
City Of Middleburg Heights, Ohio



Comprehensive Annual Financial Report

For The Year Ended December 31, 2002

Issued By The Department of Finance

Timothy Pope, CPA
Director

John Mockler, CPA
Assistant Director



**Auditor of State
Betty Montgomery**

City Council
City of Middleburg Heights
15700 Bagley Road
Middleburg Heights, Ohio 44130

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. 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

July 10, 2003

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Comprehensive Financial Annual Report
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Finance Department
CITY OF MIDDLEBURG HEIGHTS

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Gary W. Starr
Mayor

Timothy Pope, CPA
Director of Finance

May 28, 2003

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, 2002. We believe this report, prepared by the Department of Finance, presents comprehensive financial and operating information about the City's activities during 2002 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 nonmajor 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 outstanding economic growth. 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. 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 the expansion of its commercial base, the City has experienced substantial growth in its lodgings industry. Again, location is a major contributing factor in the expansion of this segment of the City's economy. With a major airport and the International Exposition Center only two miles away and downtown Cleveland only twelve miles away, the City's hotel industry reports occupancy rates of 51% or better throughout the year. This makes transient guest taxes a significant revenue source for the City. The City collects a transient guest tax of three percent on hotel and motel room receipts. Despite the blow dealt to the travel industry as a result of the events of September 11, lodging taxes remained relatively strong. The hotels and motels generated \$594,662, \$642,558, \$583,748 and \$492,881 in lodging tax in 1999, 2000, 2001 and 2002, respectively. There are currently over 1,500 rooms available in these hotels.

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.

For instance, one new business that located on Engle Road is the Ford/UAW Learning and Day Care Facility that opened in 2002. The Ford/UAW project is a collaborative effort involving Ford Motor Company, the United Auto Workers union and automotive supplier Visteon Corp. to construct the \$8.5 million family service and community outreach center. The 32,809 square-foot facility will offer child care, after-school programs, wellness classes, health screenings, volunteer activities and other services, and will be one of 13 centers opened by 2003 in areas with large concentrations of Ford and Visteon workers.

The City of Middleburg Heights' major industries include a significant number of health care, 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.

Over the past five years, Southwest General has spent over \$100 million to expand its services and enhance its capabilities. In 1998, a comprehensive cardiac care program was launched which included enhanced catheterization capabilities and the initiation of open-heart surgery procedures. In 1999, a new 84,000-square-foot fitness center, LifeWorks of Southwest General, was opened. An 84,000-square-foot Surgery Pavilion was

also opened to expand the center's surgical capabilities and meet increased demand for medical treatment in the field of podiatry.

In 2000, the entire Ireland Cancer Center at Southwest General Health Center opened to patients. The center consists of two distinct areas: chemotherapy and radiation therapy. The chemotherapy unit is housed in the main health center building, adjacent to the recently constructed building which houses the radiation therapy equipment.

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

Other new buildings and projects started in 2002 include the following:

- Walgreens Drug Store (new)
- St. Bartholomew School (expansion of offices and classrooms)
- Greater Cleveland Christian School (addition)
- Grace Church (addition)
- Sunnyside Audi (renovation and addition)
- Weiler Wilhelm (renovation)

New buildings or projects proposed for 2003 include the following:

- Gabriel Brothers (interior and parking lot renovation – new retail store)
- Panera Bread (new restaurant)
- Aldi (new supermarket)
- Ameri-Con Development (new office building)
- Gerald Rembowski (new medical building)
- Carpet and Tile Liquidators (new)
- Dave Jezek (new office building)
- Cleveland Metal Processing (expansion)
- Woodvale Cemetery (expansion of office and work building)

The City is not only seeing expansion of its industrial and commercial base, but also continues to see new residential construction projects. Current residential construction includes:

- Chandler's Inc. – new subdivision
- Crystal Lakes Phase 3 - Subdivision
- Deer Creek Estates – 10 sublots remaining of 19
- Nantucket Woods - 48 Detached Cluster Units (25 remaining)
- Silver Oaks – Phase 2 of 3 started
- Vito Ragone – 4 Unit Apartment Building

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: Over the last 5 years the City has spent over \$12 million maintaining and improving its streets. City Council appropriated \$500,000 for the resurfacing of various streets throughout the City in 2003. A

few of the proposed repairs include a rehabilitation of Bagley Road from Pearl Road to the western city limit and the addition of a right-turn lane from Engle Road to Interstate 71 to relieve congestion in that area. In addition, the Ohio Public Works Commission awarded \$2.2 million in federal funds to widen Sprague Road from two lanes to five between Pearl and Webster roads. Total project costs are estimated at \$4.5 million, with \$2.2 million being provided through Issue 2, \$1.1 million will be paid by Cuyahoga County, and the remainder will be split between the cities of Strongsville and Middleburg Heights (\$600,000 each). Construction began in the fall of 2002 and will last approximately 15 months.

The City has pledged \$50,000 to assist the Middleburg Heights Historical Society in the restoration and relocation of the 90-year-old District 10 Schoolhouse. The schoolhouse takes on significant historic importance in 2003, the 75th anniversary of the first seating of Middleburg Heights village government at the schoolhouse. Various sites for the historic landmark are currently being considered, including land owned by the City. Once restored, the building could be used for several purposes, such as a welcoming center, a place to preserve historical archives or hold historical programs and lectures, and as general meeting space.

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.

Furthermore, the City itself owns and maintains approximately 20 acres of outdoor park and recreational area and is currently researching opportunities to expand those resources, part of which may be used in conjunction with the "Lake-to-Lake" trail.

The City has received the designation of "Tree City USA" for six 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 first 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. Nonmajor 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 2002.

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 Phelan Risk Management Services Company 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 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 2002. 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, 2001. 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 seven consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgments: The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. We would like to express our appreciation to all staff members who have contributed or assisted in its preparation.

Additionally, we would like to thank the Local Government Services Section of Auditor of State, Betty Montgomery, for their assistance with our initial reporting in accordance with GASB Statement 34.

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

John Mockler, CPA
Assistant Finance Director

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, 2001

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



William Patrick Vate
President

Jeffrey L. Esser
Executive Director

City of Middleburg Heights, Ohio
Listing of Principal City Officials
As of December 31, 2002

ELECTED OFFICIALS

Mayor	Gary W. Starr
Council President	Alan C. Budney
Councilman At-Large.....	Michael G. Oros
Councilman At-Large.....	James F. Sheppard
Councilman Ward 1	Tim Ali
Council Member Ward 2.....	Barbara A. Becker
Councilman Ward 3	David Bortolotto
Councilman Ward 4	Raymond G. Guttman

APPOINTED OFFICIALS

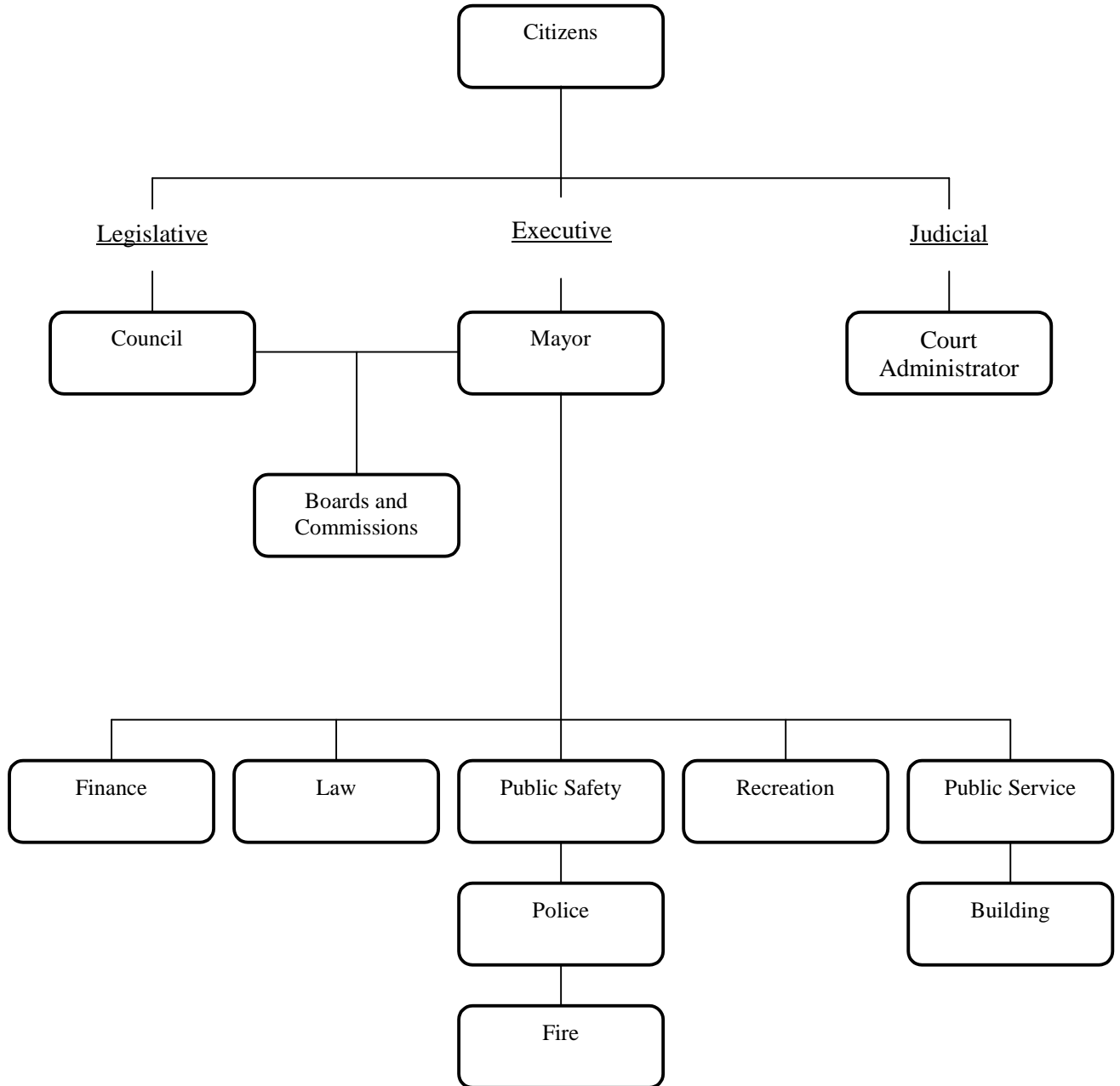
Director of Finance.....	Timothy Pope, CPA
Assistant Finance Director	John Mockler, CPA
Director of Public Service	Frank D. Castelli
Chief Building Official.....	Robert M. Cline
Assistant Building Director.....	Norman H. Herwerden
Director of Recreation.....	Carl Guarnieri
Director of Law	Peter Hull
Director of Public Safety.....	Sandra J. Kerber
Chief of Police.....	John Maddox
Chief of Fire	Bernard M. Benedict
Court Administrator	Doris E. Linge
Executive Assistant	Jeffrey Minch
Clerk of Council.....	Mary Ann Meola

City of Middleburg Heights, Ohio
Listing of Principal City Officials
As of December 31, 2002

SPECIAL BOARDS AND COMMISSIONS

Planning Commission	Joseph Caterini
Planning Commission	John J. Grech
Planning Commission	Diane Mille
Planning Commission	Randall Over
Planning Commission	Tom Rea
Planning Commission	Rebecca Russo
Planning Commission	Rose Zatezalo
Board of Zoning and Building Appeals	Matthew Castelli
Board of Zoning and Building Appeals	Fred Duprow
Board of Zoning and Building Appeals	Phil Latsko
Board of Zoning and Building Appeals	Barbara Mihuta
Board of Zoning and Building Appeals (Alternative).....	Alice Kuczma
Board of Zoning and Building Appeals	Gino Zomparelli
Civil Service.....	Walter Gainer
Civil Service.....	Eileen Herold
Civil Service.....	Catherine Oliverio
Secretary - Civil Service	Jan Brocklehurst
Secretary - Boards and Commissions	Kimberly Drown

City of Middleburg Heights, Ohio
Organizational Chart
For the Year Ended December 31, 2002





Creating economic value through
knowledge, innovation, commitment, and service

CIUNI & PANICHI
INC.

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS CONSULTING FIRM

a C&P Advisors Company

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 as of and for the year ended December 31, 2002, 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' 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, as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, 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.

As described in Note 3, during the year ended December 31, 2002, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statements No. 34, 37, 38 and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2003 on our consideration of the City of Middleburg Heights'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 the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the City of Middleburg Heights' 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. We subjected the combining and individual nonmajor fund financial statements to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cini & Panichi, Inc.

Cleveland, Ohio
May 28, 2003

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

The discussion and analysis of The City of Middleburg Heights' (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2002. 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 2002 are as follows:

- The assets of the City of Middleburg Heights exceeded its liabilities at the close of the most recent fiscal year by \$38,032,740 (*net assets*). Of this amount, \$6,489,076 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total Net Assets increased \$584,884 or a 1.6 percent increase over 2001. The increase was due primarily to the certification of special assessment debt for the Engle Road Widening Project.
- Total Assets of the City decreased \$1,506,013, which represents a 2.12 percent decrease from 2001.
- Total Capital Assets increased by \$323,904 or 0.68 percent over 2001.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,529,587, a decrease of \$645,294 in comparison with the prior year.
- Total outstanding Long-term liabilities were \$27,048,070. This was a 1.05% decrease from the balance at the end of 2001.
- On a cash basis, City income tax collections have increased an average of 0.5 percent per year for the last four years. In the last three years, an average 1.05 percent decrease has been realized.

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.

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.

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

The *statement of activities* presents information showing how the government's net assets changed during the 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 12 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 19 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 13 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.

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

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benefits. Because this predominately benefits governmental rather than business functions, this fund has been included within 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 has no proprietary fund that is considered a major fund. The internal service fund for self-insurance is considered a nonmajor fund. The basic proprietary fund financial statements can be found on pages 20 to 22 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 24 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 nonmajor funds. This information can be found on pages 51 to 84 of the 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 did we do financially during 2002?" 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 basis for this 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 Year End

The City of Middleburg Heights as a Whole

Recall that the Statement of Net Assets looks at the City as a whole. The following provides a summary of the City's net assets for 2002 compared to 2001.

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Table 1 Net Assets

	Governmental Activities	
	2002	2001
Assets		
Current and Other Assets	\$21,905,635	\$23,735,552
Capital Assets, Net	47,667,672	47,343,768
<i>Total Assets</i>	<u>69,573,307</u>	<u>71,079,320</u>
Liabilities		
Current Liabilities	4,492,497	6,296,268
Long-term Liabilities		
Due within One Year	2,869,659	2,471,260
Due in More Than One Year	24,178,411	24,863,936
<i>Total Liabilities</i>	<u>31,540,567</u>	<u>33,631,464</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	22,555,642	21,439,916
Restricted for:		
Capital Projects	1,779,854	2,364,399
Debt Service	5,576,849	4,435,717
Other Purposes	1,631,319	1,275,778
Unrestricted	6,489,076	7,932,046
<i>Total Net Assets</i>	<u>\$38,032,740</u>	<u>\$37,447,856</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City of Middleburg Heights, assets exceed liabilities by \$38,032,740 at the close of the most recent fiscal year.

The largest portion of the City's net assets (59.31%) 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 \$1,506,013 from 2001 to 2002, while the City's total liabilities decreased by \$2,090,897. The most significant change was a decrease in Equity in Pooled Cash and Cash Equivalents, where there was a decrease of \$2,521,929 during the fiscal year. The decrease in liabilities was mainly due to the retirement of notes payable and bonded debt net of the issuance of a small bond.

Total net assets of the City's governmental activities increased by \$584,884. The increase is due mainly to an increase in special assessments receivable from \$1,282,223 to \$2,123,002.

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. However, since this is the first year the City has prepared financial statements following capital GASB Statement 34, revenue and expense comparisons to 2001 are not available. In future years a comparative analysis of government-wide data will be presented.

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Table 2 Changes in Net Assets

	Governmental Activities <u>2002</u>
Revenues	
Program Revenues	
Charges for Services	\$1,780,089
Operating Grants and Contributions	633,117
Capital Grants and Contributions	<u>1,231,366</u>
Total Program Revenues	<u>3,644,572</u>
General Revenues	
Property Taxes	2,951,675
Income Taxes	12,015,630
Grants and Entitlements	1,139,198
Investment Income	424,299
Miscellaneous	<u>767,857</u>
Total General Revenues	<u>17,298,659</u>
<i>Total Revenues</i>	<u>20,943,231</u>
Program Expenses	
General Government	5,621,897
Security of Persons and Property	
Police	3,604,024
Fire	2,934,924
Safety Director	31,107
Public Health Services	249,733
Culture and Recreation	2,800,419
Community Development	537,174
Streets and Highways	2,675,763
Sanitation	692,434
Interest and Fiscal Charges	<u>1,210,872</u>
Total Program Expenses	<u>20,358,347</u>
Increase in Net Assets	<u><u>\$584,884</u></u>

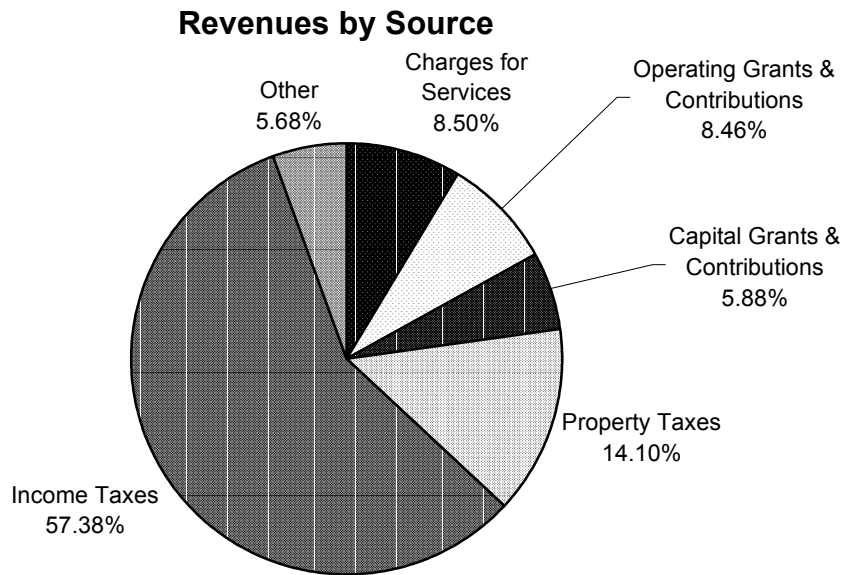
Governmental Activities

Governmental activities increased the City's net assets by \$584,884. The primary reason for the increase in net assets relates to the increase in special assessment receivables. In 2002 the Engle Road Widening project was completed. The \$6.1 million project was funded by State and Federal Highway funds with the City's portion of approximately \$1.45 million being assessed to the property owners on Engle Road. \$252,650 was collected as prepayments and \$1,190,000 in principal was certified to the County Auditor as receivable over the next 20 years.

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 2002. 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 inside the City are subject to the income

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tax. However if residents work in a 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. Due to our recent history of income tax collection increases, which average 0.5% for the last four years, we have been able to realize an increase in our net assets making such a consideration unnecessary, but a future option. Most recently the last three years' income tax collections have decreased by an average 1.05%. While a decrease of income tax revenues is reason for concern the City feels this is in large part a reflection of the economy as a whole.



The income tax revenue for 2002 was \$12,015,630. Of the \$20,943,231 in total revenues, income tax accounts for 57.38% of that total. Property taxes of \$2,951,675 account for 14.1% of total revenues, and operating grants, capital grants and contributions, general revenues from grants and entitlements account for 14.34% of total revenues, and charges for services, and other revenue make up the remaining 14.18%.

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.

For the most part, increases in expenses closely parallel inflation and growth in the demand for services. The largest program function for the City relates to security of persons and property. In 2002, 32.27% 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 27.6% of the expenses in 2002. 13.75% of the expenses were spent on culture and recreation, while expenses for street and highway maintenance, including snow removal accounted for 13.14%.

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.

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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 14. These funds are accounted for by using the modified accrual basis of accounting.

As of December 31, 2002, the City's governmental funds reported combined ending fund balances of \$13,529,587. Of that amount, \$12,207,318 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 (\$1,322,269).

All governmental funds had total revenues of \$20,113,764 and expenditures of \$21,664,058, leaving a deficit of \$1,550,294. Part of the shortfall was caused by general economic conditions. For instance, investment income decreased from \$848,751 in 2001 to only \$424,299 in 2002, a decrease of \$424,452.

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 \$7,089,895, of which \$6,826,747 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 total fund expenditures. Unreserved fund balance represents 54.5% of total General Fund expenditures, while total fund balance represents 56.6% of that same amount. These numbers are an important representation of the City's solid financial performance and condition.

During the current fiscal year, the fund balance of the City's General Fund decreased by \$888,351. The reduction in the General Fund balance is due partly to general economic conditions and partly by design. Eight new safety forces were hired in 2001. 2002 was the first year that included a full year of costs for the four new firefighter/paramedics and four new police officers. Pay raise packages ranged at about five percent. Every one percent of salary increase now costs the City approximately \$110,000. Retirements cost an additional \$100,000. One additional month of refuse collection was paid in 2002 increasing that cost by almost \$60,000. In all, the actual decrease in General Fund balance was far less than the anticipated decrease of over \$2 million.

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 2002 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 and Fire Department as well as most legislative and executive activities. The General Fund is monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

For the General Fund, original budgeted revenues were \$11.3 million. The final budgeted amount was \$11.2 million. The City's ending unencumbered cash balance in the General Fund was \$908,892 above the final budgeted amount.

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The differences between the general fund's original budget and the final amended budget were minor, except for the inclusion of an extra quarter of pension payments to the Ohio Public Employees Retirement System, done in anticipation of a change in pension system regulations. This accounted for \$112,558 of the General Fund appropriation increase.

Capital Assets and Debt Administration

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

	Governmental Activities	
	2002	2001
Land	\$2,697,738	\$2,697,738
Land Improvements	617,528	569,231
Buildings and Improvements	26,276,100	26,755,274
Machinery and Equipment	3,100,121	2,617,613
Furniture and Fixtures	58,108	61,448
Infrastructure		
Streets	6,368,748	1,839,784
Sidewalks	421,714	138,733
Traffic Signals	2,638,589	2,543,680
Water Mains	1,321,018	1,322,582
Sanitary Sewers	1,640,208	1,665,391
Storm Sewers	2,353,661	1,188,230
Construction in Progress	174,139	5,944,064
Total Capital Assets	\$47,667,672	\$47,343,768

Total capital assets of the City as of December 31, 2002 were \$47,667,672, \$323,904 more than in 2001. The most significant increases in our capital assets came in construction in progress, especially with the completion of the widening of Engle Road and also the completion of the installation of emergency generators for the Police and Fire Stations, Community Center and Service Center. 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.

Debt

As of December 31, 2002, the City had \$27,048,070 in bonds and compensated absences outstanding with \$2,869,659 due within one year.

Table 4 Outstanding Long-Term Obligations at Year End

	Governmental Activities	
	2002	2001
General Obligation Bonds	\$22,989,008	\$23,885,630
Special Assessment Bonds	\$2,123,022	\$2,018,222
Compensated Absences	\$1,936,040	\$1,348,867
Total	\$27,048,070	\$27,252,719

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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 Bond Retirement Fund 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.

The \$600,000 in notes are General Obligation Notes, and will be repaid with City Funds.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 ½% of total assessed valuation. The City's net legal debt margin within the 10½% limit was \$53.2 million on December 31, 2002.

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

The Future

The City of Middleburg Heights is both financially strong and well managed, as evidenced by the Aa2 rating awarded to the City in 2002 by Moody's Investors Service. Middleburg Heights remains one of the few suburbs in Ohio to have been awarded the Aa2 rating. It is a combination of the cooperation of elected officials, the administration and employees, and the citizens of the City to be able to achieve such a distinction.

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. The City of Middleburg Heights is also now one of the first Cities in the country to report using the GASB 34 requirements. Our commitment to our residents has always been one of full disclosure of the financial position of the City.

On behalf of the City of Middleburg Heights we personally thank State Auditor, Betty Montgomery's, staff for their involvement and support in helping us put together the GASB 34 statements.

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.

City of Middleburg Heights, Ohio

Statement of Net Assets

December 31, 2002

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$12,827,911
Cash and Cash Equivalents:	
With Fiscal Agents	53,704
Investment in Manuscript Bonds	252,029
Accounts Receivable	210,999
Accrued Interest Receivable	74,793
Intergovernmental Receivable	801,274
Prepaid Items	98,838
Materials and Supplies Inventory	170,916
Income Tax Receivable	2,766,767
Property Taxes Receivable	2,440,333
Other Local Taxes Receivable	45,337
Special Assessments Receivable	2,123,022
Unamortized Bond Issue Costs	39,712
Nondepreciable Capital Assets	2,871,877
Depreciable Capital Assets	44,795,795
	<hr/>
<i>Total Assets</i>	69,573,307
	<hr/>
Liabilities	
Accounts Payable	389,243
Accrued Wages	386,469
Retainage Payable	29,456
Intergovernmental Payable	389,861
Matured Bonds Principal and Interest Payable	53,704
Accrued Interest Payable	97,305
Claims Payable	96,253
Deferred Revenue	2,245,198
Unearned Revenue	205,008
Notes Payable	600,000
Long-Term Liabilities:	
Due Within One Year	2,869,659
Due In More Than One Year	24,178,411
	<hr/>
<i>Total Liabilities</i>	31,540,567
	<hr/>
Net Assets	
Invested in Capital Assets, Net of Related Debt	22,555,642
Restricted for:	
Capital Projects	1,779,854
Debt Service	5,576,849
Other Purposes	1,631,319
Unrestricted	6,489,076
	<hr/>
<i>Total Net Assets</i>	<u><u>\$38,032,740</u></u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Statement of Activities

For the Year Ended December 31, 2002

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:					
General Government:					
Security of Persons and Property:					
Police	\$3,604,024	\$385,002	\$0	\$0	(\$3,219,022)
Fire	2,934,924	244,939	500	4,004	(2,685,481)
Safety Director	31,107	0	0	0	(31,107)
Public Health and Welfare	249,733	0	0	0	(249,733)
Culture and Recreation	2,800,419	777,934	0	0	(2,022,485)
Community Development	537,174	255,325	0	0	(281,849)
Streets and Highways	2,675,763	17,270	632,617	1,227,362	(798,514)
Sanitation	692,434	0	0	0	(692,434)
General Government	5,621,897	99,619	0	0	(5,522,278)
Interest and Fiscal Charges	1,210,872	0	0	0	(1,210,872)
<i>Total Governmental Activities</i>	<u>\$20,358,347</u>	<u>\$1,780,089</u>	<u>\$633,117</u>	<u>\$1,231,366</u>	<u>(16,713,775)</u>
General Revenues					
Property and Other Local Taxes Levied for:					
					1,939,239
					533,931
					478,505
Income Tax Levied for:					
					7,070,761
					1,917,477
					1,654,043
					1,373,349
					1,139,198
					424,299
					767,857
<i>Total General Revenues</i>					<u>17,298,659</u>
Change in Net Assets					584,884
<i>Net Assets Beginning of Year (Restated - See Note 3)</i>					<u>37,447,856</u>
<i>Net Assets End of Year</i>					<u>\$38,032,740</u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Balance Sheet

Governmental Funds

December 31, 2002

	General	Recreation	General Obligation Bond Retirement	Special Assessment Bond Retirement	Capital Improvements	Road Improvements
Assets						
Equity in Pooled Cash and Cash Equivalents	\$5,753,274	\$403,623	\$1,635,413	\$1,088,749	\$1,322,772	\$900,010
Cash and Cash Equivalents						
With Fiscal Agents	0	0	53,704	0	0	0
Materials and Supplies Inventory	22,663	20,704	0	0	0	0
Investment in Manuscript Bond	0	0	51,000	201,029	0	0
Accrued Interest Receivable	35,666	701	9,696	14,247	7,996	0
Accounts Receivable	19,124	0	0	0	17,270	1,346
Intergovernmental Receivable	468,459	0	29,463	0	0	0
Prepaid Items	68,078	30,760	0	0	0	0
Income Taxes Receivable	1,857,239	371,701	384,047	0	153,780	0
Property Taxes Receivable	1,429,543	0	501,595	0	0	0
Other Local Taxes Receivable	45,337	0	0	0	0	0
Special Assessments Receivable	0	0	0	2,123,022	0	0
<i>Total Assets</i>	<u>\$9,699,383</u>	<u>\$827,489</u>	<u>\$2,664,918</u>	<u>\$3,427,047</u>	<u>\$1,501,818</u>	<u>\$901,356</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$149,893	\$29,413	\$0	\$0	\$144,521	\$500
Accrued Wages	308,196	50,718	0	0	0	0
Accrued Interest Payable	0	0	0	0	0	4,250
Intergovernmental Payable	28,421	5,516	0	0	0	0
Matured Bonds and Interest Payable	0	0	53,704	0	0	0
Retainage Payable	0	0	0	0	29,456	0
Deferred Revenue	2,122,978	82,058	615,842	2,123,022	51,219	0
Unearned Revenue	0	205,008	0	0	0	0
Notes Payable	0	0	0	0	0	600,000
<i>Total Liabilities</i>	<u>2,609,488</u>	<u>372,713</u>	<u>669,546</u>	<u>2,123,022</u>	<u>225,196</u>	<u>604,750</u>
Fund Balances						
Reserved for Encumbrances	263,148	65,358	0	0	409,452	278,140
Unreserved, Undesignated, Reported in:						
General Fund	6,826,747	0	0	0	0	0
Special Revenue Funds	0	389,418	0	0	0	0
Debt Service Funds	0	0	1,995,372	1,304,025	0	0
Capital Projects Funds	0	0	0	0	867,170	18,466
<i>Total Fund Balances</i>	<u>7,089,895</u>	<u>454,776</u>	<u>1,995,372</u>	<u>1,304,025</u>	<u>1,276,622</u>	<u>296,606</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$9,699,383</u>	<u>\$827,489</u>	<u>\$2,664,918</u>	<u>\$3,427,047</u>	<u>\$1,501,818</u>	<u>\$901,356</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, 2002*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$13,529,587
		<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
\$958,739	\$12,062,580	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	47,667,672
0	53,704	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
127,549	170,916	Delinquent Property Taxes	195,135
0	252,029	Income Taxes	610,804
2,345	70,651	Intergovernmental	539,582
118,179	155,919	Special Assessments	2,140,292
303,352	801,274	Charges for Services	76,731
0	98,838	Total	3,562,544
0	2,766,767		
509,195	2,440,333	As internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities if the internal service fund are included in governmental activities in the statement of net assets.	728,300
0	45,337		
0	2,123,022		
<u>\$2,019,359</u>	<u>\$21,041,370</u>		
		Intergovernmental Payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(353,950)
\$64,916	\$389,243		
27,555	386,469	Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(93,055)
0	4,250		
1,974	35,911	Unamortized bond issue costs.	39,712
0	53,704		
0	29,456	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
812,623	5,807,742	General Obligation Bonds	(22,989,008)
0	205,008	Special Assessment Bonds	(2,123,022)
0	600,000	Compensated Absences	(1,936,040)
<u>907,068</u>	<u>7,511,783</u>	Total	<u>(27,048,070)</u>
306,171	1,322,269	<i>Net Assets of Governmental Activities</i>	<u><u>\$38,032,740</u></u>
0	6,826,747		
713,093	1,102,511		
0	3,299,397		
93,027	978,663		
<u>1,112,291</u>	<u>13,529,587</u>		
<u>\$2,019,359</u>	<u>\$21,041,370</u>		

City of Middleburg Heights, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2002

	General	Recreation	General Obligation Bond Retirement	Special Assessment Bond Retirement	Capital Improvements
Revenues					
Property Taxes	\$1,299,341	\$0	\$524,295	\$0	\$0
Income Taxes	7,167,390	1,696,699	1,981,827	0	1,458,009
Other Local Taxes	601,078	0	0	0	0
Intergovernmental	1,087,207	0	67,682	0	4,004
Special Assessments	0	0	0	386,563	0
Interest	229,998	7,749	45,699	35,353	42,111
Fines, Licenses and Permits	704,593	0	0	0	0
Charges for Services	32,047	777,934	0	0	0
Other	251,970	62,588	118,042	0	48,369
<i>Total Revenues</i>	<u>11,373,624</u>	<u>2,544,970</u>	<u>2,737,545</u>	<u>421,916</u>	<u>1,552,493</u>
Expenditures					
Current:					
General Government:					
Security of Persons and Property					
Police	3,203,792	0	0	0	0
Fire	2,327,953	0	0	0	0
Safety Director	30,397	0	0	0	0
Public Health and Welfare	25,942	0	0	0	0
Culture and Recreation	0	2,328,033	0	0	0
Community Development	522,904	0	0	0	0
Streets and Highways	0	0	0	0	0
Sanitation	692,434	0	0	0	0
General Government	4,945,347	0	0	0	0
Capital Outlay	0	0	0	0	2,469,489
Debt Service:					
Principal Retirement	0	0	1,621,622	75,200	0
Interest and Fiscal Charges	0	0	1,113,281	66,133	14,927
<i>Total Expenditures</i>	<u>11,748,769</u>	<u>2,328,033</u>	<u>2,734,903</u>	<u>141,333</u>	<u>2,484,416</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(375,145)</u>	<u>216,937</u>	<u>2,642</u>	<u>280,583</u>	<u>(931,923)</u>
Other Financing Sources (Uses)					
General Obligation Bonds Issued	0	0	0	0	475,000
Transfers In	261,794	0	0	74,672	0
Transfers Out	(775,000)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(513,206)</u>	<u>0</u>	<u>0</u>	<u>74,672</u>	<u>475,000</u>
<i>Net Change in Fund Balances</i>	(888,351)	216,937	2,642	355,255	(456,923)
<i>Fund Balances Beginning of Year</i>	<u>7,978,246</u>	<u>237,839</u>	<u>1,992,730</u>	<u>948,770</u>	<u>1,733,545</u>
<i>Fund Balances End of Year</i>	<u>\$7,089,895</u>	<u>\$454,776</u>	<u>\$1,995,372</u>	<u>\$1,304,025</u>	<u>\$1,276,622</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, 2002*

Road Improvements	Other Governmental Funds	Total Governmental Funds		
			Net Change in Fund Balances - Total Governmental Funds	(\$645,294)
			<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
\$0	\$464,924	\$2,288,560	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	0	12,303,925	Capital Asset Additions	1,661,794
0	0	601,078	Current Year Depreciation	<u>(1,289,088)</u>
122,936	663,915	1,945,744	Total	372,706
0	0	386,563		
12,351	20,109	393,370	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.	(48,802)
0	3,452	708,045	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
0	182,017	991,998	Delinquent Property Taxes	62,037
0	13,512	494,481	Income Tax	(288,295)
135,287	1,347,929	20,113,764	Intergovernmental	(169,425)
			Special Assessments	840,799
			Charges for Services	<u>80,046</u>
			Total	525,162
			Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,696,822
			In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	1,990
			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	165,000	3,368,792	Compensated Absences	(504,696)
0	191,033	2,518,986	Pension Obligation	<u>(14,382)</u>
0	0	30,397	Total	(519,078)
0	214,413	240,355	The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, but has no effect on net assets.	(905,000)
0	0	2,328,033	Also, 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.	40,125
0	0	522,904	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.	66,253
0	1,328,920	1,328,920		
0	0	692,434		
0	20,953	4,966,300		
53,561	194,078	2,717,128		
0	0	1,696,822		
56,823	1,823	1,252,987		
110,384	2,116,220	21,664,058		
24,903	(768,291)	(1,550,294)		
430,000	0	905,000		
0	775,000	1,111,466		
(336,466)	0	(1,111,466)		
93,534	775,000	905,000		
118,437	6,709	(645,294)		
178,169	1,105,582	14,174,881		
<u>\$296,606</u>	<u>\$1,112,291</u>	<u>\$13,529,587</u>		
			Change in Net Assets of Governmental Activities	<u>\$584,884</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, 2002

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,320,605	\$1,320,605	\$1,299,341	(\$21,264)
Income Taxes	7,297,325	7,005,078	7,005,892	814
Other Local Taxes	680,000	603,000	597,302	(5,698)
Intergovernmental	877,886	1,099,647	1,101,768	2,121
Interest	250,000	250,013	281,526	31,513
Fines, Licenses and Permits	746,250	776,250	732,575	(43,675)
Charges for Services	51,500	28,500	32,047	3,547
Other	36,763	85,763	124,941	39,178
<i>Total Revenues</i>	<u>11,260,329</u>	<u>11,168,856</u>	<u>11,175,392</u>	<u>6,536</u>
Expenditures				
Current:				
General Government:				
Security of Persons and Property:				
Police	3,482,138	3,530,738	3,289,002	241,736
Fire	2,566,996	2,638,541	2,432,695	205,846
Safety Director	29,358	30,658	30,350	308
Public Health and Welfare	30,391	30,391	27,058	3,333
Community Development	569,164	584,164	547,786	36,378
Sanitation	744,709	744,709	740,742	3,967
General Government	5,380,459	5,481,954	5,071,166	410,788
<i>Total Expenditures</i>	<u>12,803,215</u>	<u>13,041,155</u>	<u>12,138,799</u>	<u>902,356</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,542,886)</u>	<u>(1,872,299)</u>	<u>(963,407)</u>	<u>908,892</u>
Other Financing Sources (Uses)				
Transfers In	0	261,794	261,794	0
Transfers Out	(825,000)	(775,000)	(775,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(825,000)</u>	<u>(513,206)</u>	<u>(513,206)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(2,367,886)</u>	<u>(2,385,505)</u>	<u>(1,476,613)</u>	<u>908,892</u>
<i>Fund Balance Beginning of Year, Restated</i>	6,662,436	6,662,436	6,662,436	0
Prior Year Encumbrances Appropriated	197,871	197,871	197,871	0
<i>Fund Balance End of Year</i>	<u>\$4,492,421</u>	<u>\$4,474,802</u>	<u>\$5,383,694</u>	<u>\$908,892</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, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Income Taxes	\$1,800,000	\$1,725,000	\$1,725,006	\$6
Charges for Services	825,000	822,000	791,414	(30,586)
Interest	7,500	7,500	8,455	955
Other	2,200	2,200	35,956	33,756
<i>Total Revenues</i>	<u>2,634,700</u>	<u>2,556,700</u>	<u>2,560,831</u>	<u>4,131</u>
Expenditures				
Current:				
Culture and Recreation	2,601,342	2,635,602	2,430,050	205,552
<i>Total Expenditures</i>	<u>2,601,342</u>	<u>2,635,602</u>	<u>2,430,050</u>	<u>205,552</u>
<i>Net Change in Fund Balance</i>	33,358	(78,902)	130,781	209,683
<i>Fund Balance Beginning of Year</i>	185,926	185,926	185,926	0
Prior Year Encumbrances Appropriated	<u>11,373</u>	<u>11,373</u>	<u>11,373</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$230,657</u>	<u>\$118,397</u>	<u>\$328,080</u>	<u>\$209,683</u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Statement of Fund Net Assets

Proprietary Fund

December 31, 2002

	Governmental Activities Internal Service Fund - Insurance
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$765,331
Accounts Receivable	55,080
Accrued Interest Receivable	4,142
<i>Total Assets</i>	<u>824,553</u>
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	96,253
<i>Total Liabilities</i>	<u>96,253</u>
Net Assets	
Unrestricted	728,300
<i>Total Net Assets</i>	<u><u>\$728,300</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, 2002*

	Governmental Activities Internal Service Fund - Insurance
Operating Revenues	
Charges for Services	\$1,194,778
<i>Total Operating Revenues</i>	1,194,778
Operating Expenses	
Contractual Services	251,189
Claims	908,265
<i>Total Operating Expenses</i>	1,159,454
<i>Operating Income</i>	35,324
Non Operating Revenue	
Interest	30,929
<i>Total Non Operating Revenue</i>	30,929
<i>Change in Net Assets</i>	66,253
<i>Net Assets Beginning of Year</i>	662,047
<i>Net Assets End of Year</i>	\$728,300

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, 2002

	Governmental Activities Internal Service Fund - Insurance
<i>Increase (Decrease) In Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$1,194,778
Cash Payments to Suppliers for Services	(232,297)
Cash Payments for Claims	(997,596)
	(35,115)
Cash Flows from Investing Activities	
Interest	26,839
	(8,276)
<i>Net Decrease In Cash and Cash Equivalents</i>	(8,276)
<i>Cash and Cash Equivalents Beginning of Year</i>	773,607
	\$765,331
	\$765,331
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
<i>Operating Income</i>	\$35,324
Adjustments:	
(Increase) in Accounts Receivable	(54,781)
(Decrease) in Claims Payable	(15,658)
	(\$35,115)
<i>Net Cash Used for Operating Activities</i>	(\$35,115)

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2002

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$339,574</u>
Liabilities	
Deposits Held and Due to Others	<u>\$339,574</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, 2002

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, and the Southwest Suburban Airport 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, 2002

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, 2002

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 twenty 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.

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 medical 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. The City's agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations.

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, 2002

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, 2002, but which were levied to finance year 2003 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, 2002.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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 2002, 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, commercial paper 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, 2002.

Investment procedures are restricted by provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2002 amounted to \$229,998, which includes \$44,609 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, 2002, 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, 2002

H. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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 \$5,000.00. 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:

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

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, 2002

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 judgements, 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 recreation, street construction and medical transport.

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.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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.

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 projected increases or decreases in revenue are identified by the Finance Director. 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 and Restatement of Prior Year Fund Equity

Change in Accounting Principles

For 2002, the City has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", and

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB Statement No. 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2001, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of the Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The City has also implemented a new capital asset policy increasing the capitalization threshold for capital assets from \$1,000 to \$5,000.

Restatement of Fund Balances

The implementation of these changes had the following effects on fund balance of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

Fund balances on the budgetary basis have also been restated for the General Fund, the General Obligation Bond Retirement Fund and the Special Assessment Bond Retirement Fund. The General Fund budgetary balance was restated due to fund reclassifications for the implementation of GASB 34. The General Obligation Bond Retirement Fund budgetary balance was restated for manuscript bonds not recorded in the prior year. The Special Assessment Bond Retirement Fund balance on a budgetary basis was restated for manuscript bonds not recorded on the budget basis in the prior year.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

	<u>General</u>	<u>Recreation</u>	<u>General Obligation</u>	<u>Special Assessment</u>
Fund Balances, December 31, 2001 as Previously Reported	\$7,533,632	\$391,182	\$1,936,630	\$948,770
Fund Reclassification	163,809	0	0	0
Investments in Manuscript Bonds	0	0	56,100	0
Assets Held for Resale	0	0	0	0
Intergovernmental Payable	205,159	35,100	0	0
Unearned Revenue	0	(191,528)	0	0
Interpretation 6 Compensated Absences	<u>75,646</u>	<u>3,085</u>	<u>0</u>	<u>0</u>
Restated Fund Balances, December 31, 2001	<u><u>\$7,978,246</u></u>	<u><u>\$237,839</u></u>	<u><u>\$1,992,730</u></u>	<u><u>\$948,770</u></u>

(continued)

	<u>Capital Improvements</u>	<u>Road Improvements</u>	<u>Non Major Funds</u>	<u>Total</u>
Fund Balances, December 31, 2001 as Previously Reported	\$1,733,545	\$178,169	\$839,996	\$13,561,924
Fund Reclassification	0	0	611,001	774,810
Investment in Manuscript Bonds	0	0	0	56,100
Assets Held for Resale	0	0	(448,470)	(448,470)
Intergovernmental Payable	0	0	99,309	339,568
Unearned Revenue	0	0	0	(191,528)
Interpretation 6 Compensated Absences	<u>0</u>	<u>0</u>	<u>3,746</u>	<u>82,477</u>
Restated Fund Balances, December 31, 2001	<u><u>\$1,733,545</u></u>	<u><u>\$178,169</u></u>	<u><u>\$1,105,582</u></u>	14,174,881
GASB 34 Adjustments:				
Capital Assets				47,343,768
Internal Service Fund				662,047
Long-Term Liabilities:				
Compensated Absences Payable				(1,431,344)
Intergovernmental Payable				(339,568)
Bonds Payable				(25,903,852)
Accrued Interest Payable				(95,458)
Long-Term (Deferred) Assets				<u>3,037,382</u>
Net Assets of Governmental Activities, December 31, 2001				<u><u>\$37,447,856</u></u>

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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 fund.

	<u>Net Change in Fund Balance</u>	
	<u>General</u>	<u>Recreation</u>
GAAP Basis	(\$888,351)	\$216,937
Net Adjustment for Revenue Accruals	(177,876)	15,840
Fair Value Adjustment for Investments 2001	(44,160)	(284)
Fair Value Adjustment for Investments 2002	23,804	305
Net Adjustment for Expenditure Accruals	(44,254)	(26,779)
Encumbrances	<u>(345,776)</u>	<u>(75,238)</u>
Budget Basis	<u>(\$1,476,613)</u>	<u>\$130,781</u>

Note 5 - Deposits and Investments

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

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

City of Middleburg Heights, Ohio
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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 \$1,106,466 and the bank balance was \$1,109,462. \$103,832 of the bank balance was covered by federal depository insurance. \$1,005,630 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 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 Money Market Mutual

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Fund are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 3	Fair Value
Repurchase Agreements		\$485,000	\$485,000
Federal Home Loan Bank Bonds		2,031,652	2,031,652
Federal National Mortgage Association Notes		658,239	658,239
Federal National Mortgage Association Bonds		522,438	522,438
Federal Home Loan Mortgage Corporation Bonds		2,678,824	2,678,824
Manuscript Bonds	\$252,029		252,029
Huntington Bank Money Market			1,650,141
STAROhio			4,088,429
Total Investments	\$252,029	\$6,376,153	\$12,366,752

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>	\$13,221,189	\$252,029
Investments:		
Repurchase Agreements	(485,000)	485,000
Federal Home Loan Bank Bonds	(2,031,652)	2,031,652
Federal National Mortgage Association Notes	(658,239)	658,239
Federal National Mortgage Association Bonds	(522,438)	522,438
Federal Home Loan Mortgage Corporation Bonds	(2,678,824)	2,678,824
Huntington Bank Money Market	(1,650,141)	1,650,141
STAROhio	(4,088,429)	4,088,429
<i>GASB Statement 3</i>	\$1,106,466	\$12,366,752

Note 6 – Receivables

Receivables at December 31, 2002, consisted primarily of municipal income taxes, property and other taxes, accounts, special assessments, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Special assessments expected to be collected in more than one year amount to \$2,006,087 in the Special Assessment Bond Retirement Fund. At December 31, 2002 the amount of delinquent special assessments was \$8,352.

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 2002 for real and public utility property taxes represents collections of 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility property) are for 2002 taxes.

2002 real property taxes are levied after October 1, 2002 on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2002 real property taxes are collected in and intended to finance 2003.

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. 2002 public utility property taxes which became a lien December 31, 2001, are levied after October 1, 2002, and collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after October 1, 2001 on the value as of December 31, 2001. Collections are made in 2002. 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, 2002, was \$5.45 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Real Property	\$464,168,000
Tangible Personal Property	46,222,909
Public Utility Tangible Property	<u>13,550,990</u>
Total Valuation	<u><u>\$523,941,899</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, 2002 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 2002 operations and the collection of delinquent taxes during the available

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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 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 tenth business day 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
Estate Tax	\$17,920
Local Government Funds	327,488
Gasoline Taxes	265,121
Permissive Motor Vehicle License Tax	8,079
Homestead and Rollback	126,539
Public Utility Reimbursement	16,016
Liquor Permit	8,468
DARE Grant	7,406
Prisoner Board and Care	22,320
Other	1,917
Total	\$801,274

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 2002, 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
Specialty National Ins. Co	Commercial General Liability	\$1 million per occurrence/ \$3 million aggregate
Specialty National Ins. Co	Commercial Property	\$38,738,528
Specialty National Ins. Co	Commercial Inland Marine	\$485,679
Specialty National Ins. Co	Public Officials Liability	\$1,000,000
Specialty National Ins. Co	Law Enforcement Liability	\$1,000,000
Specialty National Ins. Co	Commercial Crime	\$5,000-\$100,000
Specialty National Ins. Co	Commercial Automobile	\$1,000,000
Specialty National Ins. Co	Commercial Umbrella	\$10,000,000
Specialty National Ins. Co	Employee Benefits	\$1 million per occurrence/ \$3 million aggregate

City of Middleburg Heights, Ohio
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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 stop loss coverage of \$40,000 per individual and \$906,586 in aggregate. In 2002 the City funded the self-insurance internal service fund at \$300 per month for single coverage and \$830 per month for family coverage. These charges are paid by the fund from which the employee's compensation is paid.

The claims liability of \$96,253, as estimated by the third party administrator and reported in the internal service fund at December 31, 2002, 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:

Year	Estimated Claims Payable January 1st	Current Year Claims and Changes in Estimates	Claim Payments	Estimated Claims Payable December 31
2001	44,887	895,649	(754,952)	185,584
2002	185,584	908,265	(997,596)	96,253

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, 2002, was as follows:

	Balance 12/31/01	Additions	Deletions	Balance 12/31/02
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	\$2,697,738	\$0	\$0	\$2,697,738
Construction-In-Progress	5,944,064	167,947	(5,937,872)	174,139
Total Capital Assets, not being Depreciated	<u>8,641,802</u>	<u>167,947</u>	<u>(5,937,872)</u>	<u>2,871,877</u>

City of Middleburg Heights, Ohio
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	Balance 12/31/01	Additions	Deletions	Balance 12/31/02
<i>Capital Assets being Depreciated:</i>				
Land Improvements	896,109	107,043	0	1,003,152
Buildings and Improvements	29,559,005	131,153	0	29,690,158
Furniture and Fixtures	66,797	0	0	66,797
Machinery and Equipment	4,773,964	890,470	(48,802)	5,615,632
Infrastructure:				
Streets	2,278,520	4,585,927	0	6,864,447
Sidewalks	145,566	286,620	0	432,186
Traffic Signals	2,681,816	229,000	0	2,910,816
Water Mains	1,480,397	18,175	0	1,498,572
Sanitary Sewers	1,888,699	0	0	1,888,699
Storm Sewers	1,342,535	1,183,331	0	2,525,866
Total Capital Assets being Depreciated	<u>45,113,408</u>	<u>7,431,719</u>	<u>(48,802)</u>	<u>52,496,325</u>
Less Accumulated Depreciation:				
Land Improvements	(326,878)	(58,746)	0	(385,624)
Buildings and Improvements	(2,803,731)	(610,327)	0	(3,414,058)
Furniture and Fixtures	(5,349)	(3,340)	0	(8,689)
Machinery and Equipment	(2,156,351)	(359,160)	0	(2,515,511)
Infrastructure:				
Streets	(438,736)	(56,963)	0	(495,699)
Sidewalks	(6,833)	(3,639)	0	(10,472)
Traffic Signals	(138,136)	(134,091)	0	(272,227)
Water Mains	(157,815)	(19,739)	0	(177,554)
Sanitary Sewers	(223,308)	(25,183)	0	(248,491)
Storm Sewers	(154,305)	(17,900)	0	(172,205)
Total Accumulated Depreciation	<u>(6,411,442)</u>	<u>(1,289,088) *</u>	<u>0</u>	<u>(7,700,530)</u>
Net Capital Assets being Depreciated	<u>38,701,966</u>	<u>6,142,631</u>	<u>(48,802)</u>	<u>44,795,795</u>
Governmental Activities Capital Assets,	<u>\$47,343,768</u>	<u>\$6,310,578</u>	<u>(\$5,986,674)</u>	<u>\$47,667,672</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$392,669
Public Safety:	
Police	72,907
Fire	136,993
Public Health and Welfare	9,296
Streets and Highways	257,515
Culture and Recreation	415,927
Community Development	3,781
Total Depreciation Expense	<u>\$1,289,088</u>

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Note 9 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. 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 614/222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee 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 5.0 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, 2002, 2001 and 2000 were \$705,400, \$654,653, and \$420,034 respectively. The full amount has been contributed for 2001 and 2000. 76.4 percent has been contributed for 2002 with the remainder being presented as "intergovernmental payable" in the governmental activities column of the statement of net assets.

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 administered by the OP&F's Board of Trustees. OP&F provides retirement and disability 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. The 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.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City contributes 19.5 percent for police and 24.0 percent for firefighters, of which 7.75 percent is used to pay retiree health care expenses. The City's contributions to the OP&F for the years ended December 31, 2002, 2001 and 2000 were \$749,525, \$701,881 and \$620,262 respectively. The full amount has been contributed for 2001 and 2000. 74.9 percent has been contributed for 2002 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) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority requiring employers to fund postretirement health care through their contributions to OPERS. The 2002 employer contribution rate was 13.55 percent of covered payroll; 5.0 percent was the portion that was used to fund health care for 2002. For 2001, the contribution rate was also 13.55 percent of covered payroll; 4.30 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, 2001, 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 .50 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

All investments are carried at market. 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.

The number of active contributing participants was 402,041. The City's actual contributions for 2002 which were used to fund postemployment benefits were \$260,292. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. This new plan will incorporate a cafeteria approach, offering a broader range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year eligibility standard for the present plan.

The benefit recipients will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The plan will also offer a sending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a medical spending account.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly 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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2002. For 2001 the percent used to fund healthcare was 7.5 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2002 that were used to fund postemployment benefits were \$151,347 for police and \$118,960 for fire. The OP&F's total health care expenses for the year ended December 31, 2001, (the latest actuarial information available) was \$122,298,771 million, which was net of member contributions of \$6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001, was 13,174 for police and 10,239 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 which vary depending upon length of service and standard work week. 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.

Note 12 - Contingencies

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

Note 13 - Long-Term Obligations

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

<u>Debt Issue</u>	<u>Original Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
General Obligation Bonds			
<u>Voted</u>			
Inceptor Sewer	1972	5.50%	\$3,770,000
<u>Unvoted</u>			
Real Estate Acquisition	1998	3.35 - 5.125 %	120,000
City Hall/Fire Station	1998	3.35 - 5.125 %	2,760,000
Bagley Road/I-71/Newton	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 Improvements	2002	1.60 - 2.60 %	220,000

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Debt Issue	Original Issue Date	Interest Rate	Original Issue Amount
Special Assessments Bonds			
Engle Road Improvements	1998	3.35 -5.125%	\$814,000
Engle Road Improvements	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	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 12/31/01	Additions	(Reductions)	Outstanding 12/31/02	Amounts Due in One Year
General Obligation Bonds:					
<u>Voted</u>					
Inceptor Sewer	\$125,000	\$0	(\$125,000)	\$0	\$0
<u>Unvoted</u>					
Real Estate Acquisition Refunding	111,007	0	(9,567)	101,440	10,108
City Hall/Fire Station Refunding	2,552,559	0	(219,977)	2,332,582	232,428
Bagley Road/I-71/Newton Road Refunding	138,375	0	(11,924)	126,451	12,600
Community Center	14,218,500	0	(835,000)	13,383,500	870,000
Service Center	6,738,500	0	(390,000)	6,348,500	400,000
Emergency Generator	0	475,000	0	475,000	15,000
Pearl Road Sanitary Sewer	1,689	0	(154)	1,535	154
Pearl Road Improvements	0	220,000	0	220,000	40,000
Total General Obligation Bonds	23,885,630	695,000	(1,591,622)	22,989,008	1,580,290
Special Assessment Bonds:					
Engle Road Improvements	736,000	0	(30,000)	706,000	35,000
Engle Road Improvements	0	210,000	0	210,000	5,000
Newton Road Refunding	273,060	0	(23,532)	249,528	24,864
Pearl Road Sanitary Sewer	54,411	0	(4,946)	49,465	4,946
Claremont/Morningside Road Improvements	195,000	0	(15,000)	180,000	15,000
Hepburn Road Improvements	552,000	0	(25,000)	527,000	25,000
Fowles Road Sanitary Sewer	207,751	0	(6,722)	201,029	7,125
Total Special Assessment Bonds	2,018,222	210,000	(105,200)	2,123,022	116,935
Compensated Absences	1,431,344	603,136	(98,440)	1,936,040	1,172,434
Total Long-Term Liabilities	\$27,335,196	\$1,508,136	(\$1,795,262)	\$27,048,070	\$2,869,659

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. In 2002, the City issued \$905,000 in various purpose general obligation bonds for the purpose of purchasing and installing an emergency generator and making road

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

improvements. Of the \$905,000, \$210,000 has been assessed against the property owners on Engle Road who primarily benefited from the project.

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, 2002 the amount of defeased debt outstanding amounted to \$2,810,000.

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 \$53,152,264 at December 31, 2002. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2002, are as follows:

Year	General Obligation Bonds		Special Assessment Bonds		Totals
	Principal	Interest	Principal	Interest	
2003	\$1,580,290	\$1,012,946	\$116,935	99,972	\$2,810,143
2004	1,639,401	951,322	118,252	94,161	2,803,136
2005	1,658,513	888,746	124,593	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
2008-2012	8,094,884	2,575,290	694,369	292,700	11,657,243
2013-2017	5,475,000	951,020	606,933	135,450	7,168,403
2018-2022	1,112,000	63,244	208,177	17,372	1,400,793
Total	<u>\$22,989,008</u>	<u>\$8,025,158</u>	<u>\$2,123,022</u>	<u>\$891,866</u>	<u>\$34,029,054</u>

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, 2002, the aggregate principal amount of conduit debt obligations outstanding is \$62,563,683.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Note 14 – Bond Anticipation Notes Payable

Note activity for the year ended December 31, 2002, was as follows:

	Outstanding 12/31/01	Additions	(Reductions)	Outstanding 12/31/02
Pearl Road Improvements 2.35 - 3.40%	\$1,200,000	\$350,000	(\$1,550,000)	\$0
Medical Transport Vehicle 3.25%	115,000	0	(115,000)	0
Engle Road Improvements 2.05 - 3.00%	450,000	450,000	(900,000)	0
Emergency Generator 3.51%	450,000	0	(450,000)	0
Sprague Road Improvements 1.70%	0	600,000	0	600,000
Total	<u>\$2,215,000</u>	<u>\$1,400,000</u>	<u>(\$3,015,000)</u>	<u>\$600,000</u>

All notes are backed by the full faith and credit of the City and mature within one year. The liability for the \$600,000 note outstanding at year-end is reflected in the Road Improvements Fund, which received the proceeds. Typically, the notes will be refinanced until the related projects are complete and the City determines it to be advantageous to issue bonds.

Note 15 - Contractual Commitments

The City had the following contractual commitments outstanding at December 31, 2002:

Project	Amount Remaining
Police Patrol Vehicles	\$88,995
Soccer Field Improvements	16,867
Service Department Pickup	27,000
Salt Truck Body	47,886
Little Red Schoolhouse	34,900
Emergency Generators	67,684
Engle Road Improvements	278,140
Road Salt	214,015
Fire Vehicle Repairs	26,000
Community Center	64,716
2002 Street Improvement Program	227,950
	<u>\$1,094,153</u>

Note 16 – Interfund Transfers and Balances

A transfer of \$775,000 was made during calendar year 2002 from the general fund to the street construction, maintenance and repair fund to provide additional resources to fund current operations. Transfers of \$261,794 and \$74,672 were made from the road improvements capital project fund to the general fund and the special assessment bond retirement fund to close out projects that had been completed.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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 subdivisions 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 2002, the City of Middleburg Heights remitted \$214,413 of property tax revenues 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. The Cemetery is governed by a joint council consisting of the council members from the member communities. 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 2002, the City of Middleburg Heights contributed \$7,500 to the Cemetery.

C. Southwest Council of Governments

The Southwest Council of Governments helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions, and regional development. The Council's Board is comprised of one member from each of the 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. The Council's financial statements may be obtained by contacting the Southwest Council of Governments, Parma Heights, Ohio.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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 of the 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. Financial information can be obtained by contacting Timothy Pope, Treasurer, 15700 Bagley Road, Middleburg Heights, Ohio 44130.

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 designated for street maintenance and repair.

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

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 revenue earmarked for construction of the Community Center.

Service Center Fund To account for revenue earmarked for construction of the Service Center.

City Hall/Fire Station Expansion Fund To account for revenue earmarked for improvements to City Hall/Fire Station Expansion.

City of Middleburg Heights, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2002

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$798,647	\$160,092	\$958,739
Materials and Supplies Inventory	127,549		127,549
Accrued Interest Receivable	2,219	126	2,345
Accounts Receivable	118,179		118,179
Intergovernmental Receivable	303,352		303,352
Property Taxes Receivable	509,195		509,195
<i>Total Assets</i>	<u>\$1,859,141</u>	<u>\$160,218</u>	<u>\$2,019,359</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$60,105	\$4,811	\$64,916
Accrued Wages	27,555		27,555
Intergovernmental Payable	1,974		1,974
Deferred Revenue	812,623		812,623
<i>Total Liabilities</i>	<u>902,257</u>	<u>4,811</u>	<u>907,068</u>
Fund Balances			
Reserved for Encumbrances	243,791	62,380	306,171
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	713,093		713,093
Capital Projects Funds		93,027	93,027
<i>Total Fund Balances</i>	<u>956,884</u>	<u>155,407</u>	<u>1,112,291</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,859,141</u>	<u>\$160,218</u>	<u>\$2,019,359</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, 2002

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Property Taxes	\$464,924	\$0	\$464,924
Intergovernmental	663,915	0	663,915
Interest	16,722	3,387	20,109
Fines, Licenses and Permits	3,452	0	3,452
Charges for Services	182,017	0	182,017
Other	13,512	0	13,512
<i>Total Revenues</i>	<u>1,344,542</u>	<u>3,387</u>	<u>1,347,929</u>
Expenditures			
Current:			
Security of Persons and Property:			
Police	165,000	0	165,000
Fire	191,033	0	191,033
Streets and Highways	1,328,920	0	1,328,920
Public Health and Welfare	214,413	0	214,413
General Government	20,953	0	20,953
Capital Outlay	134,958	59,120	194,078
Debt Service:			
Interest and Fiscal Charges	1,823	0	1,823
<i>Total Expenditures</i>	<u>2,057,100</u>	<u>59,120</u>	<u>2,116,220</u>
<i>Excess of Revenues Under Expenditures</i>	(712,558)	(55,733)	(768,291)
Other Financing Sources			
Transfers In	775,000	0	775,000
<i>Total Other Financing Sources</i>	<u>775,000</u>	<u>0</u>	<u>775,000</u>
<i>Net Change in Fund Balances</i>	62,442	(55,733)	6,709
<i>Fund Balances Beginning of Year</i>	<u>894,442</u>	<u>211,140</u>	<u>1,105,582</u>
<i>Fund Balances End of Year</i>	<u><u>\$956,884</u></u>	<u><u>\$155,407</u></u>	<u><u>\$1,112,291</u></u>

City of Middleburg Heights, Ohio

Combining Balance Sheet

Nonmajor Special Revenue Funds

December 31, 2002

	Street Construction	State Highway	Law Enforcement	Medical Transport	Sewer Maintenance
Assets					
Equity in Pooled Cash and Cash Equivalents	\$444,313	\$138,093	\$52,418	\$76,208	\$26,649
Materials and Supplies Inventory	109,759	17,790	0	0	0
Accrued Interest Receivable	477	535	424	287	38
Accounts Receivable	0	0	0	118,179	0
Intergovernmental Receivable	252,710	20,490	1,027	0	0
Property Taxes Receivable	0	0	0	0	0
<i>Total Assets</i>	<u>\$807,259</u>	<u>\$176,908</u>	<u>\$53,869</u>	<u>\$194,674</u>	<u>\$26,687</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$55,148	\$0	\$60	\$4,897	\$0
Accrued Wages	27,555	0	0	0	0
Intergovernmental Payable	1,974	0	0	0	0
Deferred Revenue	182,754	14,818	0	76,731	0
<i>Total Liabilities</i>	<u>267,431</u>	<u>14,818</u>	<u>60</u>	<u>81,628</u>	<u>0</u>
Fund Balances					
Reserved for Encumbrances	115,759	120,211	0	2,956	4,865
Unreserved, Undesignated	424,069	41,879	53,809	110,090	21,822
<i>Total Fund Balances</i>	<u>539,828</u>	<u>162,090</u>	<u>53,809</u>	<u>113,046</u>	<u>26,687</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$807,259</u>	<u>\$176,908</u>	<u>\$53,869</u>	<u>\$194,674</u>	<u>\$26,687</u>

(continued)

City of Middleburg Heights, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2002

	Police Pension	Fire Pension	Tree Planting	Veterans Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
Assets						
Equity in Pooled Cash and						
Cash Equivalents	\$14,824	\$14,824	\$25,918	\$5,400	\$0	\$798,647
Materials and Supplies Inventory	0	0	0	0	0	127,549
Accrued Interest Receivable	190	190	0	78	0	2,219
Accounts Receivable	0	0	0	0	0	118,179
Intergovernmental Receivable	8,839	8,839	0	0	11,447	303,352
Property Taxes Receivable	150,478	150,478	0		208,239	509,195
<i>Total Assets</i>	<u>\$174,331</u>	<u>\$174,331</u>	<u>\$25,918</u>	<u>\$5,478</u>	<u>\$219,686</u>	<u>\$1,859,141</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$0	\$0	\$0	0	\$0	\$60,105
Accrued Wages	0	0	0	0	0	27,555
Intergovernmental Payable	0	0	0	0	0	1,974
Deferred Revenue	159,317	159,317	0	0	219,686	812,623
<i>Total Liabilities</i>	<u>159,317</u>	<u>159,317</u>	<u>0</u>	<u>0</u>	<u>219,686</u>	<u>902,257</u>
Fund Balances						
Reserved for Encumbrances	0	0	0	0	0	243,791
Unreserved, Undesignated	15,014	15,014	25,918	5,478	0	713,093
<i>Total Fund Balances</i>	<u>15,014</u>	<u>15,014</u>	<u>25,918</u>	<u>5,478</u>	<u>0</u>	<u>956,884</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$174,331</u>	<u>\$174,331</u>	<u>\$25,918</u>	<u>\$5,478</u>	<u>\$219,686</u>	<u>\$1,859,141</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, 2002

	Street Construction	State Highway	Law Enforcement	Medical Transport	Sewer Maintenance
Revenues					
Property Taxes	\$0	\$0	\$0	\$0	\$0
Intergovernmental	559,261	45,345	0	500	0
Interest	4,632	4,711	3,442	2,201	32
Fines, Licenses and Permits	0	0	3,452	0	0
Charges for Services	0	0	0	180,237	0
Other	12,312	0	0	0	0
<i>Total Revenues</i>	<u>576,205</u>	<u>50,056</u>	<u>6,894</u>	<u>182,938</u>	<u>32</u>
Expenditures					
Current:					
Security of Persons and Property:					
Police	0	0	0	0	0
Fire	0	0	0	26,033	0
Streets and Highways	1,210,956	117,964	0	0	0
Public Health and Welfare	0	0	0	0	0
General Government	0	0	0	0	20,173
Capital Outlay	0	0	40,413	5,454	89,091
Debt Service:					
Interest and Fiscal Charges	0	0	0	1,823	0
<i>Total Expenditures</i>	<u>1,210,956</u>	<u>117,964</u>	<u>40,413</u>	<u>33,310</u>	<u>109,264</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenditures</i>	(634,751)	(67,908)	(33,519)	149,628	(109,232)
Other Financing Sources					
Transfers In	<u>775,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Other Financing Sources</i>	<u>775,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	140,249	(67,908)	(33,519)	149,628	(109,232)
<i>Fund Balances Beginning of Year</i>	<u>399,579</u>	<u>229,998</u>	<u>87,328</u>	<u>(36,582)</u>	<u>135,919</u>
<i>Fund Balances End of Year</i>	<u>\$539,828</u>	<u>\$162,090</u>	<u>\$53,809</u>	<u>\$113,046</u>	<u>\$26,687</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, 2002

	Police Pension	Fire Pension	Tree Planting	Veterans Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
Revenues						
Property Taxes	\$136,773	\$136,773	\$0	\$0	\$191,378	\$464,924
Intergovernmental	17,887	17,887	0	0	23,035	663,915
Interest	621	621	0	462	0	16,722
Fines, Licenses and Permits	0	0	0	0	0	3,452
Charges for Services	0	0	1,780	0	0	182,017
Other	0	0	0	1,200	0	13,512
<i>Total Revenues</i>	<u>155,281</u>	<u>155,281</u>	<u>1,780</u>	<u>1,662</u>	<u>214,413</u>	<u>1,344,542</u>
Expenditures						
Current:						
Security of Persons and Property:						
Police	165,000	0	0	0	0	165,000
Fire	0	165,000	0	0	0	191,033
Streets and Highways	0	0	0	0	0	1,328,920
Public Health and Welfare	0	0	0	0	214,413	214,413
General Government	0	0	0	780	0	20,953
Capital Outlay	0	0	0	0	0	134,958
Debt Service:						
Interest and Fiscal Charges	0	0	0	0	0	1,823
<i>Total Expenditures</i>	<u>165,000</u>	<u>165,000</u>	<u>0</u>	<u>780</u>	<u>214,413</u>	<u>2,057,100</u>
<i>Excess of Revenues Over (Under)</i>						
<i>Expenditures</i>	(9,719)	(9,719)	1,780	882	0	(712,558)
Other Financing Sources						
Transfers In	0	0	0	0	0	775,000
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>775,000</u>
<i>Net Change in Fund Balances</i>	(9,719)	(9,719)	1,780	882	0	62,442
<i>Fund Balances Beginning of Year</i>	<u>24,733</u>	<u>24,733</u>	<u>24,138</u>	<u>4,596</u>	<u>0</u>	<u>894,442</u>
<i>Fund Balances End of Year</i>	<u>\$15,014</u>	<u>\$15,014</u>	<u>\$25,918</u>	<u>\$5,478</u>	<u>\$0</u>	<u>\$956,884</u>

City of Middleburg Heights, Ohio
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2002

	Community Center	Service Center	City Hall/ Fire Station Expansion	Total Nonmajor Capital Projects Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$113,775	\$41,734	\$4,583	\$160,092
Accrued Interest Receivable	58	6	62	126
<i>Total Assets</i>	<u>\$113,833</u>	<u>\$41,740</u>	<u>\$4,645</u>	<u>\$160,218</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	2,336	2,475	0	4,811
<i>Total Liabilities</i>	<u>2,336</u>	<u>2,475</u>	<u>0</u>	<u>4,811</u>
Fund Balances				
Reserved for Encumbrances	62,380	0	0	62,380
Unreserved, Undesignated	49,117	39,265	4,645	93,027
<i>Total Fund Balances</i>	<u>111,497</u>	<u>39,265</u>	<u>4,645</u>	<u>155,407</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$113,833</u>	<u>\$41,740</u>	<u>\$4,645</u>	<u>\$160,218</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, 2002

	Community Center	Service Center	City Hall/Fire Station Expansion	Total Nonmajor Capital Projects Funds
Revenues				
Interest	\$2,224	\$754	\$409	\$3,387
<i>Total Revenues</i>	<u>2,224</u>	<u>754</u>	<u>409</u>	<u>3,387</u>
Expenditures				
Current:				
Capital Outlay	47,104	12,016	0	59,120
<i>Total Expenditures</i>	<u>47,104</u>	<u>12,016</u>	<u>0</u>	<u>59,120</u>
<i>Net Change in Fund Balances</i>	(44,880)	(11,262)	409	(55,733)
<i>Fund Balances Beginning of Year</i>	<u>156,377</u>	<u>50,527</u>	<u>4,236</u>	<u>211,140</u>
<i>Fund Balances End of Year</i>	<u><u>\$111,497</u></u>	<u><u>\$39,265</u></u>	<u><u>\$4,645</u></u>	<u><u>\$155,407</u></u>

Combining Statements – Agency Funds

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

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

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

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

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

City of Middleburg Heights, Ohio
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended December 31, 2002

	Beginning Balance 12/31/01	Additions	Deductions	Ending Balance 12/31/02
<i>Flexible Spending Account</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$0	\$16,502	\$15,594	\$908
Liabilities				
Deposits Held and Due to Others	\$0	\$16,502	\$15,594	\$908
<i>Board of Buildings Standards Fee</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$118	\$3,953	\$3,812	\$259
Liabilities				
Deposits Held and Due to Others	\$118	\$3,953	\$3,812	\$259
<i>Mayor's Court</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$32,038	\$455,544	\$452,524	\$35,058
Liabilities				
Deposits Held and Due to Others	\$32,038	\$455,544	\$452,524	\$35,058
<i>Deposits</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$291,844	\$143,142	\$131,637	\$303,349
Liabilities				
Deposits Held and Due to Others	\$291,844	\$143,142	\$131,637	\$303,349
<i>Total - All Agency Funds</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$324,000	\$619,141	\$603,567	\$339,574
Liabilities				
Deposits Held and Due to Others	\$324,000	\$619,141	\$603,567	\$339,574

**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, 2002

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,320,605	\$1,320,605	\$1,299,341	(\$21,264)
Income Taxes	7,297,325	7,005,078	7,005,892	814
Other Local Taxes	680,000	603,000	597,302	(5,698)
Intergovernmental	877,886	1,099,647	1,101,768	2,121
Interest	250,000	250,013	281,526	31,513
Fines, Licenses and Permits	746,250	776,250	732,575	(43,675)
Charges for Services	51,500	28,500	32,047	3,547
Other	36,763	85,763	124,941	39,178
<i>Total Revenues</i>	<u>11,260,329</u>	<u>11,168,856</u>	<u>11,175,392</u>	<u>6,536</u>
Expenditures				
Current:				
Public Safety:				
Police:				
Personal Services	3,139,639	3,139,639	2,948,186	191,453
Other	342,499	391,099	340,816	50,283
Total Police	<u>3,482,138</u>	<u>3,530,738</u>	<u>3,289,002</u>	<u>241,736</u>
Fire:				
Personal Services	2,271,969	2,284,969	2,115,100	169,869
Other	295,027	353,572	317,595	35,977
Total Fire	<u>2,566,996</u>	<u>2,638,541</u>	<u>2,432,695</u>	<u>205,846</u>
Safety Director:				
Personal Services	28,458	29,758	29,687	71
Other	900	900	663	237
Total Safety Director	<u>29,358</u>	<u>30,658</u>	<u>30,350</u>	<u>308</u>
Total Public Safety	<u>6,078,492</u>	<u>6,199,937</u>	<u>5,752,047</u>	<u>447,890</u>
Public Health and Welfare:				
Senior Bus:				
Personal Services	23,141	23,141	22,320	821
Other	7,250	7,250	4,738	2,512
Total Public Health and Welfare	<u>30,391</u>	<u>30,391</u>	<u>27,058</u>	<u>3,333</u>

(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, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Community Development:				
Planning and Zoning:				
Personal Services	\$56,009	\$56,009	\$50,132	\$5,877
Other	3,402	3,402	1,858	1,544
Total Planning and Zoning	59,411	59,411	51,990	7,421
Building:				
Personal Services	394,539	394,539	370,365	24,174
Other	25,964	25,964	23,209	2,755
Total Building	420,503	420,503	393,574	26,929
Engineer:				
Personal Services	84,250	86,250	86,160	90
Other	5,000	18,000	16,062	1,938
Total Engineer	89,250	104,250	102,222	2,028
Total Community Development	569,164	584,164	547,786	36,378
Sanitation:				
Refuse Removal:				
Other	744,709	744,709	740,742	3,967
General Government:				
Mayor's Court:				
Personal Services	138,387	143,487	136,726	6,761
Other	38,484	45,151	40,270	4,881
Total Mayor's Court	176,871	188,638	176,996	11,642
Mayor:				
Personal Services	373,961	373,961	368,512	5,449
Other	23,153	23,153	10,777	12,376
Total Mayor	397,114	397,114	379,289	17,825

(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, 2002

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Finance:				
Personal Services	\$413,314	\$413,314	\$400,762	\$12,552
Other	62,148	85,148	71,398	13,750
Total Finance	475,462	498,462	472,160	26,302
Law:				
Personal Services	206,205	206,205	200,578	5,627
Other	84,846	86,346	42,057	44,289
Total Law	291,051	292,551	242,635	49,916
Service:				
Personal Services	2,259,052	2,259,052	2,230,149	28,903
Other	340,203	386,728	299,677	87,051
Total Service	2,599,255	2,645,780	2,529,826	115,954
Council:				
Personal Services	292,114	292,114	247,113	45,001
Other	33,652	41,152	29,308	11,844
Total Council	325,766	333,266	276,421	56,845
Boards and Commissions:				
Personal Services	8,707	8,707	5,967	2,740
Other	4,750	4,750	2,542	2,208
Total Boards and Commissions	13,457	13,457	8,509	4,948
City Hall:				
Other	469,634	608,084	489,732	118,352
Statutory Accounts:				
Other	631,849	504,602	495,598	9,004
Total General Government	5,380,459	5,481,954	5,071,166	410,788
<i>Total Expenditures</i>	12,803,215	13,041,155	12,138,799	902,356

(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, 2002

	<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>(\$1,542,886)</u>	<u>(\$1,872,299)</u>	<u>(\$963,407)</u>	<u>\$908,892</u>
Other Financing Sources (Uses)				
Transfers In	0	261,794	261,794	0
Transfers Out	<u>(825,000)</u>	<u>(775,000)</u>	<u>(775,000)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(825,000)</u>	<u>(513,206)</u>	<u>(513,206)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(2,367,886)	(2,385,505)	(1,476,613)	908,892
<i>Fund Balance Beginning of Year</i>	6,662,436	6,662,436	6,662,436	0
Prior Year Encumbrances Appropriated	<u>197,871</u>	<u>197,871</u>	<u>197,871</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$4,492,421</u>	<u>\$4,474,802</u>	<u>\$5,383,694</u>	<u>\$908,892</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, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Income Taxes	\$1,800,000	\$1,725,000	\$1,725,006	\$6
Charges for Services	825,000	822,000	791,414	(30,586)
Interest	7,500	7,500	8,455	955
Other	2,200	2,200	35,956	33,756
<i>Total Revenues</i>	<u>2,634,700</u>	<u>2,556,700</u>	<u>2,560,831</u>	<u>4,131</u>
Expenditures				
Current:				
Culture and Recreation:				
Personal Services	1,765,744	1,765,744	1,665,836	99,908
Other	835,598	869,858	764,214	105,644
<i>Total Expenditures</i>	<u>2,601,342</u>	<u>2,635,602</u>	<u>2,430,050</u>	<u>205,552</u>
<i>Net Change in Fund Balance</i>	33,358	(78,902)	130,781	209,683
<i>Fund Balance Beginning of Year</i>	185,926	185,926	185,926	0
Prior Year Encumbrances Appropriated	<u>11,373</u>	<u>11,373</u>	<u>11,373</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$230,657</u></u>	<u><u>\$118,397</u></u>	<u><u>\$328,080</u></u>	<u><u>\$209,683</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, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$532,903	\$532,903	\$524,295	(\$8,608)
Income Taxes	2,147,070	2,062,070	2,062,770	700
Intergovernmental	60,500	60,500	67,682	7,182
Interest	75,000	56,000	58,309	2,309
Other	94,605	85,719	85,830	111
<i>Total Revenues</i>	<u>2,910,078</u>	<u>2,797,192</u>	<u>2,798,886</u>	<u>1,694</u>
Expenditures				
Debt Service:				
Principal Retirement	1,621,622	1,621,622	1,621,622	0
Interest and Fiscal Charges	1,097,789	1,115,841	1,115,841	0
<i>Total Expenditures</i>	<u>2,719,411</u>	<u>2,737,463</u>	<u>2,737,463</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	190,667	59,729	61,423	1,694
<i>Fund Balance Beginning of Year</i>	<u>1,621,762</u>	<u>1,621,762</u>	<u>1,621,762</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,812,429</u>	<u>\$1,681,491</u>	<u>\$1,683,185</u>	<u>\$1,694</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, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Special Assessments	\$132,998	\$382,998	\$386,563	\$3,565
Interest	35,000	23,000	24,137	1,137
Other	19,187	0	0	0
<i>Total Revenues</i>	<u>187,185</u>	<u>405,998</u>	<u>410,700</u>	<u>4,702</u>
Expenditures				
Debt Service:				
Principal Retirement	75,200	75,200	75,200	0
Interest and Fiscal Charges	68,408	68,408	66,133	2,275
<i>Total Expenditures</i>	<u>143,608</u>	<u>143,608</u>	<u>141,333</u>	<u>2,275</u>
<i>Excess of Revenues Over Expenditures</i>	<u>43,577</u>	<u>262,390</u>	<u>269,367</u>	<u>6,977</u>
Other Financing Sources				
Transfers In	0	74,672	74,672	0
<i>Net Change in Fund Balance</i>	43,577	337,062	344,039	6,977
<i>Fund Balance Beginning of Year</i>	<u>944,978</u>	<u>944,978</u>	<u>944,978</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$988,555</u></u>	<u><u>\$1,282,040</u></u>	<u><u>\$1,289,017</u></u>	<u><u>\$6,977</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, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Income Taxes	\$1,705,605	\$1,640,605	\$1,640,565	(\$40)
Intergovernmental	0	4,004	4,004	0
Interest	50,000	50,000	48,764	(1,236)
Other	0	9,000	22,790	13,790
<i>Total Revenues</i>	<u>1,755,605</u>	<u>1,703,609</u>	<u>1,716,123</u>	<u>12,514</u>
Expenditures				
Capital Outlay	<u>2,313,095</u>	<u>3,496,553</u>	<u>3,024,691</u>	<u>471,862</u>
Debt Service:				
Principal Retirement	450,000	450,000	450,000	0
Interest and Fiscal Charges	<u>13,500</u>	<u>15,795</u>	<u>15,751</u>	<u>44</u>
Total Debt Service	<u>463,500</u>	<u>465,795</u>	<u>465,751</u>	<u>44</u>
<i>Total Expenditures</i>	<u>2,776,595</u>	<u>3,962,348</u>	<u>3,490,442</u>	<u>471,906</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,020,990)</u>	<u>(2,258,739)</u>	<u>(1,774,319)</u>	<u>484,420</u>
Other Financing Sources				
Bonds Issued	<u>450,000</u>	<u>475,000</u>	<u>475,000</u>	<u>0</u>
<i>Total Other Financing Sources</i>	<u>450,000</u>	<u>475,000</u>	<u>475,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(570,990)	(1,783,739)	(1,299,319)	484,420
<i>Fund Balance Beginning of Year</i>	1,067,339	1,067,339	1,067,339	0
Prior Year Encumbrances Appropriated	<u>973,095</u>	<u>973,095</u>	<u>973,095</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,469,444</u>	<u>\$256,695</u>	<u>\$741,115</u>	<u>\$484,420</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, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$122,000	\$122,000	\$122,936	\$936
Interest	16,000	19,474	19,337	(137)
Other	0	15,000	15,368	368
<i>Total Revenues</i>	<u>138,000</u>	<u>156,474</u>	<u>157,641</u>	<u>1,167</u>
Expenditures				
Capital Outlay	440,023	1,066,435	460,571	605,864
Debt Service:				
Principal Retirement	1,650,000	2,450,000	2,450,000	0
Interest and Fiscal Charges	64,300	100,611	98,157	2,454
Total Debt Service	<u>1,714,300</u>	<u>2,550,611</u>	<u>2,548,157</u>	<u>2,454</u>
<i>Total Expenditures</i>	<u>2,154,323</u>	<u>3,617,046</u>	<u>3,008,728</u>	<u>608,318</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,016,323)</u>	<u>(3,460,572)</u>	<u>(2,851,087)</u>	<u>609,485</u>
Other Financing Sources				
Bonds Issued	680,000	430,000	430,000	0
Notes Issued	0	1,400,000	1,400,000	0
Transfers In	50,000	0	0	0
Transfers Out	0	(336,466)	(336,466)	0
<i>Total Other Financing Sources</i>	<u>730,000</u>	<u>1,493,534</u>	<u>1,493,534</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,286,323)	(1,967,038)	(1,357,553)	609,485
<i>Fund Balance Beginning of Year</i>	1,529,400	1,529,400	1,529,400	0
Prior Year Encumbrances Appropriated	<u>450,023</u>	<u>450,023</u>	<u>450,023</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$693,100</u></u>	<u><u>\$12,385</u></u>	<u><u>\$621,870</u></u>	<u><u>\$609,485</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 & Repair Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$595,000	\$562,000	\$558,717	(\$3,283)
Interest	5,000	5,000	4,081	(919)
Other	0	0	12,312	12,312
<i>Total Revenues</i>	<u>600,000</u>	<u>567,000</u>	<u>575,110</u>	<u>8,110</u>
Expenditures				
Current:				
Transportation:				
Streets and Highways:				
Personal Services	668,258	683,258	671,509	11,749
Other	923,229	981,229	773,061	208,168
<i>Total Expenditures</i>	<u>1,591,487</u>	<u>1,664,487</u>	<u>1,444,570</u>	<u>219,917</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(991,487)</u>	<u>(1,097,487)</u>	<u>(869,460)</u>	<u>228,027</u>
Other Financing Sources				
Transfers In	775,000	775,000	775,000	0
<i>Net Change in Fund Balance</i>	(216,487)	(322,487)	(94,460)	228,027
<i>Fund Balance Beginning of Year</i>	162,066	162,066	162,066	0
Prior Year Encumbrances Appropriated	217,229	217,229	217,229	0
<i>Fund Balance End of Year</i>	<u>\$162,808</u>	<u>\$56,808</u>	<u>\$284,835</u>	<u>\$228,027</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, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$49,000	\$45,300	\$45,302	\$2
Interest	5,000	4,000	4,127	127
<i>Total Revenues</i>	<u>54,000</u>	<u>49,300</u>	<u>49,429</u>	<u>129</u>
Expenditures				
Current:				
Transportation:				
Streets and Highways:				
Other	214,973	214,973	211,048	3,925
<i>Net Change in Fund Balance</i>	(160,973)	(165,673)	(161,619)	4,054
<i>Fund Balance Beginning of Year</i>	74,219	74,219	74,219	0
Prior Year Encumbrances Appropriated	104,973	104,973	104,973	0
<i>Fund Balance End of Year</i>	<u>\$18,219</u>	<u>\$13,519</u>	<u>\$17,573</u>	<u>\$4,054</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, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$3,350	\$2,750	\$3,223	\$473
Fines, Licenses and Permits	3,000	2,550	2,525	(25)
<i>Total Revenues</i>	<u>6,350</u>	<u>5,300</u>	<u>5,748</u>	<u>448</u>
Expenditures				
Current:				
Public Safety:				
Other	2,000	43,500	40,413	3,087
<i>Net Change in Fund Balance</i>	4,350	(38,200)	(34,665)	3,535
<i>Fund Balance Beginning of Year</i>	<u>87,222</u>	<u>87,222</u>	<u>87,222</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$91,572</u></u>	<u><u>\$49,022</u></u>	<u><u>\$52,557</u></u>	<u><u>\$3,535</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, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$0	\$500	\$500	\$0
Interest	2,000	2,000	2,252	252
Charges for Services	80,000	150,000	153,609	3,609
<i>Total Revenues</i>	<u>82,000</u>	<u>152,500</u>	<u>156,361</u>	<u>3,861</u>
Expenditures				
Current:				
Public Safety:				
Other	11,761	34,261	29,750	4,511
Debt Service:				
Principal Retirement	115,000	115,000	115,000	0
Interest and Fiscal Charges	3,738	3,738	3,738	0
Total Debt Service	<u>118,738</u>	<u>118,738</u>	<u>118,738</u>	<u>0</u>
<i>Total Expenditures</i>	<u>130,499</u>	<u>152,999</u>	<u>148,488</u>	<u>4,511</u>
<i>Net Change in Fund Balance</i>	(48,499)	(499)	7,873	8,372
<i>Fund Balance Beginning of Year</i>	63,752	63,752	63,752	0
Prior Year Encumbrances Appropriated	<u>1,761</u>	<u>1,761</u>	<u>1,761</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$17,014</u></u>	<u><u>\$65,014</u></u>	<u><u>\$73,386</u></u>	<u><u>\$8,372</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, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$37</u>	<u>(\$4,963)</u>
Expenditures				
Current:				
General Government:				
Capital Outlay	21,000	110,000	93,956	16,044
Other	<u>31,675</u>	<u>31,675</u>	<u>21,394</u>	<u>10,281</u>
<i>Total Expenditures</i>	<u>52,675</u>	<u>141,675</u>	<u>115,350</u>	<u>26,325</u>
<i>Net Change in Fund Balance</i>	(47,675)	(136,675)	(115,313)	21,362
<i>Fund Balance Beginning of Year</i>	115,316	115,316	115,316	0
Prior Year Encumbrances Appropriated	<u>21,800</u>	<u>21,800</u>	<u>21,800</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$89,441</u></u>	<u><u>\$441</u></u>	<u><u>\$21,803</u></u>	<u><u>\$21,362</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Pension Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$139,001	\$139,001	\$136,773	(\$2,228)
Intergovernmental	15,800	15,800	17,887	2,087
Interest	1,000	375	527	152
<i>Total Revenues</i>	<u>155,801</u>	<u>155,176</u>	<u>155,187</u>	<u>11</u>
Expenditures				
Current:				
Public Safety:				
Personal Services	<u>165,000</u>	<u>165,000</u>	<u>165,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(9,199)	(9,824)	(9,813)	11
<i>Fund Balance Beginning of Year</i>	<u>24,732</u>	<u>24,732</u>	<u>24,732</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$15,533</u></u>	<u><u>\$14,908</u></u>	<u><u>\$14,919</u></u>	<u><u>\$11</u></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, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$139,001	\$139,001	\$136,773	(\$2,228)
Intergovernmental	15,800	15,800	17,887	2,087
Interest	1,000	375	527	152
<i>Total Revenues</i>	<u>155,801</u>	<u>155,176</u>	<u>155,187</u>	<u>11</u>
Expenditures				
Current:				
Public Safety:				
Personal Services	<u>165,000</u>	<u>165,000</u>	<u>165,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(9,199)	(9,824)	(9,813)	11
<i>Fund Balance Beginning of Year</i>	<u>24,732</u>	<u>24,732</u>	<u>24,732</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$15,533</u></u>	<u><u>\$14,908</u></u>	<u><u>\$14,919</u></u>	<u><u>\$11</u></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, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$1,500	\$1,500	\$1,780	\$280
Expenditures				
Current:				
General Government:				
Other	10,000	10,000	0	10,000
<i>Net Change in Fund Balance</i>	(8,500)	(8,500)	1,780	10,280
<i>Fund Balance Beginning of Year</i>	24,138	24,138	24,138	0
<i>Fund Balance End of Year</i>	<u>\$15,638</u>	<u>\$15,638</u>	<u>\$25,918</u>	<u>\$10,280</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, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$0	\$0	\$425	\$425
Other	2,500	1,500	1,200	(300)
<i>Total Revenues</i>	<u>2,500</u>	<u>1,500</u>	<u>1,625</u>	<u>125</u>
Expenditures				
Current:				
General Government:				
Other	2,500	2,500	780	1,720
<i>Net Change in Fund Balance</i>	0	(1,000)	845	1,845
<i>Fund Balance Beginning of Year</i>	<u>4,596</u>	<u>4,596</u>	<u>4,596</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4,596</u></u>	<u><u>\$3,596</u></u>	<u><u>\$5,441</u></u>	<u><u>\$1,845</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, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$195,238	\$195,238	\$191,378	(\$3,860)
Intergovernmental	21,200	19,175	23,035	3,860
<i>Total Revenues</i>	<u>216,438</u>	<u>214,413</u>	<u>214,413</u>	<u>0</u>
Expenditures				
Current:				
Public Health and Welfare:				
Other	216,201	214,413	214,413	0
<i>Net Change in Fund Balance</i>	237	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>\$237</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, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$0	\$0	\$2,262	\$2,262
Expenditures				
Capital Outlay	<u>63,679</u>	<u>126,179</u>	<u>109,709</u>	<u>16,470</u>
<i>Net Change in Fund Balance</i>	(63,679)	(126,179)	(107,447)	18,732
<i>Fund Balance Beginning of Year</i>	92,858	92,858	92,858	0
Prior Year Encumbrances Appropriated	<u>63,679</u>	<u>63,679</u>	<u>63,679</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$92,858</u></u>	<u><u>\$30,358</u></u>	<u><u>\$49,090</u></u>	<u><u>\$18,732</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, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$0	\$0	\$762	\$762
Expenditures				
Capital Outlay	<u>0</u>	<u>16,728</u>	<u>12,016</u>	<u>4,712</u>
<i>Net Change in Fund Balance</i>	0	(16,728)	(11,254)	5,474
<i>Fund Balance Beginning of Year</i>	<u>50,516</u>	<u>50,516</u>	<u>50,516</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$50,516</u></u>	<u><u>\$33,788</u></u>	<u><u>\$39,262</u></u>	<u><u>\$5,474</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, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$0	\$0	\$379	\$379
Expenditures				
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	379	379
<i>Fund Balance Beginning of Year</i>	<u>4,236</u>	<u>4,236</u>	<u>4,236</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4,236</u></u>	<u><u>\$4,236</u></u>	<u><u>\$4,615</u></u>	<u><u>\$379</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, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	20,000	15,000	12,717	(2,283)
Charges for Service	1,200,000	1,200,000	1,194,778	(5,222)
Other	1,000	1,000	11,336	10,336
<i>Total Revenues</i>	<u>1,221,000</u>	<u>1,216,000</u>	<u>1,218,831</u>	<u>2,831</u>
Expenditures				
General Government:				
Other	<u>1,079,500</u>	<u>1,289,500</u>	<u>1,241,229</u>	<u>48,271</u>
<i>Net Change in Fund Balance</i>	141,500	(73,500)	(22,398)	51,102
<i>Fund Balance Beginning of Year</i>	<u>773,607</u>	<u>773,607</u>	<u>773,607</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$915,107</u></u>	<u><u>\$700,107</u></u>	<u><u>\$751,209</u></u>	<u><u>\$51,102</u></u>

City of Middleburg Heights, Ohio
General Fund Revenues by Source
Last Ten Years

Fiscal Year	Taxes (1)	Intergovernmental Revenues	Interest Earnings	Fines, Licenses and Permits	Charges for Services	Miscellaneous Revenue	Totals
1993	\$ 5,086,067	\$ 641,953	\$ 126,066	\$ 566,828	\$ 23,350	\$ 48,071	\$ 6,492,335
1994	5,781,533	665,346	120,837	645,027	11,849	41,255	7,265,847
1995	6,330,474	679,236	184,011	702,991	31,507	39,218	7,967,437
1996	6,484,334	828,042	161,300	670,534	33,821	103,968	8,281,999
1997	6,702,202	892,846	158,060	696,995	33,656	46,160	8,529,919
1998	9,075,230	1,001,968	227,455	1,043,027	34,045	315,737	11,697,462
1999	8,047,629	1,095,839	292,296	803,659	56,450	86,081	10,381,954
2000	8,609,849	1,400,949	480,381	765,738	76,332	110,145	11,443,394
2001	8,670,454	1,198,630	425,372	677,999	50,910	51,393	11,074,758
2002 (2)	9,067,809	1,087,207	229,998	704,593	32,047	251,970	11,373,624

(1) Includes Property Taxes, Income Taxes, and Other Local Taxes.

(2) Beginning in 2002 the General Fund includes funds that were previously reported as other fund types.

Information reflected in this table is based on the best available information when there are enough years of information to make comparisons.

Source: City of Middleburg Heights, Finance Department

City of Middleburg Heights, Ohio
General Fund Expenditures by Function
Last Ten Years

Fiscal Year	Public Safety	Public Health and Welfare	Community Development	Sanitation	General Government	Totals
1993	\$ 3,197,923	\$ 16,267	\$ 324,660	\$ 562,769	\$ 2,384,319	\$ 6,485,938
1994	3,402,490	15,358	315,345	554,795	2,408,601	6,696,589
1995	3,373,543	18,230	319,473	556,664	2,658,207	6,926,117
1996	3,648,659	18,014	324,887	561,377	2,844,023	7,396,960
1997	3,862,928	18,043	357,071	585,524	2,730,643	7,554,209
1998	4,182,444	23,912	365,493	601,783	2,844,277	8,017,909
1999	4,522,060	19,522	389,869	612,496	3,491,258	9,035,205
2000	4,590,998	20,879	404,481	641,825	4,132,400	9,790,583
2001	5,297,832	20,524	486,411	670,964	4,352,252	10,827,983
2002 (1)	5,562,142	25,942	522,904	692,434	4,945,347	11,748,769

(1) Beginning in 2002 the General Fund includes funds that were previously reported as other fund types.

Information reflected in this table is based on the modified accrual basis of accounting. Information for the Government Wide activities will be presented when there are enough years of information to make comparisons.

Source: City of Middleburg Heights, Finance Department

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

Tax Year/ Collection Year	Current Levy	Current Collections	Percent of Current Levy Collected	Collection Including Delinquencies (1)	Total Collections As Percent of Current Levy	Accumulated Delinquency
1992/1993	\$ 1,830,231	\$ 1,776,198	97.0%	\$ 1,815,238	99.2%	\$ 95,217
1993/1994	1,843,691	1,795,741	97.4	1,846,917	100.2	74,103
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

(1) Total collections including delinquencies includes amounts received from the State of Ohio for Homestead/Rollback. 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
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 Value To Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1993/1994	\$ 287,839,140	\$ 822,397,543	\$ 34,419,142	\$ 137,676,568	\$ 21,887,870	\$ 43,775,740	\$ 344,146,152	\$1,003,849,851	34.3%
1994/1995	286,855,190	819,586,257	35,183,611	140,734,444	22,188,990	25,214,761	344,227,791	985,535,462	34.9%
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%

(1) The percentages for 2002 were 35% for real property, 35% for public utility 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 Rates - All Direct and Overlapping Governments
(Per \$1,000 of Assessed Value)
Last Ten Years

Tax Year/ Collection Year	City of Middleburg Heights						Total	Polaris and	Cuyahoga County	Total
	General Fund	Debt Service Fund	Police Pension Fund	Fire Pension Fund	Recreation	Southwest Community Hospital		Berea School District		
1993/1994	\$3.00	\$1.04	\$0.30	\$0.30	\$0.26	\$1.00	\$5.90	\$54.60	\$16.80	\$77.30
1994/1995	3.10	0.94	0.30	0.30	0.26	1.00	5.90	60.50	16.80	83.20
1995/1996	2.85	1.19	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	0.26	1.00	5.90	60.90	16.60	83.40
1997/1998	2.85	1.15	0.30	0.30		1.00	5.60	61.70	16.60	83.90
1998/1999	2.85	1.15	0.30	0.30		1.00	5.60	60.40	16.70	82.70
1999/2000	2.85	1.15	0.30	0.30		1.00	5.60	66.30	16.70	88.60
2000/2001	2.85	1.15	0.30	0.30		1.00	5.60	66.20	17.60	89.40
2001/2002	2.85	1.15	0.30	0.30		1.00	5.60	66.20	17.60	89.40
2002/2003	2.85	1.00	0.30	0.30		1.00	5.45	72.20	17.60	95.25

Source: Cuyahoga County Auditor

City of Middleburg Heights, Ohio
Ratio of Net General Bonded Debt to Assessed Value
and Net General Bonded Debt Per Capita
Last Ten Years

Year	Population (1)	Assessed Value (2)	Gross General Bonded Debt (3)	Less Balance in Debt Service Fund	Net General Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1993	14,702	\$ 344,146,152	\$ 4,777,930	\$ 1,288,036	\$ 3,489,894	1.01%	\$ 237.38
1994	14,702	344,227,791	4,538,195	1,273,393	3,264,802	0.95%	222.07
1995	14,702	387,183,078	4,291,856	744,784	3,547,072	0.92%	241.26
1996	14,702	399,317,272	4,047,516	747,561	3,299,955	0.83%	224.46
1997	14,702	437,848,954	3,793,688	804,890	2,988,798	0.68%	203.29
1998	14,702	444,082,705	29,239,153	1,480,840	27,758,313	6.25%	1,888.06
1999	14,702	454,793,039	27,858,536	1,599,200	26,259,336	5.77%	1,786.11
2000	15,542	520,453,969	26,264,138	1,799,118	24,465,020	4.70%	1,574.12
2001	15,542	519,325,251	24,621,629	1,936,630	22,684,999	4.37%	1,459.59
2002	15,542	523,941,899	22,989,008	1,995,372	20,993,636	4.01%	1,350.77

(1) Source: U.S. Bureau of Census, Census 2000.

(2) Source: Cuyahoga County Auditor

(3) Source: General Obligation Debt Outstanding at December 31

City of Middleburg Heights, Ohio
Special Assessment Collections
Last Ten Years

Fiscal Year	Current Assessment Due	Total Collection Including Delinquencies	Total Collection As A Percent of Current Assessments	Accumulated Delinquency
1993	\$ 221,928	\$ 198,897	89.6%	\$ 72,274
1994	195,088	185,496	95.1%	87,807
1995	192,716	174,402	90.5%	112,721
1996	94,439	205,328	217.4%	14,814
1997	85,506	86,765	101.5%	14,771
1998	75,128	81,037	107.9%	9,998
1999	118,730	121,175	102.1%	7,599
2000	134,328	129,693	96.5%	12,779
2001	134,328	141,037	105.0%	7,248
2002	134,328	133,912	99.7%	8,352

Source: Cuyahoga County Auditor

City of Middleburg Heights, Ohio
Computation of Legal Debt Margin
December 31, 2002

TOTAL ASSESSED VALUATION		\$	523,941,899
Overall Debt Limitation - 10 1/2% of assessed valuation			55,013,899
Debt within 10 1/2% limitation	\$	3,857,007	
Less: Bond Retirement fund balance		1,995,372	
Net debt within 10 1/2% limitation			1,861,635
Overall Legal debt margin within 10 1/2% limitation		\$	53,152,264
Unvoted Debt Limitation - 5 1/2% of assessed valuation		\$	28,816,804
Debt within 5 1/2% limitation	\$	3,857,007	
Less: Bond Retirement fund balance		1,995,372	
Net debt within 5 1/2% limitation			1,861,635
Legal debt margin within 5 1/2% limitation		\$	26,955,169

Source: City of Middleburg Heights, Finance Department

City of Middleburg Heights, Ohio
Computation of Direct and Overlapping Debt
December 31, 2002

Jurisdiction	Debt Outstanding	Percentage Applicable To City of Middleburg Heights	Amount Applicable To City of Middleburg Heights
Direct:			
City of Middleburg Heights	\$ 25,712,030 (a)	100.00%	\$ 25,712,030
Overlapping:			
Berea School District	11,715,000 (b)	35.81%	4,195,142
Cuyahoga County	200,162,636 (b)	1.83%	3,662,976
Greater Cleveland Regional Transit	<u>136,310,000 (b)</u>	1.83%	<u>2,494,473</u>
Total Overlapping	<u>348,187,636</u>		<u>10,352,591</u>
Total Direct and Overlapping	<u><u>\$ 373,899,666</u></u>		<u><u>\$ 36,064,621</u></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
Ratio of Annual Debt Service Expenditures for General
Bonded Debt to Total General Fund Expenditures
Last Ten Years

Year	Principal	Interest	Total Debt Service on General Bonded Debt	General Fund Expenditures	Ratio of Tax Supported Debt Service to General Fund Expenditures
1993	\$ 234,735	\$ 329,505	\$ 564,240	\$ 6,485,938	8.7%
1994	239,735	315,905	555,640	6,696,589	8.3%
1995	316,340	340,993	657,333	6,926,117	9.5%
1996	244,339	349,859	594,198	7,396,960	8.0%
1997	253,828	354,333	608,161	7,554,209	8.1%
1998	261,880	183,472	445,352	8,017,909	5.6%
1999	1,380,617	1,454,953	2,835,570	9,035,205	31.4%
2000	1,594,398	1,202,108	2,796,506	9,790,583	28.6%
2001	1,642,509	1,143,799	2,786,308	10,827,983	25.7%
2002	1,621,622	1,082,289	2,703,911	11,748,769	23.0%

Source: City of Middleburg Heights, Finance Department

City of Middleburg Heights, Ohio
Property Value, New Construction and Bank Deposits
Last Ten Years

Tax Year/ Collection Year	Commercial/ Industrial Construction (a)	Residential Construction (a)	Cuyahoga County Bank Deposits (b) (In Thousands)	Total Assessed Valuation
1993/1994	\$ 808,470	\$ 1,708,650	\$ 21,009,421	\$ 344,146,152
1994/1995	3,513,930	2,150,820	20,885,453	344,227,791
1995/1996	1,990,460	1,120,120	22,458,573	387,183,078
1996/1997	3,155,710	2,655,950	27,068,211	399,317,272
1997/1998	10,728,360	2,396,570	53,941,971	437,848,954
1998/1999	3,753,800	3,190,890	58,904,596	444,082,705
1999/2000	9,667,480	4,327,960	57,816,942	454,793,039
2000/2001	4,334,990	5,407,710	61,942,764	520,453,969
2001/2002	2,819,720	2,026,290	63,893,769	519,325,251
2002/2003	2,955,910	5,211,640	95,761,917	523,941,899

(a) Source: Cuyahoga County Auditor

(b) Source: Bank deposits at year-end for banks headquartered in the Federal Reserve Bank of Cleveland (total demand, time and saving deposits).

City of Middleburg Heights, Ohio

Demographic Statistics

December 31, 2002

The population of the City, the County, the PMSA and the State for each decade from 1960 to 2000 is as follows:

Year	Population			
	City	County	PMSA	State
1960	7,282	1,647,895	1,909,483	9,706,397
1970	12,367	1,721,300	2,063,729	10,652,017
1980	16,218	1,498,400	1,898,825	10,797,630
1990	14,702	1,412,140	1,831,122	10,847,115
2000	15,542	1,393,978	2,250,871	11,353,140

Age	Age Distribution			
	1990		2000	
	Number	Percentage	Number	Percentage
Under 5 years	598	4.1%	653	4.2%
5-9 years	641	4.4%	757	4.9%
10-14 years	803	5.5%	797	5.1%
15-19 years	851	5.8%	841	5.4%
20-24 years	1,022	7.0%	834	5.4%
25-34 years	2,338	15.8%	1,935	12.5%
35-44 years	1,883	12.8%	2,368	15.2%
45-54 years	2,077	14.1%	2,137	13.7%
55-64 years	1,946	13.2%	1,853	11.9%
65-74 years	1,631	11.1%	1,749	11.3%
75 years and over	912	6.2%	1,618	10.4%
Total	14,702	100.0%	15,542	100.0%

Median age 40.6 43.3

Distribution of Families by Income Bracket (average 2.84 persons)

Income	2000	
	Number	Percentage
Less than \$10,000	73	1.71%
\$10,000-14,999	76	1.78%
\$15,000-24,999	373	8.77%
\$25,000-34,999	497	11.68%
\$35,000-49,999	633	14.88%
\$50,000-74,999	1,166	27.41%
\$75,000-99,999	853	20.05%
\$100,000-149,999	467	10.98%
\$150,000-199,999	80	1.88%
\$200,000 or more	36	0.86%
Total	4,254	100.00%

Median Family Income \$ 60,015
 Per Capita Income \$ 25,201

Source: U.S. Bureau of the Census, Census 2000.

City of Middleburg Heights, Ohio
Demographic Statistics (Continued)
December 31, 2002

Employment

The following table compares estimated employment statistics for Cuyahoga County and the Cleveland-Lorain-Elyria PMSA including comparisons with unemployment rates for the State of Ohio and the United States.

Year	Employed		Unemployed		Unemployment Rate			
	County	PMSA	County	PMSA	County	PMSA	Ohio	U.S.
1990	647,400	1,031,600	34,000	57,700	5.0%	5.3%	5.7%	5.5%
1991	636,000	1,017,700	39,400	67,400	5.8%	6.2%	6.4%	6.7%
1992	628,100	1,009,600	48,700	80,700	7.2%	7.4%	7.2%	7.4%
1993	625,700	1,005,800	45,900	72,600	6.8%	6.7%	6.5%	6.8%
1994	636,300	1,022,800	39,400	62,800	5.8%	5.8%	5.5%	6.1%
1995	644,100	1,036,600	31,800	55,400	4.9%	5.1%	4.8%	5.6%
1996	655,700	1,046,900	34,300	57,400	5.1%	5.2%	4.9%	5.4%
1997	660,800	1,061,600	32,700	53,500	4.8%	4.8%	4.6%	5.0%
1998	643,800	1,059,900	30,100	48,400	4.5%	4.4%	4.3%	4.5%
1999	649,900	1,069,800	31,300	50,300	4.6%	4.5%	4.3%	4.2%
2000	649,500	1,075,900	31,100	49,800	4.6%	4.4%	4.1%	4.0%
2001	643,400	1,071,100	30,800	51,700	4.6%	4.6%	4.2%	4.7%
2002 (1)	624,900	1,040,300	44,800	72,700	6.7%	6.5%	5.7%	5.8%

Source: Ohio Bureau of Employment Services
U.S Department of Labor, Bureau of Labor Statistics

(1) Preliminary estimate.

(2) Effective January 1, 1994 the Cleveland PMSA was modified to include Lorain and Ashtabula counties. Data presented for years prior to 1993 does not reflect this change.

City of Middleburg Heights, Ohio

Principal Taxpayers

December 31, 2002

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

Taxpayer
Southwest General Hospital
United Parcel Service
Sears Roebuck and Company
Advanstar Communications Incorporated
Berea City School District
Polaris Joint Vocational
City of Middleburg Heights
Codonics Inc.
Sunnyside Automotive Incorporated
Brewer Garrett Company

Source: Regional Income Tax Agency

City of Middleburg Heights, Ohio

Miscellaneous Statistical Data

December 31, 2002

Date of incorporation as a village	1927
Date of incorporation as a city	1961
Form of government	Mayor - Council
Area	8 Square miles
Miles of Streets	61
Fire protection:	
Number of stations	1
Number of firefighters and officers	26
Police protection:	
Number of stations	1
Number of police-persons and officers	34
Buildings:	
Permits issued	276
Estimated cost of construction	\$22,851,276
Parks and Recreation:	
Number of parks	1
Number of ball diamonds	3
Tennis courts	4
Volleyball courts	2
Soccer fields	3
Horseshoe pits	3
Bocce ball courts	2
Playgrounds	1

City of Middleburg Heights, Ohio

DECEMBER 31, 2002

CITY OF MIDDLEBURG HEIGHTS, OHIO

FOR THE YEAR ENDED DECEMBER 31, 2002

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CIUNI & PANICHI
INC.

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS CONSULTING FIRM

a C&P Advisors Company

**Report On Compliance And On Internal Control Over
Financial Reporting 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 City of Middleburg Heights as of and for the year ended December 31, 2002, and have issued our report thereon dated May 28, 2003 in which the City adopted Governmental Accounting Standards Board Statements 34, 37, 38 and Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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



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, audit committee, management, Auditor of State's Office and is not intended to be and should not be used by anyone other than these specified parties.

Cini & Parichi, Inc.

Cleveland, Ohio
May 28, 2003

CITY OF MIDDLEBURG HEIGHTS, OHIO

SCHEDULE OF FINDINGS

DECEMBER 31, 2002

1. SUMMARY OF AUDITOR'S 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, 2002

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, 2002**

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



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
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 31, 2003**