
City Of Middleburg Heights, Ohio



Comprehensive Annual Financial Report

For The Year Ended December 31, 2009

Issued By The Department of Finance

Timothy Pope, CPA
Director

Jason Stewart, CPA
Assistant Director



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Middleburg Heights, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period January 1, 2009 through December 31, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 13, 2010

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Comprehensive Financial Annual Report
For the Year Ended December 31, 2009
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Finance Department
CITY OF MIDDLEBURG HEIGHTS

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Gary W. Starr
Mayor

Timothy Pope, CPA
Director of Finance

April 30, 2010

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

Ohio law (Ohio Administrative Code Section 117-2-03(B)) requires that all cities file annual audited financial reports prepared on a GAAP (Generally Accepted Accounting Principles) basis with the Auditor of State within six months of the close of each fiscal year. This report is published to fulfill that requirement for the fiscal year ended December 31, 2009.

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

Rea & Associates, Inc., has issued an unqualified ("clean") opinion on the City of Middleburg Heights' financial statements for the year ended December 31, 2009. The independent auditor's report is located at the front of the financial section of this report.

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

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

PROFILE OF THE GOVERNMENT

Basic Information: The City of Middleburg Heights is approximately eight square miles and is located in northeastern Ohio, southwest of Cleveland, within the boundaries of Cuyahoga County. The City's population from the 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 Ohio cities. Under the State Constitution, the City may exercise all powers of local self-government and police powers to the extent not in conflict with applicable general laws. The Charter provides for a Mayor-Council form of government.

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

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

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

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

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

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

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

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

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

Budget Process: Although City Council is required to adopt a temporary budget by no later than the close of the fiscal year, and a final budget within 90 days of the new year; the final operating budget has been prepared and

adopted by the close of the fiscal year for the last 22 years. The Capital Budget is customarily passed within 90 days of the start of the new year, though it was passed at the same time as the operating budget for 2009. This annual budget serves as the foundation for the City of Middleburg Heights' financial planning and control. The budget is prepared by fund, department, (e.g. police) and major category. The major categories used are: "Wages and Fringe Benefits" and "Other". Department heads may transfer resources within a major category as needed and approved by the Mayor and Director of Finance. Transfers between major categories, however, need re-appropriation from City Council.

ECONOMIC CONDITION AND OUTLOOK

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

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

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

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

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

Major achievements: Through the efforts of its Department of Economic Development and elected officials the City has been able to assist several companies in receiving job creation tax credits from the State of Ohio over the past several years. One of these credits was granted to Quadax, Inc., the fourth-largest medical billing company in the United States. Quadax, Inc. invested over \$12 million dollars into an existing building to serve as the location for their corporate headquarters and to facilitate the consolidation and expansion of their operations. This project will create 400 new jobs in the City. Another of these credits was granted to CollectCorp, Inc., a global accounts receivable collections company in May 2009. This project is expected to create over 100 new jobs and generate \$3,200,000 in new payroll over the next two years.

The 25,000 square foot Davita HillMed Medical Office Building has been completed and was occupied in August 2009 by its largest tenant, Davita Dialysis Clinic. This facility is expected to facilitate the retention of 45 jobs and the creation of 25 new jobs for the City of Middleburg Heights. This medical office building represents a \$4 million dollar investment in the City.

The “Lake-to-Lake All Purpose Trail” project linking Lake Abrams to Lake Isaac, in Middleburg Heights, has been completed and was dedicated in the summer of 2009. Cleveland Metroparks constructed the 2.3-mile trail with funding from The State of Ohio Department of Natural Resources as well as funding from Cleveland Metroparks. The trail will provide hiking and biking opportunities along a nature preserve and link to the Cleveland Metroparks Big Creek Reservation that runs through the heart of the City.

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

The City has received the designation of “Tree City USA” for thirteen 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.

Future Projects: The City has seen a significant growth in medical and health related businesses over the last decade and continues to see significant growth today. The Bagley Road Medical Office Building is currently under construction as of the date of this report. This 21,000 square foot facility represents a \$5 million dollar investment in the City. The facility is already 100% leased and is expected to house over 60 health care professionals.

In February 2010, the City entered into a job creation grant agreement with DuBose National Energy Services. This company is a major strategic supplier of metal products to the international nuclear power industry. This project is expected to create 15 new jobs and create over \$1,000,000 in new payroll. They have leased a 10,000 square foot space on Sheldon Road to serve as their new location for their Ohio manufacturing distribution and office operations. They are expected to begin operations in Summer 2010.

Integrity Home Care Agency has purchased and renovated a 5,000 square foot office space to serve as the company’s headquarters and operations base. This development will bring 30 full-time, skilled jobs to Middleburg Heights, as well as the hiring of approximately 10 new full-time jobs within the next two years. They are expected to begin operations in July 2010.

FINANCIAL POLICIES

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

Risk Management: The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the year the City contracted with Compensation Analysts, Inc. to manage our insurance coverage. These risks are fully insured.

The City provides a medical plan for full time employees and council members and their families. This plan with a Preferred Provider Organization is self-funded and administered by a third party administrator. All covered employees also receive prescription drug, vision and dental benefits. During 2009, full time employees were covered by a \$50,000 term life insurance and accidental death and dismemberment policy.

For the traditional plan, the preferred provider prices all claims which are then submitted to the third party administrator. The third party administrator reviews and processes the claims, which the City then pays. The City has purchased stop loss coverage of \$60,000 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 Bureau of Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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 Rea & Associates, Inc. to perform these services for 2009. Their report is presented in the financial section of this report.

AWARDS AND ACKNOWLEDGEMENTS

GFOA Certificate of Achievement Award: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Middleburg Heights, Ohio for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2008. 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 fourteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

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

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

Sincerely,



Timothy Pope, CPA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Middleburg Heights
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

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.



A stylized handwritten signature in black ink, appearing to read "JEFFREY R. EMER".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

City of Middleburg Heights, Ohio
Listing of Principal City Officials
As of December 31, 2009

ELECTED OFFICIALS

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

APPOINTED OFFICIALS

Director of Finance Timothy Pope, CPA
Assistant Finance Director Jason Stewart, CPA
Director of Economic Development Charles Bichara
Director of Public Service..... Frank D. Castelli
Chief Building Official Norman H. Herwerden
Director of Recreation..... Carl Guarnieri
Director of Law..... Peter Hull
Director of Public Safety Sandra J. Kerber
Chief of Police John Maddox
Chief of Fire..... Bernard M. Benedict
Court Administrator Therese Fairman
Executive Assistant..... Jeffrey Minch
Clerk of Council..... Mary Ann Meola

City of Middleburg Heights, Ohio

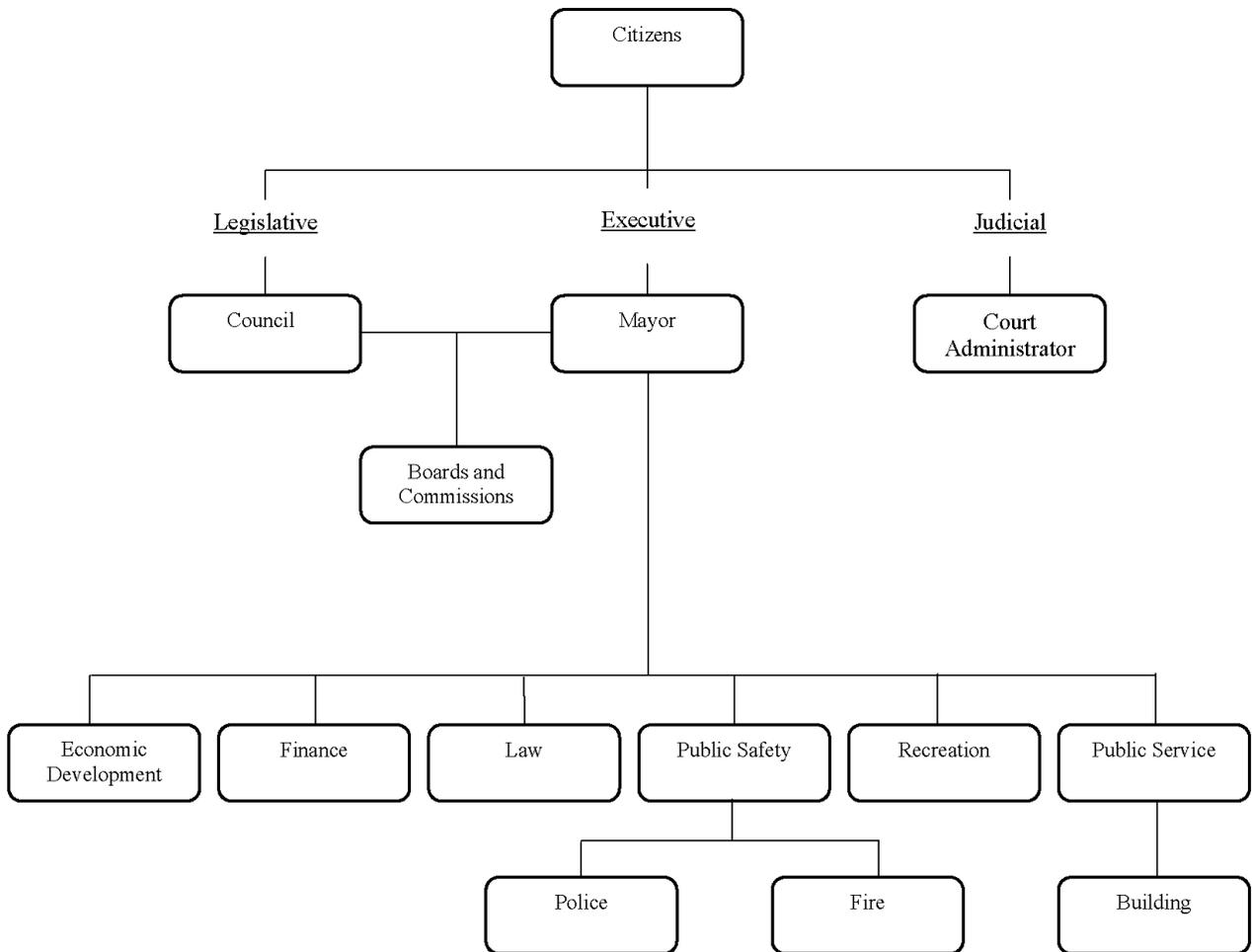
Listing of Principal City Officials

As of December 31, 2009

SPECIAL BOARDS AND COMMISSIONS

Planning Commission	Brian Driscoll
Planning Commission	Frederick Duprow
Planning Commission	Michael Ference
Planning Commission	Carol Herman
Planning Commission	Chris Tibbits
Planning Commission	Rose Zatezalo
Planning Commission	Vacant
Board of Zoning and Building Appeals (Alternate)	Joe Abraham
Board of Zoning and Building Appeals (Alternate)	Tony Ciaravino
Board of Zoning and Building Appeals	Mary Ferrante
Board of Zoning and Building Appeals	Debbie Hudak
Board of Zoning and Building Appeals	Kathy Jennings
Board of Zoning and Building Appeals	Matthew McGregor
Board of Zoning and Building Appeals	Michael Settoni
Civil Service.....	Kathryn Cannon
Civil Service.....	John Gregory
Civil Service.....	Charlie Valentine
Secretary - Civil Service	Sherri Menoes
Secretary - Boards and Commissions	Kimberly Earley

City of Middleburg Heights, Ohio
Organizational Chart
For the Year Ended December 31, 2009





Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

April 30, 2010

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Middleburg Heights, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Middleburg Heights' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Middleburg Heights, Ohio, as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Recreation Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2010, on our consideration of the City of Middleburg Heights' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Middleburg Heights, Ohio's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Hea & Associates, Inc.

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

This discussion and analysis of The City of Middleburg Heights' (the City's) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, the basic financial statements, and notes to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- The assets of the City of Middleburg Heights exceeded its liabilities at the close of the most recent fiscal year by \$53,679,213 (*net assets*). Of this amount, \$5,796,309 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total Net Assets increased by \$8,406,530 a 18.6 percent increase from 2008. Unrestricted net assets increased by \$1,220,378 or 26.7 percent in 2009.
- Total Assets of the City increased \$6,981,766, which represents a 10.50 percent increase from 2008.
- Total Capital Assets increased by \$6,373,714 or 12.73 percent from 2008 primarily due to the addition of Construction in Progress related to the Eastland Road project.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,005,389 an increase of \$777,460 or 9.45 percent in comparison with the prior year. Equity in Pooled Cash and Investments in the governmental funds increased by \$1,428,724 or 24.59 percent from 2008, as a result of increased estate tax collections.
- At the end of the current fiscal year, the unreserved, undesignated fund balance for the General Fund was \$4,963,370, or 30 percent of total general fund expenditures.
- Total outstanding Long-term liabilities were \$15,527,833. This was a 9.7 percent decrease from the balance at the end of 2008 primarily due to the repayment of General Obligation Bonds: particularly the bonds issued for the City's Service Center and Community Center.

Overview of the Financial Statements

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

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

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

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

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

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

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

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

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

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

The City of Middleburg Heights maintains 17 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, and Capital Improvements Fund; all of which are considered to be major funds. Data from the other 12 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

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

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

Notes to the Financial Statements The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 to 50 of this report.

Other information In addition to the basic financial statements and accompanying notes, this report also presents certain other information that the City believes readers will find useful. After the notes to the financial statements, the combining statements referred to earlier in connection with nonmajor governmental are presented, as well as individual detailed budgetary comparisons for all funds. This information can be found on pages 51 to 82 of this report.

Government-Wide Financial Analysis

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How well did the City perform financially during 2009?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2009
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The City of Middleburg Heights as a Whole

Recall that the Statement of Net Assets looks at the City as a whole. The following table provides a summary of the City's net assets for 2009 compared to 2008.

Table 1 Net Assets

	Governmental Activities	
	2009	2008
Assets		
Current and Other Assets	\$17,048,059	\$16,440,007
Capital Assets, Net	56,442,654	50,068,940
<i>Total Assets</i>	<u>73,490,713</u>	<u>66,508,947</u>
Liabilities		
Current Liabilities	4,283,667	4,036,778
Long-term Liabilities		
Due within One Year	3,544,768	3,509,034
Due in More Than One Year	11,983,065	13,690,452
<i>Total Liabilities</i>	<u>19,811,500</u>	<u>21,236,264</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	43,670,819	35,941,389
Restricted for:		
Capital Projects	849,193	1,202,622
Debt Service	2,870,466	3,083,637
Other Purposes	492,426	469,104
Unrestricted	5,796,309	4,575,931
<i>Total Net Assets</i>	<u>\$53,679,213</u>	<u>\$45,272,683</u>

As noted earlier, over time net assets may serve as a useful indicator of a government's financial position. For the City of Middleburg Heights, total assets exceed liabilities by \$53,679,213 at the close of the most recent fiscal year.

The largest portion of the City's net assets (81.4%) reflects investments in capital assets (e.g. land, buildings, infrastructure, machinery and equipment), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets increased by \$6,981,766 from 2008 to 2009, while the City's total liabilities decreased by \$1,424,764. As a result, the total net assets of the City's governmental activities increased \$8,406,530. The most significant changes were an increase in Cash & Investments in the amount of \$1,434,678 and increase in non-depreciable capital assets in the amount of \$7,420,987 or 217.6%. The increase in Equity in Pooled Cash and Investments can be attributed to increased estate tax collections. The increase in Non-depreciable Capital Assets can be attributed to the addition of construction in progress related to the Eastland Road project. This addition of construction in progress is reflected as a Capital Contribution on the Statement of Activities as it is the Federal Highway Administration and Cuyahoga County's share of the project. The decrease in liabilities was mainly due to the scheduled retirement of bonded debt.

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In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year in comparison to 2008.

Table 2 Changes in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
Revenues		
Program Revenues:		
Charges for Services	\$2,636,140	\$2,644,590
Operating Grants and Contributions	849,270	875,100
Capital Grants and Contributions	7,258,633	162,694
Total Program Revenues	<u>10,744,043</u>	<u>3,682,384</u>
General Revenues:		
Property Taxes & Other Local Taxes	2,886,035	3,015,710
Income Taxes	15,672,118	16,364,396
Grants and Entitlements	3,552,070	1,794,816
Investment Income	97,034	339,326
Miscellaneous	405,359	422,040
Total General Revenues	<u>22,612,616</u>	<u>21,936,288</u>
<i>Total Revenues</i>	<u>33,356,659</u>	<u>25,618,672</u>
Program Expenses		
General Government	7,321,308	7,159,940
Security of Persons and Property:		
Police	4,806,928	4,727,460
Fire	3,696,714	3,639,936
Safety Director	57,850	55,867
Public Health Services	339,612	284,520
Culture and Recreation	3,280,588	3,163,391
Community Development	579,608	620,457
Economic Development	286,350	164,696
Streets and Highways	3,052,119	3,011,490
Sanitation	948,225	939,330
Interest and Fiscal Charges	580,827	474,061
Total Program Expenses	<u>24,950,129</u>	<u>24,241,148</u>
Increase (decrease) in Net Assets	<u>\$8,406,530</u>	<u>\$1,377,524</u>

Governmental Activities

Governmental activities increased the City's net assets by \$8,406,530. Discussions of the reasons for the increase in net assets are as follows:

Several types of revenues fund our governmental activities, with the City income tax being the biggest contributor. On November 7, 2006, the residents of the City of Middleburg Heights voted in favor of an income tax increase from 1.75% to 2.00%, effective January 1, 2008. Both the residents of the City and non-residents who work in the City are subject to the income tax. However if residents work in another

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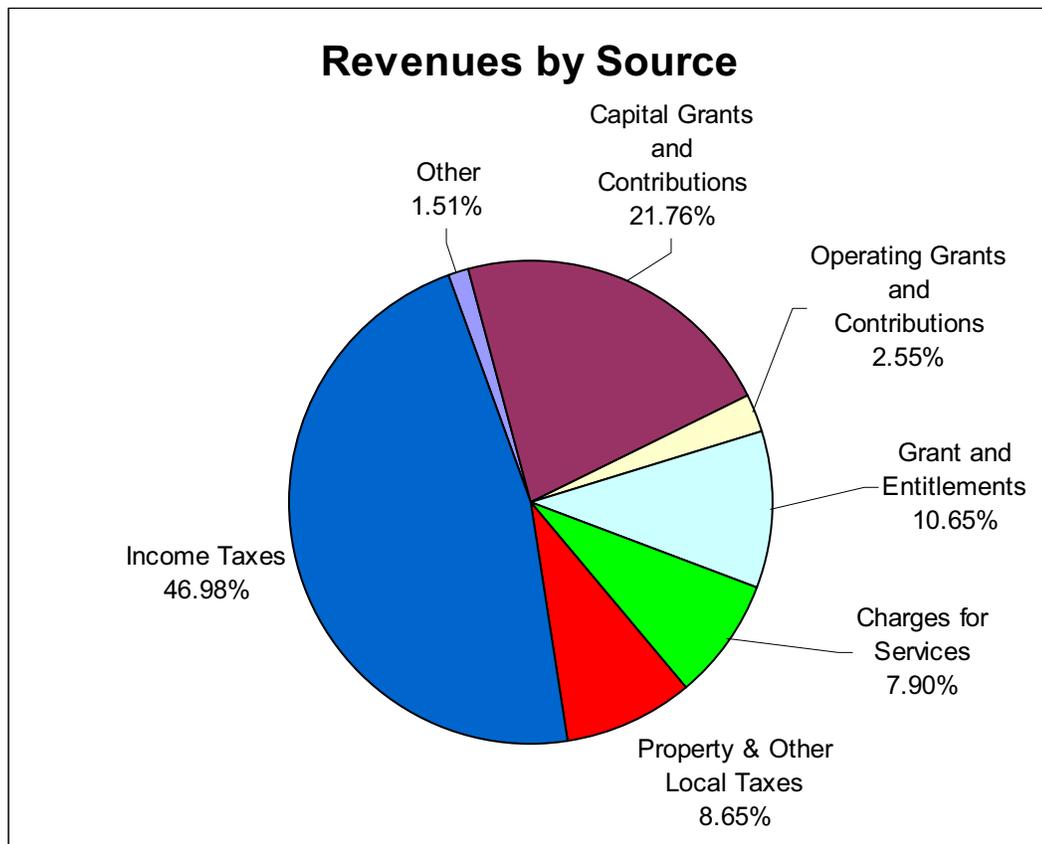
locality that has a municipal income tax, the City provides 100% credit up to 2% for those who pay income tax to another city. City Council could by ordinance, choose to vary that income tax credit and create additional revenues for the City.

The large increase of \$7,095,939 in Capital Grants and Contributions can be attributed to the Federal Highway Administration and Cuyahoga County's share of the Eastland Road project. The Eastland Road project is a reconstruction project being funded by the Federal Highway Administration, Cuyahoga County, and the cities of Berea, Brook Park, and Middleburg Heights. Construction is scheduled to be completed in the Fall of 2010.

The increase of \$1,757,254, in Grants and Entitlements is attributable in part to an increase of \$1,993,194, or 367% in estate tax collections, on a cash basis, in 2009. This increase was the result of windfall received when a resident who had accumulated an estate worth \$39 million passed away.

Income tax revenue for 2009 was \$15,672,118, a decrease of \$692,278 or 4.23% from 2008. Of the \$33,356,659 in total revenues, income tax accounts for 46.98% of the total. Property and other local taxes were \$2,886,035, a decrease of \$129,675 or 4.3% from 2008, and account for 8.65% of total revenues. Operating grants and contributions, capital grants and contributions, general revenues from grants and entitlements account for 34.96% of total revenues, and charges for services, investment income, and other revenue make up the remaining 9.41%.

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.

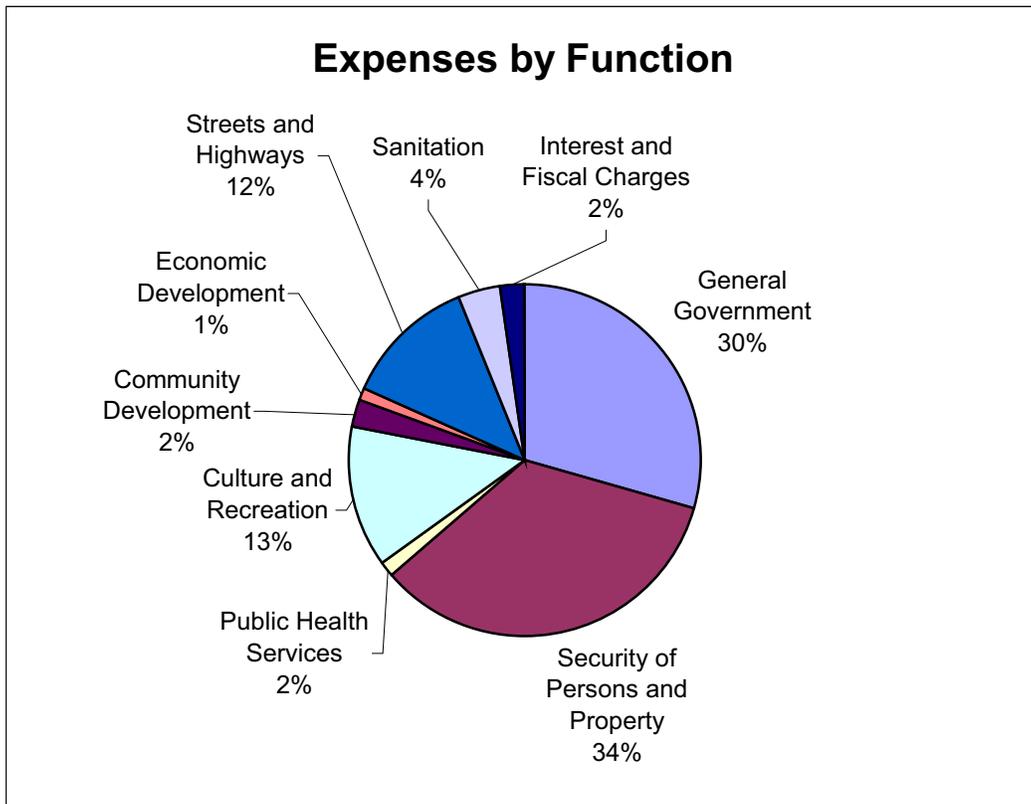


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Total program expenses increased by \$708,981, as compared to 2008. In 2009, expenses for Economic Development increased by \$121,654 or 74% due to 2009 being the first year for the payment of Job Creation Grants to Quadax Inc., Codonics Inc., and McCarthy, Burgess & Wolff. These Job Creation Grant payments are contingent on the companies meeting certain thresholds for employee creation, retention, and payroll amounts. Terms of the agreements vary based on each company. Expenses for Public Health and Welfare increased by \$55,092 or 19.36% due the creation in 2009 of the new position, Senior Services Coordinator. This position is responsible for organizing and coordinating all the services, programs, events, and trips for senior citizens within our city. Also in 2009, Interest and Fiscal Charges increased by \$106,766 or 22.52% from 2008. This is due the refunding of the Community and Service Center Bonds during 2008 significantly reduced the interest charges paid in 2008.

Total program expenses for 2009 were \$24,950,129. Security of Persons and Property, which included the police and fire departments as well as the City's Safety Director, accounted for program expenses of \$8,561,492, which represents 34 percent of total City expenses for the year 2009. Culture and Recreation expenses of \$3,280,588 accounted for 13 percent. Culture and recreation expenses consist largely of costs to operate the City's Community Center and depreciation expense on the building. Street and highway expenses of \$3,052,119 accounted for 12 percent.

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



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

As of December 31, 2009, the City's governmental funds reported combined ending fund balances of \$9,005,389, an increase of \$777,460 in comparison with the prior year. Of that amount, \$7,560,122 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 (\$1,344,788) or has been reserved for prepaid items (\$100,479).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance for the General Fund was \$5,321,761 of which \$4,963,370 was unreserved. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to the sum of total fund expenditures and other financing uses of \$17,136,127. Unreserved fund balance represents 28.96% (24.87% in 2008) of total General Fund expenditures and other financing uses, while total fund balance represents 31.06% (26.80% in 2008) of that same amount.

During the current fiscal year, the fund balance of the City's General Fund increased by \$903,546. Intergovernmental revenues in the General Fund increased by \$1,802,929 due the windfall on inheritance tax dollars as explained previously. However, interest income was down \$235,864 due to the poor interest rate environment for investments experienced during the current recession. Expenditures increased by \$648,994, a moderate increase of 4.15%.

The balance in the Recreation Fund decreased \$12,197. Though the decrease can be attributed to a mixture of causes, the most significant change came as a result of a decrease in income tax receivable.

The General Obligation Bond Retirement Fund decreased \$86,408. This was caused by the City's management decision to reduce the fund balance of this fund to divert income tax dollars to the General Fund.

The balance in the Special Assessment Bond Retirement Fund increased by \$25,757 mostly because special assessment collections exceeded the corresponding debt service payments.

The Capital Improvements Fund decreased by \$341,514 due in most part to allocating more resources for the maintenance and improvement of our equipment and infrastructure needs.

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 2009 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

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General Fund supports many of our major activities such as our Police, Fire and Service Departments, as well as administrative, legislative and executive activities. The General Fund is monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

For the General Fund, original budgeted revenues were \$16.33 million. The final budgeted amount was \$18.39 million and actual revenues were \$18.37 million. Revenue estimates increased in the General Fund because inheritance tax collections were approximately \$2,385,000 higher than initially expected. However, Income Tax collections were approximately \$100,000 less than initial estimates due to the current recession and interest income posted to the General Fund was lower than expected both because of lower rates and decreased fund balance with which to invest. The City's ending unencumbered cash balance in the General Fund was \$1,204,730 above the final budgeted amount.

The difference between the General Fund's original budget for expenditures and other uses of \$18,221,713 and the final amended budget of \$19,124,574 was \$902,861 or about 5.0%. The largest revision being two advances to the Capital Improvements Fund. Actual expenditures and other uses were \$17,904,976 or \$1,219,598, (6.38%) less than the final amended budget. The final budget for wages and fringe benefits was \$13,168,703, of which \$12,610,333 or 95.8% was spent leaving a positive variance of \$558,370. Most of this variance was attributable to the police and fire departments. Police officers and firefighters have a contractual right to redeem certain compensated absences for pay, and the city budgets for this as if all eligible employees will exercise their option to sell the maximum number of hours available to sell. If less than the maximum number of hours are sold, then a positive variance results. The final budget for expenditures other than wages and fringe benefits was \$4,710,872, of which \$4,049,643 or 86% was actually spent leaving a positive variance of \$661,229. The only significant variance for expenditures, other than wages and fringe benefits, was attributable to the budget for unclaimed funds, which the city budgets for as if all amounts available will be reclaimed.

Capital Assets and Debt Administration

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

	Governmental Activities	
	2009	2008
Land	\$3,319,688	\$3,319,688
Land Improvements	347,643	392,011
Buildings and Improvements	22,701,623	23,138,788
Machinery and Equipment	3,643,827	3,844,835
Furniture and Fixtures	44,547	48,560
Infrastructure		
Streets	10,962,742	11,304,499
Sidewalks	474,394	488,683
Traffic Signals	1,890,027	1,940,063
Water Mains	1,484,445	1,508,705
Sanitary Sewers	1,691,799	1,720,184
Storm Sewers	2,370,260	2,272,252
Construction in Progress	7,511,659	90,672
Total Capital Assets	<u>\$56,442,654</u>	<u>\$50,068,940</u>

Total capital assets of the City as of December 31, 2009 were \$56,442,654, \$6,373,714 more than in 2008. The increase in capital assets is mainly due to addition of construction in progress related to the Eastland Road project. Other significant additions in the city's capital assets came as a result of the city: a) purchasing new vehicles for use in our Police and Public Service Departments, b) purchasing a new IP-

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based phone system for all City buildings, c) purchase of a parcel of land on the corner of Smith and Pearl Roads, and d) the installation of a traffic signal at the intersection of Old Oak Boulevard and Fowles Road. The City is committed to a long-term goal of not only meeting its infrastructure and facilities needs, but also satisfying those needs in a continued high quality manner. Additional information on the City's capital assets can be found in Note 8 of this report.

Debt

As of December 31, 2009, the City had \$15,527,833 in bonds, capital lease obligations, and compensated absences outstanding with \$3,544,768 due within one year, all net of unamortized premiums and loss on debt refundings.

Table 4 Outstanding Long-Term Obligations at Year End

	Governmental Activities	
	2009	2008
General Obligation Bonds	\$11,152,581	\$12,816,972
Special Assessment Bonds	\$1,227,784	\$1,364,806
Capital Lease Obligations	\$260,247	\$154,473
Compensated Absences	\$2,887,221	\$2,863,235
Total	\$15,527,833	\$17,199,486

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

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 10½% of total assessed valuation. The City's net legal debt margin within the 10½% limit was nearly \$60 million on December 31, 2009.

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

Current Financial Related Activities

The City of Middleburg Heights is financially strong. On November 7, 2006, the residents of the City of Middleburg Heights voted in favor of an income tax increase from 1.75% to 2.00% with a corresponding increase in the credit given for resident income earned outside of the city, effective January 1, 2008. This increase along with the efforts of our newly created Economic Development Department (2006) will help to ensure the financial stability of our city. In addition, the City continues to evaluate potential cost savings measures while addressing the needs of the community. The Mayor and City Council are dedicated to maintaining the service level that has come to be expected by its residents while balancing a tight budget.

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On March 6, 2008, Moody's Investors Service reaffirmed the City's Aa2 credit rating when reviewing the City in relation to its bond refunding (See Note 14). Stated in its report Moody's, "expects the city's healthy financial operations to continue given satisfactory operating reserves, strong financial management, and demonstrated willingness to respond to economic challenges."

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

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends, or invests. If you have any questions about this report or need financial information contact Director of Finance 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, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	\$8,026,748
Accounts Receivable	158,186
Accrued Interest Receivable	27,615
Intergovernmental Receivable	918,280
Prepaid Items	100,479
Materials and Supplies Inventory	265,575
Income Tax Receivable	3,771,402
Property Taxes Receivable	2,324,964
Other Local Taxes Receivable	39,196
Special Assessments Receivable	1,227,784
Unamortized Bond Issue Costs	187,830
Nondepreciable Capital Assets	10,831,347
Depreciable Capital Assets	<u>45,611,307</u>
<i>Total Assets</i>	<u>73,490,713</u>
Liabilities	
Accounts Payable	335,174
Accrued Wages	284,653
Retainage Payable	32,842
Intergovernmental Payable	556,882
Accrued Interest Payable	45,317
Claims Payable	134,704
Unearned Revenue	2,394,095
Notes Payable	500,000
Long-Term Liabilities:	
Due Within One Year	3,544,768
Due In More Than One Year	<u>11,983,065</u>
<i>Total Liabilities</i>	<u>19,811,500</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	43,670,819
Restricted for:	
Capital Projects	849,193
Debt Service	2,870,466
Other Purposes	492,426
Unrestricted	<u>5,796,309</u>
<i>Total Net Assets</i>	<u><u>\$53,679,213</u></u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio
Statement of Activities
For the Year Ended December 31, 2009

	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:					
Security of Persons and Property:					
Police	\$4,806,928	\$642,294	\$541	\$0	(\$4,164,093)
Fire	3,696,714	434,991	3,500	0	(3,258,223)
Safety Director	57,850	0	0	0	(57,850)
Public Health and Welfare	339,612	16,515	0	0	(323,097)
Culture and Recreation	3,280,588	1,177,233	0	0	(2,103,355)
Community Development	579,608	185,671	0	0	(393,937)
Economic Development	286,350	3,000	0	0	(283,350)
Streets and Highways	3,052,119	10,875	845,229	7,258,633	5,062,618
Sanitation	948,225	0	0	0	(948,225)
General Government	7,321,308	165,561	0	0	(7,155,747)
Interest and Fiscal Charges	580,827	0	0	0	(580,827)
<i>Total Governmental Activities</i>	<u>\$24,950,129</u>	<u>\$2,636,140</u>	<u>\$849,270</u>	<u>\$7,258,633</u>	<u>(14,206,086)</u>
General Revenues					
Property and Other Local Taxes Levied for:					
General Purposes					1,983,876
Debt Service					447,616
Police and Fire Pension					298,410
Public Health and Welfare					156,133
Income Tax Levied for:					
General Purposes					11,039,967
Debt Service					1,520,127
Recreation					1,591,301
Capital Outlay					1,520,723
Grants and Entitlements not Restricted to Specific Programs					3,552,070
Investment Earnings					97,034
Miscellaneous					405,359
<i>Total General Revenues</i>					<u>22,612,616</u>
Change in Net Assets					8,406,530
<i>Net Assets Beginning of Year</i>					<u>45,272,683</u>
<i>Net Assets End of Year</i>					<u>\$53,679,213</u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Balance Sheet

Governmental Funds

December 31, 2009

	General	Recreation	General Obligation Bond Retirement	Special Assessment Bond Retirement	Capital Improvements
Assets					
Equity in Pooled Cash and Investments	\$3,910,539	\$216,656	\$487,033	\$729,308	\$1,107,673
Materials and Supplies Inventory	51,566	30,537	0	0	0
Accrued Interest Receivable	26,743	0	115	757	0
Accounts Receivable	79,979	0	0	0	6,845
Interfund Receivable	95,000	0	0	0	0
Intergovernmental Receivable	476,341	0	31,146	0	0
Prepaid Items	87,076	12,380	0	0	0
Income Taxes Receivable	2,632,952	405,335	367,289	0	365,826
Property Taxes Receivable	1,437,389	0	438,526	0	0
Other Local Taxes Receivable	39,196	0	0	0	0
Special Assessments Receivable	0	0	0	1,227,784	0
<i>Total Assets</i>	<u>\$8,836,781</u>	<u>\$664,908</u>	<u>\$1,324,109</u>	<u>\$1,957,849</u>	<u>\$1,480,344</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$208,449	\$56,838	\$0	\$0	\$0
Accrued Wages	219,868	42,979	0	0	0
Intergovernmental Payable	507,147	37,130	0	0	0
Accrued Interest Payable	0	0	0	0	7,366
Notes Payable	0	0	0	0	500,000
Retainage Payable	0	0	0	0	32,842
Interfund Payable	0	0	0	0	95,000
Deferred Revenue	2,579,556	126,951	584,707	1,227,784	121,422
Unearned Revenue	0	212,159	0	0	0
<i>Total Liabilities</i>	<u>3,515,020</u>	<u>476,057</u>	<u>584,707</u>	<u>1,227,784</u>	<u>756,630</u>
Fund Balances					
Reserved for Encumbrances	271,315	9,818	0	0	914,843
Reserved for Prepaids	87,076	12,380	0	0	0
Unreserved, Undesignated, Reported in:					
General Fund	4,963,370	0	0	0	0
Special Revenue Funds	0	166,653	0	0	0
Debt Service Funds	0	0	739,402	730,065	0
Capital Projects Funds	0	0	0	0	(191,129)
<i>Total Fund Balances</i>	<u>5,321,761</u>	<u>188,851</u>	<u>739,402</u>	<u>730,065</u>	<u>723,714</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,836,781</u>	<u>\$664,908</u>	<u>\$1,324,109</u>	<u>\$1,957,849</u>	<u>\$1,480,344</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, 2009*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$9,005,389
		<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
\$1,062,098	\$7,513,307	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	56,442,654
183,472	265,575		
0	27,615		
71,362	158,186	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
0	95,000		
410,793	918,280	Delinquent Property Taxes	\$143,028
1,023	100,479	Income Taxes	1,181,203
0	3,771,402	Intergovernmental	613,035
449,049	2,324,964	Special Assessments	1,227,784
0	39,196	Charges for Services	65,337
0	1,227,784	Total	<u>3,230,387</u>
<u>\$2,177,797</u>	<u>\$16,441,788</u>	An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	378,737
\$69,887	\$335,174	Unamortized bond issue costs.	187,830
21,806	284,653		
12,605	556,882	Accrued interest payable on long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(37,951)
0	7,366		
0	500,000		
0	32,842		
0	95,000	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
771,903	5,412,323	General Obligation Bonds	(11,152,581)
0	212,159	Special Assessment Bonds	(1,227,784)
		Capital Leases	(260,247)
876,201	7,436,399	Compensated Absences	<u>(2,887,221)</u>
			<u>(15,527,833)</u>
148,812	1,344,788	<i>Net Assets of Governmental Activities</i>	<u>\$53,679,213</u>
1,023	100,479		
0	4,963,370		
1,147,704	1,314,357		
0	1,469,467		
4,057	(187,072)		
<u>1,301,596</u>	<u>9,005,389</u>		
<u>\$2,177,797</u>	<u>\$16,441,788</u>		

City of Middleburg Heights, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	General	Recreation	General Obligation Bond Retirement	Special Assessment Bond Retirement	Capital Improvements
Revenues					
Property Taxes	\$1,493,914	\$0	\$449,059	\$0	\$0
Income Taxes	11,138,155	1,607,549	1,530,375	0	1,534,116
Other Local Taxes	494,692	0	0	0	0
Intergovernmental	3,394,444	0	90,940	0	0
Special Assessments	0	0	0	155,908	0
Interest	80,964	0	1,349	73,787	0
Fines, Licenses and Permits	956,127	0	0	0	0
Charges for Services	207,867	1,177,233	0	0	12,475
Other	273,510	3,833	0	0	127,696
<i>Total Revenues</i>	<u>18,039,673</u>	<u>2,788,615</u>	<u>2,071,723</u>	<u>229,695</u>	<u>1,674,287</u>
Expenditures					
Current:					
Security of Persons and Property					
Police	4,378,922	0	0	0	0
Fire	3,175,528	0	0	0	0
Safety Director	57,379	0	0	0	0
Public Health and Welfare	125,302	0	0	0	0
Culture and Recreation	0	2,800,812	0	0	0
Community Development	597,099	0	0	0	0
Economic Development	280,958	0	0	0	0
Streets and Highways	0	0	0	0	0
Sanitation	948,225	0	0	0	0
General Government	6,722,714	0	8,327	2,162	0
Capital Outlay	0	0	0	0	2,107,495
Debt Service:					
Principal Retirement	0	0	1,698,185	137,022	90,215
Interest and Fiscal Charges	0	0	451,619	64,754	14,880
<i>Total Expenditures</i>	<u>16,286,127</u>	<u>2,800,812</u>	<u>2,158,131</u>	<u>203,938</u>	<u>2,212,590</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,753,546</u>	<u>(12,197)</u>	<u>(86,408)</u>	<u>25,757</u>	<u>(538,303)</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	0	0	0	0	800
Inception of Capital Lease	0	0	0	0	195,989
Transfers In	0	0	0	0	0
Transfers Out	(850,000)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(850,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>196,789</u>
<i>Net Change in Fund Balances</i>	903,546	(12,197)	(86,408)	25,757	(341,514)
<i>Fund Balances Beginning of Year</i>	<u>4,418,215</u>	<u>201,048</u>	<u>825,810</u>	<u>704,308</u>	<u>1,065,228</u>
<i>Fund Balances End of Year</i>	<u>\$5,321,761</u>	<u>\$188,851</u>	<u>\$739,402</u>	<u>\$730,065</u>	<u>\$723,714</u>

See accompanying notes to the basic financial statements

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2009*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	\$777,460
		<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
\$456,005	\$2,398,978	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 asset additions exceeded depreciation in the current period.	
0	15,810,195	Capital Asset Additions	\$8,226,791
0	494,692	Current Year Depreciation	<u>(1,850,666)</u>
967,207	4,452,591	Total	6,376,125
0	155,908		
2,509	158,609		
14,515	970,642		
279,649	1,677,224		
2,731	407,770		
<u>1,722,616</u>	<u>26,526,609</u>	Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(2,411)
		Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
180,123	4,559,045	Delinquent Property Taxes	(7,635)
257,761	3,433,289	Income Tax	(138,077)
0	57,379	Intergovernmental	(48,072)
213,625	338,927	Special Assessments	(137,022)
0	2,800,812	Charges for Services	<u>(11,726)</u>
0	597,099	Total	(342,532)
0	280,958		
1,563,244	1,563,244	Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,925,422
0	948,225		
32,196	6,765,399		
37,391	2,144,886		
0	1,925,422	Issuance of capital leases in the governmental funds increased the long-term liabilities in the Statement of Net Assets.	(195,989)
0	531,253		
<u>2,284,340</u>	<u>25,945,938</u>	In the statement of activities, interest accrued on outstanding bonds, bond premium, bond issuance costs, and the gain/loss on refunding are amortized over the term of the bonds, whereas in the governmental funds the expenditure is reported when the bonds are issued.	
<u>(561,724)</u>	<u>580,671</u>	Accrued Interest	5,091
		Amortization of Bond Premium	17,705
0	800	Amortization of Bond Issuance Costs	(20,870)
0	195,989	Amortization of Loss on Refunding	<u>(51,500)</u>
850,000	850,000		(49,574)
0	(850,000)		
<u>850,000</u>	<u>196,789</u>	Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(23,985)
288,276	777,460		
1,013,320	8,227,929	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.	(57,986)
<u>\$1,301,596</u>	<u>\$9,005,389</u>		
		<i>Change in Net Assets of Governmental Activities</i>	<u>\$8,406,530</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, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,409,067	\$1,493,914	\$1,493,914	\$0
Income Taxes	11,457,458	11,357,458	11,361,956	4,498
Other Local Taxes	590,000	505,000	499,451	(5,549)
Intergovernmental	1,124,354	3,447,711	3,438,035	(9,676)
Interest	250,000	105,000	105,891	891
Fines, Licenses and Permits	1,032,420	958,660	952,541	(6,119)
Charges for Services	161,900	206,450	210,791	4,341
Other	301,300	312,768	309,514	(3,254)
<i>Total Revenues</i>	<u>16,326,499</u>	<u>18,386,961</u>	<u>18,372,093</u>	<u>(14,868)</u>
Expenditures				
Current:				
Security of Persons and Property:				
Police	4,566,093	4,679,283	4,437,863	241,420
Fire	3,431,896	3,505,798	3,213,086	292,712
Safety Director	57,253	58,521	57,634	887
Public Health and Welfare	91,228	141,228	124,166	17,062
Community Development	673,863	688,681	606,440	82,241
Economic Development	336,553	339,550	285,379	54,171
Sanitation	995,000	995,000	943,771	51,229
General Government	7,219,827	7,471,513	6,991,637	479,876
<i>Total Expenditures</i>	<u>17,371,713</u>	<u>17,879,574</u>	<u>16,659,976</u>	<u>1,219,598</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,045,214)</u>	<u>507,387</u>	<u>1,712,117</u>	<u>1,204,730</u>
Other Financing Sources (Uses)				
Advances In	0	300,000	300,000	0
Advances Out	0	(395,000)	(395,000)	0
Transfers Out	(850,000)	(850,000)	(850,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(850,000)</u>	<u>(945,000)</u>	<u>(945,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(1,895,214)</u>	<u>(437,613)</u>	<u>767,117</u>	<u>1,204,730</u>
<i>Fund Balance Beginning of Year</i>	<u>2,492,128</u>	<u>2,492,128</u>	<u>2,492,128</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>294,053</u>	<u>294,053</u>	<u>294,053</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$890,967</u></u>	<u><u>\$2,348,568</u></u>	<u><u>\$3,553,298</u></u>	<u><u>\$1,204,730</u></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, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Income Taxes	\$1,776,000	\$1,650,000	\$1,644,495	(\$5,505)
Charges for Services	1,139,400	1,145,335	1,161,044	15,709
Other	1,000	3,555	3,833	278
<i>Total Revenues</i>	<u>2,916,400</u>	<u>2,798,890</u>	<u>2,809,372</u>	<u>10,482</u>
Expenditures				
Current:				
Culture and Recreation	<u>2,959,225</u>	<u>2,985,381</u>	<u>2,868,838</u>	<u>116,543</u>
<i>Total Expenditures</i>	<u>2,959,225</u>	<u>2,985,381</u>	<u>2,868,838</u>	<u>116,543</u>
<i>Net Change in Fund Balance</i>	(42,825)	(186,491)	(59,466)	127,025
<i>Fund Balance Beginning of Year</i>	150,000	150,000	150,000	0
Prior Year Encumbrances Appropriated	<u>59,466</u>	<u>59,466</u>	<u>59,466</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$166,641</u>	<u>\$22,975</u>	<u>\$150,000</u>	<u>\$127,025</u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Statement of Fund Net Assets

Proprietary Fund

December 31, 2009

	<u>Governmental Activities</u> <u>Internal Service</u> <u>Fund - Health Insurance</u>
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Investments	<u>\$513,441</u>
<i>Total Assets</i>	<u>513,441</u>
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	<u>134,704</u>
<i>Total Liabilities</i>	<u>134,704</u>
Net Assets	
Unrestricted	<u>378,737</u>
<i>Total Net Assets</i>	<u><u>\$378,737</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, 2009*

	Governmental Activities Internal Service Fund - Health Insurance
Operating Revenues	
Charges for Services	\$1,724,309
<i>Total Operating Revenues</i>	1,724,309
Operating Expenses	
Contractual Services	260,475
Claims	1,521,820
<i>Total Operating Expenses</i>	1,782,295
<i>Change in Net Assets</i>	(57,986)
<i>Net Assets Beginning of Year</i>	436,723
<i>Net Assets End of Year</i>	\$378,737

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, 2009

	Governmental Activities Internal Service Fund - Health Insurance
<i>Increase (Decrease) In Cash and Investments</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$1,724,309
Cash Payments to Suppliers for Services	(260,475)
Cash Payments for Claims	(1,511,880)
<i>Net Increase In Cash and Investments</i>	(48,046)
<i>Cash and Cash Investments Beginning of Year</i>	561,487
<i>Cash and Cash Investments End of Year</i>	\$513,441
Reconciliation of Operating Loss to Net Cash Used In Operating Activities	
<i>Operating Loss</i>	(\$57,986)
Adjustments:	
Increase in Claims Payable	9,940
<i>Net Cash Provided By Operating Activities</i>	(\$48,046)

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2009

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	<u>\$227,043</u>
Liabilities	
Deposits Held and Due to Others	<u>\$227,043</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, 2009

Note 1 – Description of the City

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

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

A. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City, this includes a police force, a fire fighting force, a service department, a building department, a recreation department, and a staff to provide essential support to these service providers.

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

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

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

B. Basis of Presentation

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Government-wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the proprietary fund statements. Fiduciary funds are reported by type.

C. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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

General Obligation Bond Retirement Fund The general obligation bond retirement fund is used to account for the accumulation of resources for, and the payment of, general long-term bonded debt principal and interest.

Special Assessment Bond Retirement Fund The special assessment bond retirement fund is used to account for monies received from the levy of special assessments for the purpose of retiring the principal and interest on special assessment bonds.

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

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

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

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

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

D. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements as well as fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, hotel/motel tax, admissions tax, cable TV franchise fees, ambulance fees, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, grants and entitlements.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 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, 2009.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

F. Cash and Cash Investments

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

During fiscal year 2009, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio), certificates of deposit and Federal Agency Securities.

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

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2009.

Investment procedures are restricted by provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2009 amounted to \$80,964, which includes \$15,122 assigned from other City funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

H. Inventory

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

I. Capital Assets

General capital assets are assets that are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. The City reported infrastructure assets at the same time it implemented GASB Statement No. 34 as of the year ended December 31, 2002.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of streets, water mains, sanitary sewers, storm sewers, traffic signals and sidewalks. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or

City of Middleburg Heights, Ohio
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For the Year Ended December 31, 2009

materially extend an asset's life are not.

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

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

J. 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.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees.

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

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

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
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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.

M. 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 and prepaid items.

N. Net Assets

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

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of December 31, 2009, net assets restricted by enabling legislation were \$2,870,466 in the Statement of Net Assets.

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and are either unusual in nature or infrequent in occurrence. Neither occurred in 2009.

Q. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

R. Operating Revenues and Expenses

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

S. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object levels of personnel costs and other costs within each department for all funds. Adjustments to the budget can only be made within a department and then only within the aforementioned object levels by the Director of Finance, upon request by the department head and approval of the Mayor. All other budgetary modifications may only be made by passage of an ordinance by the City Council.

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

The appropriation ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

Note 3 – Change in Accounting Principles

For 2009, the City has implemented GASB No. 53, "Accounting and Financial Reporting for Derivative Instruments."

GASB Statement No. 53 establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments.

Implementation of GASB Statement No. 53 did not affect the presentation of the financial statements of the City.

Note 4 - Budgetary Basis of Accounting

While the City is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund and the recreation fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

City of Middleburg Heights, Ohio
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2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Investments reported at fair value (GAAP) rather than cost (budget).

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

<u>Net Change in Fund Balance</u>		
	<u>General</u>	<u>Recreation</u>
GAAP Basis	\$903,546	(\$12,197)
Net Adjustment for Revenue Accruals	365,378	20,757
Fair Value Adjustment for Investments 2008	(60,370)	0
Fair Value Adjustment for Investments 2009	27,412	0
Advances Out	(95,000)	0
Net Adjustment for Expenditure Accruals	(44,021)	(1,370)
Encumbrances	<u>(329,828)</u>	<u>(66,656)</u>
Budget Basis	<u>\$767,117</u>	<u>(\$59,466)</u>

Note 5 - Deposits and Investments

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

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

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

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

City of Middleburg Heights, Ohio
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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, no-load Money Market Mutual Funds not containing derivatives, repurchase agreements, certificates of deposit and State Treasurer Asset Reserve of Ohio (STAROhio). Repurchase agreements are limited to 30 days, and the market value of the securities purchased under the agreement must exceed the principal value of the repurchase agreement by at least two percent and be marked to market daily.

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

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

Deposits

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

At year-end, the carrying amount of the City's deposits was \$5,525,951 and the bank balance was \$5,829,988. Of the bank balance \$2,854,899 was covered by Federal depository insurance and \$2,975,089 was uninsured. Of the remaining uninsured bank balance, \$2,975,089 was collateralized with securities held by the pledging institution's agent, not in the City's name, as allowed by the Ohio Revised Code.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Investments

Investments are reported at fair value. As of December 31, 2009, the City had the following investments:

	Fair Value	Weighted Average Maturity (Days)
Federal Home Loan Mortgage Corporation Bonds	\$1,530,305	564
Federal Home Loan Bank Bonds	998,440	1398
STAROhio	199,095	0
Total Portfolio	\$2,727,840	828

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

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

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

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as having invested five percent or more of the city's portfolio in the securities of a single issuer. The City's investment policy requires diversification of the portfolio and limits the amount of investments placed with any institution to no more than fifty percent of the City's deposit/investment portfolio. The following is the City's allocation as of December 31, 2009:

Investment Issuer	Percentage of Investments
Federal Home Loan Mortgage Corporation Bonds	56.10%
Federal Home Loan Bank Bonds	36.60%
STAROhio	7.30%

Note 6 – Receivables

Receivables at December 31, 2009, consisted primarily of municipal income taxes, property and other local taxes, accounts, special assessments, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full.

City of Middleburg Heights, Ohio
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Special assessments expected to be collected in more than one-year amount to \$1,098,379 in the Special Assessment Bond Retirement Fund. At December 31, 2009 the amount of delinquent special assessments was \$11,272.

A. Property Taxes

Property taxes include amounts levied against all real and public utility personal property located in the City. Property tax revenue received during 2009 for real and public utility property taxes represents collections of 2008 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

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. 2009 public utility property taxes, which became a lien December 31, 2008, are levied after October 1, 2009, and collected in 2009 with real property taxes.

The tax rate for all City operations for the year ended December 31, 2009, was \$5.45 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property	\$520,228,840
Public Utility Tangible Property	<u>10,739,770</u>
Total Valuation	<u><u>\$530,968,610</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2009 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 2009 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Municipal Income Taxes

In 2009, the City levied a municipal income tax of 2.00 percent on all income earned within the City as well as on income of residents earned outside of the City. In the case of income of residents earned outside of the city, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA), on behalf of the City, at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax at least

City of Middleburg Heights, Ohio
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quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the first (advance) and tenth business days (final settlement) of the following month. Income tax revenue is credited to the General Fund, Recreation Fund, General Obligation Bond Retirement Fund and the Capital Improvements Fund.

C. Intergovernmental Receivable

A summary of intergovernmental receivables follows:

Governmental Activities	Amounts
Gasoline Taxes	\$367,750
Local Government Funds	262,462
Homestead and Rollback	122,222
Estate Tax	94,958
CAT Tax Reimbursement	31,041
Public Utility Reimbursement	13,394
Permissive Motor Vehicle License Tax	8,412
Liquor Permit	5,879
Prisoner Board and Care	4,290
Berea Municipal Court	3,166
Dare Grant	2,660
Targeted Enforcement Grant	2,046
Total	\$918,280

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 2009, the City contracted with Custis Insurance Service, Inc. for its Commercial Umbrella coverage and with Arthur J. Gallagher Risk Management Services, Inc. for the rest of its insurance coverage. A summary of insurance coverage is as follows:

Company	Type of Coverage	Coverage
Argonaut Insurance Company	Comprehensive general liability	\$1 million per occurrence/ 2 million aggregate
Argonaut Insurance Company	Employee Benefits	\$1 million per occurrence/ 2 million aggregate
Argonaut Insurance Company	Blanket building and contents	\$37,773,400
Argonaut Insurance Company	Inland marine coverage	\$2,783,846
Argonaut Insurance Company	Electronic Data Processing Equipment	\$858,807
Argonaut Insurance Company	Public Officials Liability	\$1 million per occurrence/ 2 million aggregate
Argonaut Insurance Company	Law Enforcement Liability	\$1 million per occurrence/ 2 million aggregate

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Argonaut Insurance Company	Commercial Crime	\$25,000
Argonaut Insurance Company	Employee Dishonesty	\$250,000
Argonaut Insurance Company	Commercial Automobile	\$1,000,000
AAIC	Commercial Umbrella	\$10,000,000
Argonaut Insurance Company	Ohio Stop Gap	\$1,000,000
Zurich Insurance Company	Boiler and Machinery	\$50,000,000

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

In 2009 the City provided two different medical plans for full time employees, council members and their families. A traditional plan with a Preferred Provider Organization is self funded and administered by a third party administrator. A Health Maintenance Organization plan was also offered and was fully insured. All covered employees also receive prescription, dental and vision benefits. Starting in 2001, employees declining health care benefits can receive a monthly opt-out payment ranging from \$14 to \$100. Full time employees receive term life insurance benefits of \$50,000, elected officials received term life insurance benefits of \$30,000.

Under the traditional medical plan, the preferred provider prices all claims which are then submitted to the third party administrator. The third party administrator reviews and processes the claims, which the City then pays. The City has purchased medical stop loss coverage of \$60,000 per individual and \$1,636,774 in aggregate. In 2009 the City funded the self-insurance internal service fund at \$465 per month for single coverage and \$1,161 per month for family coverage. These charges are paid by the fund from which the employees' compensation is paid.

The claims liability of \$134,704, as estimated and reported in the internal service fund at December 31, 2009, is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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

	Estimated Claims Payable January 1st	Current Year Claims and Changes In Estimates	Claim Payments	Estimated Claims Payable December 31st
2008	\$94,251	\$1,302,193	(\$1,271,680)	\$124,764
2009	\$124,764	1,521,820	(1,511,880)	\$134,704

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.

City of Middleburg Heights, Ohio
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For the Year Ended December 31, 2009

Note 8 – Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

Governmental Activities	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009
<i>Capital Assets not being Depreciated:</i>				
Land	\$3,319,688	\$0	\$0	\$3,319,688
Construction-In-Progress	90,672	7,496,246	(75,259)	7,511,659
Total Capital Assets, not being Depreciated	<u>3,410,360</u>	<u>7,496,246</u>	<u>(75,259)</u>	<u>10,831,347</u>
<i>Capital Assets being Depreciated:</i>				
Land Improvements	1,098,499	11,000	0	1,109,499
Buildings and Improvements	30,361,287	219,292	0	30,580,579
Furniture and Fixtures	80,262	0	0	80,262
Machinery and Equipment	8,168,023	338,006	(200,682)	8,305,347
Infrastructure:				
Streets	13,649,332	0	0	13,649,332
Sidewalks	571,558	0	0	571,558
Traffic Signals	3,091,292	104,529	0	3,195,821
Water Mains	1,819,468	0	0	1,819,468
Sanitary Sewers	2,128,873	0	0	2,128,873
Storm Sewers	2,622,703	132,977	0	2,755,680
Total Capital Assets being Depreciated	<u>63,591,297</u>	<u>805,804</u>	<u>(200,682)</u>	<u>64,196,419</u>
Less Accumulated Depreciation:				
Land Improvements	(706,488)	(55,368)	0	(761,856)
Buildings and Improvements	(7,222,499)	(656,457)	0	(7,878,956)
Furniture and Fixtures	(31,702)	(4,013)	0	(35,715)
Machinery and Equipment	(4,323,188)	(536,603)	198,271	(4,661,520)
Infrastructure:				
Streets	(2,344,833)	(341,757)	0	(2,686,590)
Sidewalks	(82,875)	(14,289)	0	(97,164)
Traffic Signals	(1,151,229)	(154,565)	0	(1,305,794)
Water Mains	(310,763)	(24,260)	0	(335,023)
Sanitary Sewers	(408,689)	(28,385)	0	(437,074)
Storm Sewers	(350,451)	(34,969)	0	(385,420)
Total Accumulated Depreciation	<u>(16,932,717)</u>	<u>(1,850,666)</u>	<u>198,271</u>	<u>(18,585,112)</u>
Total Capital Assets being Depreciated, Net	<u>46,658,580</u>	<u>(1,044,862)</u>	<u>(2,411)</u>	<u>45,611,307</u>
Governmental Activities Capital Assets, Net	<u>50,068,940</u>	<u>6,451,384</u>	<u>(77,670)</u>	<u>56,442,654</u>

City of Middleburg Heights, Ohio
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For the Year Ended December 31, 2009

* Depreciation expense was charged to governmental activities as follows:

General Government	\$469,812
Public Safety:	
Police	169,920
Fire	177,677
Health and Welfare	685
Streets and Highways	598,224
Culture and Recreation	424,966
Economic Development	2,538
Community Development	6,844
Total Depreciation Expense	<u><u>\$1,850,666</u></u>

Note 9 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

All employees, other than non-administrative full-time police officers and firefighters participate in the Ohio Public Employees Retirement System, (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which members invest both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The Combined Plan is a cost-sharing multiple-employer defined benefit pension plan. Under the Combined plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, Attn: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. Employees were required to contribute 10.00 percent of their annual covered salary to fund pension obligations. The City contributed 14.00 percent of covered payroll. The City's required contributions to OPERS for the years ended December 31, 2009, 2008 and 2007 were \$916,151, \$887,519, and \$852,128, respectively. The full amount has been contributed for all three years.

B. Ohio Police and Fire Pension Fund

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

City of Middleburg Heights, Ohio
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supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24.0 percent respectively for police officers and firefighters. The City's contributions to the OP&F for the years ended December 31, 2009, 2008 and 2007 were \$996,565, \$978,894, and \$940,805, respectively. The full amount has been contributed for 2008 and 2007. 70.82 percent has been contributed for 2009 with the remainder being reported as "intergovernmental payable" in the governmental activities column of the statement of net assets.

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Plan – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefits recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 45.

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

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

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

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

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 7.00% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's required contributions to OPERS for the years ended December 31, 2009, 2008 and 2007 were \$887,519, \$852,128, and \$819,178, respectively, of which \$382,405, \$443,759, and \$340,037, respectively, was allocated to the healthcare plan. The full amount has been contributed for all three years.

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

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined postemployment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B premium, and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

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

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

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

The board of trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2009, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Sections 115 and Section 401(h).

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

The City's required contributions to OP&F for the years ended December 31, 2009, 2008 and 2007 were \$996,565, \$978,894, and \$940,805, respectively, of which \$312,569, \$307,062, and \$294,823, respectively, was allocated to the healthcare plan. The full amount has been contributed for 2008 and 2007. 70.82 percent has been contributed for 2009.

Note 11 - Compensated Absences

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

Employees earn sick leave at a rate of 1.25 days per month. Sick leave accumulation is unlimited. Upon retirement or death, an employee can be paid one-third of their accumulated sick leave, subject to certain limits. Beginning in July 2001, employees with a sick leave balance of at least 120 days may convert a percentage of the sick days accumulated during the most recent year into a cash payment.

Note 12 - Contingencies

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

Note 13 – Bond Anticipation Notes Payable

Note activity for the year ended December 31, 2009, was as follows:

	Outstanding 12/31/08	Additions	(Reductions)	Outstanding 12/31/09
Smith & Pearl Property 2.25%	\$0	\$500,000	\$0	\$500,000

All notes are backed by the full faith and credit of the City and mature within one year. The liability for the \$500,000 note outstanding is reflected in the Capital Improvements Fund, which received the proceeds.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 14 - Long-Term Obligations

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

Debt Issue	Original Issue Date	Interest Rate	Original Issue Amount
General Obligation Bonds			
Pearl Road Sanitary Sewer	1992	6.75%	\$3,070
Real Estate Acquisition Refunding	1998	3.35 - 5.125 %	120,000
City Hall/Fire Station Refunding	1998	3.35 - 5.125 %	2,760,000
Bagley Road/I-71/Newton Road Refunding	1998	3.35 - 5.125 %	149,659
Emergency Generator	2002	1.60 - 4.50 %	475,000
Community & Service Center Refunding	2008	3.00 - 4.00%	12,180,000

Debt Issue	Original Issue Date	Interest Rate	Original Issue Amount
Special Assessments Bonds			
Pearl Road Sanitary Sewer	1992	6.75%	\$98,930
Claremont/Morningside Road Improvements	1994	4.75 - 8.00%	301,000
Engle Road Improvements	1998	3.35 -5.125%	814,000
Newton Road Refunding	1998	3.35 -5.125%	295,341
Hepburn Road Improvements	1998	3.35 -5.125%	611,000
Fowles Road Sanitary Sewer	1999	6.00%	216,000
Engle Road Improvements	2002	1.60 - 4.50 %	210,000

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

	Outstanding 12/31/08	Additions	(Reductions)	Outstanding 12/31/09	Amounts Due in One Year
General Obligation Bonds:					
Real Estate Acquisition Refunding	\$34,837	\$0	(\$12,996)	\$21,841	\$13,718
City Hall/Fire Station Refunding	801,047	0	(298,836)	502,211	315,438
Bagley Rd./I-71/Newton Rd. Refunding	43,426	0	(16,200)	27,226	17,100
Emergency Generator	360,000	0	(20,000)	340,000	20,000
Pearl Road Sanitary Sewer	612	0	(154)	458	153
Community & Service Center Refunding	11,915,000	0	(1,350,000)	10,565,000	1,360,000
Unamortized Premium	177,050	0	(17,705)	159,345	0
Unamortized Loss on Refunding	(515,000)	0	51,500	(463,500)	0
Total General Obligation Bonds	12,816,972	0	(1,664,391)	11,152,581	1,726,409

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

	Outstanding 12/31/08	Additions	(Reductions)	Outstanding 12/31/09	Amounts Due in One Year
Special Assessment Bonds:					
Engle Road Improvements	\$491,000	\$0	(\$35,000)	\$456,000	\$30,000
Engle Road Improvements	155,000	0	(10,000)	145,000	10,000
Newton Road Refunding	85,692	0	(31,968)	53,724	33,744
Pearl Road Sanitary Sewer	19,787	0	(4,947)	14,840	4,947
Claremont/Morningside Road Imp.	90,000	0	(15,000)	75,000	15,000
Hepburn Road Improvements	372,000	0	(30,000)	342,000	25,000
Fowles Road Sanitary Sewer	151,327	0	(10,107)	141,220	10,714
Total Special Assessment Bonds	<u>1,364,806</u>	<u>0</u>	<u>(137,022)</u>	<u>1,227,784</u>	<u>129,405</u>
Other Long-Term Liabilities					
2006 Capital Lease - Salt Truck	47,197	0	(23,036)	24,161	24,161
2008 Capital Lease - Salt Truck	107,276	0	(24,943)	82,333	26,154
2009 Capital Lease - Phone System	0	195,989	(42,236)	153,753	36,274
Compensated Absences	2,863,235	1,934,900	(1,910,914)	2,887,221	1,602,365
Total Other Long-Term Liabilities	<u>3,017,708</u>	<u>2,130,889</u>	<u>(2,001,129)</u>	<u>3,147,468</u>	<u>1,688,954</u>
Total Long-Term Liabilities	<u>\$17,199,486</u>	<u>\$2,130,889</u>	<u>(\$3,802,542)</u>	<u>\$15,527,833</u>	<u>\$3,544,768</u>

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

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

Refunded bonds In 1998, the City defeased a general obligation bond issue by placing the proceeds of new bonds in an irrevocable escrow account to provide for all future debt service payments on the old bonds. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the statement of net assets. As of December 31, 2009 the amount of defeased debt outstanding on this issue amounted to \$735,000.

In 2008, the City defeased a general obligation bond issue by placing the proceeds of new bonds in an irrevocable escrow account to provide for all future debt service payments on the old bonds. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the statement of net assets. As of December 31, 2009 the amount of defeased debt outstanding on this issue amounted to \$10,377,000.

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

The City's overall legal debt margin was \$55,751,704 at December 31, 2009. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2009, are as follows:

Year	General Obligation Bonds		Special Assessment Bonds		Totals
	Principal	Interest	Principal	Interest	
2010	\$1,726,409	\$396,842	\$129,405	\$58,569	\$2,311,225
2011	1,745,174	340,483	151,283	52,583	2,289,523
2012	1,420,153	283,685	131,985	44,729	1,880,552
2013	1,115,000	237,475	117,761	37,848	1,508,084
2014	1,165,000	199,688	123,526	35,180	1,523,394
2015-2019	4,190,000	409,975	528,824	75,744	5,204,543
2020-2022	95,000	8,775	45,000	4,050	52,825
Total	<u>\$11,456,736</u>	<u>\$1,876,923</u>	<u>\$1,227,784</u>	<u>\$308,703</u>	<u>\$14,870,146</u>

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

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

At December 31, 2009, the aggregate principal amount of conduit debt obligations outstanding is \$44,035,000.

Note 15 – Capital Leases

In 2009, the City entered into a Capital Lease Agreement for financing the acquisition of a new IP-based telephone system for all the city buildings with a down payment of \$42,235. In 2008, the City entered into a Capital Lease Agreement for financing the acquisition of a 2009 International Salt Truck with a down payment of \$30,000. Also, in 2006, the City entered into a Capital Lease Agreement for financing the acquisition of a 2007 International Salt Truck with a down payment of \$30,000. These lease agreements qualify as a capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception dates. The assets acquired through capital lease are reported as follows:

Asset:	Governmental Activities		
	2007 Model	2009 Model	2010
	Salt Truck	Salt Truck	Phone System
Machinery and Equipment	\$120,100	\$137,276	\$0
Buildings and Improvements	0	0	195,989
Less: Accumulated Depreciation	<u>(31,693)</u>	<u>(14,300)</u>	<u>(9,799)</u>
Total	<u>\$88,407</u>	<u>\$122,976</u>	<u>\$186,190</u>

The future minimum lease obligations and the present value of these minimum lease payments as of

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

December 31, 2009, were as follows:

	Governmental Activities		
Year Ending December 31:	Salt Truck	Salt Truck	Phone System
2010	\$25,342	\$30,151	\$42,235
2011	0	30,151	42,235
2012	0	30,151	42,235
2013	0	0	42,235
Total Minimum Lease Payments	25,342	90,453	168,940
Less: Amount Representing Interest	(1,181)	(8,120)	(15,187)
Present Value of Minimum Lease Payments	\$24,161	\$82,333	\$153,753

Note 16 - Contractual Commitments

The City had the following contractual commitments outstanding at December 31, 2009:

Project	Remaining on Contract
Bagley Road Resurfacing	\$396,275
Pavement Markings	69,542
Engle Road Water Main Repair	62,650
Street Improvement Program - 2008	42,066
Airport Monitoring	41,282
Curb Repairs	15,045
Big Creek Storm Sewer Improvement	10,941
Telephone System Consulting	2,340
Sidewalk Improvement Program - 2008	1,044
	\$641,185

Note 17 – Interfund Transfers and Balances

During calendar year 2009, a transfer of \$850,000 was made from the General Fund to the Street Construction Fund. This transfer was made to provide additional resources to fund current operations. At December 31, 2009 an advance and an interfund receivable/payable of \$95,000 from the General Fund to the Capital Improvements Fund had been recorded to provide resources to fund the Smith Road Quiet Zones project.

Note 18 - Jointly Governed Organizations

A. Southwest General Health Center

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

The Health Center is governed by a Board of Trustees consisting of the following: one person who is a member of the legislative body from each of the political subdivisions, one person residing in each political subdivision who is not a member of the legislative body, three people who are residents of any of the participating political subdivisions, the president of the corporation, the president of the medical staff, the vice president of the medical staff, and the executive vice president of the corporation. The legislative bodies of each political subdivision elect their members to serve on the Board of Trustees of the Health Center. The Board exercises total control over the operation of the Health Center including budgeting, appropriating, contracting and designating management. Each City's degree of control is limited to its representation on the Board. The Southwest General Hospital special revenue fund accounts for property tax resources that are distributed to the Health Center. In 2009, the City of Middleburg Heights remitted \$213,625 to the Health Center.

B. Woodvale Union Cemetery

The Woodvale Union Cemetery is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Woodvale Union Cemetery provides burial grounds and burial services to the public. The Cemetery is a jointly governed organization among the cities of Middleburg Heights and Berea. A joint council consisting of the council members from the member communities governs the Cemetery. The joint council elects and appoints the members of the Board of Trustees. The Board consists of the following: one elected member of the legislative body from each of the political subdivisions, and one appointed resident from either of the political subdivisions who is not a member of the legislative body. The joint council exercises total control over the operation of the Cemetery including budgeting, appropriating, and contracting. Each City's degree of control is limited to its representation on the Board. In 2009, the City of Middleburg Heights contributed \$10,000 for operating expenses to the Cemetery. In 2004, the cities of Berea and Middleburg Heights each contributed \$133,339 for the renovation and construction of the Cemetery buildings. In 2009, Woodvale Union Cemetery finished reimbursing the City for the construction costs over a five year period as follows: \$25,000 for 2005 through 2008, with the balance of \$33,339 being paid in 2009.

C. Southwest Council of Governments

The Southwest Council of Governments helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions, and regional development. The Council's Board is comprised of one member from each of the 16 participating cities. The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. Budgets are adopted by the Board. Each City's degree of control is limited to its representation on the Board. The Council has established two subsidiary organizations, the Hazardous Material Response Team ("HAZMAT"), which provides hazardous material protection and assistance, and the Southwest Enforcement Bureau, which provides extra assistance to cities in the form of a SWAT team. In 2009, the City of Middleburg Heights contributed \$13,000 to the Council. The Council's financial statements may be obtained by contacting the Southwest Council of Governments, 6281 Pearl Road, Parma Heights, Ohio.

D. Northeast Ohio Public Energy Council

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 126 communities who have been authorized by

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities. NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 31320 Solon Road, Suite 20, Solon, Ohio 44139.

E. Suburban Water Regional Council of Governments

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

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

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

Nonmajor Special Revenue Funds

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

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

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

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

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

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

Assistance to Firefighters Grant Fund To account for federal grant monies received for the purchase of interoperable radio equipment.

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

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

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

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

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

Combining Statements
Non-major Governmental Funds (Continued)

Nonmajor Capital Projects Fund

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

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

City of Middleburg Heights, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2009

	Nonmajor Special Revenue Funds	Community Center Fund	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Investment	\$1,058,041	\$4,057	\$1,062,098
Materials and Supplies Inventory	183,472	0	183,472
Accounts Receivable	71,362	0	71,362
Intergovernmental Receivable	410,793	0	410,793
Prepaid Items	1,023	0	1,023
Property Taxes Receivable	449,049	0	449,049
<i>Total Assets</i>	<u>\$2,173,740</u>	<u>\$4,057</u>	<u>\$2,177,797</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$69,887	\$0	\$69,887
Accrued Wages	21,806	0	21,806
Intergovernmental Payable	12,605	0	12,605
Deferred Revenue	771,903	0	771,903
<i>Total Liabilities</i>	<u>876,201</u>	<u>0</u>	<u>876,201</u>
Fund Balances			
Reserved for Encumbrances	148,812	0	148,812
Reserved for Prepays	1,023	0	1,023
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	1,147,704	0	1,147,704
Capital Projects Funds	0	4,057	4,057
<i>Total Fund Balances</i>	<u>1,297,539</u>	<u>4,057</u>	<u>1,301,596</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,173,740</u>	<u>\$4,057</u>	<u>\$2,177,797</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, 2009

	Nonmajor Special Revenue Funds	Community Center Fund	Total Nonmajor Governmental Funds
Revenues			
Property Taxes	\$456,005	\$0	\$456,005
Intergovernmental	967,207	0	967,207
Interest	2,490	19	2,509
Fines, Licenses and Permits	14,515	0	14,515
Charges for Services	279,649	0	279,649
Other	2,731	0	2,731
<i>Total Revenues</i>	<u>1,722,597</u>	<u>19</u>	<u>1,722,616</u>
Expenditures			
Current:			
Security of Persons and Property:			
Police	180,123	0	180,123
Fire	257,761	0	257,761
Public Health and Welfare	213,625	0	213,625
Streets and Highways	1,563,244	0	1,563,244
General Government	32,196	0	32,196
Capital Outlay	37,391	0	37,391
<i>Total Expenditures</i>	<u>2,284,340</u>	<u>0</u>	<u>2,284,340</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(561,743)</u>	<u>19</u>	<u>(561,724)</u>
Other Financing Sources			
Transfers In	850,000	0	850,000
<i>Total Other Financing Sources</i>	<u>850,000</u>	<u>0</u>	<u>850,000</u>
<i>Net Change in Fund Balances</i>	288,257	19	288,276
<i>Fund Balances Beginning of Year</i>	<u>1,009,282</u>	<u>4,038</u>	<u>1,013,320</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,297,539</u></u>	<u><u>\$4,057</u></u>	<u><u>\$1,301,596</u></u>

City of Middleburg Heights, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2009

	Street Construction	State Highway	Clerk of Court Computer	Law Enforcement	Medical Transport	Assistance to Firefighters Grant
Assets						
Equity in Pooled Cash and						
Investments	\$412,628	\$158,690	\$81,820	\$118,810	\$242,160	\$13
Materials and Supplies Inventory	164,511	18,961	0	0	0	0
Accounts Receivable	0	0	0	0	71,362	0
Intergovernmental Receivable	347,950	28,212	0	150	0	0
Prepaid Items	1,023	0	0	0	0	0
Property Taxes Receivable	0	0	0	0	0	0
<i>Total Assets</i>	<u>\$926,112</u>	<u>\$205,863</u>	<u>\$81,820</u>	<u>\$118,960</u>	<u>\$313,522</u>	<u>\$13</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$46,573	\$0	\$20,000	\$0	\$3,314	\$0
Accrued Wages	20,211	0	0	0	1,595	0
Intergovernmental Payable	11,977	0	0	0	628	0
Deferred Revenue	234,282	18,996	0	0	35,095	0
<i>Total Liabilities</i>	<u>313,043</u>	<u>18,996</u>	<u>20,000</u>	<u>0</u>	<u>40,632</u>	<u>0</u>
Fund Balances						
Reserved for Encumbrances	88,183	52,587	0	0	8,042	0
Reserved for Prepaids	1,023	0	0	0	0	0
Unreserved, Undesignated	523,863	134,280	61,820	118,960	264,848	13
<i>Total Fund Balances</i>	<u>613,069</u>	<u>186,867</u>	<u>61,820</u>	<u>118,960</u>	<u>272,890</u>	<u>13</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$926,112</u>	<u>\$205,863</u>	<u>\$81,820</u>	<u>\$118,960</u>	<u>\$313,522</u>	<u>\$13</u>

(continued)

City of Middleburg Heights, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2009

	Police Pension	Fire Pension	Tree Planting	Veteran's Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
Assets						
Equity in Pooled Cash and						
Investments	\$15,332	\$15,332	\$4,817	\$8,439	\$0	\$1,058,041
Materials and Supplies Inventory	0	0	0	0	0	183,472
Accounts Receivable	0	0	0	0	0	71,362
Intergovernmental Receivable	10,301	10,301	0	0	13,879	410,793
Prepaid Items	0	0	0	0	0	1,023
Property Taxes Receivable	146,175	146,175	0	0	156,699	449,049
<i>Total Assets</i>	<u>\$171,808</u>	<u>\$171,808</u>	<u>\$4,817</u>	<u>\$8,439</u>	<u>\$170,578</u>	<u>\$2,173,740</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$0	\$0	\$0	\$0	\$0	\$69,887
Accrued Wages	0	0	0	0	0	21,806
Intergovernmental Payable	0	0	0	0	0	12,605
Deferred Revenue	156,476	156,476	0	0	170,578	771,903
<i>Total Liabilities</i>	<u>156,476</u>	<u>156,476</u>	<u>0</u>	<u>0</u>	<u>170,578</u>	<u>876,201</u>
Fund Balances						
Reserved for Encumbrances	0	0	0	0	0	148,812
Reserved for Prepays	0	0	0	0	0	1,023
Unreserved, Undesignated	15,332	15,332	4,817	8,439	0	1,147,704
<i>Total Fund Balances</i>	<u>15,332</u>	<u>15,332</u>	<u>4,817</u>	<u>8,439</u>	<u>0</u>	<u>1,297,539</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$171,808</u>	<u>\$171,808</u>	<u>\$4,817</u>	<u>\$8,439</u>	<u>\$170,578</u>	<u>\$2,173,740</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, 2009

	Street Construction	State Highway	Clerk of Court Computer	Law Enforcement	Medical Transport	Assistance to Firefighters Grant
Revenues						
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental	779,534	63,205	0	3,720	3,500	0
Interest	1,295	615	0	541	0	0
Fines, Licenses and Permits	0	0	10,196	4,319	0	0
Charges for Services	10,875	0	0	0	268,774	0
Other	1,270	1,000	0	0	36	0
<i>Total Revenues</i>	<u>792,974</u>	<u>64,820</u>	<u>10,196</u>	<u>8,580</u>	<u>272,310</u>	<u>0</u>
Expenditures						
Current:						
Security of Persons and Property:						
Police	0	0	0	25	0	0
Fire	0	0	0	0	77,663	0
Public Health and Welfare	0	0	0	0	0	0
Streets and Highways	1,537,727	25,517	0	0	0	0
General Government	0	0	31,016	0	0	0
Capital Outlay	0	0	0	0	37,391	0
<i>Total Expenditures</i>	<u>1,537,727</u>	<u>25,517</u>	<u>31,016</u>	<u>25</u>	<u>115,054</u>	<u>0</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenditures</i>	<u>(744,753)</u>	<u>39,303</u>	<u>(20,820)</u>	<u>8,555</u>	<u>157,256</u>	<u>0</u>
Other Financing Sources						
Transfers In	850,000	0	0	0	0	0
<i>Total Other Financing Sources</i>	<u>850,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	105,247	39,303	(20,820)	8,555	157,256	0
<i>Fund Balances Beginning of Year</i>	<u>507,822</u>	<u>147,564</u>	<u>82,640</u>	<u>110,405</u>	<u>115,634</u>	<u>13</u>
<i>Fund Balances End of Year</i>	<u>\$613,069</u>	<u>\$186,867</u>	<u>\$61,820</u>	<u>\$118,960</u>	<u>\$272,890</u>	<u>\$13</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, 2009

	Police Pension	Fire Pension	Tree Planting	Veteran's Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
Revenues						
Property Taxes	\$149,686	\$149,686	\$0	\$0	\$156,633	\$456,005
Intergovernmental	30,128	30,128	0	0	56,992	967,207
Interest	0	0	0	39	0	2,490
Fines, Licenses and Permits	0	0	0	0	0	14,515
Charges for Services	0	0	0	0	0	279,649
Other	0	0	0	425	0	2,731
<i>Total Revenues</i>	<u>179,814</u>	<u>179,814</u>	<u>0</u>	<u>464</u>	<u>213,625</u>	<u>1,722,597</u>
Expenditures						
Current:						
Security of Persons and Property:						
Police	180,098	0	0	0	0	180,123
Fire	0	180,098	0	0	0	257,761
Public Health and Welfare	0	0	0	0	213,625	213,625
Streets and Highways	0	0	0	0	0	1,563,244
General Government	0	0	910	270	0	32,196
Capital Outlay	0	0	0	0	0	37,391
<i>Total Expenditures</i>	<u>180,098</u>	<u>180,098</u>	<u>910</u>	<u>270</u>	<u>213,625</u>	<u>2,284,340</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenditures</i>	<u>(284)</u>	<u>(284)</u>	<u>(910)</u>	<u>194</u>	<u>0</u>	<u>(561,743)</u>
Other Financing Sources						
Transfers In	0	0	0	0	0	850,000
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>850,000</u>
<i>Net Change in Fund Balances</i>	<u>(284)</u>	<u>(284)</u>	<u>(910)</u>	<u>194</u>	<u>0</u>	<u>288,257</u>
<i>Fund Balances Beginning of Year</i>	<u>15,616</u>	<u>15,616</u>	<u>5,727</u>	<u>8,245</u>	<u>0</u>	<u>1,009,282</u>
<i>Fund Balances End of Year</i>	<u><u>\$15,332</u></u>	<u><u>\$15,332</u></u>	<u><u>\$4,817</u></u>	<u><u>\$8,439</u></u>	<u><u>\$0</u></u>	<u><u>\$1,297,539</u></u>

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

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,409,067	\$1,493,914	\$1,493,914	\$0
Income Taxes	11,457,458	11,357,458	11,361,956	4,498
Other Local Taxes	590,000	505,000	499,451	(5,549)
Intergovernmental	1,124,354	3,447,711	3,438,035	(9,676)
Interest	250,000	105,000	105,891	891
Fines, Licenses and Permits	1,032,420	958,660	952,541	(6,119)
Charges for Services	161,900	206,450	210,791	4,341
Other	301,300	312,768	309,514	(3,254)
<i>Total Revenues</i>	<u>16,326,499</u>	<u>18,386,961</u>	<u>18,372,093</u>	<u>(14,868)</u>
Expenditures				
Current:				
Public Safety:				
Police:				
Personal Services	4,110,033	4,217,223	4,053,571	163,652
Other	456,060	462,060	384,292	77,768
Total Police	<u>4,566,093</u>	<u>4,679,283</u>	<u>4,437,863</u>	<u>241,420</u>
Fire:				
Personal Services	3,085,900	3,159,802	2,938,839	220,963
Other	345,996	345,996	274,247	71,749
Total Fire	<u>3,431,896</u>	<u>3,505,798</u>	<u>3,213,086</u>	<u>292,712</u>
Safety Director:				
Personal Services	56,678	57,946	57,617	329
Other	575	575	17	558
Total Safety Director	<u>57,253</u>	<u>58,521</u>	<u>57,634</u>	<u>887</u>
Total Public Safety	<u>8,055,242</u>	<u>8,243,602</u>	<u>7,708,583</u>	<u>535,019</u>
Public Health and Welfare:				
Senior Bus:				
Other	91,228	91,228	90,613	615
Total Senior Bus	<u>91,228</u>	<u>91,228</u>	<u>90,613</u>	<u>615</u>
Senior Programs				
Personal Services	0	32,450	23,572	8,878
Other	0	17,550	9,981	7,569
Total Senior Programs	<u>0</u>	<u>50,000</u>	<u>33,553</u>	<u>16,447</u>
Total Public Health and Welfare	<u>91,228</u>	<u>141,228</u>	<u>124,166</u>	<u>17,062</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, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Community Development:				
Planning and Zoning:				
Personal Services	\$86,728	\$88,369	\$79,509	\$8,860
Other	4,450	4,450	2,376	2,074
Total Planning and Zoning	91,178	92,819	81,885	10,934
Building:				
Personal Services	494,386	507,563	455,702	51,861
Other	26,799	26,799	19,438	7,361
Total Building	521,185	534,362	475,140	59,222
Engineer:				
Other	61,500	61,500	49,415	12,085
Total Engineer	61,500	61,500	49,415	12,085
Total Community Development	673,863	688,681	606,440	82,241
Economic Development:				
Personal Services	115,286	118,283	117,781	502
Other	221,267	221,267	167,598	53,669
Total Economic Development	336,553	339,550	285,379	54,171
Sanitation:				
Refuse Removal:				
Total Refuse Removal	995,000	995,000	943,771	51,229
Total Sanitation	995,000	995,000	943,771	51,229
General Government:				
Mayor's Court:				
Personal Services	167,515	171,783	166,050	5,733
Other	67,328	67,328	54,771	12,557
Total Mayor's Court	234,843	239,111	220,821	18,290
Mayor:				
Personal Services	466,593	543,171	538,644	4,527
Other	23,086	23,086	17,006	6,080
Total Mayor	489,679	566,257	555,650	10,607

(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, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Finance:				
Personal Services	\$517,655	\$554,944	\$552,905	\$2,039
Other	62,630	62,630	50,989	11,641
Total Finance	580,285	617,574	603,894	13,680
Law:				
Personal Services	261,887	268,827	267,399	1,428
Other	91,860	91,860	27,742	64,118
Total Law	353,747	360,687	295,141	65,546
Service:				
Personal Services	2,700,975	2,724,770	2,660,431	64,339
Other	411,895	411,895	362,521	49,374
Total Service	3,112,870	3,136,665	3,022,952	113,713
Facilities Maintenance:				
Personal Services	328,046	386,715	378,017	8,698
Other	337,833	337,833	318,651	19,182
Total Facilities Maintenance	665,879	724,548	696,668	27,880
Council:				
Personal Services	327,783	332,064	318,383	13,681
Other	29,050	29,050	13,932	15,118
Total Council	356,833	361,114	332,315	28,799
Boards and Commissions:				
Personal Services	4,776	4,792	1,913	2,879
Other	11,950	11,950	8,697	3,253
Total Boards and Commissions	16,726	16,742	10,609	6,132
City Hall:				
Other	746,660	786,510	634,974	151,536
Statutory Accounts:				
Other	662,305	662,305	618,613	43,692
Total Statutory Accounts	662,305	662,305	618,613	43,692
Total General Government	7,219,827	7,471,513	6,991,637	479,876
Total Expenditures	17,371,713	17,879,574	16,659,976	1,219,598

(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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(\$1,045,214)</u>	<u>\$507,387</u>	<u>\$1,712,117</u>	<u>\$1,204,730</u>
Other Financing Sources (Uses)				
Advances In	0	300,000	300,000	0
Advances Out	0	(395,000)	(395,000)	0
Transfers Out	<u>(850,000)</u>	<u>(850,000)</u>	<u>(850,000)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(850,000)</u>	<u>(945,000)</u>	<u>(945,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,895,214)	(437,613)	767,117	1,204,730
<i>Fund Balance Beginning of Year</i>	2,492,128	2,492,128	2,492,128	0
Prior Year Encumbrances Appropriated	<u>294,053</u>	<u>294,053</u>	<u>294,053</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$890,967</u></u>	<u><u>\$2,348,568</u></u>	<u><u>\$3,553,298</u></u>	<u><u>\$1,204,730</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Recreation Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Income Taxes	\$1,776,000	\$1,650,000	\$1,644,495	(\$5,505)
Charges for Services	1,139,400	1,145,335	1,161,044	15,709
Other	1,000	3,555	3,833	278
<i>Total Revenues</i>	<u>2,916,400</u>	<u>2,798,890</u>	<u>2,809,372</u>	<u>10,482</u>
Expenditures				
Current:				
Culture and Recreation:				
Personal Services	2,058,691	2,084,847	2,022,460	62,387
Other	900,534	900,534	846,378	54,156
<i>Total Expenditures</i>	<u>2,959,225</u>	<u>2,985,381</u>	<u>2,868,838</u>	<u>116,543</u>
<i>Net Change in Fund Balance</i>	(42,825)	(186,491)	(59,466)	127,025
<i>Fund Balance Beginning of Year</i>	150,000	150,000	150,000	0
Prior Year Encumbrances Appropriated	<u>59,466</u>	<u>59,466</u>	<u>59,466</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$166,641</u>	<u>\$22,975</u>	<u>\$150,000</u>	<u>\$127,025</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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$429,884	\$449,059	\$449,059	\$0
Income Taxes	1,554,000	1,554,000	1,554,000	0
Intergovernmental	90,817	90,869	90,940	71
Interest	1,377	1,377	1,377	0
<i>Total Revenues</i>	<u>2,076,078</u>	<u>2,095,305</u>	<u>2,095,376</u>	<u>71</u>
Expenditures				
Current:				
General Government:				
Other	10,400	10,400	8,327	2,073
Debt Service:				
Principal Retirement	1,698,200	1,698,200	1,698,185	15
Interest and Fiscal Charges	451,800	451,800	451,619	181
<i>Total Expenditures</i>	<u>2,160,400</u>	<u>2,160,400</u>	<u>2,158,131</u>	<u>2,269</u>
<i>Net Change in Fund Balance</i>	(84,322)	(65,095)	(62,755)	2,340
<i>Fund Balance Beginning of Year</i>	<u>549,787</u>	<u>549,787</u>	<u>549,787</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$465,465</u></u>	<u><u>\$484,692</u></u>	<u><u>\$487,032</u></u>	<u><u>\$2,340</u></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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Special Assessments	\$145,200	\$155,200	\$155,908	\$708
Interest	73,880	73,880	73,834	(46)
<i>Total Revenues</i>	<u>219,080</u>	<u>229,080</u>	<u>229,742</u>	<u>662</u>
Expenditures				
Current:				
General Government:				
Other	12,200	12,200	2,162	10,038
Debt Service:				
Principal Retirement	137,100	137,100	137,022	78
Interest and Fiscal Charges	64,800	64,800	64,754	46
<i>Total Expenditures</i>	<u>214,100</u>	<u>214,100</u>	<u>203,938</u>	<u>10,162</u>
<i>Net Change in Fund Balance</i>	4,980	14,980	25,804	10,824
<i>Fund Balance Beginning of Year</i>	<u>703,505</u>	<u>703,505</u>	<u>703,505</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$708,485</u></u>	<u><u>\$718,485</u></u>	<u><u>\$729,309</u></u>	<u><u>\$10,824</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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Income Taxes	\$1,587,734	\$1,564,664	\$1,564,664	\$0
Charges for Services	15,711	6,711	12,475	5,764
Other	15,000	626,397	627,696	1,299
<i>Total Revenues</i>	<u>1,618,445</u>	<u>2,197,772</u>	<u>2,204,835</u>	<u>7,063</u>
Expenditures				
Current:				
Capital Outlay	2,335,115	3,174,045	3,030,155	143,890
<i>Total Expenditures</i>	<u>2,335,115</u>	<u>3,174,045</u>	<u>3,030,155</u>	<u>143,890</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(716,670)</u>	<u>(976,273)</u>	<u>(825,320)</u>	<u>150,953</u>
Other Financing Sources				
Advances In	0	395,000	395,000	0
Advances Out	0	(300,000)	(300,000)	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>95,000</u>	<u>95,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(716,670)	(881,273)	(730,320)	150,953
<i>Fund Balance Beginning of Year</i>	208,479	208,479	208,479	0
Prior Year Encumbrances Appropriated	<u>681,829</u>	<u>681,829</u>	<u>681,829</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$173,638</u></u>	<u><u>\$9,035</u></u>	<u><u>\$159,988</u></u>	<u><u>\$150,953</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Construction Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$790,000	\$790,000	\$782,760	(\$7,240)
Interest	6,000	1,500	1,295	(205)
Charges for Services	0	10,875	10,875	0
Other	15,000	2,720	1,270	(1,450)
<i>Total Revenues</i>	<u>811,000</u>	<u>805,095</u>	<u>796,200</u>	<u>(8,895)</u>
Expenditures				
Current:				
Transportation:				
Streets and Highways:				
Personal Services	770,745	781,743	726,842	54,901
Other	1,162,184	1,162,184	1,003,130	159,054
<i>Total Expenditures</i>	<u>1,932,929</u>	<u>1,943,927</u>	<u>1,729,972</u>	<u>213,955</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,121,929)</u>	<u>(1,138,832)</u>	<u>(933,772)</u>	<u>205,060</u>
Other Financing Sources				
Transfers In	850,000	850,000	850,000	0
<i>Net Change in Fund Balance</i>	(271,929)	(288,832)	(83,772)	205,060
<i>Fund Balance Beginning of Year</i>	230,737	230,737	230,737	0
Prior Year Encumbrances Appropriated	140,184	140,184	140,184	0
<i>Fund Balance End of Year</i>	<u>\$98,992</u>	<u>\$82,089</u>	<u>\$287,149</u>	<u>\$205,060</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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$64,500	\$64,500	\$63,467	(\$1,033)
Interest	2,500	600	615	15
Other	0	1,000	1,000	0
<i>Total Revenues</i>	<u>67,000</u>	<u>66,100</u>	<u>65,082</u>	<u>(1,018)</u>
Expenditures				
Current:				
Transportation:				
Streets and Highways:				
Other	<u>120,296</u>	<u>120,296</u>	<u>98,530</u>	<u>21,766</u>
<i>Net Change in Fund Balance</i>	(53,296)	(54,196)	(33,448)	20,748
<i>Fund Balance Beginning of Year</i>	104,254	104,254	104,254	0
Prior Year Encumbrances Appropriated	<u>35,296</u>	<u>35,296</u>	<u>35,296</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$86,254</u></u>	<u><u>\$85,354</u></u>	<u><u>\$106,102</u></u>	<u><u>\$20,748</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Clerk of Courts Computer Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines, Licenses and Permits	<u>\$10,000</u>	<u>\$10,000</u>	<u>\$10,196</u>	<u>\$196</u>
Expenditures				
Current:				
General Government:				
Other	<u>28,963</u>	<u>33,963</u>	<u>31,016</u>	<u>2,947</u>
<i>Net Change in Fund Balance</i>	(18,963)	(23,963)	(20,820)	3,143
<i>Fund Balance Beginning of Year</i>	80,177	80,177	80,177	0
Prior Year Encumbrances Appropriated	<u>2,463</u>	<u>2,463</u>	<u>2,463</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$63,677</u></u>	<u><u>\$58,677</u></u>	<u><u>\$61,820</u></u>	<u><u>\$3,143</u></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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$1,770	\$555	\$541	(\$14)
Intergovernmental	2,000	3,720	3,720	0
Fines, Licenses and Permits	2,700	3,900	4,368	468
<i>Total Revenues</i>	<u>6,470</u>	<u>8,175</u>	<u>8,629</u>	<u>454</u>
Expenditures				
Current:				
Public Safety:				
Other	2,000	2,000	25	1,975
<i>Net Change in Fund Balance</i>	4,470	6,175	8,604	2,429
<i>Fund Balance Beginning of Year</i>	<u>110,206</u>	<u>110,206</u>	<u>110,206</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$114,676</u></u>	<u><u>\$116,381</u></u>	<u><u>\$118,810</u></u>	<u><u>\$2,429</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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for Services	\$216,000	\$270,000	\$273,160	\$3,160
Intergovernmental	0	3,500	3,500	0
Other	0	36	36	0
<i>Total Revenues</i>	<u>216,000</u>	<u>273,536</u>	<u>276,696</u>	<u>3,160</u>
Expenditures				
Current:				
Transportation:				
Public Safety:				
Personal Services	31,185	32,122	31,130	992
Other	92,129	102,729	93,156	9,573
<i>Total Expenditures</i>	<u>123,314</u>	<u>134,851</u>	<u>124,286</u>	<u>10,565</u>
<i>Net Change in Fund Balance</i>	92,686	138,685	152,410	13,725
<i>Fund Balance Beginning of Year</i>	71,564	71,564	71,564	0
Prior Year Encumbrances Appropriated	<u>6,829</u>	<u>6,829</u>	<u>6,829</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$171,079</u></u>	<u><u>\$217,078</u></u>	<u><u>\$230,803</u></u>	<u><u>\$13,725</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Assistance to Firefighters Grant Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Expenditures				
Current:				
Capital Outlay:				
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>13</u>	<u>13</u>	<u>13</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$13</u></u>	<u><u>\$13</u></u>	<u><u>\$13</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
Police Pension Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$143,294	\$149,686	\$149,686	\$0
Intergovernmental	29,909	29,926	30,128	202
<i>Total Revenues</i>	<u>173,203</u>	<u>179,612</u>	<u>179,814</u>	<u>202</u>
Expenditures				
Current:				
Public Safety:				
Personal Services	180,000	180,000	180,000	0
Other	135	135	98	37
<i>Total Expenditures</i>	<u>180,135</u>	<u>180,135</u>	<u>180,098</u>	<u>37</u>
<i>Net Change in Fund Balance</i>	(6,932)	(523)	(284)	239
<i>Fund Balance Beginning of Year</i>	<u>15,616</u>	<u>15,616</u>	<u>15,616</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$8,684</u></u>	<u><u>\$15,093</u></u>	<u><u>\$15,332</u></u>	<u><u>\$239</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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$143,294	\$149,686	\$149,686	\$0
Intergovernmental	29,909	29,926	30,128	202
<i>Total Revenues</i>	<u>173,203</u>	<u>179,612</u>	<u>179,814</u>	<u>202</u>
Expenditures				
Current:				
Public Safety:				
Personal Services	180,000	180,000	180,000	0
Other	135	135	98	37
<i>Total Expenditures</i>	<u>180,135</u>	<u>180,135</u>	<u>180,098</u>	<u>37</u>
<i>Net Change in Fund Balance</i>	(6,932)	(523)	(284)	239
<i>Fund Balance Beginning of Year</i>	<u>15,616</u>	<u>15,616</u>	<u>15,616</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$8,684</u></u>	<u><u>\$15,093</u></u>	<u><u>\$15,332</u></u>	<u><u>\$239</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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for Services	<u>\$3,500</u>	<u>\$500</u>	<u>\$0</u>	<u>(\$500)</u>
Expenditures				
Current:				
General Government:				
Other	<u>9,200</u>	<u>6,200</u>	<u>910</u>	<u>5,290</u>
<i>Net Change in Fund Balance</i>	<u>(5,700)</u>	<u>(5,700)</u>	<u>(910)</u>	<u>4,790</u>
<i>Fund Balance Beginning of Year</i>	<u>5,727</u>	<u>5,727</u>	<u>5,727</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$27</u></u>	<u><u>\$27</u></u>	<u><u>\$4,817</u></u>	<u><u>\$4,790</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Veteran's Memorial Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$150	\$50	\$39	(\$11)
Other	500	500	425	(75)
<i>Total Revenues</i>	<u>650</u>	<u>550</u>	<u>464</u>	<u>(86)</u>
Expenditures				
Current:				
General Government:				
Other	8,850	8,750	270	8,480
<i>Net Change in Fund Balance</i>	(8,200)	(8,200)	194	8,394
<i>Fund Balance Beginning of Year</i>	<u>8,245</u>	<u>8,245</u>	<u>8,245</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$45</u></u>	<u><u>\$45</u></u>	<u><u>\$8,439</u></u>	<u><u>\$8,394</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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$154,002	\$156,633	\$156,633	\$0
Intergovernmental	56,308	56,992	56,992	0
<i>Total Revenues</i>	<u>210,310</u>	<u>213,625</u>	<u>213,625</u>	<u>0</u>
Expenditures				
Current:				
Public Health and Welfare:				
Other	209,450	213,625	213,625	0
<i>Net Change in Fund Balance</i>	860	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>\$860</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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	<u>\$100</u>	<u>\$20</u>	<u>\$19</u>	<u>(\$1)</u>
Expenditures				
Current:				
Capital Outlay:				
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	100	20	19	(1)
<i>Fund Balance Beginning of Year</i>	<u>4,038</u>	<u>4,038</u>	<u>4,038</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4,138</u></u>	<u><u>\$4,058</u></u>	<u><u>\$4,057</u></u>	<u><u>(\$1)</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Health Insurance Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for Service	<u>\$1,738,908</u>	<u>\$1,716,396</u>	<u>\$1,724,309</u>	<u>\$7,913</u>
Expenditures				
General Government:				
Other	<u>1,675,125</u>	<u>1,875,125</u>	<u>1,772,355</u>	<u>102,770</u>
<i>Net Change in Fund Balance</i>	63,783	(158,729)	(48,046)	110,683
<i>Fund Balance Beginning of Year</i>	<u>561,487</u>	<u>561,487</u>	<u>561,487</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$625,270</u></u>	<u><u>\$402,758</u></u>	<u><u>\$513,441</u></u>	<u><u>\$110,683</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, 2009

	Ending Balance 12/31/08	Additions	Deductions	Ending Balance 12/31/09
<i>Flexible Spending Account</i>				
Assets				
Equity in Pooled Cash and Investments	\$1,381	\$52,348	\$48,891	\$4,838
Liabilities				
Deposits Held and Due to Others	\$1,381	\$52,348	\$48,891	\$4,838
<i>Board of Buildings Standards Fee</i>				
Assets				
Equity in Pooled Cash and Investments	\$88	\$3,551	\$3,146	\$493
Liabilities				
Deposits Held and Due to Others	\$88	\$3,551	\$3,146	\$493
<i>Mayor's Court</i>				
Assets				
Equity in Pooled Cash and Investments	\$61,926	\$808,442	\$813,214	\$57,154
Liabilities				
Deposits Held and Due to Others	\$61,926	\$808,442	\$813,214	\$57,154
<i>Deposits</i>				
Assets				
Equity in Pooled Cash and Investments	\$158,681	\$89,221	\$83,344	\$164,558
Liabilities				
Deposits Held and Due to Others	\$158,681	\$89,221	\$83,344	\$164,558
<i>Total - All Agency Funds</i>				
Assets				
Equity in Pooled Cash and Investments	\$222,076	\$953,562	\$948,595	\$227,043
Liabilities				
Deposits Held and Due to Others	\$222,076	\$953,562	\$948,595	\$227,043

Statistical Section

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

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

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

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

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

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

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

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

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

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

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

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

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City of Middleburg Heights, Ohio

Net Assets by Component

Last Eight Years

(accrual basis of accounting)

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

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

	2009	2008	2007	2006	2005	2004	2003	2002
Program Revenues								
Governmental Activities:								
Charges for Services:								
Security of Persons and Property:								
Police	\$642,294	\$683,545	\$760,864	\$672,077	\$679,012	\$766,507	\$743,258	\$385,002
Fire	434,991	426,413	394,681	384,615	355,800	357,415	424,981	244,939
Safety Director	0	0	0	0	0	0	0	0
Public Health and Welfare	16,515	1,733	5,929	2,739	0	0	0	0
Culture and Recreation	1,177,233	1,172,304	1,121,296	1,105,925	1,054,775	992,986	921,023	777,934
Community Development	185,671	186,603	353,339	354,273	329,658	198,759	217,690	255,325
Economic Development	3,000	1,500	1,750	500	0	0	0	0
Streets and Highways	10,875	24,426	0	758	4,867	0	0	17,270
Sanitation	0	0	0	0	0	0	0	0
General Government	165,561	148,066	164,540	227,337	174,977	214,146	153,359	99,619
Interest and Fiscal Charges	0	0	0	0	0	0	0	0
Operating Grants and Contributions	849,270	875,100	862,363	938,974	761,102	756,071	689,679	633,117
Capital Grants and Contributions	7,258,633	162,694	184,981	1,138,124	1,153,013	539,301	1,362,161	1,231,366
Total Governmental Activities Program Revenues	10,744,043	3,682,384	3,849,743	4,825,322	4,513,204	3,825,185	4,512,151	3,644,572
Expenses								
Governmental Activities:								
Security of Persons and Property:								
Police	4,806,928	4,727,460	4,441,487	4,234,859	4,341,528	4,343,435	3,998,227	3,604,024
Fire	3,696,714	3,639,936	3,588,665	3,260,065	3,208,411	3,026,842	2,851,306	2,934,924
Safety Director	57,850	55,867	53,720	50,592	48,360	45,650	42,266	31,107
Public Health and Welfare	339,612	284,520	263,939	256,254	246,274	258,754	253,092	249,733
Culture and Recreation	3,280,588	3,163,391	3,159,631	3,013,378	3,080,371	3,152,424	2,924,858	2,800,419
Community Development	579,608	620,457	645,709	589,575	632,819	631,527	605,855	537,174
Economic Development	286,350	164,696	163,873	95,056	0	0	0	0
Streets and Highways	3,052,119	3,011,490	2,679,466	2,089,356	2,642,158	3,345,946	2,901,524	2,675,763
Sanitation	948,225	939,330	948,598	851,522	767,324	729,743	716,221	692,434

General Government	7,321,308	7,159,940	6,871,475	6,132,310	6,308,086	6,295,289	5,912,798	5,621,897
Interest and Fiscal Charges	580,827	474,061	836,386	905,016	974,678	1,045,256	1,127,571	1,210,872

Total Governmental Activities Expenses 24,950,129 24,241,148 23,652,949 21,477,983 22,250,009 22,874,866 21,333,718 20,358,347

Net (Expense)/Revenue

Governmental Activities:

Security of Persons and Property:

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

General Revenues

Property and Other Local Taxes Levied for:

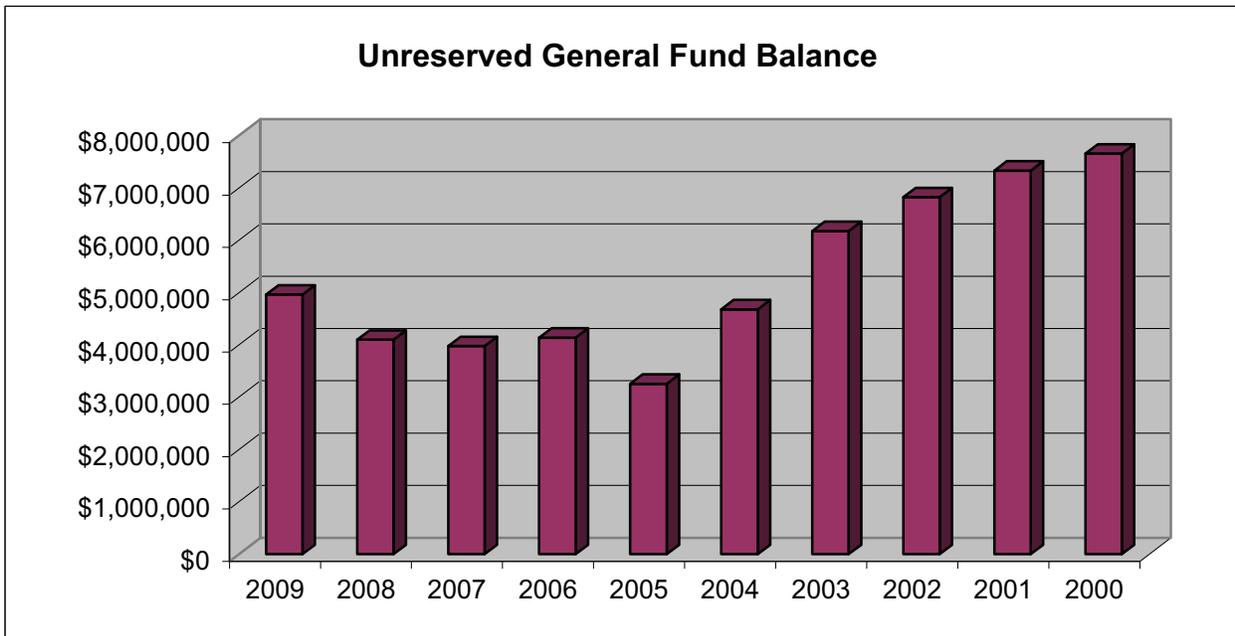
General Purposes	1,983,876	2,082,355	2,104,512	2,009,978	1,927,455	1,947,370	1,871,807	1,939,239
Debt Service	447,616	459,118	473,010	439,446	422,528	491,408	453,296	533,931
Police and Fire Pension	298,410	306,078	315,340	292,962	281,686	297,148	271,698	281,718
Public Health and Welfare	156,133	168,159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

Change in Net Assets

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

	2009	2008	2007	2006
General Fund				
Reserved	\$358,391	\$318,064	\$277,339	\$240,571
Unreserved	4,963,370	4,100,151	3,979,593	4,139,005
<i>Total General Fund</i>	<u>5,321,761</u>	<u>4,418,215</u>	<u>4,256,932</u>	<u>4,379,576</u>
All Other Governmental Funds				
Reserved	1,086,876	699,981	1,337,031	371,017
Unreserved, undesignated, reported in:				
Special Revenue Funds	1,314,357	1,096,393	842,138	924,331
Debt Service Funds	1,469,467	1,530,118	1,543,119	1,511,672
Capital Project Funds	(187,072)	483,222	755,356	1,432,101
<i>Total All Other Governmental Funds</i>	<u>3,683,628</u>	<u>3,809,714</u>	<u>4,477,644</u>	<u>4,239,121</u>
<i>Total Governmental Funds</i>	<u><u>\$9,005,389</u></u>	<u><u>\$8,227,929</u></u>	<u><u>\$8,734,576</u></u>	<u><u>\$8,618,697</u></u>



2005	2004	2003	2002	2001	2000
\$327,660	\$120,798	\$174,103	\$263,148	\$198,069	\$139,629
3,258,029	4,435,260	6,177,201	6,826,747	7,335,563	7,659,445
3,585,689	4,556,058	6,351,304	7,089,895	7,533,632	7,799,074
501,387	382,321	655,210	1,059,121	1,618,797	1,650,361
970,785	1,328,350	1,369,563	1,102,511	638,624	764,510
2,031,226	2,077,031	2,494,452	3,299,397	2,885,400	2,704,882
210,352	241,389	871,104	978,663	885,471	1,315,279
3,713,750	4,029,091	5,390,329	6,439,692	6,028,292	6,435,032
\$7,299,439	\$8,585,149	\$11,741,633	\$13,529,587	\$13,561,924	\$14,234,106

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

	2009	2008	2007	2006
Revenues				
Property Taxes	\$2,398,978	\$2,400,470	\$2,506,371	\$2,399,205
Income Taxes	15,810,195	16,176,983	15,421,461	13,754,427
Other Local Taxes	494,692	577,467	554,088	569,575
Intergovernmental	4,452,591	2,652,042	2,136,074	3,259,702
Special Assessments	155,908	213,368	177,035	223,391
Interest	158,609	339,326	537,883	456,495
Fines, Licenses and Permits	970,642	999,295	1,234,800	1,116,500
Charges for Services	1,677,224	1,669,275	1,545,425	1,594,664
Other	407,770	480,379	358,957	309,760
Total Revenues	26,526,609	25,508,605	24,472,094	23,683,719
Expenditures				
Current:				
General Government:				
Security of Persons and Property	8,049,713	7,928,650	7,522,883	7,055,890
Public Health and Welfare	338,927	280,413	259,832	252,147
Culture and Recreation	2,800,812	2,708,975	2,614,153	2,554,708
Community Development	597,099	613,927	626,627	570,045
Economic Development	280,958	150,505	161,916	86,653
Streets and Highways	1,563,244	1,729,497	1,581,516	1,322,841
Sanitation	948,225	939,330	948,598	851,522
General Government	6,765,399	6,371,715	6,166,876	5,609,843
Capital Outlay	2,144,886	2,703,366	1,735,992	1,446,315
Debt Service:				
Principal Retirement	1,925,422	2,276,598	1,900,036	1,833,587
Interest and Fiscal Charges	531,253	460,452	841,476	908,485
Bond Issuance Costs	0	194,549	0	0
Total Expenditures	25,945,938	26,357,977	24,359,905	22,492,036
<i>Excess of Revenues Over (Under) Expenditures</i>	580,671	(849,372)	112,189	1,191,683
Other Financing Sources (Uses)				
General Obligation Bonds Issued	0	0	0	0
Refunding Bonds Issued	0	12,180,000	0	0
Premium on Debt Issuance	0	187,315	690	0
Payment to Refunded Bond Escrow Agent	0	(12,171,866)	0	0
Sale of Capital Assets	800	10,000	3,000	7,475
Inception of Capital Lease	195,989	137,276	0	120,100
Transfers In	850,000	850,000	750,000	1,488,000
Transfers Out	(850,000)	(850,000)	(750,000)	(1,488,000)
<i>Total Other Financing Sources (Uses)</i>	196,789	342,725	3,690	127,575
<i>Net Change in Fund Balances</i>	\$777,460	(\$506,647)	\$115,879	\$1,319,258
Debt Service as a percentage of noncapital expenditures	9.87%	11.13%	11.71%	13.09%

2005	2004	2003	2002	2001	2000
\$2,321,783	\$2,368,704	\$2,245,912	\$2,288,560	\$2,095,127	\$1,866,997
12,914,040	12,554,485	12,555,322	12,303,925	12,720,629	12,834,407
542,499	532,080	581,244	601,078	684,553	718,032
2,101,960	2,405,486	3,033,358	1,945,744	6,215,508	2,296,007
220,757	257,223	212,521	386,563	141,037	129,693
287,866	153,393	225,762	393,370	817,361	1,212,912
1,138,066	1,139,530	1,071,550	708,045	680,870	775,737
1,450,352	1,422,075	1,419,832	991,998	874,296	811,018
286,986	246,698	271,142	494,481	196,619	306,831
<u>21,264,309</u>	<u>21,079,674</u>	<u>21,616,643</u>	<u>20,113,764</u>	<u>24,426,000</u>	<u>20,951,634</u>
7,220,518	7,187,492	6,356,082	5,918,175	5,962,994	4,905,637
242,167	251,187	244,428	240,355	20,524	20,879
2,631,011	2,648,981	2,485,636	2,328,033	2,202,176	1,608,700
638,449	623,163	598,079	522,904	486,411	405,971
0	0	0	0	0	0
1,758,966	1,618,920	1,529,623	1,328,920	995,240	860,832
767,324	729,743	716,221	692,434	670,964	641,825
5,814,271	5,866,851	5,373,213	4,966,300	4,726,051	4,560,407
745,997	2,503,769	3,273,070	2,717,128	7,292,919	10,473,147
1,783,106	1,757,653	1,697,225	1,696,822	1,716,441	1,657,007
977,988	1,048,399	1,131,020	1,252,987	1,291,137	1,342,311
0	0	0	0	0	0
<u>22,579,797</u>	<u>24,236,158</u>	<u>23,404,597</u>	<u>21,664,058</u>	<u>25,364,857</u>	<u>26,476,716</u>
<u>(1,315,488)</u>	<u>(3,156,484)</u>	<u>(1,787,954)</u>	<u>(1,550,294)</u>	<u>(938,857)</u>	<u>(5,525,082)</u>
0	0	0	905,000	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
29,778	0	0	0	0	0
0	0	0	0	0	0
850,000	797,018	1,227,083	1,111,466	765,067	206,599
<u>(850,000)</u>	<u>(797,018)</u>	<u>(1,227,083)</u>	<u>(1,111,466)</u>	<u>(702,338)</u>	<u>(206,599)</u>
<u>29,778</u>	<u>0</u>	<u>0</u>	<u>905,000</u>	<u>62,729</u>	<u>0</u>
<u>(\$1,285,710)</u>	<u>(\$3,156,484)</u>	<u>(\$1,787,954)</u>	<u>(\$645,294)</u>	<u>(\$876,128)</u>	<u>(\$5,525,082)</u>
12.98%	12.08%	13.38%	14.75%	12.36%	16.56%

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

Year	Property Taxes	Income Taxes	Other Local Taxes	Total
2009	\$2,398,978	\$15,810,195	\$494,692	\$18,703,865
2008	2,400,470	16,176,983	577,467	19,154,920
2007*	2,506,371	15,421,461	554,088	18,481,920
2006	2,399,205	13,754,427	569,575	16,723,207
2005	2,321,783	12,914,040	542,499	15,778,322
2004	2,368,704	12,554,485	532,080	15,455,269
2003	2,245,912	12,555,322	581,244	15,382,478
2002	2,288,560	12,303,925	601,078	15,193,563
2001	2,095,127	12,720,629	684,553	15,500,309
2000	1,866,997	12,834,407	718,032	15,419,436

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

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

Tax Year	Tax Rate	Total Tax Collected	Taxes from Withholding	Percentage of Taxes from Withholding	Taxes from Individuals	Percentage of Taxes from Individuals	Taxes from Net Profits	Percentage of Taxes from Net Profits
2009	2.00%	\$ 15,538,504	\$ 12,986,724	83.6%	\$ 939,809	6.0%	\$ 1,611,971	10.4%
2008	2.00%	15,934,338	12,922,443	81.1%	959,605	6.0%	2,052,290	12.9%
2007*	2.00%	14,954,277	12,551,335	83.9%	883,312	5.9%	1,519,630	10.2%
2006	1.75%	13,426,469	11,102,728	82.7%	777,397	5.8%	1,546,344	11.5%
2005	1.75%	12,441,974	10,426,199	83.8%	792,071	6.4%	1,223,704	9.8%
2004	1.75%	12,608,294	10,855,024	86.1%	718,757	5.7%	1,034,513	8.2%
2003	1.75%	12,592,155	10,461,929	83.1%	768,988	6.1%	1,361,238	10.8%
2002	1.75%	12,021,744	10,393,208	86.4%	768,275	6.4%	860,261	7.2%
2001	1.75%	12,369,314	10,488,588	84.8%	824,298	6.7%	1,056,428	8.5%
2000	1.75%	12,494,592	10,704,686	85.7%	777,193	6.2%	1,012,713	8.1%

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

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

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

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

2009	
Rank	Taxpayer
1	Southwest General Hospital
2	United Parcel Service
3	Amerimark Direct LLC
4	Quadax Inc.
5	City of Middleburg Heights
6	Berea City School District
7	Codonics Inc.
8	Polaris Joint Vocational School
9	Zin Technologies Inc.
10	Nova Machine Products Inc.

2000		
2009 Rank	Rank	Taxpayer
1	1	Southwest General Hospital
2	2	United Parcel Service
16	3	Sears Roebuck and Company
-	4	Compuware Corporation
-	5	Advanstar Communications Incorporated
6	6	Berea City School District
8	7	Polaris Joint Vocational School
5	8	City of Middleburg Heights
-	9	Tool Producers Incorporated
14	10	Sunnyside Automotive

Source: Regional Income Tax Agency

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

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

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

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

Source: Cuyahoga County Auditor

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

Tax Year/ Collection Year	Real Property (1)			Personal Property (1)			Public Utility Property (1)			Total			Ratio of Total Assessed 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	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Estimated Value	Actual Value	
2000/2001	452,686,520	1,293,390,057	48,858,969	195,435,876	18,908,480	21,486,909	520,453,969	1,510,312,842							34.5%
2001/2002	456,826,300	1,305,218,000	47,573,331	190,293,324	14,925,620	16,960,932	519,325,251	1,512,472,256							34.3%
2002/2003	464,168,000	1,326,194,286	46,222,909	184,891,636	13,550,990	15,398,852	523,941,899	1,526,484,774							34.3%
2003/2004	491,230,770	1,403,516,486	44,252,676	177,010,704	13,459,950	15,295,398	548,943,396	1,595,822,588							34.4%
2004/2005	498,434,550	1,424,098,714	45,358,039	197,208,815	13,200,050	15,000,057	556,992,639	1,636,307,586							34.0%
2005/2006	494,600,890	1,413,145,400	45,922,606	199,663,504	11,822,630	13,434,807	552,346,126	1,626,243,711							34.0%
2006/2007	538,328,450	1,538,081,285	38,632,772	206,041,450	11,795,370	13,403,829	588,756,592	1,757,526,564							33.5%
2007/2008	542,446,760	1,549,847,885	26,697,752	213,582,016	9,997,300	11,360,568	579,141,812	1,774,790,469							32.6%
2008/2009	544,498,220	1,555,709,200	14,219,539	227,512,624	10,284,260	11,686,659	569,002,019	1,794,908,483							31.7%
2009/2010	520,228,840	1,486,368,114	-	-	10,739,770	12,204,284	530,968,610	1,498,572,398							35.4%

(1) The percentages for tax year 2009 were 35% for all Real Property and 88% for Public Utility Property.

Source: Cuyahoga County Auditor

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

Tax Year/ Collection Year	Current Levy (1)	Current Collections	Percent of Current Levy Collected	Collection Including Delinquencies (1)	Total Collections As Percent of Current Levy	Accumulated Delinquency
1999/2000	2,042,289	1,973,594	96.6	2,017,915	98.8	94,684
2000/2001	2,297,430	2,191,586	95.4	2,285,460	99.5	105,464
2001/2002	2,340,255	2,216,737	94.7	2,291,772	97.9	163,897
2002/2003	2,294,350	2,196,677	95.7	2,256,797	98.4	115,621
2003/2004	2,420,193	2,292,801	94.7	2,354,793	97.4	162,854
2004/2005	2,453,253	2,277,192	92.8	2,340,210	95.4	111,224
2005/2006	2,423,430	2,299,832	94.9	2,363,723	97.5	84,041
2006/2007	2,619,454	2,501,316	95.5	2,550,730	97.4	90,448
2007/2008	2,712,622	2,574,035	94.9	2,655,520	97.9	124,972
2008/2009	2,645,923	2,539,405	96.0	2,623,494	99.2	115,126

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

Source: Cuyahoga County Auditor

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

	2009	2008	2007
General Obligation Bonds	\$11,456,736	\$13,154,922	\$14,796,884
Percent of estimated actual property value	0.76%	0.73%	0.83%
Per Capita	\$737.15	\$846.41	\$952.06
Special Assessment Bonds	1,227,784	1,364,806	1,509,480
Bond Anticipation Notes	500,000	0	0
Total Gross Indebtedness	<u>13,184,520</u>	<u>14,519,728</u>	<u>16,306,364</u>
Percentage of Personal Income	3.37%	3.71%	4.16%
Per Capita	\$848.32	\$934.23	\$1,049.18
Less:			
Special Assessment Bonds	(1,227,784)	(1,364,806)	(1,509,480)
Community & Service Center Refunding Bonds	(10,565,000)	(11,915,000)	0
Community Center Bonds	0	0	(8,853,500)
Service Center Bonds	0	0	(4,258,500)
General Obligation Bond Retirement Fund Balance	<u>(739,402)</u>	<u>(825,810)</u>	<u>(842,882)</u>
Total Net Debt Applicable to Debt Limit	<u>652,334</u>	<u>414,112</u>	<u>842,002</u>
Overall Legal Debt Limit			
10 1/2% of Assessed Valuation	<u>55,751,704</u>	<u>59,745,212</u>	<u>60,809,890</u>
Legal Debt Margin Within 10 1/2% Limitations	<u>\$55,099,370</u>	<u>\$59,331,100</u>	<u>\$59,967,888</u>
Legal Debt Margin as a Percentage of the Debt Limit	98.83%	99.31%	98.62%
Unvoted Debt Limitation			
5 1/2% of Assessed Valuation	\$29,203,274	\$31,295,111	\$31,852,800
Net Unvoted Indebtedness Authorized by Council	13,184,520	14,519,728	16,306,364
Less:			
Special Assessment Bonds	(1,227,784)	(1,364,806)	(1,509,480)
Community & Service Center Refunding Bonds	(10,565,000)	(11,915,000)	0
Community Center Bonds	0	0	(8,853,500)
Service Center Bonds	0	0	(4,258,500)
General Obligation Bond Retirement Fund Balance	<u>(739,402)</u>	<u>(825,810)</u>	<u>(842,882)</u>
Net Debt Within 5 1/2% Limitations	<u>652,334</u>	<u>414,112</u>	<u>842,002</u>
Unvoted Legal Debt Margin Within 5 1/2% Limitations	<u>\$28,550,940</u>	<u>\$30,880,999</u>	<u>\$31,010,798</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation	97.77%	98.68%	97.36%

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

2006	2005	2004	2003	2002	2001	2000
\$16,423,178	\$18,110,804	\$19,769,318	\$21,408,718	\$22,989,008	\$24,621,629	\$26,264,138
0.93%	1.11%	1.21%	1.34%	1.51%	1.63%	1.74%
\$1,056.70	\$1,165.28	\$1,271.99	\$1,377.48	\$1,479.15	\$1,584.20	\$1,689.88
1,647,282	1,763,243	1,887,835	2,006,087	2,123,022	1,282,223	1,356,155
0	0	0	500,000	600,000	2,215,000	920,000
18,070,460	19,874,047	21,657,153	23,914,805	25,712,030	28,118,852	28,540,293
4.61%	5.07%	5.53%	6.11%	6.56%	7.18%	7.29%
\$1,162.69	\$1,278.73	\$1,393.46	\$1,538.72	\$1,654.36	\$1,809.22	\$1,836.33
(1,647,282)	(1,763,243)	(1,887,835)	(2,006,087)	(2,123,022)	(1,282,223)	(1,356,155)
0	0	0	0	0	0	0
(9,783,500)	(10,703,500)	(11,613,500)	(12,513,500)	(13,383,500)	(14,218,500)	(15,023,500)
(4,708,500)	(5,128,500)	(5,538,500)	(5,948,500)	(6,348,500)	(6,738,500)	(7,188,500)
(780,071)	(1,331,605)	(1,392,721)	(1,694,483)	(1,995,372)	(1,936,630)	(1,799,118)
1,151,107	947,199	1,224,597	1,752,235	1,861,636	3,942,999	3,173,020
61,819,442	57,996,343	58,484,227	57,639,057	55,013,899	54,529,151	54,647,667
\$60,668,335	\$57,049,144	\$57,259,630	\$55,886,822	\$53,152,263	\$50,586,152	\$51,474,647
98.14%	98.37%	97.91%	96.96%	96.62%	92.77%	94.19%
\$32,381,613	\$30,379,037	\$30,634,595	\$30,191,887	\$28,816,804	\$28,562,889	\$28,624,968
18,070,460	19,874,047	21,657,153	23,914,805	25,712,030	28,118,852	28,540,293
(1,647,282)	(1,763,243)	(1,887,835)	(2,006,087)	(2,123,022)	(1,282,223)	(1,356,155)
0	0	0	0	0	0	0
(9,783,500)	(10,703,500)	(11,613,500)	(12,513,500)	(13,383,500)	(14,218,500)	(15,023,500)
(4,708,500)	(5,128,500)	(5,538,500)	(5,948,500)	(6,348,500)	(6,738,500)	(7,188,500)
(780,071)	(1,331,605)	(1,392,721)	(1,694,483)	(1,995,372)	(1,936,630)	(1,799,118)
1,151,107	947,199	1,224,597	1,752,235	1,861,636	3,942,999	3,173,020
\$31,230,506	\$29,431,838	\$29,409,998	\$28,439,652	\$26,955,168	\$24,619,890	\$25,451,948
96.45%	96.88%	96.00%	94.20%	93.54%	86.20%	88.92%

City of Middleburg Heights, Ohio
Computation of Direct and Overlapping Debt
December 31, 2009

Jurisdiction	Debt Outstanding	Percentage Applicable To City of Middleburg Heights	Amount Applicable To City of Middleburg Heights
Direct:			
City of Middleburg Heights	\$ 13,184,520 (a)	100.00%	\$ 13,184,520
Overlapping:			
Berea School District	15,620,000 (b)	37.09%	5,793,458
Cuyahoga County	336,472,572 (b)	1.79%	6,022,859
Greater Cleveland Regional Transit	163,025,000 (b)	1.79%	2,918,148
Total Overlapping	<u>515,117,572</u>		<u>14,734,465</u>
Total Direct and Overlapping	<u>\$ 528,302,092</u>		<u>\$ 27,918,985</u>

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

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

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

Year	Population (1)		Total Personal Income (2)	Per Capita Personal Income (1)		Median Household Income (1)	Unemployment Rate (3)	
2009	15,542	a	\$391,673,942	\$25,201	a	\$60,015	a	9.0%
2008	15,542	a	391,673,942	25,201	a	60,015	a	6.6%
2007	15,542	a	391,673,942	25,201	a	60,015	a	5.9%
2006	15,542	a	391,673,942	25,201	a	60,015	a	5.4%
2005	15,542	a	391,673,942	25,201	a	60,015	a	6.5%
2004	15,542	a	391,673,942	25,201	a	60,015	a	6.5%
2003	15,542	a	391,673,942	25,201	a	60,015	a	6.7%
2002	15,542	a	391,673,942	25,201	a	60,015	a	6.5%
2001	15,542	a	391,673,942	25,201	a	60,015	a	4.6%
2000	15,542	a	391,673,942	25,201	a	60,015	a	4.4%

(1) Source: U.S. Bureau of the Census
(a) 2000 Federal Census

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

(3) Source: Ohio Bureau of Employment Services,
U.S. Department of Labor, Bureau of Labor Statistics for Cleveland MSA

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

2009		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Southwest General Hospital	2,695	15.77%
United Parcel Service	1,862	10.90%
Amerimark Direct LLC	555	3.25%
Middleburg-Legacy Place LLC	517	3.03%
City of Middleburg Heights	426	2.49%
Quadax, Inc.	410	2.40%
Sears Roebuck & Company	402	2.35%
Polaris Joint Vocational	301	1.76%
Berea City School District	273	1.60%
Giant Eagle	257	1.50%
Total	7,698	45.05%
Total City Employment	17,088	

2000		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Southwest General Hospital	2,849	13.87%
United Parcel Service	2,555	12.44%
Sears Roebuck & Company	1,360	6.62%
City of Middleburg Heights	457	2.22%
Polaris Joint Vocational	454	2.21%
Berea City School District	308	1.50%
Transamerica Holdings	305	1.48%
Advanstar Communications	230	1.12%
Codonics, Inc.	121	0.59%
Cardiovascular Medicine Associates	36	0.18%
Total	8,675	42.22%
Total City Employment	20,546	

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

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

Function/Program	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
General Government:										
Council	2	2	2	2	2	2	2	2	2	2
Finance	5	5	5	5	5	5	5	5	5	5
Law	2	2	2	2	2	2	2	2	2	2
Mayor's Court	2	2	2	2	2	2	2	2	2	2
Mayor's Office	4	4	4	4	4	4	4	4	4	4
Public Service	34	33	33	32	33	33	33	32	32	31
Community Development:										
Planning & Zoning	1	1	1	1	1	1	1	1	1	1
Building	4	5	5	5	5	5	5	5	5	5
Economic Development:										
	1	1	1	1	0	0	0	0	0	0
Public Safety:										
Police	38	38	38	38	39	41	41	40	40	39
Fire	27	27	26	26	26	26	27	27	28	25
Culture and Recreation:										
Programs	2	2	2	2	2	2	2	2	2	2
Recreation Center	11	11	11	11	11	12	12	13	12	12
Streets and Highways:										
Street Department	10	10	10	11	12	12	12	12	12	12
Totals:	<u>143</u>	<u>143</u>	<u>142</u>	<u>142</u>	<u>144</u>	<u>147</u>	<u>148</u>	<u>147</u>	<u>147</u>	<u>142</u>

Source: City of Middleburg Heights, Finance Department

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

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Operating Indicators by Function/Program										
Fire										
Emergency Responses	2,498	2,647	2,565	2,431	2,471	2,355	2,424	2,163	2,063	1,968
Ambulance runs	1,823	1,848	1,711	1,606	1,755	1,738	1,866	1,709	1,475	1,354
Fire Runs	675	799	854	825	716	617	558	454	588	614
Fire Safety Inspections/Re-Inspections	453	387	387	230	267	231	283	387	802	667
Fire Protection Systems Inspected	226	211	331	129	208	355	380	195	178	260
Building/Fire Protection Plan Review	138	177	300	275	261	173	15	N/A	N/A	N/A
Number of Community Program Hours	440	261	180	218	220	125	94	80	124	64
Hydrants Tested	1,100	1,100	1,100	1,100	1,100	1,078	1,078	1,078	1,078	1,058
Public Service										
Snowfall in inches ¹	66.7	85.3	62.3	34.6	108.4	95.8	98.6	69.8	49.8	81.2
Tons of salt used	5,000	6,000	7,286	3,255	7,500	5,080	6,999	5,000	4,480	6,400
Asphalt used in road maintenance (tons)	447	149.5	191	117.0	160.5	213.5	164.5	156.5	170.5	216.0
Concrete used in road maintenance (yards)	210	314.5	376.5	272.0	389.5	203.0	162.0	123.5	140.5	132.0
Number of Trees removed	53	115	158	78	88	148	84	114	90	87
Number of Trees planted	155	119	154	99	102	177	191	200	93	214
Senior citizen driveway plowing participants	1,112	1,119	1,100	1,100	1,071	1,129	1,073	1,024	938	930
Building										
Number of Permits issued by type:										
Building Permits	148	186	269	255	273	279	261	293	243	303
Electrical Permits	142	177	220	226	244	248	243	239	216	270
Plumbing Permits	78	96	131	125	139	179	161	185	180	235
HVAC Permits	102	127	142	153	188	199	224	217	169	239
Miscellaneous Permits	631	633	676	674	673	715	699	575	551	525
Inspections performed	1,577	1,000	2,705	2,743	3,285	3,445	3,288	2,920	2,653	2,676
Estimated value of construction	\$10,141,903	\$16,361,351	\$34,020,291	\$21,074,047	\$24,200,342	\$15,857,695	\$14,233,591	\$22,350,722	\$17,761,608	\$27,066,342
Number of Plans examined	54	124	136	80	59	21	24	23	24	57
Court										
Number of court cases	6,831	7,237	6,796	7,195	7,980	10,251	9,015	5,405	4,515	4,168
Number of tickets	5,670	5,985	6,610	5,828	6,430	8,917	7,524	4,530	3,723	3,349
Number of Transferred Cases	303	291	385	359	530	631	467	362	284	559
Number of Waivers taken at Violations Bureau (Estimated)	2,072	2,274	2,655	1,897	2,322	2,600	2,000	1,000	900	800
Number of Court Appearances (Estimated prior to 2005)	2,864	3,162	3,167	1,155	1,786	2,000	1,800	1,500	1,200	1,000
Number of Waivers received by Mail (Estimated)	2,072	2,274	2,654	1,898	2,322	4,300	3,700	2,000	1,600	1,500

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

Operating Indicators by Function/Program	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Council										
Number of Ordinances & resolutions	100	111	123	83	133	104	92	108	127	128
Finance										
Number of checks processed (excluding payroll)	3,578	3,644	3,756	3,561	3,474	3,826	3,741	4,135	4,142	3,648
Number of Purchase orders issued	3,251	3,197	3,400	3,264	3,504	3,755	3,711	4,189	4,104	3,604
Number of W-2 forms issued	426	435	420	420	438	477	484	485	471	457
City W-2 Wages (in Millions) ²	\$11.51	\$11.10	\$10.63	\$10.34	\$10.22	\$10.20	\$9.42	\$8.90	\$8.19	\$7.00
Mayor's Office										
Newsletters mailed (Winter and Summer issues) ³	8,384	8,494	8,377	15,642	16,110	14,746	13,846	12,944	12,944	N/A
Recreation										
Number of Memberships	7,681	7,944	7,829	7,658	7,239	7,360	6,686	6,419	6,040	7,358
Learn to Swim enrollment	1,358	1,419	1,481	1,344	1,418	1,367	1,252	1,152	808	N/A
Enrollment in athletics programs	1,928	1,910	2,072	1,973	2,029	2,081	2,045	1,919	1,847	1,790
Number of Rental Events	1,783	1,800	1,595	1,549	1,429	1,301	1,220	1,185	1,139	506
Enrollment in classes, programs, and special events	10,674	10,542	9,756	5,312	5,213	5,344	4,592	4,786	3,899	1,877
Law										
Number of new litigations filed (traffic & criminal cases)	628	615	689	659	1,266	1,100	914	742	618	627
Number of Municipal Court cases heard and disposed	682	661	706	812	1,151	1,140	961	783	575	622
Planning & Zoning										
Number of Planning commission agenda items	52	79	94	73	72	87	78	92	81	85
Civil Service										
Number of Exams given	97	57	73	37	123	59	144	25	98	37

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

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

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

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

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

Function/Program	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General Government:										
Other Departmental Vehicles	5	5	7	6	6	6	6	4	4	4
City Hall Square Footage	18,746	18,746	18,746	18,746	18,746	18,746	18,746	18,746	18,746	18,746
Police:										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Vehicles	23	23	29	22	21	22	22	21	19	19
Square Footage of Building	13,400	13,400	13,400	13,400	13,400	13,400	13,400	13,400	13,400	13,400
Fire:										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Vehicles	10	10	10	10	10	10	10	10	10	10
Square Footage of Building	19,730	19,730	19,730	19,730	19,730	19,730	19,730	19,730	19,730	19,730
Culture and Recreation:										
Number of Parks	1	1	1	1	1	1	1	1	1	1
Number of Vehicles	1	1	2	2	3	3	3	2	2	2
Recreation Center Square Footage	83,768	83,768	83,768	83,768	83,768	83,768	83,768	83,768	83,768	83,768
Public Service:										
Number of Vehicles	43	45	42	41	44	43	42	44	42	41
Service Center Square Footage	62,445	62,445	62,445	62,445	62,445	62,445	62,445	62,445	62,445	62,445
Streets (miles)	65	65	65	65	65	65	65	65	65	65
Senior Transportation:										
Number of Vehicles	2	2	2	2	2	2	2	2	2	1

Source: City of Middleburg Heights, Finance Department

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

**Report Package
December 31, 2009**

CITY OF MIDDLEBURG HEIGHTS

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

April 30, 2010

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Middleburg Heights as of and for the year ended December 31, 2009, which collectively comprise the City of Middleburg Heights' basic financial statements and have issued our report thereon dated April 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Rea & Associates, Inc.



Mary Taylor, CPA
Auditor of State

CITY OF MIDDLEBURG HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 8, 2010**