>Fund Balance Beginning of Year</i>	158,131	158,131	158,131	0
Prior Year Encumbrances Appropriated	199,994	199,994	199,994	0
<i>Fund Balance End of Year</i>	<u>\$198,915</u>	<u>\$1,440</u>	<u>\$53,595</u>	<u>\$52,155</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, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Intergovernmental	\$51,000	\$55,100	\$55,144	\$44
Interest	1,000	850	907	57
<i>Total Revenues</i>	<u>52,000</u>	<u>55,950</u>	<u>56,051</u>	<u>101</u>
<b>Expenditures</b>				
Current:				
Transportation:				
Streets and Highways:				
Other	86,488	133,813	91,716	42,097
<i>Net Change in Fund Balance</i>	(34,488)	(77,863)	(35,665)	42,198
<i>Fund Balance Beginning of Year</i>	55,327	55,327	55,327	0
Prior Year Encumbrances Appropriated	31,488	31,488	31,488	0
<i>Fund Balance End of Year</i>	<u>\$52,327</u>	<u>\$8,952</u>	<u>\$51,150</u>	<u>\$42,198</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 Services*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Fines, Licenses and Permits	\$60,000	\$74,000	\$74,468	\$468
<b>Expenditures</b>				
Current:				
General Government:				
Other	0	25,000	18,473	6,527
<i>Net Change in Fund Balance</i>	60,000	49,000	55,995	6,995
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$60,000</u>	<u>\$49,000</u>	<u>\$55,995</u>	<u>\$6,995</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, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Interest	\$650	\$2,035	\$2,293	\$258
Fines, Licenses and Permits	2,750	17,400	19,103	1,703
<i>Total Revenues</i>	<u>3,400</u>	<u>19,435</u>	<u>21,396</u>	<u>1,961</u>
<b>Expenditures</b>				
Current:				
Public Safety:				
Other	0	30,366	30,293	73
<i>Net Change in Fund Balance</i>	3,400	(10,931)	(8,897)	2,034
<i>Fund Balance Beginning of Year</i>	<u>149,143</u>	<u>149,143</u>	<u>149,143</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$152,543</u></u>	<u><u>\$138,212</u></u>	<u><u>\$140,246</u></u>	<u><u>\$2,034</u></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, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Interest	\$5,000	\$6,000	\$6,642	\$642
Charges for Services	400,000	400,000	394,241	(5,759)
<i>Total Revenues</i>	<u>405,000</u>	<u>406,000</u>	<u>400,883</u>	<u>(5,117)</u>
<b>Expenditures</b>				
Current:				
Public Safety:				
Personal Services	26,099	26,283	25,941	342
Other	295,816	307,816	285,062	22,754
<i>Total Expenditures</i>	<u>321,915</u>	<u>334,099</u>	<u>311,003</u>	<u>23,096</u>
<i>Net Change in Fund Balance</i>	83,085	71,901	89,880	17,979
<i>Fund Balance Beginning of Year</i>	198,992	198,992	198,992	0
Prior Year Encumbrances Appropriated	<u>205,316</u>	<u>205,316</u>	<u>205,316</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$487,393</u></u>	<u><u>\$476,209</u></u>	<u><u>\$494,188</u></u>	<u><u>\$17,979</u></u>

**City of Middleburg Heights, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Sewer Maintenance Fund*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Interest	\$0	\$37	\$37	\$0
<b>Expenditures</b>				
Current:				
General Government:				
Capital Outlay	1,450	2,650	2,650	0
Other	0	4,800	4,800	0
<i>Total Expenditures</i>	<u>1,450</u>	<u>7,450</u>	<u>7,450</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,450)	(7,413)	(7,413)	0
<i>Fund Balance Beginning of Year</i>	5,963	5,963	5,963	0
Prior Year Encumbrances Appropriated	<u>1,450</u>	<u>1,450</u>	<u>1,450</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$5,963</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*  
*Police Pension Fund*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$145,668	\$146,492	\$146,492	\$0
Intergovernmental	18,704	18,831	18,831	0
Interest	500	530	541	11
<i>Total Revenues</i>	<u>164,872</u>	<u>165,853</u>	<u>165,864</u>	<u>11</u>
<b>Expenditures</b>				
Current:				
Public Safety:				
Personal Services	169,000	169,000	169,000	0
Other	0	150	113	37
<i>Total Expenditures</i>	<u>169,000</u>	<u>169,150</u>	<u>169,113</u>	<u>37</u>
<i>Net Change in Fund Balance</i>	(4,128)	(3,297)	(3,249)	48
<i>Fund Balance Beginning of Year</i>	<u>6,999</u>	<u>6,999</u>	<u>6,999</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,871</u>	<u>\$3,702</u>	<u>\$3,750</u>	<u>\$48</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, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$145,668	\$146,492	\$146,492	\$0
Intergovernmental	18,704	18,831	18,831	0
Interest	500	530	541	11
<i>Total Revenues</i>	<u>164,872</u>	<u>165,853</u>	<u>165,864</u>	<u>11</u>
<b>Expenditures</b>				
Current:				
Public Safety:				
Personal Services	169,000	169,000	169,000	0
Other	0	150	113	37
<i>Total Expenditures</i>	<u>169,000</u>	<u>169,150</u>	<u>169,113</u>	<u>37</u>
<i>Net Change in Fund Balance</i>	(4,128)	(3,297)	(3,249)	48
<i>Fund Balance Beginning of Year</i>	<u>6,999</u>	<u>6,999</u>	<u>6,999</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,871</u>	<u>\$3,702</u>	<u>\$3,750</u>	<u>\$48</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, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for Services	\$1,000	\$1,000	\$1,200	\$200
<b>Expenditures</b>				
Current:				
General Government:				
Other	10,918	26,000	22,564	3,436
<i>Net Change in Fund Balance</i>	(9,918)	(25,000)	(21,364)	3,636
<i>Fund Balance Beginning of Year</i>	26,668	26,668	26,668	0
<i>Fund Balance End of Year</i>	<u>\$16,750</u>	<u>\$1,668</u>	<u>\$5,304</u>	<u>\$3,636</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, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Interest	\$100	\$85	\$90	\$5
Other	1,000	800	800	0
<i>Total Revenues</i>	<u>1,100</u>	<u>885</u>	<u>890</u>	<u>5</u>
<b>Expenditures</b>				
Current:				
General Government:				
Other	2,141	2,141	480	1,661
<i>Net Change in Fund Balance</i>	(1,041)	(1,256)	410	1,666
<i>Fund Balance Beginning of Year</i>	<u>6,025</u>	<u>6,025</u>	<u>6,025</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4,984</u></u>	<u><u>\$4,769</u></u>	<u><u>\$6,435</u></u>	<u><u>\$1,666</u></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, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$190,181	\$195,735	\$195,735	\$0
Intergovernmental	24,637	22,731	22,731	0
<i>Total Revenues</i>	<u>214,818</u>	<u>218,466</u>	<u>218,466</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Public Health and Welfare:				
Other	214,814	218,466	218,466	0
<i>Net Change in Fund Balance</i>	4	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></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, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Interest	\$1,200	\$725	\$804	\$79
<b>Expenditures</b>				
Capital Outlay	<u>45,050</u>	<u>60,050</u>	<u>55,230</u>	<u>4,820</u>
<i>Net Change in Fund Balance</i>	(43,850)	(59,325)	(54,426)	4,899
<i>Fund Balance Beginning of Year</i>	5,348	5,348	5,348	0
Prior Year Encumbrances Appropriated	<u>54,702</u>	<u>54,702</u>	<u>54,702</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$16,200</u></u>	<u><u>\$725</u></u>	<u><u>\$5,624</u></u>	<u><u>\$4,899</u></u>

**City of Middleburg Heights, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Service Center Fund*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Interest	\$700	\$275	\$304	\$29
<b>Expenditures</b>				
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	700	275	304	29
<i>Fund Balance Beginning of Year</i>	<u>21,229</u>	<u>21,229</u>	<u>21,229</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$21,929</u></u>	<u><u>\$21,504</u></u>	<u><u>\$21,533</u></u>	<u><u>\$29</u></u>

**City of Middleburg Heights, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*City Hall/Fire Station Expansion*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Interest	\$0	\$60	\$67	\$7
<b>Expenditures</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	60	67	7
<i>Fund Balance Beginning of Year</i>	<u>4,684</u>	<u>4,684</u>	<u>4,684</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4,684</u></u>	<u><u>\$4,744</u></u>	<u><u>\$4,751</u></u>	<u><u>\$7</u></u>

**City of Middleburg Heights, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Health Insurance*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest	\$18,000	\$22,500	\$23,027	\$527
Charges for Service	<u>1,680,000</u>	<u>1,635,000</u>	<u>1,639,083</u>	<u>4,083</u>
<i>Total Revenues</i>	<u>1,698,000</u>	<u>1,657,500</u>	<u>1,662,110</u>	<u>4,610</u>
<b>Expenditures</b>				
General Government:				
Other	<u>1,676,053</u>	<u>1,556,053</u>	<u>1,485,782</u>	<u>70,271</u>
<i>Net Change in Fund Balance</i>	21,947	101,447	176,328	74,881
<i>Fund Balance Beginning of Year</i>	<u>464,830</u>	<u>464,830</u>	<u>464,830</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$486,777</u>	<u>\$566,277</u>	<u>\$641,158</u>	<u>\$74,881</u>

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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 Three Years</i> .....	87
<i>Changes in Net Assets-Last Three Years</i> .....	88
<i>Fund Balances, Governmental Funds- Last Ten Years</i> .....	90
<i>Changes in Fund Balances, Governmental Funds-Last Ten Years</i> .....	92

**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> .....	94
<i>Income Tax Revenue Base and Collections-Last Ten Years</i> .....	95
<i>Principal Taxpayers-Current Year and Nine Years Ago</i> .....	96
<i>Property Tax Rates-All Direct and Overlapping Governments</i> .....	97
<i>Assessed and Estimated Actual Value of Taxable Property-Last Ten Years</i> .....	98
<i>Property Tax Levies and Collections-Real and Public Utility Taxes-Last Ten Years</i> .....	99

**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> .....	100
<i>Computation of Direct and Overlapping Debt</i> .....	102

**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> .....	103
<i>Principal Employers-Current Year and Four Years Ago</i> .....	104

**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> .....	105
<i>Operating Indicators by Function/Program-Last Ten Years</i> .....	106
<i>Capital Asset Statistics by Function/Program-Last Ten Years</i> .....	108

**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 Three Years*  
*(accrual basis of accounting)*

	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Governmental Activities</b>			
Invested in Capital Assets, Net of Related Debt	\$29,822,417	\$28,782,469	\$26,448,543
Restricted for:			
Capital Projects	442,211	1,131,259	1,779,854
Debt Service	4,128,272	4,673,180	5,576,849
Other Purposes	418,588	404,227	1,631,319
Unrestricted	<u>5,270,879</u>	<u>7,330,254</u>	<u>6,489,076</u>
Total Net Assets	<u>\$40,082,367</u>	<u>\$42,321,389</u>	<u>\$41,925,641</u>

Source: City of Middleburg Heights, Finance Department

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

	2004	2003	2002
<b>Program Revenues</b>			
Governmental Activities:			
Charges for Services:			
Security of Persons and Property:			
Police	\$766,507	\$743,258	\$385,002
Fire	357,415	424,981	244,939
Safety Director	0	0	0
Public Health and Welfare	0	0	0
Culture and Recreation	992,986	921,023	777,934
Community Development	198,759	217,690	255,325
Streets and Highways	0	0	17,270
Sanitation	0	0	0
General Government	214,146	153,359	99,619
Interest and Fiscal Charges	0	0	0
Operating Grants and Contributions	756,071	689,679	633,117
Capital Grants and Contributions	539,301	1,362,161	1,231,366
<i>Total Governmental Activities Program Revenues</i>	<u>\$3,825,185</u>	<u>\$4,512,151</u>	<u>\$3,644,572</u>
<b>Expenses</b>			
Governmental Activities:			
Security of Persons and Property:			
Police	\$4,343,435	\$3,998,227	\$3,604,024
Fire	3,026,842	2,851,306	2,934,924
Safety Director	45,650	42,266	31,107
Public Health and Welfare	258,754	253,092	249,733
Culture and Recreation	3,152,424	2,924,858	2,800,419
Community Development	631,527	605,855	537,174
Streets and Highways	3,345,946	2,901,524	2,675,763
Sanitation	729,743	716,221	692,434
General Government	6,295,289	5,912,798	5,621,897
Interest and Fiscal Charges	1,045,256	1,127,571	1,210,872
<i>Total Governmental Activities Expenses</i>	<u>\$22,874,866</u>	<u>\$21,333,718</u>	<u>\$20,358,347</u>

(continued)

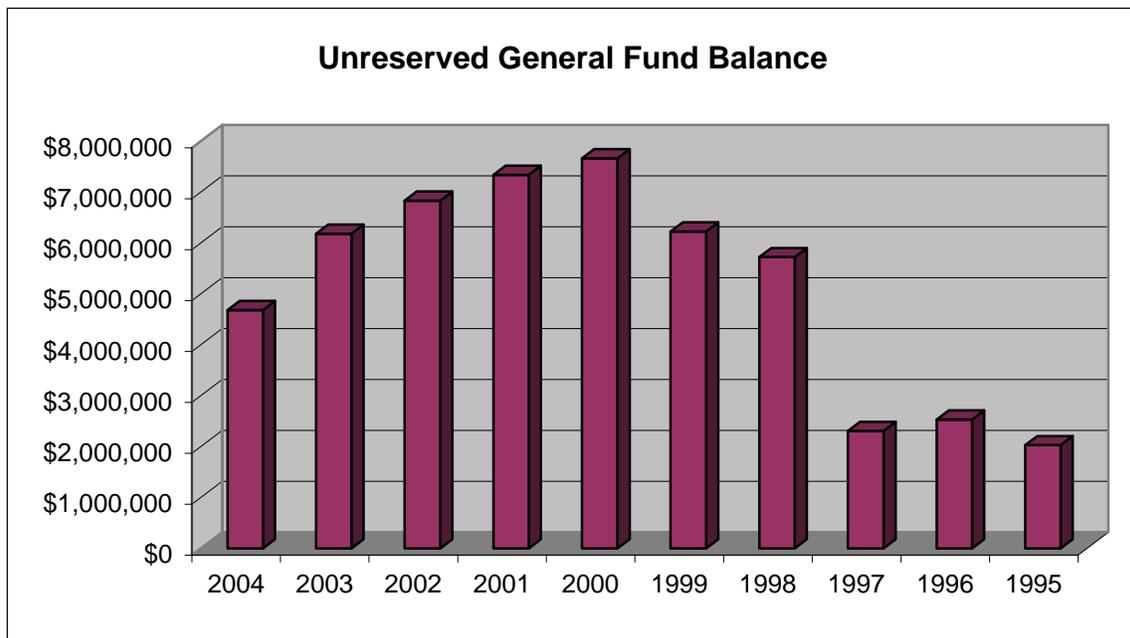
**City of Middleburg Heights, Ohio**  
**Changes in Net Assets (continued)**  
**Last Three Years**  
**(accrual basis of accounting)**

	2004	2003	2002
<b>Net (Expense)/Revenue</b>			
Governmental Activities:			
Security of Persons and Property:			
Police	(\$3,576,928)	(\$3,254,969)	(\$3,219,022)
Fire	(2,669,427)	(2,426,325)	(2,685,481)
Safety Director	(45,650)	(42,266)	(31,107)
Public Health and Welfare	(258,754)	(253,092)	(249,733)
Culture and Recreation	(2,159,438)	(2,003,835)	(2,022,485)
Community Development	(432,768)	(388,165)	(281,849)
Streets and Highways	(2,050,574)	(849,684)	(798,514)
Sanitation	(729,743)	(716,221)	(692,434)
General Government	(6,081,143)	(5,759,439)	(5,522,278)
Interest and Fiscal Charges	(1,045,256)	(1,127,571)	(1,210,872)
<i>Total Net Expense</i>	<u>(19,049,681)</u>	<u>(16,821,567)</u>	<u>(16,713,775)</u>
<b>General Revenues</b>			
Property and Other Local Taxes Levied for:			
General Purposes	1,947,370	1,871,807	1,939,239
Debt Service	491,408	453,296	533,931
Police and Fire Pension	297,148	271,698	281,718
Public Health and Welfare	198,408	187,195	196,787
Income Tax Levied for:			
General Purposes	8,507,278	8,682,559	7,070,761
Debt Service	1,681,241	1,746,570	1,917,477
Recreation	1,432,876	1,656,965	1,654,043
Capital Outlay	681,137	710,614	1,373,349
Grants and Entitlements not Restricted to Specific Programs	1,053,794	1,129,313	1,139,198
Investment Earnings	164,962	236,156	424,299
Miscellaneous	355,037	271,142	767,857
<i>Total General Revenues</i>	<u>16,810,659</u>	<u>17,217,315</u>	<u>17,298,659</u>
<b>Change in Net Assets</b>	<u>(\$2,239,022)</u>	<u>\$395,748</u>	<u>\$584,884</u>

Source: City of Middleburg Heights, Finance Department

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

	2004	2003	2002	2001
<b>General Fund</b>				
Reserved	\$120,798	\$174,103	\$263,148	\$198,069
Unreserved	4,679,783	6,177,201	6,826,747	7,335,563
<i>Total General Fund</i>	4,800,581	6,351,304	7,089,895	7,533,632
<b>All Other Governmental Funds</b>				
Reserved	382,321	655,210	1,059,121	1,618,797
Unreserved, undesignated, reported in:				
Special Revenue Funds	1,328,350	1,369,563	1,102,511	638,624
Debt Service Funds	2,077,031	2,494,452	3,299,397	2,885,400
Capital Project Funds	241,389	871,104	978,663	885,471
<i>Total All Other Governmental Funds</i>	4,029,091	5,390,329	6,439,692	6,028,292
<i>Total Governmental Funds</i>	\$8,829,672	\$11,741,633	\$13,529,587	\$13,561,924



Source: City of Middleburg Heights, Finance Department

2000	1999	1998	1997	1996	1995
\$139,629	\$129,262	\$54,654	\$95,414	\$124,844	\$66,457
7,659,445	6,221,129	5,718,045	2,301,721	2,529,368	2,026,138
7,799,074	6,350,391	5,772,699	2,397,135	2,654,212	2,092,595
1,650,361	7,629,199	6,649,881	1,075,926	530,796	610,301
764,510	972,446	888,246	549,531	426,121	513,024
2,704,882	2,444,514	2,299,815	1,563,905	1,473,758	1,329,902
1,315,279	2,310,711	16,711,599	(1,763,785)	(1,081,464)	(908,646)
6,435,032	13,356,870	26,549,541	1,425,577	1,349,211	1,544,581
\$14,234,106	\$19,707,261	\$32,322,240	\$3,822,712	\$4,003,423	\$3,637,176

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

	2004	2003	2002	2001
<b>Revenues</b>				
Property Taxes	\$2,368,704	\$2,245,912	\$2,288,560	\$2,095,127
Income Taxes	12,554,485	12,555,322	12,303,925	12,720,629
Other Local Taxes	532,080	581,244	601,078	684,553
Intergovernmental	2,405,486	3,033,358	1,945,744	6,215,508
Special Assessments	257,223	212,521	386,563	141,037
Interest	153,393	225,762	393,370	817,361
Fines, Licenses and Permits	1,139,530	1,071,550	708,045	680,870
Charges for Services	1,422,075	1,419,832	991,998	874,296
Other	246,698	271,142	494,481	196,619
<b>Total Revenues</b>	<b>21,079,674</b>	<b>21,616,643</b>	<b>20,113,764</b>	<b>24,426,000</b>
<b>Expenditures</b>				
Current:				
General Government:				
Security of Persons and Property	6,942,969	6,356,082	5,918,175	5,962,994
Public Health and Welfare	251,187	244,428	240,355	20,524
Culture and Recreation	2,648,981	2,485,636	2,328,033	2,202,176
Community Development	623,163	598,079	522,904	486,411
Streets and Highways	1,618,920	1,529,623	1,328,920	995,240
Sanitation	729,743	716,221	692,434	670,964
General Government	5,866,851	5,373,213	4,966,300	4,726,051
Capital Outlay	2,503,769	3,273,070	2,717,128	7,292,919
Debt Service:				
Principal Retirement	1,757,653	1,697,225	1,696,822	1,716,441
Interest and Fiscal Charges	1,048,399	1,131,020	1,252,987	1,291,137
<b>Total Expenditures</b>	<b>23,991,635</b>	<b>23,404,597</b>	<b>21,664,058</b>	<b>25,364,857</b>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(2,911,961)</i>	<i>(1,787,954)</i>	<i>(1,550,294)</i>	<i>(938,857)</i>
<b>Other Financing Sources (Uses)</b>				
General Obligation Bonds Issued	0	0	905,000	0
Payments to Refund Bonds	0	0	0	0
Transfers In	797,018	1,227,083	1,111,466	765,067
Transfers Out	(797,018)	(1,227,083)	(1,111,466)	(702,338)
<i>Total Other Financing Sources (Uses)</i>	<i>0</i>	<i>0</i>	<i>905,000</i>	<i>62,729</i>
<b>Net Change in Fund Balances</b>	<b>(\$2,911,961)</b>	<b>(\$1,787,954)</b>	<b>(\$645,294)</b>	<b>(\$876,128)</b>

Source: City of Middleburg Heights, Finance Department

2000	1999	1998	1997	1996	1995
\$1,866,997	\$1,846,314	\$1,814,822	\$1,412,584	\$1,482,556	\$1,441,719
12,834,407	12,331,122	11,360,703	6,541,704	6,313,742	6,297,527
718,032	679,142	647,313	618,064	538,752	468,759
2,296,007	6,677,949	2,478,101	1,788,820	1,607,100	1,411,748
129,693	120,116	81,013	86,765	205,328	173,685
1,212,912	1,490,742	1,034,247	325,304	323,180	307,149
775,737	817,432	1,046,276	701,695	703,896	732,453
811,018	199,220	169,839	161,160	136,057	126,331
306,831	270,118	460,024	244,397	286,098	245,259
20,951,634	24,432,155	19,092,338	11,880,493	11,596,709	11,204,630
4,905,637	4,877,775	4,454,615	4,053,357	3,658,179	3,495,439
20,879	19,522	23,912	18,043	18,014	18,230
1,608,700	435,125	389,703	363,988	335,867	297,569
405,971	389,869	365,493	357,071	324,649	319,473
860,832	914,634	754,094	833,967	909,676	712,902
641,825	612,634	601,783	585,524	561,377	556,664
4,560,407	3,857,675	3,184,734	3,012,537	3,024,956	2,925,439
10,473,147	22,946,586	6,196,780	2,242,049	1,804,143	1,556,094
1,657,007	1,435,100	295,100	299,100	293,100	439,100
1,342,311	1,775,295	337,521	408,911	406,033	409,641
26,476,716	37,264,215	16,603,735	12,174,547	11,335,994	10,730,551
(5,525,082)	(12,832,060)	2,488,603	(294,054)	260,715	474,079
0	216000	29,715,682	0	0	0
0	0	(3,815,682)	0	0	0
206,599	772,834	846,171	2,402,629	1,718,455	1,716,854
(206,599)	(771,891)	(816,940)	(2,376,566)	(1,685,778)	(1,779,928)
0	216,943	25,929,231	26,063	32,677	(63,074)
(\$5,525,082)	(\$12,615,117)	\$28,417,834	(\$267,991)	\$293,392	\$411,005

**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
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
2001	2,095,127	12,720,629	684,553	15,500,309
2000	1,866,997	12,834,407	718,032	15,419,436
1999	1,846,314	12,331,122	679,142	14,856,578
1998*	1,601,822	11,360,703	647,313	13,609,838
1997	1,412,584	6,541,704	618,064	8,572,352
1996	1,482,466	6,313,742	538,752	8,334,960
1995	1,441,719	6,297,527	468,759	8,208,005

\* Beginning in 1998 a change in the income tax rate from 1.00% to 1.75% for Recreation Center construction and operations was passed by the voters.

Source: City of Middleburg Heights, Finance Department

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

<b>Tax Year</b>	<b>Tax Rate</b>	<b>Total Tax Collected</b>	<b>Taxes from Withholding</b>	<b>Percentage of Taxes from Withholding</b>	<b>Taxes from Net Profits</b>	<b>Percentage of Taxes from Net Profits</b>	<b>Taxes from Individuals</b>	<b>Percentage of Taxes from Individuals</b>
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	86.5%	768,275	6.4%	860,261	7.2%
2001	1.75%	12,369,314	10,488,588	84.8%	824,298	6.7%	1,056,428	8.5%
2000	1.75%	12,494,592	10,704,686	85.7%	777,193	6.2%	1,012,713	8.1%
1999	1.75%	11,843,640	10,038,164	84.8%	833,376	7.0%	972,100	8.2%
1998*	1.75%	10,743,000	8,990,450	83.7%	847,956	7.9%	904,594	8.4%
1997	1.00%	6,344,926	4,969,888	78.3%	804,095	12.7%	570,943	9.0%
1996	1.00%	6,292,879	4,938,242	78.5%	869,211	13.8%	485,426	7.7%
1995	1.00%	5,627,336	4,400,282	78.2%	784,040	13.9%	443,014	7.9%

\* Beginning in 1998 a change in the income tax rate from 1.00% to 1.75% for Recreation Center construction and operations was passed by the voters.

Source: Regional Income Tax Agency

**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:

**2004**

<b>Rank</b>	<b>Taxpayer</b>
1	Southwest General Hospital
2	United Parcel Service
3	Advanstar Communications Incorporated
4	Codonics, Inc.
5	City of Middleburg Heights
6	Berea City School District
7	Transamerica Holdings LLC
8	Polaris Joint Vocational School
9	Citicorp Credit Services, Inc.
10	Sunnyside Automotive Incorporated

**1995**

<b>2004 Rank</b>	<b>Rank</b>	<b>Taxpayer</b>
1	1	Southwest General Hospital
2	2	United Parcel Service
16	3	Sears Roebuck and Company
3	4	Advanstar Communications Incorporated
6	5	Berea City School District
10	6	Sunnyside Automotive Incorporated
8	7	Polaris Joint Vocational School
-	8	Adams and Reynolds
11	9	Airborne Freight Corporation
5	10	City of Middleburg Heights

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 and Berea		Total
	General Fund	Debt Service Fund	Police Fund	Pension Fund	Fire Fund	Recreation	Community Hospital	Southwest Hospital	Total	School District	Cuyahoga County (1)		
1995/1996	\$2.85	\$1.19	\$0.30	\$0.30	\$0.30	\$0.26	\$1.00	\$5.90	\$60.80	\$16.80	\$83.50		
1996/1997	2.95	1.09	0.30	0.30	0.30	0.26	1.00	5.90	60.90	16.60	83.40		
1997/1998	2.85	1.15	0.30	0.30	0.30		1.00	5.60	61.70	16.60	83.90		
1998/1999	2.85	1.15	0.30	0.30	0.30		1.00	5.60	60.40	16.70	82.70		
1999/2000	2.85	1.15	0.30	0.30	0.30		1.00	5.60	66.30	16.70	88.60		
2000/2001	2.85	1.15	0.30	0.30	0.30		1.00	5.60	66.20	17.60	89.40		
2001/2002	2.85	1.15	0.30	0.30	0.30		1.00	5.60	66.20	17.60	89.40		
2002/2003	2.85	1.00	0.30	0.30	0.30		1.00	5.45	72.20	17.60	95.25		
2003/2004	2.85	1.00	0.30	0.30	0.30		1.00	5.45	72.20	19.40	97.05		
2004/2005	2.95	0.90	0.30	0.30	0.30		1.00	5.45	72.20	20.30	97.95		

(1) Rate for Cuyahoga County includes the Library and Metropark.

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		
	Assessed Value	Estimated Actual Value		Assessed Value	Estimated Actual Value		Assessed Value	Estimated Actual Value		Assessed Value	Estimated Actual Value		Estimated Actual Value	Estimated Actual Value	Ratio of Total Assessed
1995/1996	\$326,679,730	\$933,370,657	\$	\$37,942,938	\$151,771,752	\$	\$22,560,410	\$25,636,830	\$387,183,078	\$1,110,779,239	34.9%				
1996/1997	334,514,330	955,755,200		42,717,032	170,868,128		22,085,910	25,097,630	399,317,272	1,151,720,958	34.7%				
1997/1998	369,990,240	1,057,114,971		46,497,314	185,989,256		21,361,400	24,274,318	437,848,954	1,267,378,545	34.5%				
1998/1999	374,433,000	1,069,808,571		48,791,605	195,166,420		20,858,100	23,702,386	444,082,705	1,288,677,377	34.5%				
1999/2000	388,560,540	1,110,172,971		47,131,859	188,527,436		19,100,640	21,705,273	454,793,039	1,320,405,680	34.4%				
2000/2001	452,686,520	1,293,390,057		48,858,969	195,435,876		18,908,480	21,486,909	520,453,969	1,510,312,842	34.5%				
2001/2002	456,826,300	1,305,218,000		47,573,331	190,293,324		14,925,620	16,960,932	519,325,251	1,512,472,256	34.3%				
2002/2003	464,168,000	1,326,194,286		46,222,909	184,891,636		13,550,990	15,398,852	523,941,899	1,526,484,774	34.3%				
2003/2004	491,230,770	1,403,516,486		44,252,676	177,010,704		13,459,950	15,295,398	548,943,396	1,595,822,588	34.4%				
2004/2005	498,434,550	1,424,098,714		45,358,039	197,208,815		13,200,050	15,000,057	556,992,639	1,636,307,586	34.0%				

(1) The percentages for 2003 were 35% for all real property, 88% for Public Utility Tangible, 25% for capital assets and 24% for inventory for tangible personal.

Source: Cuyahoga County Auditor

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

<b>Tax Year/ Collection Year</b>	<b>Current Levy (1)</b>	<b>Current Collections</b>	<b>Percent of Current Levy Collected</b>	<b>Collection Including Delinquencies (1)</b>	<b>Total Collections As Percent of Current Levy</b>	<b>Accumulated Delinquency</b>
1994/1995	\$1,801,763	\$1,759,817	97.7%	\$1,775,727	98.6%	\$56,968
1995/1996	1,808,124	1,777,935	98.3	1,801,722	99.6	44,574
1996/1997	1,791,132	1,736,891	97.0	1,752,232	97.8	59,637
1997/1998	1,959,435	1,878,618	95.9	1,934,025	98.7	75,024
1998/1999	1,980,787	1,935,119	97.7	1,962,836	99.1	71,546
1999/2000	2,042,289	1,973,594	96.6	2,017,915	98.8	94,684
2000/2001	2,297,430	2,191,586	95.4	2,285,460	99.5	105,464
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

(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**

	2004	2003	2002
General Obligation Bonds	\$19,769,318	\$21,408,718	\$22,989,008
Percent of estimated actual property value	1.21%	1.34%	1.51%
Per Capita	\$1,271.99	\$1,377.48	\$1,479.15
Special Assessment Bonds	1,887,835	2,006,087	2,123,022
Bond Anticipation Notes	0	500,000	600,000
Total Gross Indebtedness	<u>21,657,153</u>	<u>23,914,805</u>	<u>25,712,030</u>
Percentage of Personal Income	5.53%	6.11%	6.56%
Per Capita	\$1,393.46	\$1,538.72	\$1,654.36
Less:			
Special Assessment Bonds	(1,887,835)	(2,006,087)	(2,123,022)
Community Center Bonds	(11,613,500)	(12,513,500)	(13,383,500)
Service Center Bonds	(5,538,500)	(5,948,500)	(6,348,500)
General Obligation Bond Retirement Fund Balance	<u>(1,392,721)</u>	<u>(1,694,483)</u>	<u>(1,995,372)</u>
Total Net Debt Applicable to Debt Limit	<u>1,224,597</u>	<u>1,752,235</u>	<u>1,861,636</u>
Overall Legal Debt Limit			
10 1/2% of Assessed Valuation	<u>58,484,227</u>	<u>57,639,057</u>	<u>55,013,899</u>
Legal Debt Margin Within 10 1/2% Limitations	<u>\$57,259,630</u>	<u>\$55,886,822</u>	<u>\$53,152,263</u>
Legal Debt Margin as a Percentage of the Debt Limit	97.91%	96.96%	96.62%
Unvoted Debt Limitation			
5 1/2% of Assessed Valuation	\$30,634,595	\$30,191,887	\$28,816,804
Net Unvoted Indebtedness Authorized by Council	21,657,153	23,914,805	25,712,030
Less:			
Special Assessment Bonds	(1,887,835)	(2,006,087)	(2,123,022)
Community Center Bonds	(11,613,500)	(12,513,500)	(13,383,500)
Service Center Bonds	(5,538,500)	(5,948,500)	(6,348,500)
General Obligation Bond Retirement Fund Balance	<u>(1,392,721)</u>	<u>(1,694,483)</u>	<u>(1,995,372)</u>
Net Debt Within 5 1/2% Limitations	<u>1,224,597</u>	<u>1,752,235</u>	<u>1,861,636</u>
Unvoted Legal Debt Margin Within 5 1/2% Limitations	<u>\$29,409,998</u>	<u>\$28,439,652</u>	<u>\$26,955,168</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation	96.00%	94.20%	93.54%

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

2001	2000	1999	1998	1997	1996	1995
\$24,621,629	\$26,264,138	\$27,858,536	\$29,239,153	\$3,793,688	\$4,047,516	\$4,291,856
1.63%	1.74%	2.11%	2.27%	0.30%	0.35%	0.39%
\$1,584.20	\$1,689.88	\$1,894.88	\$1,988.79	\$258.04	\$275.30	\$291.92
1,282,223	1,356,155	1,418,764	1,257,247	637,812	683,084	731,844
2,215,000	920,000	1,600,000	5,500,000	1,870,000	1,910,000	1,420,000
<u>28,118,852</u>	<u>28,540,293</u>	<u>30,877,300</u>	<u>35,996,400</u>	<u>6,301,500</u>	<u>6,640,600</u>	<u>6,443,700</u>
7.18%	7.29%	11.57%	13.48%	2.36%	2.49%	2.41%
\$1,809.22	\$1,836.33	\$2,100.21	\$2,448.40	\$428.62	\$451.68	\$438.29
(1,282,223)	(1,356,155)	(1,418,764)	(1,257,247)	(637,812)	(683,084)	(731,844)
(14,218,500)	(15,023,500)	(15,797,500)	(16,467,500)			
(6,738,500)	(7,188,500)	(7,632,500)	(7,997,500)			
<u>(1,936,630)</u>	<u>(1,799,118)</u>	<u>(1,599,200)</u>	<u>(1,480,840)</u>	<u>(804,890)</u>	<u>(747,561)</u>	<u>(744,784)</u>
<u>3,942,999</u>	<u>3,173,020</u>	<u>4,429,336</u>	<u>8,793,313</u>	<u>4,858,798</u>	<u>5,209,955</u>	<u>4,967,072</u>
<u>54,529,151</u>	<u>54,647,667</u>	<u>47,753,269</u>	<u>46,628,684</u>	<u>45,974,140</u>	<u>41,928,314</u>	<u>40,654,223</u>
<u>\$50,586,152</u>	<u>\$51,474,647</u>	<u>\$43,323,933</u>	<u>\$37,835,371</u>	<u>\$41,115,342</u>	<u>\$36,718,359</u>	<u>\$35,687,151</u>
92.77%	94.19%	90.72%	81.14%	89.43%	87.57%	87.78%
\$28,562,889	\$28,624,968	\$25,013,617	\$24,424,549	\$24,081,692	\$21,962,450	\$21,295,069
28,118,852	28,540,293	30,877,300	35,996,400	6,301,500	6,640,600	6,443,700
(1,282,223)	(1,356,155)	(1,418,764)	(1,257,247)	(637,812)	(683,084)	(731,844)
(14,218,500)	(15,023,500)	(15,797,500)	(16,467,500)			
(6,738,500)	(7,188,500)	(7,632,500)	(7,997,500)			
<u>(1,936,630)</u>	<u>(1,799,118)</u>	<u>(1,599,200)</u>	<u>(1,480,840)</u>	<u>(804,890)</u>	<u>(747,561)</u>	<u>(744,784)</u>
<u>3,942,999</u>	<u>3,173,020</u>	<u>4,429,336</u>	<u>8,793,313</u>	<u>4,858,798</u>	<u>5,209,955</u>	<u>4,967,072</u>
<u>\$24,619,890</u>	<u>\$25,451,948</u>	<u>\$20,584,281</u>	<u>\$15,631,236</u>	<u>\$19,222,894</u>	<u>\$16,752,495</u>	<u>\$16,327,997</u>
86.20%	88.92%	82.29%	64.00%	79.82%	76.28%	76.68%

**City of Middleburg Heights, Ohio**  
**Computation of Direct and Overlapping Debt**  
**December 31, 2004**

<b>Jurisdiction</b>	<b>Debt Outstanding</b>	<b>Percentage Applicable To City of Middleburg Heights</b>	<b>Amount Applicable To City of Middleburg Heights</b>
<b>Direct:</b>			
City of Middleburg Heights	\$ 21,657,153 (a)	100.00%	\$ 21,657,153
<b>Overlapping:</b>			
Berea School District	20,405,000 (b)	36.04%	7,353,962
Cuyahoga County	251,154,636 (b)	1.81%	4,545,899
Greater Cleveland Regional Transit	147,025,000 (b)	1.81%	2,661,153
Total Overlapping	<u>418,584,636</u>		<u>14,561,014</u>
<b>Total Direct and Overlapping</b>	<u>\$ 440,241,789</u>		<u>\$ 36,218,167</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

**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)	
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%
2001	15,542	a	391,673,942	25,201	a	60,015	a	4.6%
2000	15,542	a	391,673,942	25,201	a	60,015	a	4.4%
1999	14,702	b	266,958,916	18,158	b	37,298	b	4.5%
1998	14,702	b	266,958,916	18,158	b	37,298	b	4.4%
1997	14,702	b	266,958,916	18,158	b	37,298	b	4.8%
1996	14,702	b	266,958,916	18,158	b	37,298	b	5.2%
1995	14,702	b	266,958,916	18,158	b	37,298	b	5.1%

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

(a) 2000 Federal Census

(b) 1990 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 PMSA

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

<b>2004</b>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Southwest General Hospital	2,892	15.55%
United Parcel Service	2,461	13.23%
Sears Roebuck & Company	498	2.68%
City of Middleburg Heights	477	2.56%
Polaris Joint Vocational	441	2.37%
Transamerica Holdings	389	2.09%
Berea City School District	295	1.59%
Codonics, Inc.	224	1.20%
Advanstar Communications	205	1.10%
Cleveland Urology	62	0.33%
<b>Total</b>	<b>7,944</b>	<b>42.71%</b>
<b>Total City Employment</b>	<b>18,600</b>	

<b>2000</b>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Southwest General Hospital	2,849	15.32%
United Parcel Service	2,555	13.74%
Sears Roebuck & Company	1,360	7.31%
City of Middleburg Heights	457	2.46%
Polaris Joint Vocational	454	2.44%
Berea City School District	308	1.66%
Transamerica Holdings	305	1.64%
Advanstar Communications	230	1.24%
Codonics, Inc.	121	0.65%
Cardiovascular Medicine Associates	36	0.19%
<b>Total</b>	<b>8,675</b>	<b>42.22%</b>
<b>Total City Employment</b>	<b>20,546</b>	

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**

<b>Function/Program</b>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
<b>General Government:</b>										
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	3	3	3
Public Service	33	33	32	32	31	23	21	21	21	20
<b>Community Development:</b>										
Planning & Zoning	1	1	1	1	1	1	1	1	1	1
Building	5	5	5	5	5	4	4	4	4	4
<b>Public Safety:</b>										
Police	41	41	40	40	39	39	36	36	35	34
Fire	26	27	27	28	25	25	25	24	24	23
<b>Culture and Recreation:</b>										
Programs	2	2	2	2	2	6	3	3	3	3
Recreation Center	12	12	13	12	12					
<b>Streets and Highways:</b>										
Street Department	12	12	12	12	12	11	8	8	8	8
<b>Totals:</b>	<u>147</u>	<u>148</u>	<u>147</u>	<u>147</u>	<u>142</u>	<u>124</u>	<u>113</u>	<u>111</u>	<u>110</u>	<u>107</u>

Source: City of Middleburg Heights, Finance Department

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

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
<b>Operating Indicators by Function/Program</b>										
<b>Fire</b>										
Emergency Responses	2,355	2,424	2,163	2,063	1,968	1,982	1,693	1,790	1,661	1,553
Ambulance runs	1,738	1,866	1,709	1,475	1,354	1,372	1,187	1,255	N/A	N/A
Fire Runs	617	558	454	588	614	610	506	535	N/A	N/A
Fire Safety Inspections/Re-Inspections	231	283	387	802	667	412	520	434	453	N/A
Fire Protection Systems Inspected	355	380	195	178	260	215	193	256	185	N/A
Building/Fire Protection Plan Review	173	15	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of Community Programs	125	94	80	124	64	32	N/A	N/A	N/A	N/A
Hydrants Tested	1,078	1,078	1,078	1,078	1,058	1,055	1,055	1,020	1,020	1,020
<b>Public Service</b>										
Snowfall in inches*	95.8	98.6	69.8	49.8	81.2	67.3	21.7	46.8	N/A	N/A
Tons of salt used	5,080	6,999	5,000	4,480	6,400	4,800	4,400	2,000	3,000	4,900
Asphalt used in road maintenance (tons)	213.5	164.5	156.5	170.5	216.0	N/A	N/A	N/A	N/A	N/A
Concrete used in road maintenance (yards)	203.0	162.0	123.5	140.5	132.0	N/A	N/A	N/A	N/A	N/A
Number of Trees removed	148	84	114	90	87	95	153	35	25	40
Number of Trees planted	177	191	200	93	214	221	201	265	288	249
Senior citizen driveway plowing participants	1,129	1,073	1,024	938	930	906	878	839	825	801
<b>Building</b>										
Number of Permits issued by type:										
Building Permits	279	261	293	243	303	343	372	255	284	237
Electrical Permits	248	243	239	216	270	270	323	247	200	201
Plumbing Permits	179	161	185	180	235	213	292	170	170	167
HVAC Permits	199	224	217	169	239	243	296	198	195	200
Miscellaneous Permits	715	699	575	551	525	513	480	540	507	389
Inspections performed	3,445	3,288	2,920	2,653	2,676	3,720	3,107	2,029	1,736	N/A
Estimated value of construction	\$15,857,695	\$14,233,591	\$22,350,722	\$17,761,608	\$27,066,342	\$44,995,386	\$44,874,260	N/A	N/A	N/A
Number of Plans examined	21	24	23	24	57	63	N/A	N/A	N/A	N/A
<b>Court</b>										
Number of court cases	10,251	9,015	5,405	4,515	4,168	5,107	6,393	N/A	N/A	N/A
Number of tickets	8,917	7,524	4,530	3,723	3,349	4,207	5,265	N/A	N/A	N/A
Number of Transferred Cases	631	467	362	284	559	270	281	N/A	N/A	N/A
Number of Waivers taken at Violations Bureau (Estimated)	2,600	2,000	1,000	900	800	1,000	1,200	N/A	N/A	N/A
Number of Court Appearances (Estimated)	2,000	1,800	1,500	1,200	1,000	1,400	1,600	N/A	N/A	N/A
Number of Waivers received by Mail (Estimated)	4,300	3,700	2,000	1,600	1,500	1,800	2,400	N/A	N/A	N/A

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

<b>Operating Indicators by Function/Program</b>	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
<b>Council</b>										
Number of Ordinances & resolutions	104	92	108	127	128	147	141	148	108	133
<b>Finance</b>										
Number of checks processed (excluding payroll)	3,826	3,741	4,135	4,142	3,648	3,066	3,002	2,653	2,890	2,956
Number of Purchase orders issued	3,755	3,711	4,189	4,104	3,604	2,917	2,686	2,412	2,586	2,734
<b>Mayor's Office</b>										
Newsletters mailed (Winter and Summer issues)	14,746	13,846	12,944	12,944	N/A	N/A	N/A	N/A	N/A	N/A
<b>Recreation</b>										
Number of Memberships	7,360	6,686	6,419	6,040	7,358	N/A	N/A	N/A	N/A	N/A
Learn to Swim enrollment	1,367	1,252	1,152	808	N/A	N/A	N/A	N/A	N/A	N/A
Enrollment in athletics programs	2,081	2,045	1,919	1,847	1,790	N/A	N/A	N/A	N/A	N/A
Number of Rental Events	1,301	1,220	1,185	1,139	506	N/A	N/A	N/A	N/A	N/A
Enrollment in classes, programs, and special events	5,344	4,592	4,786	3,899	1,877	N/A	N/A	N/A	N/A	N/A
<b>Law</b>										
Number of new litigations filed (traffic & criminal cases)	N/A	914	742	618	627	588	612	502	488	561
Number of Municipal Court cases heard and disposed	1,140	961	783	575	622	631	620	543	494	659
<b>Planning &amp; Zoning</b>										
Number of Planning commission agenda items	87	78	92	81	85	114	128	150	149	119
<b>Civil Service</b>										
Number of Exams given	59	144	25	98	37	82	36	65	50	77

\* National Weather Service, Cleveland, OH - Hopkins International Airport

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

<b>Function/Program</b>	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
<b>General Government:</b>										
Other Departmental Vehicles	6	6	4	4	4	3	3	2	2	2
City Hall Square Footage	18,746	18,746	18,746	18,746	18,746	18,746	18,746	18,746	18,746	18,746
<b>Police:</b>										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Vehicles	22	22	21	19	19	19	19	19	19	19
Square Footage of Building	13,400	13,400	13,400	13,400	13,400	13,400	13,400	13,400	13,400	13,400
<b>Fire:</b>										
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
<b>Culture and Recreation:</b>										
Number of Parks	1	1	1	1	1	1	1	1	1	1
Number of Vehicles	3	3	2	2	2	2	2	1	1	1
Recreation Center Square Footage	83,768	83,768	83,768	83,768	83,768					
<b>Public Service:</b>										
Number of Vehicles	43	42	44	42	41	35	34	33	34	31
Service Center Square Footage	62,445	62,445	62,445	62,445	62,445	62,445				
Streets (miles)	65	65	65	65	65	65	65	65	64	63
<b>Senior Transportation:</b>										
Number of Vehicles	2	2	2	2	1	1	1	1	1	1

Source: City of Middleburg Heights, Finance Department

# **City of Middleburg Heights, Ohio**

**December 31, 2004**

# City Of Middleburg Heights, Ohio

For The Year Ended December 31, 2004

## Table Of Contents

---

<u>TITLE</u>	<u>PAGE</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	1
Schedule of Findings.....	3
Schedule of Prior Audit Findings.....	4
Response to Findings Associated with Audit Conducted in Accordance with <i>Government Auditing Standards</i> for the Year Ended December 31, 2004.....	5

**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***

Members of the City Council of the  
City of Middleburg Heights, Ohio

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, Ohio, (the “City”) as of and for the year ended December 31, 2004, which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 1, 2005. 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

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

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 and other matters that are required to be reported under *Government Auditing Standards*.

Members of the City Council of the  
City of Middleburg Heights, Ohio

This report is intended solely for the information and use of the City Council, finance committee, management and Auditor of State's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Cuni & Panichi, Inc.*

Cleveland, Ohio  
June 1, 2005

# City Of Middleburg Heights, Ohio

## Schedule of Findings

December 31, 2004

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### 1. Summary of Auditors' Results

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any material reported noncompliance at the financial statement level (GAGAS)?	No

### 2. Findings Related To The Financial Statements Required To Be Reported In Accordance With GAGAS

None.

### 3. Other Findings

None.

# **City Of Middleburg Heights, Ohio**

## **Schedule of Prior Audit Findings**

**December 31, 2004**

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None.

**City Of Middleburg Heights, Ohio**

**15700 Bagley Road  
Middleburg Heights, Ohio 44130  
(440) 234-8989**

**Response To Findings Associated With Audit Conducted  
In Accordance With *Government Auditing Standards*  
For The Year Ended December 31, 2004**

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
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Not  
applicable





**Auditor of State  
Betty Montgomery**

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Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
JULY 5, 2005**