



Dave Yost • Auditor of State



**CITY OF MIDDLEBURG HEIGHTS  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	1

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Middleburg Heights  
Cuyahoga County  
15700 Bagley Road  
Middleburg Heights, Ohio 44130

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Middleburg Heights, Cuyahoga County, (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 27, 2013, wherein we noted the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

Columbus, Ohio

June 27, 2013

---

# City Of Middleburg Heights, Ohio



## **Comprehensive Annual Financial Report**

For The Year Ended December 31, 2012

---

Issued By The Department of Finance

Jason Stewart, CPA  
Director

Nicholas Vitalone, CPA  
Assistant Director

**(THIS PAGE INTENTIONALLY LEFT BLANK)**



# Introductory Section



**(THIS PAGE INTENTIONALLY LEFT BLANK)**

**City of Middleburg Heights, Ohio**  
*Comprehensive Financial Annual Report*  
*For the Year Ended December 31, 2012*  
*Table of Contents*

***I. Introductory Section***

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

***II. Financial Section***

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet-Governmental Funds.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.....	19
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP Basis) and Actual:	
General Fund.....	21
Recreation Fund.....	22
Statement of Fund Net Position-Proprietary Fund.....	23
Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Fund.....	24
Statement of Cash Flows-Proprietary Fund.....	25
Statement of Fiduciary Assets & Liabilities-Agency Funds.....	26
Notes to the Basic Financial Statements.....	27
Combining Statements and Individual Fund Schedules:	
Combining Statements Non-major Governmental Funds:	
Fund Descriptions.....	53
Combining Balance Sheet-Nonmajor Governmental Funds.....	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Nonmajor Governmental Funds..	56
Combining Balance Sheet-Nonmajor Special Revenue Funds...	57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Nonmajor Special Revenue Funds	59

**City of Middleburg Heights, Ohio**  
*Comprehensive Financial Annual Report*  
*For the Year Ended December 31, 2012*  
*Table of Contents*

Individual Fund Schedules of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP Basis) and Actual:	
Major Funds:	
General Fund.....	62
Recreation Fund.....	66
Bond Retirement Fund.....	67
Capital Improvements Fund.....	68
Non-major Funds:	
Street Construction Fund.....	69
State Highway Fund.....	70
Clerk of Courts Computer Fund.....	71
Law Enforcement Fund.....	72
Medical Transport Fund.....	73
Police Pension Fund.....	74
Fire Pension Fund.....	75
Tree Planting Fund.....	76
Veteran’s Memorial Fund.....	77
Southwest General Hospital Fund.....	78
Community Center Fund.....	79
Health Insurance Fund.....	80
Combining Statements-Agency Funds:	
Fund Descriptions.....	81
Combining Statement of Changes in Assets and Liabilities-Agency Funds.....	82

***III. Statistical Section***

Table of Contents .....	84
Net Position by Component-Last Ten Years.....	85
Changes in Net Position-Last Ten Years.....	86
Fund Balances, Governmental Funds- Last Ten Years.....	88
Changes in Fund Balances, Governmental Funds-Last Ten Years.....	90
Tax Revenues by Source, Governmental Funds-Last Ten Years.....	92
Income Tax Revenue Base and Collections-Last Ten Years.....	93
Principal Taxpayers-Current and Nine Years Ago.....	94
Property Tax Rates-All Direct and Overlapping Governments- Last Ten Years.....	95
Assessed and Estimated Actual Value of Taxable Property- Last Ten Years.....	96
Property Tax Levies and Collections-Real and Public Utility Taxes-Last Ten Years.....	97

**City of Middleburg Heights, Ohio**  
*Comprehensive Financial Annual Report*  
*For the Year Ended December 31, 2012*  
*Table of Contents*

Ratios of General Bonded Debt and Legal Debt Margins- Last Ten Years.....	98
Computation of Direct and Overlapping Debt.....	100
Demographic and Economic Statistics-Last Ten Years.....	101
Principal Employers-Current and Nine Years Ago.....	102
Full-time City Employees by Function/Program-Last Ten Years.....	103
Operating Indicators by Function/Program-Last Ten Years.....	104
Capital Asset Statistics by Function/Program-Last Ten Years.....	106

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

15700 Bagley Road • Middleburg Heights, Ohio 44130-4832  
440/234-8989 • Fax: 234/4934 • E-mail: [finance@middleburgheights.com](mailto:finance@middleburgheights.com)



**Gary W. Starr**  
Mayor

**Jason Stewart, CPA**  
Director of Finance

June 27, 2013

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 unaudited financial reports prepared on a GAAP (Generally Accepted Accounting Principles) basis with the Auditor of State within five months of the close of each fiscal year. This report is published to fulfill that requirement for the fiscal year ended December 31, 2012.

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.

The Auditor of the State of Ohio has issued an unmodified opinion on the City of Middleburg Heights' financial statements for the year ended December 31, 2012. 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 nonmajor funds and other schedules that follow the basic financial statements provide more detailed information about the City's financial condition.

### **PROFILE OF THE GOVERNMENT**

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

The City operates under and is governed by its Charter, which was first adopted by the voters in 1961. The Charter has been and may be amended by the voters from time to time. The City is also subject to some general laws applicable to all Ohio cities. Under the State Constitution, the City may exercise all powers of local self-government and police powers to the extent not in conflict with applicable general laws. The Charter provides for a Mayor-Council form of government.

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

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

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

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

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

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

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

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

As discussed in the notes, the City participates in several jointly governed organizations, including the Southwest General Health Center, the Woodvale Union Cemetery, the Southwest Council of Governments, the Northeast

Ohio Public Energy Council, and the Suburban Water Regional Council of Governments. Note 18 describes the City's relationship to these entities.

**Budget Process:** Although City Council is required to adopt a temporary budget by no later than the close of the fiscal year, and a final budget within 90 days of the new year; the final operating budget has been prepared and adopted by the close of the fiscal year for the last 25 years. The Capital Budget is customarily passed within 90 days of the start of the new year. 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**

Since the creation of the City's Department of Economic Development in 2006, the City has realized the creation or retention of approximately 4,600 jobs in the City totaling over \$124,800,000 in payroll and approximately \$2,490,000 in municipal income tax revenue annually. In particular, the City has seen a significant growth in medical and health related businesses over the last decade. The City has actively promoted what we refer to as our "Medical Corridor" which consists of over 1.4 million square feet of medical and medical office space in the City. The City has significant representation of Northeast Ohio's largest healthcare providers in our City. Southwest General Health Center, in partnership with University Hospitals of Cleveland, has continued as the largest employer in the City of Middleburg Heights. The Cleveland Clinic also has four specialized facilities in Middleburg Heights; they include their Children's Hospital Therapy Services Center, Orthopedics Center, Sports Medicine and Therapy Services Center, and their Cardiology Services Center.

Additionally, two commercial development projects are currently underway that will add significantly to the medical presence in Middleburg Heights, and will bring world-class architectural design to the City.

Southwest General Health Center has announced plans to invest \$128 million dollars in its facilities over the coming years in a two-phase project. The first phase, which began in May 2012, will include the construction of a new emergency department, a new critical care unit, and a new patient parking garage. The current emergency department is designed to serve 35,000 patients annually, but is currently serving over 48,000 patients. The new emergency department will be designed to handle as many as 60,000 patients annually.

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

Similarly, the Metro Health System will be constructing a new ambulatory health center at the intersection of Interstate 71 and Pearl Road on a ten-acre parcel in Middleburg Heights. Construction began in 2012, and the facility is expected to be completed in summer 2013 at an estimated total cost of \$23 million.

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

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



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.

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

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

The City of Middleburg Heights worked with The Brewer-Garrett Company to facilitate a \$3.2 million expansion and improvement project at the company's headquarters in our community. The project involved the conversion of approximately 10,000 square-feet of existing shop space into new office space to accommodate the hiring of over 44 new employees over the next three years. Site and exterior building improvements were also completed as part of the project. The company currently has over 70 employees in Middleburg Heights.

There are also a number of development projects planned for the near future in the City. Engineering plans have been completed for a 65 acre expansion of the existing industrial park at Engle Road and Englewood Drive. The City has been in discussions with the Ohio Department of Development regarding possible State funding for property improvements.

Also, the Harsax Commerce Park Development is a planned mixed-use development project that will include the construction of a new dedicated street on twenty acres of vacant land on Engle Road adjacent to Interstate 71. The developer has identified potential end users for this project which will accommodate office, light industrial, and general business operations.

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

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

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

the forecast are the Law Enforcement Trust Funds, the Court Computer Fund, the Community Center Fund, and all Trust Funds. The forecast is a document through which costs are identified and matched to projected funding sources. The plan is updated biannually to reflect changes to operational costs and revenue projections.

Although the City has not adopted a formal minimum fund balance policy, the City's goal is to strive to maintain a 15-20% fund balance reserve amongst all funds. The Finance Department reviews all transactions on an on-going basis and works diligently to monitor revenues and expenditures so that all funds maintain adequate balances.

## 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, 2011. 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 seventeen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

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

In closing, I would like to thank the Mayor and the members of Middleburg Heights City Council, and the citizens of this fine City for their continued support. The collaboration of the aforementioned parties helps ensure the continued financial integrity of the City.

Sincerely,



Jason Stewart, CPA  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Middleburg Heights  
Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2011

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.



*Christopher P. Morinell*

President

*Jeffrey R. Emer*

Executive Director

**City of Middleburg Heights, Ohio**

*Listing of Principal City Officials*

*As of December 31, 2012*

**ELECTED OFFICIALS**

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

**APPOINTED OFFICIALS**

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

---

**City of Middleburg Heights, Ohio**

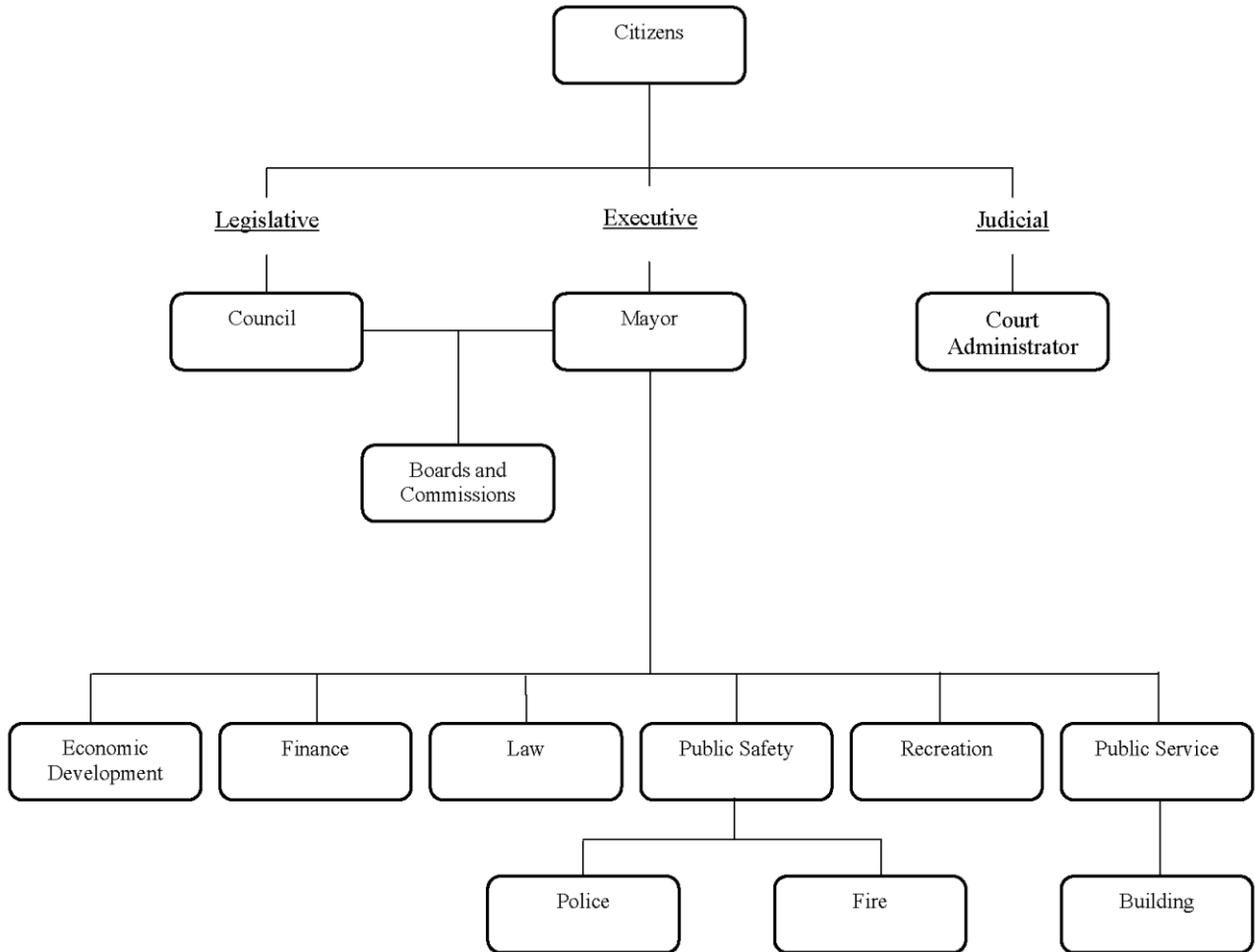
*Listing of Principal City Officials*

*As of December 31, 2012*

**SPECIAL BOARDS AND COMMISSIONS**

Planning Commission .....	Anthony Crea
Planning Commission .....	Cori Farris
Planning Commission .....	William Meany
Planning Commission .....	Michael Ference
Planning Commission .....	Bonnie Lesny
Planning Commission .....	Eric Smearman
Planning Commission .....	Rose Zatezalo
Board of Zoning and Building Appeals .....	Tony Ciaravino
Board of Zoning and Building Appeals .....	Tom Rea
Board of Zoning and Building Appeals .....	Al Cooke
Board of Zoning and Building Appeals (Alternate) .....	Leo Oblak
Board of Zoning and Building Appeals .....	Kathy Jennings
Board of Zoning and Building Appeals .....	Michael Piepsny
Civil Service.....	Kathryn Cannon
Civil Service.....	John Gregory
Civil Service.....	Tony Terrigno
Secretary - Civil Service .....	Sherri Menoes
Secretary - Boards and Commissions .....	Kimberly Earley

**City of Middleburg Heights, Ohio**  
*Organizational Chart*  
*For the Year Ended December 31, 2012*



# Financial Section





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

City of Middleburg Heights  
Cuyahoga County  
15700 Bagley Road  
Middleburg Heights, Ohio 44130

To the City Council:

### ***Report on the Financial Statements***

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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



**Opinion**

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, Cuyahoga County, Ohio, as of December 31, 2012 and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund and Recreation Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 3 to the financial statements, during 2012, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

Our audit was conducted to opine on the City's basic financial statements taken as a whole. The introductory section, the financial section's combining statements, individual fund schedules, and the statistical section information present additional analysis and are not a required part of the basic financial statements.

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

June 27, 2013

**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*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, 2012. 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 2012 are as follows:

- The assets and deferred outflows of resources of the City of Middleburg Heights exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$58,814,724 (*net position*). Of this amount, \$6,692,960 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total Net Position increased by \$2,000,202, which represents a 3.5 percent increase from 2011. Unrestricted net position increased by \$686,266 or 11.4 percent in 2012.
- Total Assets and deferred outflows of the City increased \$752,527, which represents a 1.0 percent increase from 2011.
- Total Capital Assets increased by \$236,530 or 0.4 percent from 2011.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,091,627 an increase of \$648,288 or 7.68 percent in comparison with the prior year. Equity in Pooled Cash and Investments in the governmental funds increased by \$1,029,401 or 17.19 percent from 2011, as income tax receipts increased by \$561,686 from 2011.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$5,573,277, or 33.12 percent of total general fund expenditures.
- Total outstanding Long-term liabilities were \$11,075,876. This was a 13.06 percent decrease from the balance at the end of 2011 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 position* 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, 2012*  
*Unaudited*

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference between the two reported as *net position*. Over time, increases or decreases in net position *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 position changed during the most recent fiscal year. All changes in net position 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 government-wide financial statements can be found starting on page 15 of this report.

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

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

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

In 2012, the City of Middleburg Heights maintained 15 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General Fund, Recreation Fund, Bond Retirement Fund and Capital Improvements Fund; all of which are considered to be major funds. Data from the other 11 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*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 23 to 25 of this report.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 26 of this report

**Notes to the Basic 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 27 to 52 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 53 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 2012?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by 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 position and the changes in those positions. The change in position 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 Position and the Statement of Activities are divided into the following categories:

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position (Assets and Deferred Outflows minus Liabilities and Deferred Inflows)
- Program Revenues and Expenses

**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

- General Revenues
- Net Position Beginning of Year and End of Year

**The City of Middleburg Heights as a Whole**

Recall that the Statement of Net Position looks at the City as a whole. The following table provides a summary of the City's net position for 2012 compared to 2011.

**Table 1 Net Position**

	Governmental Activities	
	2012	2011
<b>Assets</b>		
Current and Other Assets	\$16,601,511	\$16,034,014
Capital Assets, Net	57,081,170	56,844,640
<i>Total Assets</i>	<u>73,682,681</u>	<u>72,878,654</u>
<b>Deferred Outflows of Resources</b>		
Deferral on Refunding	309,000	360,500
<b>Liabilities</b>		
Current Liabilities	2,051,117	1,846,518
Long-term Liabilities		
Due within One Year	2,630,281	3,070,456
Due in More Than One Year	8,445,595	9,669,105
<i>Total Liabilities</i>	<u>13,126,993</u>	<u>14,586,079</u>
<b>Deferred Inflows of Resources</b>		
Property Tax	2,049,964	2,199,053
<b>Net Position</b>		
Net Investment in Capital Assets	49,174,710	47,345,795
Restricted for:		
Capital Projects	989,661	1,020,901
Debt Service	1,548,018	1,988,524
Other Purposes	409,375	452,608
Unrestricted	6,692,960	6,006,694
<i>Total Net Position</i>	<u>\$58,814,724</u>	<u>\$56,814,522</u>

As noted earlier, over time net position may serve as a useful indicator of a government's financial position. For the City of Middleburg Heights, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$58,814,724 at the close of the most recent fiscal year.

The largest portion of the City's net position (83.61%) 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.

**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

Total assets and deferred outflows increased by \$752,527 from 2011, while the City's total liabilities and deferred inflows decreased by \$1,608,175. As a result, the total net position of the City's governmental activities increased \$2,000,202. The most significant changes were an increase in cash and cash equivalents of \$1,029,401, as well as an increase in non-depreciable capital assets by \$1,018,186 or 7.5%. This increase is a result of the acquisition of the Middleburg Commons property, an 11 acre piece of land in the middle of our city. The increase also continues to be attributed to the addition of construction in progress related to the Eastland Road project. This addition of construction in progress is reflected as a Capital Contribution on the Statement of Activities as it is the Federal Highway Administration and Cuyahoga County's share of the project. The decrease in liabilities was mainly due to the scheduled retirement of bonded debt.

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

**Governmental Activities**

**Table 2 Changes in Net Position**

	Governmental Activities 2012	Governmental Activities 2011
	<u>2012</u>	<u>2011</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$3,175,079	\$2,888,965
Operating Grants and Contributions	848,150	842,714
Capital Grants and Contributions	1,238,019	1,289,377
Total Program Revenues	<u>5,261,248</u>	<u>5,021,056</u>
General Revenues:		
Property Taxes & Other Local Taxes	2,738,167	2,806,866
Income Taxes	17,381,954	16,805,072
Grants and Entitlements	953,727	1,341,682
Investment Income	69,863	74,330
Miscellaneous	493,820	321,634
Total General Revenues	<u>21,637,531</u>	<u>21,349,584</u>
<i>Total Revenues</i>	<u>26,898,779</u>	<u>26,370,640</u>
<b>Program Expenses</b>		
General Government	7,297,006	7,186,714
Security of Persons and Property:		
Police	4,981,352	4,919,272
Fire	3,923,428	3,801,258
Safety Director	61,957	58,909
Public Health Services	307,505	330,767
Culture and Recreation	3,193,469	3,176,067
Community Development	555,959	534,590
Economic Development	326,237	305,201
Streets and Highways	2,664,848	2,786,636
Sanitation	1,075,455	1,091,845
Interest and Fiscal Charges	511,361	457,423
Total Program Expenses	<u>24,898,577</u>	<u>24,648,682</u>
Increase (decrease) in Net Position	<u>\$2,000,202</u>	<u>\$1,721,958</u>

**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

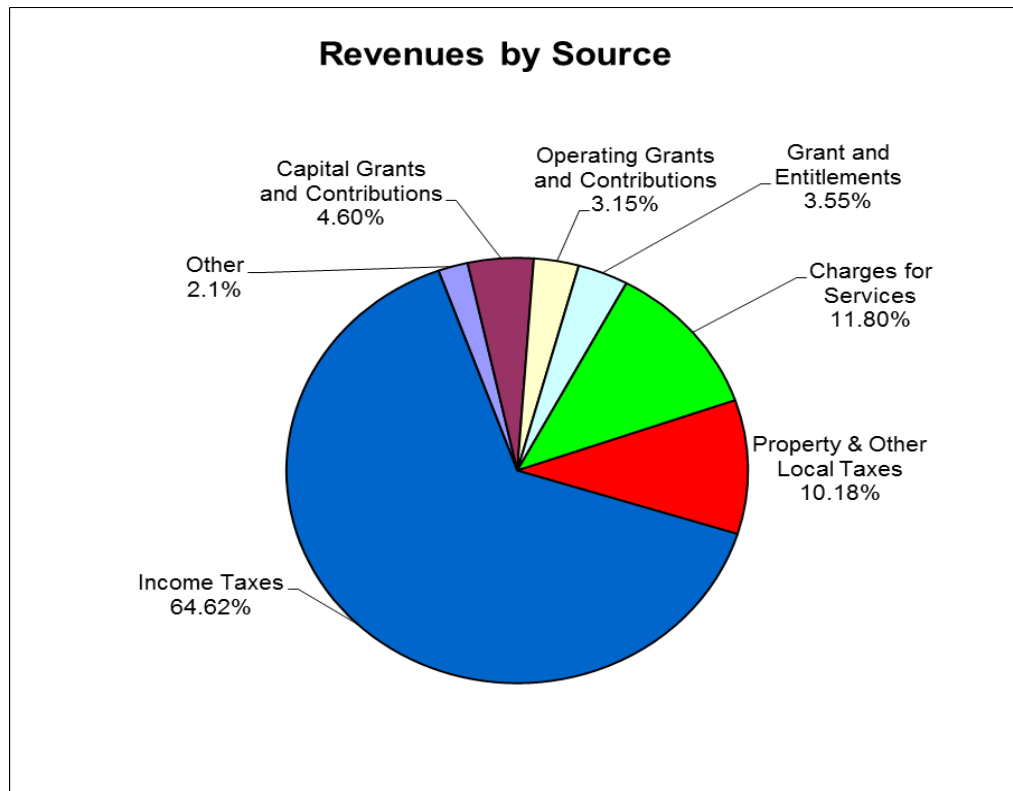
Governmental activities increased the City's net position by \$2,000,202. Discussions of the reasons for the increase in net position are as follows:

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

The decrease of \$387,955 in Grants and Entitlements is due to a significant decrease in estate tax collections in 2012. Estate tax is subject to large variances due to the unpredictable nature of collections as it is directly related to decedent estate tax filings.

Income tax revenue for 2012 was \$17,381,724, an increase of \$576,882 or 3.43% from 2011. Of the \$26,898,779 in total revenues, income tax accounts for 64.62% of the total. Property and other local taxes were \$2,738,167, a decrease of \$68,699 or 2.45% from 2011, and account for 10.18% of total revenues. Operating grants and contributions, capital grants and contributions, general revenues from grants and entitlements account for 11.30% of total revenues, and charges for services, investment income, and other revenue make up the remaining 13.90%.

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,



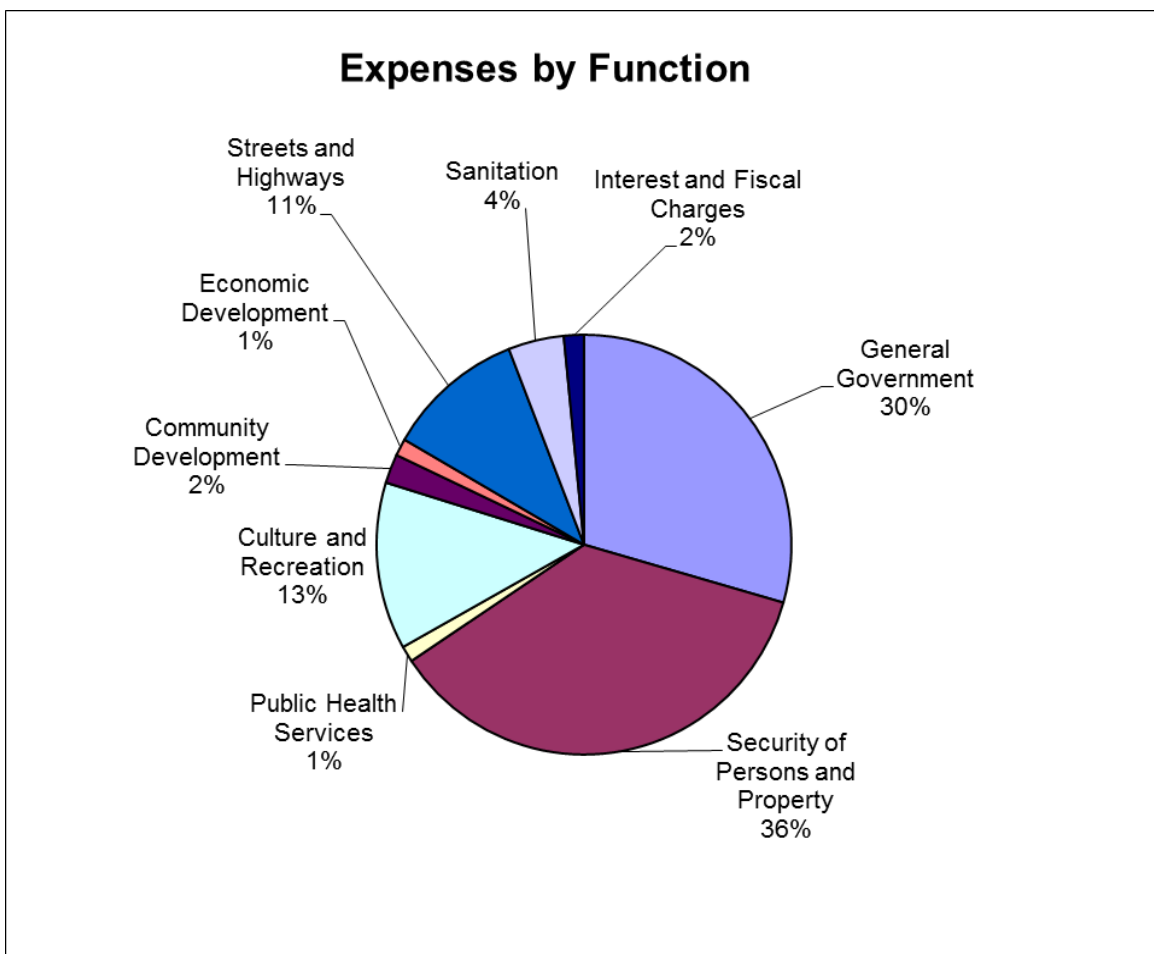


**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

Total program expenses increased by \$249,895 or 1% as compared to 2011. Expenses related to personal services remained steady across most programs as no cost of living wage increases were awarded in 2012. Streets and Highways expenses decreased by \$121,788 from 2011, because less money was spent on the removal of snow and road salt, as a result of an unusually mild winter. Also in 2012, Interest and Fiscal Charges increased by \$53,938 or 11.79% from 2011. This is due to the write off of unamortized bond issue costs that were charged to the financial statements in the current year.

Total program expenses for 2012 were \$24,898,577. 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 \$8,966,737, which represents 36 percent of total City expenses for the year 2012. Culture and Recreation expenses of \$3,193,469 accounted for 13 percent. Culture and recreation expenses consist largely of costs to operate the City's Community Center and depreciation expense on the building. Street and highway expenses of \$2,664,848 accounted for 11 percent.

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



**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Unassigned 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 17. These funds are accounted for by using the modified accrual basis of accounting.

As of December 31, 2012, the City's governmental funds reported combined ending fund balances of \$9,091,627, an increase of \$648,288 in comparison with the prior year. Of that amount, \$5,573,277 constitutes unassigned fund balances, which is available for spending at the government's discretion. The non-spendable fund balances are not easily converted to cash and are comprised of inventory and prepaid expenditures account for \$420,946.

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 \$6,160,248 of which \$5,573,277 was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the sum of total fund expenditures and other financing uses of \$17,750,197. Unassigned fund balance represents 31.3% (26.76% in 2011) of total General Fund expenditures and other financing uses, while total fund balance represents 34.7% (28.99% in 2011) of that same amount.

During the current fiscal year, the fund balance of the City's General Fund increased by \$1,086,594. The increase in the General Fund can be attributed to increases in revenues. Fines, Licenses and Permits were up 16.6% from 2011, other local taxes were up 12.1%, and income tax revenue increased 3.4% from 2011 on a modified accrual basis. Expenditures increased by 1.6% from 2011. Over 70% of General Fund expenditures are for salaries and fringes.

The balance in the Recreation Fund increased \$8,402. This increase in fund balance can be attributed to current year resources exceeding expenditures.

The Bond Retirement Fund decreased \$292,213. This was due to paying down general obligation and special assessment debt. The City issued no additional debt in 2012.

The Capital Improvements Fund decreased by \$320,565 primarily because of the reallocation of income tax significantly reduced revenues to the fund.

***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 2012 the City amended its General Fund budget on various occasions. All recommendations for budget changes come to the Finance Committee of City Council for review before going to the whole Council for Ordinance enactment on the change. The City does allow small interdepartmental budget changes that modify line items within departments within the same fund and within major category, the major categories being "Wages and Fringe Benefits" and "Other". The General Fund supports many of our major activities such as our Police, Fire and Service Departments, as

**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

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

For the General Fund, original budgeted revenues were \$17.35 million. The final budgeted amount was \$17.35 million and actual revenues were \$18.9 million. An income tax increase of almost \$1 million accounts for the majority of the variance. Fines, Licenses, and Permits came in \$257,168 over estimates due to an increase in building permits from the MetroHealth and Southwest Hospital projects. The City's ending unencumbered cash balance in the General Fund was \$2,613,954 above the final budgeted amount.

The difference between the General Fund's original budget for expenditures and other uses of \$19,070,170 and the final amended budget of \$19,494,729 was \$424,559 or about 2.2%. The largest revision was an increase of \$218,784 due to an advance to the Capital Improvements Fund to provide funds for the Lucerne Road bridge reconstruction. Actual expenditures and other uses were \$18,477,743 or \$1,016,986, (5%) less than the final amended budget. The final budget for wages and fringe benefits was \$13,309,213, of which \$12,839,381 or 96.5% was spent leaving a positive variance of \$469,832. 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 \$5,041,732, of which \$4,494,578 or 89.1% was actually spent leaving a positive variance of \$547,154. 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	
	2012	2011
Land	\$3,893,676	\$3,429,924
Land Improvements	348,595	331,326
Buildings and Improvements	21,008,222	21,601,327
Machinery and Equipment	3,373,425	3,650,581
Furniture and Fixtures	32,508	36,521
Infrastructure		
Streets	10,243,521	10,392,107
Sidewalks	482,383	445,816
Traffic Signals	1,410,654	1,570,445
Water Mains	1,512,343	1,435,925
Sanitary Sewers	1,680,719	1,635,029
Storm Sewers	2,544,827	2,319,776
Construction in Progress	10,550,297	9,995,863
Total Net Capital Assets	<u>\$57,081,170</u>	<u>\$56,844,640</u>

Total net capital assets of the City as of December 31, 2012 were \$57,081,170. Capital assets are \$236,530 greater than in 2011. Capital assets remained flat and the overall decrease was due to a variety of reasons. The increases in the city's capital assets came as a result of the city: a) purchasing the 11 acre Middleburg Commons property on Bagley Road, b) assuming responsibility and ownership of St. Andrews Court, and c) addition of construction in progress related to the Eastland Road project. The City

**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

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, 2012, the City had \$11,075,876 in bonds, capital lease obligations, compensated absences and OPWC loans outstanding with \$2,630,281 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	
	2012	2011
General Obligation Bonds	\$6,671,230	\$8,109,088
Special Assessment Bonds	815,110	947,096
Capital Lease Obligations	99,108	194,702
Compensated Absences	2,735,877	2,734,125
OPWC - Loan	754,551	754,551
Total	\$11,075,876	\$12,739,562

The General Obligation Bonds are composed of (1) Pearl Road sanitary sewer construction issued in 1992; (2) Various purpose bonds issued in 2002; and (3) 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, 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 \$53 million on December 31, 2012.

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

**Current Financial Related Activities**

The City of Middleburg Heights is financially stable. On November 7, 2006, the residents of the City of Middleburg Heights voted in favor of an income tax increase from 1.75% to 2.00% with a corresponding increase in the credit given for resident income earned outside of the city, effective January 1, 2007. This increase along with the efforts of our Economic Development Department has helped to ensure the financial stability of our city. Since the inception of the Economic Development Department in 2006, the City has retained or created, in cooperation with our business community, over 4,200 jobs. In addition, the City continues to evaluate potential cost savings measures while addressing the needs of the community. The Mayor and City Council are dedicated to maintaining the service level that has come to be expected by its residents while balancing a tight budget.

In 2010, Moody's Investors Service awarded the City an Aa1 credit rating. This is the highest bond rating ever achieved in the history of the City. In 2008, when reviewing the City in relation to its bond

**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

refunding (See Note 14), Moody's stated that it, "expects the city's healthy financial operations to continue given satisfactory operating reserves, strong financial management, and demonstrated willingness to respond to economic challenges." In April 2013, Moody's reaffirmed the City's Aa1 credit rating.

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

**Contacting the City's Finance Department**

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

**City of Middleburg Heights, Ohio**

*Statement of Net Position*

*December 31, 2012*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$7,607,996
Accounts Receivable	218,952
Accrued Interest Receivable	7,013
Intergovernmental Receivable	706,069
Prepaid Items	114,985
Materials and Supplies Inventory	305,961
Income Tax Receivable	4,622,549
Property Taxes Receivable	2,165,546
Other Local Taxes Receivable	37,330
Special Assessments Receivable	815,110
Nondepreciable Capital Assets	14,443,973
Depreciable Capital Assets	42,637,197
	<hr/>
<i>Total Assets</i>	<i>73,682,681</i>
<b>Deferred Outflows of Resources</b>	
Deferral on Refunding	309,000
	<hr/>
<b>Liabilities</b>	
Accounts Payable	696,280
Accrued Wages	519,493
Intergovernmental Payable	476,773
Accrued Interest Payable	22,944
Claims Payable	129,092
Unearned Revenue	206,535
Long-Term Liabilities:	
Due Within One Year	2,630,281
Due In More Than One Year	8,445,595
	<hr/>
<i>Total Liabilities</i>	<i>13,126,993</i>
<b>Deferred Inflows of Resources</b>	
Property Taxes	2,049,964
	<hr/>
<b>Net Position</b>	
Net Investment in Capital Assets	49,174,710
Restricted for:	
Capital Projects	989,661
Debt Service	1,548,018
Other Purposes	409,375
Unrestricted	6,692,960
	<hr/>
<i>Total Net Position</i>	<i>\$58,814,724</i>

See accompanying notes to the basic financial statements

**City of Middleburg Heights, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Security of Persons and Property:					
Police	\$4,981,352	\$664,237	\$0	\$0	(\$4,317,115)
Fire	3,923,428	503,394	17,528		(3,402,506)
Safety Director	61,957				(61,957)
Public Health and Welfare	307,505	25,508			(281,997)
Culture and Recreation	3,193,469	1,344,899			(1,848,570)
Community Development	555,959	409,400			(146,559)
Economic Development	326,237	4,784			(321,453)
Streets and Highways	2,664,848	10,017	830,622	1,238,019	(586,190)
Sanitation	1,075,455				(1,075,455)
General Government	7,297,006	212,840			(7,084,166)
Interest and Fiscal Charges	511,361				(511,361)
<i>Total Governmental Activities</i>	<u>\$24,898,577</u>	<u>\$3,175,079</u>	<u>\$848,150</u>	<u>\$1,238,019</u>	<u>(19,637,329)</u>
<b>General Revenues</b>					
Property and Other Local Taxes Levied for:					
					2,094,556
					224,823
					269,788
					149,000
Income Tax Levied for:					
					13,806,366
					1,103,726
					1,400,216
					1,071,646
					953,727
					69,863
					493,820
<i>Total General Revenues</i>					<u>21,637,531</u>
					2,000,202
<i>Net Position Beginning of Year</i>					<u>56,814,522</u>
<i>Net Position End of Year</i>					<u><u>\$58,814,724</u></u>

See accompanying notes to the basic financial statements

**City of Middleburg Heights, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2012*

	General	Recreation	Bond Retirement	Capital Improvements	Other Governmental Funds
<b>Assets and Deferred</b>					
<b>Outflows of Resources</b>					
<b>Assets:</b>					
Equity in Pooled Cash and Investments	\$4,210,815	\$276,461	\$427,466	\$900,950	\$1,201,865
Materials and Supplies Inventory	67,082	34,334			204,545
Accrued Interest Receivable	6,478		535		
Accounts Receivable	162,681			2,939	53,332
Interfund Receivable	218,784				
Intergovernmental Receivable	294,967		16,675		394,427
Prepaid Items	104,824	10,161			
Income Taxes Receivable	3,402,044	486,921	275,952	457,632	
Property Taxes Receivable	1,541,480		230,072		393,994
Other Local Taxes Receivable	37,330				
Special Assessments Receivable			815,110		
<i>Total Assets</i>	<u>10,046,485</u>	<u>807,877</u>	<u>1,765,810</u>	<u>1,361,521</u>	<u>2,248,163</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$10,046,485</u>	<u>\$807,877</u>	<u>\$1,765,810</u>	<u>\$1,361,521</u>	<u>\$2,248,163</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable	\$188,849	\$48,471	\$0	\$371,860	\$87,100
Accrued Wages	386,947	92,868		0	39,678
Interfund Payable				218,784	
Intergovernmental Payable	437,565	28,918		0	10,290
Unearned Revenue		206,535			
<i>Total Liabilities</i>	<u>1,013,361</u>	<u>376,792</u>	<u>0</u>	<u>590,644</u>	<u>137,068</u>
<b>Deferred Inflows of Resources:</b>					
Property Taxes	1,459,207		217,792		372,965
Unavailable Revenue - Delinquent Property Taxes	82,273		12,280		21,029
Unavailable Revenue - Income taxes	1,090,695	156,107	88,470	146,717	
Unavailable Revenue - Other	240,701		831,785	2,939	297,404
<i>Total Deferred Inflows of Resources</i>	<u>2,872,876</u>	<u>156,107</u>	<u>1,150,327</u>	<u>149,656</u>	<u>691,398</u>
<b>Fund Balances</b>					
Non-Spendable	171,906	44,495			204,545
Restricted		230,483	615,483		898,539
Committed				621,221	316,613
Assigned	415,065				
Unassigned	5,573,277				
<i>Total Fund Balances</i>	<u>6,160,248</u>	<u>274,978</u>	<u>615,483</u>	<u>621,221</u>	<u>1,419,697</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$10,046,485</u>	<u>\$807,877</u>	<u>\$1,765,810</u>	<u>\$1,361,521</u>	<u>\$2,248,163</u>

See accompanying notes to the financial statements



**City of Middleburg Heights, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2012*

Total Governmental Funds	<b>Total Governmental Fund Balances</b>	\$9,091,627
	<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
\$7,017,557	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	57,081,170
305,961		
7,013	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
218,952		
218,784		
706,069		
114,985	Delinquent Property Taxes	\$115,582
4,622,549	Income Taxes	1,484,927
2,165,546	Intergovernmental	482,194
37,330	Special Assessments	815,110
815,110	Charges for Services	<u>72,586</u>
16,229,856	Total	2,970,399
\$16,229,856	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 position.	461,347
	Accrued interest payable on long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(22,944)
\$696,280	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
519,493	General Obligation Bonds	(6,671,230)
218,784	Special Assessment Bonds	(815,110)
476,773	Capital Leases	(99,108)
206,535	OPWC Loan	(754,551)
2,117,865	Deferral on Refunding	309,000
	Compensated Absences	<u>(2,735,876)</u>
2,049,964		<u>(10,766,875)</u>
115,582		
1,481,989		
1,372,829	<i>Net Position of Governmental Activities</i>	<u>\$58,814,724</u>
5,020,364		
420,946		
1,744,505		
937,834		
415,065		
5,573,277		
9,091,627		
\$16,229,856		

**City of Middleburg Heights, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2012*

	General	Recreation	Bond Retirement	Capital Improvements	Other Governmental Funds
<b>Revenues</b>					
Property Taxes	\$1,552,973	\$0	\$231,787	\$0	\$432,991
Income Taxes	13,784,003	1,397,709	1,112,389	993,623	
Other Local Taxes	588,245				
Intergovernmental	842,767		48,968		907,381
Special Assessments	0		189,768		
Interest	62,111		7,318		434
Fines, Licenses and Permits	1,241,068				14,358
Charges for Services	402,428	1,344,899		22,912	167,892
Other	363,196	8,079		80,727	56,890
<i>Total Revenues</i>	<u>18,836,791</u>	<u>2,750,687</u>	<u>1,590,230</u>	<u>1,097,262</u>	<u>1,579,946</u>
<b>Expenditures</b>					
Current:					
Security of Persons and Property					
Police	4,618,234				173,095
Fire	3,375,053				312,399
Safety Director	60,051				
Public Health and Welfare	140,235				167,270
Culture and Recreation		2,742,285			
Community Development	546,761				
Economic Development	323,904				
Streets and Highways					1,671,530
Sanitation	1,075,455				
General Government	6,685,504		2,022		5,385
Capital Outlay				1,315,616	9,197
Debt Service:					
Principal Retirement			1,552,138	95,594	
Interest and Fiscal Charges			328,283	7,617	
<i>Total Expenditures</i>	<u>16,825,197</u>	<u>2,742,285</u>	<u>1,882,443</u>	<u>1,418,827</u>	<u>2,338,876</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,011,594</u>	<u>8,402</u>	<u>(292,213)</u>	<u>(321,565)</u>	<u>(758,930)</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets				1,000	
Transfers In					925,000
Transfers Out	(925,000)				
<i>Total Other Financing Sources (Uses)</i>	<u>(925,000)</u>	<u>0</u>	<u>0</u>	<u>1,000</u>	<u>925,000</u>
<i>Net Change in Fund Balances</i>	1,086,594	8,402	(292,213)	(320,565)	166,070
<i>Fund Balances Beginning of Year</i>	<u>5,073,654</u>	<u>266,576</u>	<u>907,696</u>	<u>941,786</u>	<u>1,253,627</u>
<i>Fund Balances End of Year</i>	<u>\$6,160,248</u>	<u>\$274,978</u>	<u>\$615,483</u>	<u>\$621,221</u>	<u>\$1,419,697</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, 2012*

Total Governmental Funds	<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$648,288
	<b><i>Amounts reported for governmental activities in the statement of activities are different because</i></b>	
\$2,217,751	Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the net amount of current year capital asset activity.	
17,287,724	Capital Asset Additions	\$2,068,941
588,245	Capital Asset Deletions	(80,446)
1,799,116	Accum Depr on Disposals	35,359
189,768	Current Year Depreciation	<u>(1,787,324)</u>
69,863	Total	236,530
1,255,426	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
1,938,131	Delinquent Property Taxes	(67,829)
508,892	Income Tax	94,230
	Intergovernmental	2,761
	Special Assessments	(135,399)
	Charges for Services	<u>(15,064)</u>
	Total	(121,301)
25,854,916	The issuance of long term debt provides current financial resources to the governmental funds while the repayment of principal of long-term debt consumes the current financial resources, but reduces long-term liabilities in the statement of net assets.	
	Bond and Capital Lease Principal	1,647,732
	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.	
	Accrued Interest	4,424
	Amortization of Bond Premium	17,705
	Amortization of Bond Issuance Costs	(146,090)
	Amortization of Loss on Refunding	<u>(51,500)</u>
		(175,461)
	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.	(1,752)
	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.	<u>(233,834)</u>
	<b><i>Change in Net Position of Governmental Activities</i></b>	<b><u>\$2,000,202</u></b>

**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, 2012*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$1,543,049	\$1,543,049	\$1,552,973	\$9,924
Income Taxes	12,865,000	12,865,000	13,838,367	973,367
Other Local Taxes	535,000	535,000	583,745	48,745
Intergovernmental	729,010	729,010	897,653	168,643
Interest	75,000	75,000	91,094	16,094
Fines, Licenses and Permits	988,300	988,300	1,245,468	257,168
Charges for Services	361,300	361,300	369,845	8,545
Other	248,714	248,714	363,196	114,482
<i>Total Revenues</i>	<u>17,345,373</u>	<u>17,345,373</u>	<u>18,942,341</u>	<u>1,596,968</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property:				
Police	4,807,589	4,831,694	4,680,955	150,739
Fire	3,609,770	3,619,099	3,438,887	180,212
Safety Director	60,520	60,520	59,954	566
Public Health and Welfare	167,598	167,598	158,101	9,497
Community Development	588,916	589,214	556,154	33,060
Economic Development	394,615	394,690	348,797	45,893
Sanitation	1,100,000	1,100,000	1,100,000	0
General Government	7,416,162	7,588,130	6,991,111	597,019
<i>Total Expenditures</i>	<u>18,145,170</u>	<u>18,350,945</u>	<u>17,333,959</u>	<u>1,016,986</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(799,797)</u>	<u>(1,005,572)</u>	<u>1,608,382</u>	<u>2,613,954</u>
<b>Other Financing Sources (Uses)</b>				
Advances Out	0	(218,784)	(218,784)	0
Transfers Out	(925,000)	(925,000)	(925,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(925,000)</u>	<u>(1,143,784)</u>	<u>(1,143,784)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(1,724,797)</u>	<u>(2,149,356)</u>	<u>464,598</u>	<u>2,613,954</u>
<i>Fund Balance Beginning of Year</i>	2,828,593	2,828,593	2,828,593	0
Prior Year Encumbrances Appropriated	<u>356,037</u>	<u>356,037</u>	<u>356,037</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,459,833</u></u>	<u><u>\$1,035,274</u></u>	<u><u>\$3,649,228</u></u>	<u><u>\$2,613,954</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, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Income Taxes	\$1,800,000	\$1,800,000	\$1,407,027	(\$392,973)
Charges for Services	1,255,900	1,255,900	1,330,808	74,908
Other	2,600	2,600	8,079	5,479
<i>Total Revenues</i>	3,058,500	3,058,500	2,745,914	(312,586)
<b>Expenditures</b>				
Current:				
Culture and Recreation	3,035,534	3,039,031	2,815,398	223,633
<i>Total Expenditures</i>	3,035,534	3,039,031	2,815,398	223,633
<i>Net Change in Fund Balance</i>	22,966	19,469	(69,484)	(88,953)
<i>Fund Balance Beginning of Year</i>	150,000	150,000	150,000	0
Prior Year Encumbrances Appropriated	69,484	69,484	69,484	0
<i>Fund Balance End of Year</i>	\$242,450	\$238,953	\$150,000	(\$88,953)

See accompanying notes to the basic financial statements

**City of Middleburg Heights, Ohio**

*Statement of Fund Net Position*

*Proprietary Fund*

*December 31, 2012*

	<u>Governmental Activities</u> <u>Internal Service</u> <u>Fund - Health Insurance</u>
<b>Assets</b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Investments	<u>\$590,439</u>
<i>Total Assets</i>	<u>590,439</u>
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Claims Payable	<u>129,092</u>
<i>Total Liabilities</i>	<u>129,092</u>
<b>Net Position</b>	
Unrestricted	<u>461,347</u>
<i>Total Net Position</i>	<u><u>\$461,347</u></u>

See accompanying notes to the basic financial statements

**City of Middleburg Heights, Ohio**  
*Statement of Revenues, Expenses  
and Changes in Fund Net Position*  
*Proprietary Fund*  
For the Year Ended December 31, 2012

	Governmental Activities Internal Service Fund - Health Insurance
<b>Operating Revenues</b>	
Charges for Services	\$1,803,690
<i>Total Operating Revenues</i>	1,803,690
<b>Operating Expenses</b>	
Contractual Services	292,202
Claims	1,745,322
<i>Total Operating Expenses</i>	2,037,524
<i>Change in Net Position</i>	(233,834)
<i>Net Position Beginning of Year</i>	695,181
<i>Net Position End of Year</i>	\$461,347

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, 2012*

	Governmental Activities Internal Service Fund - Health Insurance
<i><b>Increase (Decrease) In Cash and Investments</b></i>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services	\$1,803,690
Cash Payments to Suppliers for Services	(292,202)
Cash Payments for Claims	(1,668,738)
<i>Net Cash Flows From Operating Activities</i>	<i>(157,250)</i>
<i>Net (Decrease) In Cash and Investments</i>	<i>(157,250)</i>
<i>Cash and Investments Beginning of Year</i>	<i>747,689</i>
<i>Cash and Investments End of Year</i>	<i>\$590,439</i>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
<i>Operating Expense</i>	<i>(\$233,834)</i>
Adjustments:	
Increase in Claims Payable	76,584
	76,584
<i>Net Cash Provided By Operating Activities</i>	<i>(\$157,250)</i>

See accompanying notes to the basic financial statements



**City of Middleburg Heights, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2012*

---

---

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$204,832
Cash in Segregated Accounts	<u>57,999</u>
<b>Total Assets</b>	<u><u>\$262,831</u></u>
<b>Liabilities</b>	
Deposits Held and Due to Others	<u><u>\$262,831</u></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, 2012*

---

---

**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 position 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, 2012*

---

---

***Government-wide Financial Statements***

The statement of net position 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 position 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 deferred outflows of resources compared to liabilities and deferred inflows of resources 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, 2012*

---

---

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

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

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

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

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of net position, except for fiduciary funds. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

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

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

---

***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 inflows of resources, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the 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 Outflows/Inflows of Resources*** In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferral on refunding reported in the government-wide statement of net position. A deferral on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, charges for services, intergovernmental grants, and special assessments. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

---

**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.

***F. Cash and Investments***

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

During fiscal year 2012, the portfolio of the City was limited to on-participating investment contracts (e.g., 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.

Investment procedures are restricted by provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2012 amounted to \$62,111 which includes \$2,748 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, 2012, 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 position 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

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

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

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

***J. Interfund Balances***

On the fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivables/payables”. Interfund balance amounts are eliminated in the statement of net position. An “interfund receivable/payable ” in the General and Capital Improvements funds are presented in 2012.

***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*  
*For the Year Ended December 31, 2012*

---

---

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. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. 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, 2012

***M. Fund Balance***

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

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

**Restricted** – The Restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

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

**Committed** – The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council. The committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – Amounts in the assigned classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or by a City official delegated that authority by ordinance.

**Unassigned** – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within



**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

---

unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

***N. Net position***

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use 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 position restricted for other purposes include State Highway, Police Pension, Fire Pension and Southwest General Hospital Funds.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available. As of December 31, 2012, net position restricted by enabling legislation was \$1,548,018 in the Statement of net position.

***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 2012.

***Q. Estimates***

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

***R. Operating Revenues and Expenses***

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

***S. Budgetary Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

---

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 – Changes in Accounting Principles**

GASB Statement Number 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other post-employment (OPEB) plans. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2011 and have been implemented by the City.

GASB Statement Number 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the City.

GASB Statement Number 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements which does not conflict with or contradict GASB pronouncements. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the City.

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement provides financial reporting guidance for deferred outflows and deferred inflows of resources. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the City.

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

GASB Statement Number 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should apply. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2011 and have been implemented by the City.

GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the City.

**Note 4 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Investments reported at fair value (GAAP) rather than cost (budget).

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

	<u>Net Change in Fund Balance</u>	
	<u>General</u>	<u>Recreation</u>
GAAP Basis	\$1,086,594	\$8,402
Net Adjustment for Revenue Accruals	101,291	(4,773)
Fair Value Adjustment for Investments 2011	3,531	0
Fair Value Adjustment for Investments 2012	728	0
Net Adjustment for Expenditure Accruals	(166,687)	53,348
Encumbrances	<u>(560,859)</u>	<u>(126,461)</u>
Budget Basis	<u>\$464,598</u>	<u>(\$69,484)</u>

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

---

**Note 5 - Deposits and Investments**

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

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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.

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2012

---

**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 \$5,264,388 and the bank balance was \$5,477,824. Of the bank balance \$355,796 was covered by Federal depository insurance and \$5,122,028 was uninsured. Of the remaining uninsured bank balance, \$5,122,028 was collateralized with securities held by the pledging institution’s agent, not in the City’s name, as allowed by the Ohio Revised Code.

**Investments**

Investments are reported at fair value. As of December 31, 2012, the City had the following investments:

	Fair Value	Weighted Average Maturity (Days)
Federal Home Loan Mortgage Corporation Bonds	\$1,501,470	1642
Federal Farm Credit Bureau Bonds	999,259	1785
City of Middleburg Heights Manuscript Bonds	107,110	2526
Total Portfolio	\$2,607,839	1733

**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 recommends diversification of the portfolio. One method utilized by the City to reduce

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

the risk of loss due to default by a financial institution is limiting 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, 2012:

Investment Issuer	Percentage of Investments
Federal Home Loan Mortgage Corporation	
Bonds	57.58%
Federal Farm Credit Bureau Bonds	38.32%
City of Middleburg Heights Manuscript Bonds	4.11%

**Note 6 – Receivables**

Receivables at December 31, 2012, consisted primarily of municipal income taxes, property and other local taxes, accounts, special assessments, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full.

Special assessments expected to be collected in more than one-year amount to \$697,349 in the Bond Retirement Fund. At December 31, 2012 the amount of delinquent special assessments was \$2,939.

**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 2012 for real and public utility property taxes represents collections of 2011 taxes.

2012 real property taxes are levied after October 1, 2012 on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2012.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes, which became a lien December 31, 2011, are levied after October 1, 2012, and collected in 2012 with real property taxes.

The tax rate for all City operations for the year ended December 31, 2012, was \$5.45 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Property	\$489,803,670
Public Utility Tangible Property	<u>12,277,670</u>
Total Valuation	<u><u>\$502,081,340</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

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

receivable represents real property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2012 and for which there is an enforceable legal claim. In the General, Police Pension, Fire Pension, Bond Retirement and Southwest General Hospital Funds, the entire receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2012 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 2012, the City levied a municipal income tax of 2.00 percent on all income earned within the City as well as on income of residents earned outside of the City. In the case of income of residents earned outside of the city, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA), on behalf of the City, at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the first (advance) and tenth business days (final settlement) of the following month. Income tax revenue is credited to the General Fund, Recreation Fund, General Obligation Bond Retirement Fund and the Capital Improvements Fund.

***C. Intergovernmental Receivable***

A summary of intergovernmental receivables follows:

Governmental Activities	Amounts
Gasoline Taxes	\$363,250
Local Government Funds	100,742
Homestead and Rollback	116,307
Estate Tax	100,556
CAT Tax Reimbursement	3,702
Public Utility Reimbursement	2,174
Permissive Motor Vehicle License Tax	8,458
Liquor Permit	6,736
Prisoner Board and Care	3,630
Targeted Enforcement Grant	514
Total	\$706,069

**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 2012, the City contracted with GUA Insurance Agency for its Commercial Umbrella coverage. A summary of insurance coverage is as follows:

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

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

In 2012 the City provided two different medical plans for full time employees, council members and their families. A traditional plan with a Preferred Provider Organization is self funded and administered by a third party administrator. A Health Maintenance Organization plan was also offered and was fully insured. All covered employees also receive prescription, dental and vision benefits. Employees declining health care benefits can receive a monthly opt-out payment ranging from \$14 to \$100. Full time employees receive term life insurance benefits of \$50,000. Elected officials received term life insurance benefits of \$30,000.

Under the traditional medical plan, the preferred provider prices all claims which are then submitted to the third party administrator. The third party administrator reviews and processes the claims, which the City then pays. The City has purchased medical stop loss coverage of \$60,000 per individual and \$2,233,786 in aggregate. In 2012 the City funded the self-insurance internal service fund at \$490 per month for single coverage and \$1,225 per month for family coverage. These charges are paid by the fund from which the employees' compensation is paid.

The claims liability of \$129,092, as estimated and reported in the internal service fund at December 31, 2012, is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported 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:



**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2012

	Estimated Claims Payable January 1st	Current Year Claims and Changes In Estimates	Claim Payments	Estimated Claims Payable December 31st
2011	\$101,456	\$1,436,992	(\$1,485,940)	\$52,508
2012	\$52,508	\$1,745,322	(\$1,668,738)	\$129,092

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

**Note 8 – Capital Assets**

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 12/31/2011	Additions	Deletions	Balance 12/31/2012
<b>Governmental Activities</b>				
<i>Capital Assets not being Depreciated:</i>				
Land	\$3,429,924	\$463,752		\$3,893,676
Construction-In-Progress	9,995,863	583,449	(29,015)	10,550,297
Total Capital Assets, not being Depreciated	13,425,787	1,047,201	(29,015)	14,443,973
<i>Capital Assets being Depreciated:</i>				
Land Improvements	1,152,837	48,561		1,201,398
Buildings and Improvements	30,797,948	73,234		30,871,182
Furniture and Fixtures	80,262	0		80,262
Machinery and Equipment	9,054,282	216,378	(51,431)	9,219,229
Infrastructure:				
Streets	13,762,211	195,704		13,957,915
Sidewalks	571,558	50,856		622,414
Traffic Signals	3,195,821	0		3,195,821
Water Mains	1,819,468	100,678		1,920,146
Sanitary Sewers	2,128,873	74,075		2,202,948
Storm Sewers	2,778,680	262,254		3,040,934
Total Capital Assets being Depreciated	65,341,940	1,021,740	(51,431)	66,312,249
Less Accumulated Depreciation:				
Land Improvements	(821,511)	(31,292)		(852,803)
Buildings and Improvements	(9,196,621)	(666,339)		(9,862,960)
Furniture and Fixtures	(43,741)	(4,013)		(47,754)
Machinery and Equipment	(5,403,701)	(477,462)	35,359	(5,845,804)
Infrastructure:				
Streets	(3,370,104)	(344,290)		(3,714,394)
Sidewalks	(125,742)	(14,289)		(140,031)
Traffic Signals	(1,625,376)	(159,791)		(1,785,167)
Water Mains	(383,543)	(24,260)		(407,803)
Sanitary Sewers	(493,844)	(28,385)		(522,229)
Storm Sewers	(458,904)	(37,203)		(496,107)
Total Accumulated Depreciation	(21,923,087)	(1,787,324)	35,359	(23,675,052)
Total Capital Assets being Depreciated, Net	43,418,853	(765,584)	(16,072)	42,637,197
Governmental Activities Capital Assets, Net	\$56,844,640	\$281,617	(\$45,087)	\$57,081,170

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

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

General Government	\$451,862
Public Safety:	
Police	134,292
Fire	189,746
Streets and Highways	608,217
Culture and Recreation	399,714
Economic Development	3,493
Total Depreciation Expense	\$1,787,324

**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, 2012, 2011 and 2010 were \$919,884, \$927,493, and \$930,971, respectively. The full amount has been contributed for all three years.

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

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

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

---

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, 2012, 2011 and 2010 were \$1,039,163, \$1,035,237, and \$1,039,423, respectively. The full amount has been contributed for 2010 and 2011. The City has contributed \$774,547 for 2012 with the remainder being reported as "intergovernmental payable" in the governmental activities column of the statement of net position.

**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 2012 employer contribution rate was 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 4.0% from January 1 through December 31, 2012. The OPERS Retirement Board is also authorized to establish rules for the payment

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

---

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, 2012, 2011 and 2010 were \$919,884, \$927,493, and \$930,971, respectively, of which \$262,811, \$264,985 and \$337,518, 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.

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, 2012, 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).

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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, 2012, 2011 and 2010 were \$1,039,163, \$1,035,237, and \$1,039,423, respectively, of which \$325,243, \$324,112, and \$326,904, respectively, was allocated to the healthcare plan. The full amount has been contributed for 2011 and 2010. The City has contributed \$774,547 for 2012.

**Note 11 - Compensated Absences**

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

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

**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 – Fund Balance**

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

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

Fund Balance	General	Recreation	Bond Retirement	Capital Improvements	Other Governmental Funds
Non-Spendable for:					
Prepaid Items	\$104,824	\$10,161	\$0	\$0	\$0
Materials and Supplies					
Inventory	67,082	34,334			204,545
Total Non-Spendable	171,906	44,495	0	0	204,545
Restricted for:					
Bond Retirement			615,483		0

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2012

Recreation	230,483			0
Street Construction				623,197
State Highway				101,796
Clerk of Court				
Computer				72,622
Law Enforcement				93,880
Police Pension				3,522
Fire Pension				3,522
Community Center				0
<b>Total Restricted</b>	0	230,483	615,483	0
Committed to:				
Capital Improvements			621,221	0
Medical Transport				299,591
Tree Planting				8,317
Veteran's Memorial				8,705
<b>Total Committed</b>	0	0	0	621,221
Assigned for:				
Unpaid Obligations	415,065			0
Unassigned:	5,573,277	0	0	0
<b>Total Fund Balance:</b>	\$6,160,248	\$274,978	\$615,483	\$621,221
				\$1,419,697

**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
<b>General Obligation Bonds</b>			
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
<b>Special Assessments Bonds</b>			
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

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2012

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

	Outstanding 12/31/11	Additions	(Reductions)	Outstanding 12/31/12	Amounts Due in One Year
<b>General Obligation Bonds:</b>					
Emergency Generator	\$300,000	\$0	(\$20,000)	\$280,000	\$25,000
Pearl Road Sanitary Sewer	153		(153)		0
Community & Service Center Refunding	7,685,000		(1,400,000)	6,285,000	1,090,000
Unamortized Premium	123,935		(17,705)	106,230	0
<b>Total General Obligation Bonds</b>	<b>8,109,088</b>	<b>0</b>	<b>(1,437,858)</b>	<b>6,671,230</b>	<b>1,115,000</b>
<b>Special Assessment Bonds:</b>					
Engle Road Improvements	376,000		(50,000)	326,000	50,000
Engle Road Improvements	125,000		(10,000)	115,000	10,000
Pearl Road Sanitary Sewer	4,947		(4,947)		0
Claremont/Morningside Road Imp.	45,000		(15,000)	30,000	15,000
Hepburn Road Improvements	277,000		(40,000)	237,000	30,000
Fowles Road Sanitary Sewer	119,149		(12,039)	107,110	12,761
<b>Total Special Assessment Bonds</b>	<b>947,096</b>	<b>0</b>	<b>(131,986)</b>	<b>815,110</b>	<b>117,761</b>
<b>Other Long-Term Liabilities</b>					
2008 Capital Lease - Salt Truck	28,755		(28,755)		0
2009 Capital Lease - Phone System	79,800		(39,141)	40,659	40,659
2010 Capital Lease - Salt Truck	86,147		(27,698)	58,449	28,704
Compensated Absences	2,734,125	1,372,929	(1,371,177)	2,735,877	1,328,157
OPWC - Loan	754,551			754,551	0
<b>Total Other Long-Term Liabilities</b>	<b>3,683,378</b>	<b>1,372,929</b>	<b>(1,466,771)</b>	<b>3,589,536</b>	<b>1,397,520</b>
<b>Total Long-Term Liabilities</b>	<b>\$12,739,562</b>	<b>\$1,372,929</b>	<b>(\$3,036,615)</b>	<b>\$11,075,876</b>	<b>\$2,630,281</b>

**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 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 position. As of December 31, 2012 the amount of defeased debt outstanding on this issue amounted to \$6,307,000.

**OPWC Loan** - In 2005, the Cities of Middleburg Heights, Berea and Brook Park, along with Cuyahoga County entered into an agreement that involves various improvements between Bagley Road and State Route 237. The City of Berea entered into an agreement with the Ohio Public Works Commission (OPWC) in the amount of \$1,900,900 to help fund the construction costs. The City of Middleburg Heights is obligated to pay annual debt service payments of 43 percent to the City of Berea. The City of

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2012

Berea in turn makes the entire debt service payment to OPWC. The Ohio Public Works Commission (OPWC) loan is a 20 year zero percent loan paid from the capital improvement fund. The governmental project is not completed and therefore, a final amortization schedule is not available and is not incorporated in the following amortization schedule.

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

The City's overall legal debt margin was \$53,054,024 at December 31, 2012. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2012, are as follows:

Year	General Obligation Bonds		Special Assessment Bonds		Totals
	Principal	Interest	Principal	Interest	
2013	1,115,000	237,475	117,761	37,848	1,508,084
2014	1,165,000	199,688	123,526	35,180	1,523,394
2015	1,180,000	160,212	119,338	26,387	1,485,937
2016	1,035,000	118,787	130,198	20,970	1,304,955
2017	985,000	81,175	116,110	15,065	1,197,350
2018-2022	1,085,000	58,576	208,177	17,372	1,369,125
<b>Total</b>	<b>\$6,565,000</b>	<b>\$855,913</b>	<b>\$815,110</b>	<b>\$152,822</b>	<b>\$8,388,845</b>

**Conduit debt obligations** In October of 2009, the City authorized \$6,400,000 for a Master Lease-Purchase agreement dated November 1, 2009 with National City Equipment Finance for the acquisition of various hospital facilities for the Southwest General Health Center. The City is not obligated in any way to repay this debt.

In December of 2011, the City issued \$63,045,000 of Hospital Facilities Revenue and Refunding Bonds, Series 2011, for the purpose of providing funds to pay for the costs of hospital facilities to be used by Southwest General Health Center and currently refund the Hospital Improvement Refunding Revenue Bonds, Series 1995. The City is not obligated in any way to repay this debt.

In December of 2012, the City issued \$87,514,300 of Hospital Facilities Revenue and Refunding Bonds, Series 2012A, and certain lease purchase obligations for the purpose of providing funds to pay for the costs of hospital facilities to be used by Southwest General Health Center. The City is not obligated in any way to repay this debt.

December 31, 2012, the aggregate principal amount of conduit debt obligations outstanding is \$153,119,300.

**Note 15 – Capital Leases**

The City did not enter into any new capital leases in 2012. In 2010, the City entered into a Capital Lease Agreement for financing the acquisition of a 2011 International Salt Truck with a down payment of \$30,825. In 2009, the City entered into a Capital Lease Agreement for financing the acquisition of a new IP-based telephone system for all the city buildings with a down payment of \$42,235. In 2008, the City entered into a Capital Lease Agreement for financing the acquisition of a 2009 International Salt Truck with a down payment of \$30,000. 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:



**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2012

	Governmental Activities	
	2010	2011
	Phone System	Salt Truck
Asset:		
Machinery and Equipment	\$0	\$143,700
Buildings and Improvements	195,989	0
Less: Accum Depreciation	(48,997)	(30,935)
	\$146,992	\$112,765

The future minimum lease obligations and the present value of these minimum lease payments as of December 31, 2012, were as follows:

Year Ending December 31:	Governmental Activities	
	Phone System	Salt Truck
	2013	42,235
2014	0	30,825
Total Minimum Lease Payments	42,235	61,650
Less: Amount Representing Interest	(1,576)	(3,201)
Present Value of Minimum Lease Payments	\$40,659	\$58,449

**Note 16 - Contractual Commitments**

The City had the following contractual commitments outstanding at December 31, 2012:

Project	Remaining on Contract
Smith Road Quiet Zones	\$95,000
Airport Monitoring	29,405
Street Improvement Program - 2012	312,866
Bagley Road and OPV Bridge	32,730
Big Creek Water Detention Study	8,898
Lucerne Rd. Culvert Bridge	122,706
	\$601,605

**Note 17 – Interfund Transfers and Balances**

During calendar year 2012, a transfer of \$925,000 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, 2012 an advance and an inter-fund receivable/payable of \$218,784 from the General Fund to the Capital Improvements Fund has been recorded to provide resources to fund the Lucerne Road Culvert Bridge project.

**Note 18 - Jointly Governed Organizations**

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

---

***A. General Southwest Health Center***

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

The Health Center is governed by a Board of Trustees consisting of the following: one person who is a member of the legislative body from each of the political subdivisions, one person residing in each political subdivision who is not a member of the legislative body, three people who are residents of any of the participating political subdivisions, the president of the corporation, the president of the medical staff, the vice president of the medical staff, and the executive vice president of the corporation. The legislative bodies of each political subdivision elect their members to serve on the Board of Trustees of the Health Center. The Board exercises total control over the operation of the Health Center including budgeting, appropriating, contracting and designating management. Each City's degree of control is limited to its representation on the Board. The Southwest General Hospital special revenue fund accounts for property tax resources that are distributed to the Health Center. In 2012, the City of Middleburg Heights remitted \$167,184 to the Health Center.

***B. Woodvale Union Cemetary***

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 2012, the City of Middleburg Heights contributed \$10,000 for operating expenses to the Cemetery.

***C. Southwest Council of Governments***

The Southwest Council of Governments helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions, and regional development. The Council's Board is comprised of one member from each of the 16 participating cities. The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. Budgets are adopted by the Board. Each City's degree of control is limited to its representation on the Board. The Council has established two subsidiary organizations, the Hazardous Material Response Team ("HAZMAT"), which provides hazardous material protection and assistance, and the Southwest Enforcement Bureau, which provides extra assistance to cities in the form of a SWAT team. In 2012, the City of Middleburg Heights contributed \$15,000 to the Council. The Council's financial statements may be obtained by contacting the Southwest Council of Governments, 11 Berea Commons, Berea, Ohio.

***D. Northeast Ohio Public Energy Council***

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 129 communities who have been authorized by

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

---

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

***E. Suburban Water Regional Council of Governments***

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

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

**Note 19 – Subsequent Events**

In May 2013, the City of Middleburg Heights issued \$5,860,000 Street Improvements Bonds, Series 2013. The bonds carry interest rates from 1.5 to 3.5 percent and have a 19 year maturity. The debt will be serviced through the Bond Retirement Fund and be funded from City income and property taxes.

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

### *Nonmajor Special Revenue Funds*

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

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

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

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

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

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

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

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

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

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

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

**Combining Statements**  
**Non-major Governmental Funds (Continued)**

*Nonmajor Capital Projects Fund*

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

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

**City of Middleburg Heights, Ohio**

*Combining Balance Sheet*

*Nonmajor Governmental Funds*

*December 31, 2012*

	Nonmajor Special Revenue Funds	Community Center Fund	Total Nonmajor Governmental Funds
<b>Assets and Deferred</b>			
<b>Outflows of Resources</b>			
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$1,201,865	\$0	\$1,201,865
Materials and Supplies Inventory	204,545		204,545
Accounts Receivable	53,332		53,332
Intergovernmental Receivable	394,427		394,427
Property Taxes Receivable	393,994		393,994
<i>Total Assets</i>	<u>2,248,163</u>	<u>0</u>	<u>2,248,163</u>
<b>Total Assets and Deferred</b>			
<b>Outflows of Resources</b>			
	<u>\$2,248,163</u>	<u>\$0</u>	<u>\$2,248,163</u>
<b>Liabilities, Deferred Inflows of</b>			
<b>Resources and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts Payable	\$87,100	\$0	\$87,100
Accrued Wages	39,678		39,678
Intergovernmental Payable	10,290		10,290
<i>Total Liabilities</i>	<u>137,068</u>	<u>0</u>	<u>137,068</u>
<b>Deferred Inflows of Resources:</b>			
Property Taxes	372,965		372,965
Unavailable Revenue-Delinquent Property Taxes	21,029		21,029
Unavailable Revenue-Other	297,404		297,404
<i>Total Deferred Inflows of Resources</i>	<u>691,398</u>	<u>0</u>	<u>691,398</u>
<b>Fund Balances</b>			
Non-Spendable	204,545		204,545
Restricted	898,539		898,539
Committed	316,613		316,613
<i>Total Fund Balances</i>	<u>1,419,697</u>	<u>0</u>	<u>1,419,697</u>
<b>Total Liabilities, Deferred Inflows of</b>			
<b>Resources and Fund Balances</b>			
	<u>\$2,248,163</u>	<u>\$0</u>	<u>\$2,248,163</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, 2012*

	Nonmajor Special Revenue Funds	Community Center Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Property Taxes	\$432,991	\$0	\$432,991
Intergovernmental	907,381		907,381
Interest	430	4	434
Fines, Licenses and Permits	14,358		14,358
Charges for Services	167,892		167,892
Other	56,890		56,890
<i>Total Revenues</i>	<u>1,579,942</u>	<u>4</u>	<u>1,579,946</u>
<b>Expenditures</b>			
Current:			
Security of Persons and Property:			
Police	173,095		173,095
Fire	312,399		312,399
Public Health and Welfare	167,270		167,270
Streets and Highways	1,671,530		1,671,530
General Government	5,385		5,385
Capital Outlay	5,125	4,072	9,197
<i>Total Expenditures</i>	<u>2,334,804</u>	<u>4,072</u>	<u>2,338,876</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(754,862)</u>	<u>(4,068)</u>	<u>(758,930)</u>
<b>Other Financing Sources</b>			
Transfers In	925,000		925,000
<i>Total Other Financing Sources</i>	<u>925,000</u>	<u>0</u>	<u>925,000</u>
<i>Net Change in Fund Balances</i>	170,138	(4,068)	166,070
<i>Fund Balances Beginning of Year</i>	<u>1,249,559</u>	<u>4,068</u>	<u>1,253,627</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,419,697</u></u>	<u><u>\$0</u></u>	<u><u>\$1,419,697</u></u>

**City of Middleburg Heights, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Special Revenue Funds*  
*December 31, 2012*

	Street Construction	State Highway	Clerk of Court Computer	Law Enforcement	Medical Transport	Police Pension
<b>Assets and Deferred Outflows of Resources</b>						
<b>Assets:</b>						
Equity in Pooled Cash and Investments	\$642,733	\$92,886	\$72,622	\$93,880	\$275,678	\$3,522
Materials and Supplies Inventory	150,250	54,295				
Accounts Receivable					53,332	
Intergovernmental Receivable	343,830	27,878				8,193
Property Taxes Receivable						138,043
<i>Total Assets</i>	<u>1,136,813</u>	<u>175,059</u>	<u>72,622</u>	<u>93,880</u>	<u>329,010</u>	<u>149,758</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$1,136,813</u>	<u>\$175,059</u>	<u>\$72,622</u>	<u>\$93,880</u>	<u>\$329,010</u>	<u>\$149,758</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts Payable	\$81,352				\$5,748	
Accrued Wages	38,337				1,341	
Intergovernmental Payable	9,736				554	
<i>Total Liabilities</i>	<u>129,425</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,643</u>	<u>0</u>
<b>Deferred Inflows of Resources:</b>						
Property Taxes						130,675
Unavailable Revenue-Delinquent Property Taxes						7,368
Unavailable Revenue-Other	233,941	18,968			21,776	8,193
<i>Total Deferred Inflows of Resources</i>	<u>233,941</u>	<u>18,968</u>	<u>0</u>	<u>0</u>	<u>21,776</u>	<u>146,236</u>
<b>Fund Balances:</b>						
Non-Spendable	150,250	54,295				
Restricted	623,197	101,796	72,622	93,880		3,522
Committed					299,591	
<i>Total Fund Balances</i>	<u>773,447</u>	<u>156,091</u>	<u>72,622</u>	<u>93,880</u>	<u>299,591</u>	<u>3,522</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$1,136,813</u>	<u>\$175,059</u>	<u>\$72,622</u>	<u>\$93,880</u>	<u>\$329,010</u>	<u>\$149,758</u>

(continued)



**City of Middleburg Heights, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Special Revenue Funds (continued)*  
*December 31, 2012*

	Fire Pension	Tree Planting	Veteran's Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
<b>Assets and Deferred</b>					
<b>Outflows of Resources</b>					
<b>Assets:</b>					
Equity in Pooled Cash and Investments	\$3,522	\$8,317	\$8,705	\$0	\$1,201,865
Materials and Supplies Inventory					204,545
Accounts Receivable					53,332
Intergovernmental Receivable	8,193			6,333	394,427
Property Taxes Receivable	138,043			117,908	393,994
<i>Total Assets</i>	<u>149,758</u>	<u>8,317</u>	<u>8,705</u>	<u>124,241</u>	<u>2,248,163</u>
<b>Total Assets and Deferred</b>					
<b>Outflows of Resources</b>	<u>\$149,758</u>	<u>\$8,317</u>	<u>\$8,705</u>	<u>\$124,241</u>	<u>\$2,248,163</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable					\$87,100
Accrued Wages					39,678
Intergovernmental Payable					10,290
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>137,068</u>
<b>Deferred Inflows of Resources:</b>					
Property Taxes	130,675			111,615	372,965
Unavailable Revenue-Delinquent Property Taxes	7,368			6,293	21,029
Unavailable Revenue-Other	8,193			6,333	297,404
<i>Total Deferred Inflows of Resources</i>	<u>146,236</u>	<u>0</u>	<u>0</u>	<u>124,241</u>	<u>691,398</u>
<b>Fund Balances:</b>					
Non-Spendable					204,545
Restricted	3,522				898,539
Committed		8,317	8,705		316,613
<i>Total Fund Balances</i>	<u>3,522</u>	<u>8,317</u>	<u>8,705</u>	<u>0</u>	<u>1,419,697</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$149,758</u>	<u>\$8,317</u>	<u>\$8,705</u>	<u>\$124,241</u>	<u>\$2,248,163</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, 2012*

	Street Construction	State Highway	Clerk of Court Computer	Law Enforcement	Medical Transport	Police Pension
<b>Revenues</b>						
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$139,072
Intergovernmental	770,289	62,455			17,528	22,343
Interest	321	105		3		
Fines, Licenses and Permits			10,061	4,297		
Charges for Services	10,017				154,900	
Other	49,920	6,770				
<i>Total Revenues</i>	<u>830,547</u>	<u>69,330</u>	<u>10,061</u>	<u>4,300</u>	<u>172,428</u>	<u>161,415</u>
<b>Expenditures</b>						
Current:						
Security of Persons and Property:						
Police				3,015		170,080
Fire					75,246	
Public Health and Welfare						
Streets and Highways	1,583,062	88,468				
General Government			5,205			
Capital Outlay					72,198	
<i>Total Expenditures</i>	<u>1,583,062</u>	<u>88,468</u>	<u>5,205</u>	<u>3,015</u>	<u>147,444</u>	<u>170,080</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(752,515)</u>	<u>(19,138)</u>	<u>4,856</u>	<u>1,285</u>	<u>24,984</u>	<u>(8,665)</u>
<b>Other Financing Sources</b>						
Transfers In	925,000					
<i>Total Other Financing Sources</i>	<u>925,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	172,485	(19,138)	4,856	1,285	24,984	(8,665)
<i>Fund Balances Beginning of Year</i>	<u>600,962</u>	<u>175,229</u>	<u>67,766</u>	<u>92,595</u>	<u>274,607</u>	<u>12,187</u>
<i>Fund Balances End of Year</i>	<u>\$773,447</u>	<u>\$156,091</u>	<u>\$72,622</u>	<u>\$93,880</u>	<u>\$299,591</u>	<u>\$3,522</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, 2012*

	Fire Pension	Tree Planting	Veteran's Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
<b>Revenues</b>					
Property Taxes	\$139,072	\$0	\$0	\$154,847	\$432,991
Intergovernmental	22,343			12,423	907,381
Interest			1		430
Fines, Licenses and Permits					14,358
Charges for Services		2,975			167,892
Other			200		56,890
<i>Total Revenues</i>	<u>161,415</u>	<u>2,975</u>	<u>201</u>	<u>167,270</u>	<u>1,579,942</u>
<b>Expenditures</b>					
Current:					
Security of Persons and Property:					
Police					173,095
Fire	170,080				245,326
Public Health and Welfare				167,270	167,270
Streets and Highways					1,671,530
General Government			180		5,385
Capital Outlay					72,198
<i>Total Expenditures</i>	<u>170,080</u>	<u>0</u>	<u>180</u>	<u>167,270</u>	<u>2,334,804</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenditures</i>	<u>(8,665)</u>	<u>2,975</u>	<u>21</u>	<u>0</u>	<u>(754,862)</u>
<b>Other Financing Sources</b>					
Transfers In					925,000
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>925,000</u>
<i>Net Change in Fund Balances</i>	(8,665)	2,975	21	0	170,138
<i>Fund Balances Beginning of Year</i>	<u>12,187</u>	<u>5,342</u>	<u>8,684</u>	<u>0</u>	<u>1,249,559</u>
<i>Fund Balances End of Year</i>	<u><u>\$3,522</u></u>	<u><u>\$8,317</u></u>	<u><u>\$8,705</u></u>	<u><u>\$0</u></u>	<u><u>\$1,419,697</u></u>

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

**City of Middleburg Heights, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2012*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$1,543,049	\$1,543,049	\$1,552,973	\$9,924
Income Taxes	12,865,000	12,865,000	13,838,367	973,367
Other Local Taxes	535,000	535,000	583,745	48,745
Intergovernmental	729,010	729,010	897,653	168,643
Interest	75,000	75,000	91,094	16,094
Fines, Licenses and Permits	988,300	988,300	1,245,468	257,168
Charges for Services	361,300	361,300	369,845	8,545
Other	248,714	248,714	363,196	114,482
<i>Total Revenues</i>	<u>17,345,373</u>	<u>17,345,373</u>	<u>18,942,341</u>	<u>1,596,968</u>
<b>Expenditures</b>				
Current:				
Public Safety:				
Police:				
Personal Services	4,267,074	4,267,074	4,179,203	87,871
Other	540,515	564,620	501,752	62,868
Total Police	<u>4,807,589</u>	<u>4,831,694</u>	<u>4,680,955</u>	<u>150,739</u>
Fire:				
Personal Services	3,197,397	3,197,397	3,094,388	103,009
Other	412,373	421,702	344,499	77,203
Total Fire	<u>3,609,770</u>	<u>3,619,099</u>	<u>3,438,887</u>	<u>180,212</u>
Safety Director:				
Personal Services	59,745	59,745	59,704	41
Other	775	775	250	525
Total Safety Director	<u>60,520</u>	<u>60,520</u>	<u>59,954</u>	<u>566</u>
Total Public Safety	<u>8,477,879</u>	<u>8,511,313</u>	<u>8,179,796</u>	<u>331,517</u>
Public Health and Welfare:				
Senior Bus:				
Other	100,340	100,340	99,687	653
Total Senior Bus	<u>100,340</u>	<u>100,340</u>	<u>99,687</u>	<u>653</u>
Senior Programs				
Personal Services	44,673	44,673	43,896	777
Other	22,585	22,585	14,518	8,067
Total Senior Programs	<u>67,258</u>	<u>67,258</u>	<u>58,414</u>	<u>8,844</u>
Total Public Health and Welfare	<u>167,598</u>	<u>167,598</u>	<u>158,101</u>	<u>9,497</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, 2012*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Community Development:				
Planning and Zoning:				
Personal Services	\$90,929	\$90,929	\$83,996	\$6,933
Other	4,120	4,120	1,852	2,268
Total Planning and Zoning	95,049	95,049	85,848	9,201
Building:				
Personal Services	405,533	405,533	395,358	10,175
Other	24,965	25,263	16,293	8,970
Total Building	430,498	430,796	411,651	19,145
Engineer:				
Other	63,369	63,369	58,655	4,714
Total Engineer	63,369	63,369	58,655	4,714
Total Community Development	588,916	589,214	556,154	33,060
Economic Development:				
Personal Services	129,146	129,146	129,070	76
Other	265,469	265,544	219,727	45,817
Total Economic Development	394,615	394,690	348,797	45,893
Sanitation:				
Other	1,100,000	1,100,000	1,100,000	0
Total Refuse Removal	1,100,000	1,100,000	1,100,000	0
Total Sanitation	1,100,000	1,100,000	1,100,000	0
General Government:				
Mayor's Court:				
Personal Services	183,861	183,861	180,034	3,827
Other	65,182	65,182	54,706	10,476
Total Mayor's Court	249,043	249,043	234,740	14,303
Mayor:				
Personal Services	486,320	495,520	494,721	799
Other	22,527	22,642	21,640	1,002
Total Mayor	508,847	518,162	516,361	1,801

(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, 2012*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Finance:				
Personal Services	\$524,099	\$524,099	\$523,051	\$1,048
Other	46,477	46,477	37,350	9,127
<b>Total Finance</b>	<b>570,576</b>	<b>570,576</b>	<b>560,401</b>	<b>10,175</b>
Law:				
Personal Services	279,045	279,045	278,627	418
Other	74,209	74,209	37,223	36,986
<b>Total Law</b>	<b>353,254</b>	<b>353,254</b>	<b>315,850</b>	<b>37,404</b>
Service:				
Personal Services	2,849,409	2,849,409	2,636,295	213,114
Other	378,841	387,833	326,210	61,623
<b>Total Service</b>	<b>3,228,250</b>	<b>3,237,242</b>	<b>2,962,505</b>	<b>274,737</b>
Facilities Maintenance:				
Personal Services	422,954	430,304	416,978	13,326
Other	274,000	274,000	224,952	49,048
<b>Total Facilities Maintenance</b>	<b>696,954</b>	<b>704,304</b>	<b>641,930</b>	<b>62,374</b>
Council:				
Personal Services	347,663	347,663	323,053	24,610
Other	25,734	25,734	10,654	15,080
<b>Total Council</b>	<b>373,397</b>	<b>373,397</b>	<b>333,707</b>	<b>39,690</b>
Boards and Commissions:				
Personal Services	4,815	4,815	1,007	3,808
Other	11,950	11,950	3,859	8,091
<b>Total Boards and Commissions</b>	<b>16,765</b>	<b>16,765</b>	<b>4,866</b>	<b>11,899</b>
City Hall:				
Other	755,386	849,202	714,968	134,234
Statutory Accounts:				
Other	663,690	716,185	705,783	10,402
<b>Total Statutory Accounts</b>	<b>663,690</b>	<b>716,185</b>	<b>705,783</b>	<b>10,402</b>
<b>Total General Government</b>	<b>7,416,162</b>	<b>7,588,130</b>	<b>6,991,111</b>	<b>597,019</b>
<b>Total Expenditures</b>	<b>18,145,170</b>	<b>18,350,945</b>	<b>17,333,959</b>	<b>1,016,986</b>

(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, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Excess of Revenues Over (Under) Expenditures</i>	(\$799,797)	(\$1,005,572)	\$1,608,382	\$2,613,954
<b>Other Financing Sources (Uses)</b>				
Advances Out	0	(218,784)	(218,784)	0
Transfers Out	(925,000)	(925,000)	(925,000)	0
<i>Total Other Financing Sources (Uses)</i>	(925,000)	(1,143,784)	(1,143,784)	0
<i>Net Change in Fund Balance</i>	(1,724,797)	(2,149,356)	464,598	2,613,954
<i>Fund Balance Beginning of Year</i>	2,828,593	2,828,593	2,828,593	0
Prior Year Encumbrances Appropriated	356,037	356,037	356,037	0
<i>Fund Balance End of Year</i>	\$1,459,833	\$1,035,274	\$3,649,228	\$2,613,954



**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, 2012*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Income Taxes	\$1,800,000	\$1,800,000	\$1,407,027	(\$392,973)
Charges for Services	1,255,900	1,255,900	1,330,808	74,908
Other	2,600	2,600	8,079	5,479
<i>Total Revenues</i>	<u>3,058,500</u>	<u>3,058,500</u>	<u>2,745,914</u>	<u>(312,586)</u>
<b>Expenditures</b>				
Current:				
Culture and Recreation:				
Personal Services	2,089,308	2,089,308	1,969,046	120,262
Other	946,226	949,723	846,352	103,371
<i>Total Expenditures</i>	<u>3,035,534</u>	<u>3,039,031</u>	<u>2,815,398</u>	<u>223,633</u>
<i>Net Change in Fund Balance</i>	22,966	19,469	(69,484)	(88,953)
<i>Fund Balance Beginning of Year</i>	150,000	150,000	150,000	0
Prior Year Encumbrances Appropriated	<u>69,484</u>	<u>69,484</u>	<u>69,484</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$242,450</u>	<u>\$238,953</u>	<u>\$150,000</u>	<u>(\$88,953)</u>

**City of Middleburg Heights, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Bond Retirement Fund*  
*For the Year Ended December 31, 2012*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$230,306	\$230,306	\$231,787	\$1,481
Income Taxes	1,140,000	1,140,000	1,140,000	\$0
Special Assessments	190,000	190,000	189,768	(232)
Intergovernmental	48,949	48,949	48,968	19
Interest	7,493	7,493	7,493	0
<i>Total Revenues</i>	<u>1,616,748</u>	<u>1,616,748</u>	<u>1,618,016</u>	<u>1,268</u>
<b>Expenditures</b>				
Current:				
General Government:				
Other	12,000	12,000	2,022	9,978
Debt Service:				
Principal Retirement	1,552,250	1,552,250	1,552,138	112
Interest and Fiscal Charges	328,800	328,800	328,283	517
<i>Total Expenditures</i>	<u>1,893,050</u>	<u>1,893,050</u>	<u>1,882,443</u>	<u>10,607</u>
<i>Net Change in Fund Balance</i>	(276,302)	(276,302)	(264,427)	11,875
<i>Fund Balance Beginning of Year</i>	<u>691,893</u>	<u>691,893</u>	<u>691,893</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$415,591</u>	<u>\$415,591</u>	<u>\$427,466</u>	<u>\$11,875</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, 2012*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Income Taxes	\$805,000	\$805,000	\$834,824	\$29,824
Intergovernmental	0	0	0	0
Charges for Services	11,300	11,300	22,912	11,612
Other	54,000	307,784	300,511	(7,273)
<i>Total Revenues</i>	<u>870,300</u>	<u>1,124,084</u>	<u>1,158,247</u>	<u>34,163</u>
<b>Expenditures</b>				
Current:				
Capital Outlay	351,086	1,941,756	1,837,507	104,249
Total Capital Outlay	<u>351,086</u>	<u>1,941,756</u>	<u>1,837,507</u>	<u>104,249</u>
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Debt Service	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Expenditures</i>	<u>351,086</u>	<u>1,941,756</u>	<u>1,837,507</u>	<u>104,249</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>519,214</u>	<u>(817,672)</u>	<u>(679,260)</u>	<u>138,412</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	0	0	0	0
Advances In	0	0	0	0
Advances Out	0	0	0	0
Note Proceeds	0	0	0	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	519,214	(817,672)	(679,260)	138,412
<i>Fund Balance Beginning of Year</i>	597,541	597,541	597,541	0
Prior Year Encumbrances Appropriated	<u>247,874</u>	<u>247,874</u>	<u>247,874</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,364,629</u></u>	<u><u>\$27,743</u></u>	<u><u>\$166,155</u></u>	<u><u>\$138,412</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, 2012*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Intergovernmental	\$790,000	\$790,000	\$772,799	(\$17,201)
Interest	400	400	321	(79)
Charges for Services	15,000	15,000	10,017	(4,983)
Other	1,000	1,000	49,920	48,920
<i>Total Revenues</i>	<u>806,400</u>	<u>806,400</u>	<u>833,057</u>	<u>26,657</u>
<b>Expenditures</b>				
Current:				
Transportation:				
Streets and Highways:				
Personal Services	794,778	794,778	741,513	53,265
Other	1,330,675	1,330,675	1,113,793	216,882
<i>Total Expenditures</i>	<u>2,125,453</u>	<u>2,125,453</u>	<u>1,855,306</u>	<u>270,147</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,319,053)</u>	<u>(1,319,053)</u>	<u>(1,022,249)</u>	<u>296,804</u>
<b>Other Financing Sources</b>				
Transfers In	925,000	925,000	925,000	0
<i>Net Change in Fund Balance</i>	(394,053)	(394,053)	(97,249)	296,804
<i>Fund Balance Beginning of Year</i>	231,596	231,596	231,596	0
Prior Year Encumbrances Appropriated	213,175	213,175	213,175	0
<i>Fund Balance End of Year</i>	<u>\$50,718</u>	<u>\$50,718</u>	<u>\$347,522</u>	<u>\$296,804</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, 2012*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Intergovernmental	\$64,500	\$64,500	\$62,659	(\$1,841)
Interest	200	200	105	(95)
Other	<u>0</u>	<u>0</u>	<u>6,770</u>	<u>6,770</u>
<i>Total Revenues</i>	<u>64,700</u>	<u>64,700</u>	<u>69,534</u>	<u>4,834</u>
<b>Expenditures</b>				
Current:				
Transportation:				
Streets and Highways:				
Other	<u>184,170</u>	<u>184,170</u>	<u>122,688</u>	<u>61,482</u>
<i>Net Change in Fund Balance</i>	(119,470)	(119,470)	(53,154)	66,316
<i>Fund Balance Beginning of Year</i>	66,055	66,055	66,055	0
Prior Year Encumbrances Appropriated	<u>76,670</u>	<u>76,670</u>	<u>76,670</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$23,255</u>	<u>\$23,255</u>	<u>\$89,571</u>	<u>\$66,316</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, 2012*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Fines, Licenses and Permits	\$10,000	\$10,000	\$10,061	\$61
<b>Expenditures</b>				
Current:				
General Government:				
Other	8,283	8,283	5,205	3,078
<i>Net Change in Fund Balance</i>	1,717	1,717	4,856	3,139
<i>Fund Balance Beginning of Year</i>	66,933	66,933	66,933	0
Prior Year Encumbrances Appropriated	833	833	833	0
<i>Fund Balance End of Year</i>	<u>\$69,483</u>	<u>\$69,483</u>	<u>\$72,622</u>	<u>\$3,139</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, 2012*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest	\$75	\$75	\$3	(\$72)
Fines, Licenses and Permits	3,600	3,600	4,472	872
<i>Total Revenues</i>	<u>3,675</u>	<u>3,675</u>	<u>4,475</u>	<u>800</u>
<b>Expenditures</b>				
Current:				
Public Safety:				
Other	7,900	7,900	3,015	4,885
Capital Outlay	0	0	0	0
Total Transportation	<u>7,900</u>	<u>7,900</u>	<u>3,015</u>	<u>4,885</u>
<i>Net Change in Fund Balance</i>	(4,225)	(4,225)	1,460	5,685
<i>Fund Balance Beginning of Year</i>	92,019	92,019	92,019	0
Prior Year Encumbrances Appropriated	<u>400</u>	<u>400</u>	<u>400</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$88,194</u></u>	<u><u>\$88,194</u></u>	<u><u>\$93,879</u></u>	<u><u>\$5,685</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, 2012*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for Services	\$135,000	\$135,000	\$140,936	\$5,936
Intergovernmental	3,000	3,000	17,528	14,528
Other	0	0	0	0
<i>Total Revenues</i>	<u>138,000</u>	<u>138,000</u>	<u>158,464</u>	<u>20,464</u>
<b>Expenditures</b>				
Current:				
Transportation:				
Public Safety:				
Personal Services	35,081	35,081	34,256	825
Other	75,843	128,871	116,772	12,099
<i>Total Expenditures</i>	<u>110,924</u>	<u>163,952</u>	<u>151,028</u>	<u>12,924</u>
<i>Net Change in Fund Balance</i>	27,076	(25,952)	7,436	33,388
<i>Fund Balance Beginning of Year</i>	252,269	252,269	252,269	0
Prior Year Encumbrances Appropriated	7,843	7,843	7,843	0
<i>Fund Balance End of Year</i>	<u>\$287,188</u>	<u>\$234,160</u>	<u>\$267,548</u>	<u>\$33,388</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, 2012*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$138,184	\$138,184	\$139,072	\$888
Intergovernmental	22,331	22,331	22,343	12
<i>Total Revenues</i>	<u>160,515</u>	<u>160,515</u>	<u>161,415</u>	<u>900</u>
<b>Expenditures</b>				
Current:				
Public Safety:				
Personal Services	170,000	170,000	170,000	0
Other	135	135	80	55
<i>Total Expenditures</i>	<u>170,135</u>	<u>170,135</u>	<u>170,080</u>	<u>55</u>
<i>Net Change in Fund Balance</i>	(9,620)	(9,620)	(8,665)	955
<i>Fund Balance Beginning of Year</i>	<u>12,187</u>	<u>12,187</u>	<u>12,187</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,567</u></u>	<u><u>\$2,567</u></u>	<u><u>\$3,522</u></u>	<u><u>\$955</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, 2012*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$138,184	\$138,184	\$139,072	\$888
Intergovernmental	22,331	22,331	22,343	12
<i>Total Revenues</i>	<u>160,515</u>	<u>160,515</u>	<u>161,415</u>	<u>900</u>
<b>Expenditures</b>				
Current:				
Public Safety:				
Personal Services	170,000	170,000	170,000	0
Other	135	135	80	55
<i>Total Expenditures</i>	<u>170,135</u>	<u>170,135</u>	<u>170,080</u>	<u>55</u>
<i>Net Change in Fund Balance</i>	(9,620)	(9,620)	(8,665)	955
<i>Fund Balance Beginning of Year</i>	<u>12,187</u>	<u>12,187</u>	<u>12,187</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,567</u></u>	<u><u>\$2,567</u></u>	<u><u>\$3,522</u></u>	<u><u>\$955</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, 2012*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Charges for Services	<u>\$2,000</u>	<u>\$2,000</u>	<u>\$2,975</u>	<u>\$975</u>
<b>Expenditures</b>				
Current:				
General Government:				
Other	<u>7,000</u>	<u>7,000</u>	<u>0</u>	<u>7,000</u>
<i>Net Change in Fund Balance</i>	(5,000)	(5,000)	2,975	7,975
<i>Fund Balance Beginning of Year</i>	<u>5,342</u>	<u>5,342</u>	<u>5,342</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$342</u>	<u>\$342</u>	<u>\$8,317</u>	<u>\$7,975</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, 2012*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Interest	\$50	\$10	\$1	(\$9)
Other	500	200	200	0
<i>Total Revenues</i>	<u>550</u>	<u>210</u>	<u>201</u>	<u>(9)</u>
<b>Expenditures</b>				
Current:				
General Government:				
Other	9,050	8,800	1,822	6,978
<i>Net Change in Fund Balance</i>	(8,500)	(8,590)	(1,621)	6,969
<i>Fund Balance Beginning of Year</i>	<u>8,684</u>	<u>8,684</u>	<u>8,684</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$184</u></u>	<u><u>\$94</u></u>	<u><u>\$7,063</u></u>	<u><u>\$6,969</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, 2012*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$154,673	\$154,847	\$154,847	\$0
Intergovernmental	12,401	12,423	12,423	0
<i>Total Revenues</i>	<u>167,074</u>	<u>167,270</u>	<u>167,270</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Public Health and Welfare:				
Other	165,859	167,270	167,270	0
<i>Net Change in Fund Balance</i>	1,215	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>\$1,215</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, 2012*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Interest	<u>\$20</u>	<u>\$4</u>	<u>\$4</u>	<u>\$0</u>
<b>Expenditures</b>				
Current:				
Capital Outlay:				
Capital Outlay	<u>3,685</u>	<u>4,073</u>	<u>4,073</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(3,665)	(4,069)	(4,069)	0
<i>Fund Balance Beginning of Year</i>	<u>4,069</u>	<u>4,069</u>	<u>4,069</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$404</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*  
*Health Insurance Fund*  
*For the Year Ended December 31, 2012*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Charges for Service	<u>\$1,825,000</u>	<u>\$1,825,000</u>	<u>\$1,803,690</u>	<u>(\$2,104)</u>
<b>Expenditures</b>				
General Government:				
Other	<u>2,100,000</u>	<u>2,100,000</u>	<u>1,960,940</u>	<u>139,060</u>
<i>Net Change in Fund Balance</i>	<u>(275,000)</u>	<u>(275,000)</u>	<u>(157,250)</u>	<u>117,750</u>
<i>Fund Balance Beginning of Year</i>	<u>747,689</u>	<u>747,689</u>	<u>747,689</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$472,689</u></u>	<u><u>\$472,689</u></u>	<u><u>\$590,439</u></u>	<u><u>\$117,750</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, 2012*

	Ending Balance 12/31/11	Additions	Deductions	Ending Balance 12/31/12
<b><i>Flexible Spending Account</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$8,241	\$58,357	\$57,781	\$8,817
<b>Liabilities</b>				
Deposits Held and Due to Others	\$8,241	\$58,357	\$57,781	\$8,817
<b><i>Board of Buildings Standards Fee</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$154	\$9,108	\$9,119	\$143
<b>Liabilities</b>				
Deposits Held and Due to Others	\$154	\$9,108	\$9,119	\$143
<b><i>Mayor's Court</i></b>				
<b>Assets</b>				
Cash in Segregated Accounts	\$53,942	\$844,504	\$840,447	\$57,999
<b>Liabilities</b>				
Deposits Held and Due to Others	\$53,942	\$844,504	\$840,447	\$57,999
<b><i>Deposits</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$207,375	\$78,433	\$89,936	\$195,872
<b>Liabilities</b>				
Deposits Held and Due to Others	\$207,375	\$78,433	\$89,936	\$195,872
<b><i>Total - All Agency Funds</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$215,770	\$145,898	\$156,836	\$204,832
Cash in Segregated Accounts	\$53,942	\$844,504	\$840,447	\$57,999
Total Assets	\$269,712	\$990,402	\$997,283	\$262,831
<b>Liabilities</b>				
Deposits Held and Due to Others	\$269,712	\$990,402	\$997,283	\$262,831

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

# Statistical Section



## 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 Position by Component-Last Ten Years</i> .....	85
<i>Changes in Net Position-Last Ten Years</i> .....	86
<i>Fund Balances, Governmental Funds- Last Ten Years</i> .....	88
<i>Changes in Fund Balances, Governmental Funds-Last Ten Years</i> .....	90

**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> .....	92
<i>Income Tax Revenue Base and Collections-Last Ten Years</i> .....	93
<i>Principal Taxpayers-Current Year and Nine Years Ago</i> .....	94
<i>Property Tax Rates-All Direct and Overlapping Governments</i> .....	95
<i>Assessed and Estimated Actual Value of Taxable Property-Last Ten Years</i> .....	96
<i>Property Tax Levies and Collections-Real and Public Utility Taxes-Last Ten Years</i> .....	97

**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> .....	98
<i>Computation of Direct and Overlapping Debt</i> .....	100

**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> .....	101
<i>Principal Employers-Current Year and Nine Years Ago</i> .....	102

**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> .....	103
<i>Operating Indicators by Function/Program-Last Ten Years</i> .....	104
<i>Capital Asset Statistics by Function/Program-Last Ten Years</i> .....	106

**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.

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$49,174,710	\$47,345,795	\$45,336,826	\$43,670,819	\$35,941,389	\$33,862,810	\$32,770,521	\$31,196,151	\$29,822,417	\$28,782,469
Restricted for:										
Capital Projects	989,661	1,020,901	1,105,143	849,193	1,202,622	1,529,607	1,596,987	551,559	442,211	1,131,259
Debt Service	1,548,018	1,988,524	2,824,066	2,870,466	3,083,637	3,237,703	3,312,729	3,939,645	4,128,272	4,673,180
Other Purposes	409,375	452,608	482,196	492,426	469,104	396,550	368,712	398,548	418,588	404,227
Unrestricted	6,692,960	6,006,694	5,344,333	5,796,309	4,575,931	4,868,489	4,760,416	4,085,445	5,270,879	7,330,254
Total Net Position	\$58,814,724	\$56,814,522	\$55,092,564	\$53,679,213	\$45,272,683	\$43,895,159	\$42,809,565	\$40,171,348	\$40,082,367	\$42,521,389

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
Security of Persons and Property:										
Police	\$664,237	\$684,320	\$620,746	\$642,294	\$683,545	\$760,864	\$672,077	\$679,012	\$766,507	\$743,258
Fire	503,394	512,706	462,126	434,991	426,413	394,681	384,615	355,800	357,415	424,981
Safety Director	0	0	0	0	0	0	0	0	0	0
Public Health and Welfare	25,508	23,924	22,980	16,515	1,733	5,929	2,739	0	0	0
Culture and Recreation	1,344,899	1,243,202	1,211,993	1,177,233	1,172,304	1,121,296	1,105,925	1,054,775	992,986	921,023
Community Development	409,400	233,664	144,288	185,671	186,603	353,339	354,273	329,658	198,759	217,690
Economic Development	4,784	4,275	5,768	3,000	1,500	1,750	500	0	0	0
Streets and Highways	10,017	8,058	18,482	10,875	24,426	0	758	4,867	0	0
Sanitation	0	0	0	0	0	0	0	0	0	0
General Government	212,840	178,816	176,929	165,561	148,066	164,540	227,337	174,977	214,146	153,359
Interest and Fiscal Charges	0	0	0	0	0	0	0	0	0	0
Operating Grants and Contributions	848,150	842,714	862,290	849,270	875,100	862,363	938,974	761,102	756,071	689,679
Capital Grants and Contributions	1,238,019	1,289,377	1,183,203	7,258,633	162,694	184,981	1,138,124	1,153,013	539,301	1,362,161
<b>Total Governmental Activities Program Revenues</b>	<b>5,261,248</b>	<b>5,021,056</b>	<b>4,708,805</b>	<b>10,744,043</b>	<b>3,682,384</b>	<b>3,849,743</b>	<b>4,825,322</b>	<b>4,513,204</b>	<b>3,825,185</b>	<b>4,512,151</b>
<b>Expenses</b>										
Governmental Activities:										
Security of Persons and Property:										
Police	4,981,352	4,919,272	5,143,489	4,806,928	4,727,460	4,441,487	4,234,859	4,341,528	4,343,435	3,998,227
Fire	3,923,428	3,801,258	3,726,461	3,696,714	3,639,936	3,588,665	3,260,065	3,208,411	3,026,842	2,851,306
Safety Director	61,957	58,909	59,728	57,850	55,867	53,720	50,592	48,360	45,650	42,266
Public Health and Welfare	307,505	330,767	362,515	339,612	284,520	263,939	256,254	246,274	258,754	253,092
Culture and Recreation	3,193,469	3,176,067	3,237,956	3,280,588	3,163,391	3,159,631	3,013,378	3,080,371	3,152,424	2,924,858
Community Development	555,959	534,590	552,358	579,608	620,457	645,709	589,575	632,819	631,527	605,855
Economic Development	326,237	305,201	325,270	286,350	164,696	163,873	95,056	0	0	0
Streets and Highways	2,664,848	2,786,636	3,140,956	3,052,119	3,011,490	2,679,466	2,089,356	2,642,158	3,345,946	2,901,524
Sanitation	1,075,455	1,091,845	933,094	948,225	939,330	948,598	851,522	767,324	729,743	716,221
General Government	7,297,006	7,186,714	7,089,138	7,321,308	7,159,940	6,871,475	6,132,310	6,308,086	6,295,289	5,912,798
Interest and Fiscal Charges	511,361	457,423	527,452	580,827	474,061	836,386	905,016	974,678	1,045,256	1,127,571
<b>Total Governmental Activities Expenses</b>	<b>24,898,577</b>	<b>24,648,682</b>	<b>25,098,417</b>	<b>24,950,129</b>	<b>24,241,148</b>	<b>23,652,949</b>	<b>21,477,983</b>	<b>22,250,009</b>	<b>22,874,866</b>	<b>21,333,718</b>

**Net (Expense)/Revenue**

Governmental Activities:

Security of Persons and Property:

Police	(4,317,115)	(4,234,952)	(4,522,123)	(4,164,093)	(4,038,095)	(3,680,623)	(3,562,782)	(3,647,516)	(3,576,928)	(3,254,969)
Fire	(3,402,506)	(3,284,507)	(3,261,335)	(3,258,223)	(3,210,523)	(3,193,984)	(2,270,366)	(2,851,611)	(2,669,427)	(2,426,325)
Safety Director	(61,957)	(58,909)	(59,728)	(57,850)	(55,867)	(53,720)	(50,592)	(48,360)	(45,650)	(42,266)
Public Health and Welfare	(281,997)	(306,843)	(339,535)	(323,097)	(282,787)	(258,010)	(253,515)	(246,274)	(258,754)	(253,092)
Culture and Recreation	(1,848,570)	(1,932,865)	(2,025,963)	(2,103,355)	(1,991,087)	(2,038,335)	(1,907,453)	(2,025,596)	(2,159,438)	(2,003,835)
Community Development	(146,559)	(300,926)	(408,070)	(393,937)	(433,854)	(292,370)	(235,302)	(303,161)	(432,768)	(388,165)
Economic Development	(321,453)	(300,926)	(319,502)	(283,350)	(163,196)	(162,123)	(94,556)	0	0	0
Streets and Highways	(586,190)	(650,532)	(1,080,601)	5,062,618	(1,958,090)	(1,632,122)	(616,584)	(739,176)	(2,050,574)	(849,684)
Sanitation	(1,075,455)	(1,091,845)	(933,094)	(948,225)	(939,330)	(948,598)	(851,522)	(767,324)	(729,743)	(716,221)
General Government	(7,084,166)	(7,007,898)	(6,912,209)	(7,155,747)	(7,011,874)	(6,706,935)	(5,904,973)	(6,133,109)	(6,081,143)	(5,759,439)
Interest and Fiscal Charges	(511,361)	(457,423)	(527,452)	(580,827)	(474,061)	(836,386)	(905,016)	(974,678)	(1,045,256)	(1,127,571)
<i>Total Net Expense</i>	<i>(19,637,329)</i>	<i>(19,627,626)</i>	<i>(20,389,612)</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>

**General Revenues**

Property and Other Local Taxes Levied for:

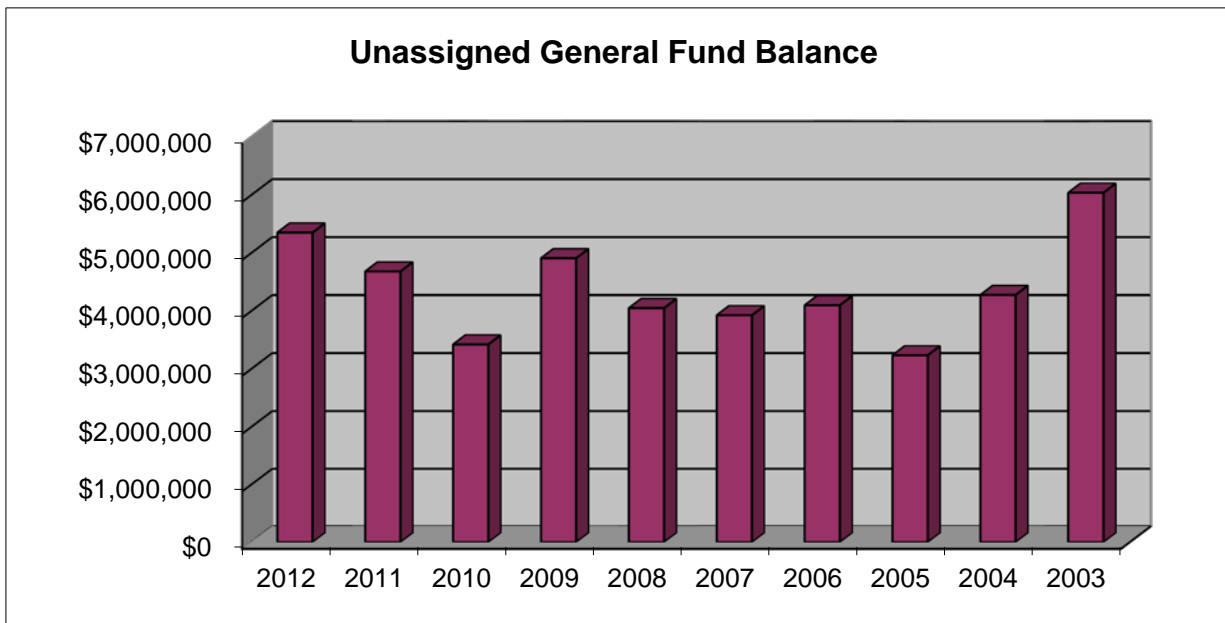
General Purposes	2,094,556	2,122,527	1,946,835	1,983,876	2,082,355	2,104,512	2,009,978	1,927,455	1,947,370	1,871,807
Debt Service	224,823	238,448	418,706	447,616	459,118	473,010	439,446	422,528	491,408	453,296
Police and Fire Pension	269,788	286,136	291,830	298,410	306,078	315,340	292,962	281,686	297,148	271,698
Public Health and Welfare	149,000	159,755	160,477	156,133	168,159	180,878	189,236	183,855	198,408	187,195
Income Tax Levied for:										
General Purposes	13,806,366	13,529,681	11,350,197	11,039,967	11,285,237	10,452,686	10,169,116	8,990,441	8,507,278	8,682,559
Debt Service	1,103,726	1,097,026	1,679,911	1,520,127	1,894,990	2,056,875	1,485,088	1,974,159	1,681,241	1,746,570
Recreation	1,400,216	1,569,497	1,690,513	1,591,301	1,596,976	1,579,588	1,277,277	1,454,103	1,432,876	1,656,965
Capital Outlay	1,071,646	608,868	1,591,385	1,520,723	1,587,193	1,563,051	890,868	728,306	681,137	710,614
Grants and Entitlements not Restricted to Specific Programs	953,727	1,341,682	2,244,208	3,552,070	1,794,816	1,268,580	1,792,104	1,187,184	1,053,794	1,129,313
Investment Earnings	69,863	74,330	62,294	97,034	339,326	537,883	456,495	287,866	164,962	236,156
Miscellaneous	493,820	321,634	366,607	405,359	422,040	356,597	288,108	388,203	355,037	271,142
<i>Total General Revenues</i>	<i>21,637,531</i>	<i>21,349,584</i>	<i>21,802,963</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>

**Change in Net Position**

	\$2,000,202	\$1,721,958	\$1,413,351	\$8,406,530	\$1,377,524	\$1,085,794	\$2,638,017	\$88,981	(\$2,239,022)	\$395,748
--	-------------	-------------	-------------	-------------	-------------	-------------	-------------	----------	---------------	-----------

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

	2012	2011	2010	2009
<b>General Fund</b>				
Nonspendable	\$171,906	\$123,363	\$122,612	\$138,642
Assigned	415,065	266,188	246,735	271,315
Unassigned	5,573,277	4,684,103	3,424,467	4,911,804
<i>Total General Fund</i>	<u>6,160,248</u>	<u>5,073,654</u>	<u>3,793,814</u>	<u>5,321,761</u>
<b>All Other Governmental Funds</b>				
Nonspendable	249,040	208,718	263,459	227,412
Restricted	1,744,505	1,930,548	2,519,190	2,446,356
Committed	937,834	1,230,419	1,461,609	1,009,860
<i>Total All Other Governmental Funds</i>	<u>2,931,379</u>	<u>3,369,685</u>	<u>4,244,258</u>	<u>3,683,628</u>
<i>Total Governmental Funds</i>	<u><u>\$9,091,627</u></u>	<u><u>\$8,443,339</u></u>	<u><u>\$8,038,072</u></u>	<u><u>\$9,005,389</u></u>



Note: Gasb 54 was implemented for years 2003 - 2010 and the amounts are unaudited



2008	2007	2006	2005	2004	2003
\$137,211	\$141,197	\$145,094	\$131,661	\$156,895	\$135,657
229,568	186,616	135,025	216,652	120,798	174,103
4,051,436	3,929,119	4,099,457	3,237,376	4,278,365	6,041,544
4,418,215	4,256,932	4,379,576	3,585,689	4,556,058	6,351,304
195,881	199,136	150,461	135,409	150,736	180,379
2,418,999	2,437,342	2,284,900	2,739,523	3,040,079	3,820,655
1,194,834	1,841,166	1,803,760	838,818	838,276	1,389,295
3,809,714	4,477,644	4,239,121	3,713,750	4,029,091	5,390,329
\$8,227,929	\$8,734,576	\$8,618,697	\$7,299,439	\$8,585,149	\$11,741,633

Note: Gasb 54 was implemented for years 2003 - 2010 and the amounts are unaudited

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

	2012	2011	2010	2009
<b>Revenues</b>				
Property Taxes	\$2,217,751	\$2,299,773	\$2,244,665	\$2,398,978
Income Taxes	17,287,724	16,726,038	16,184,484	15,810,195
Other Local Taxes	588,245	524,929	514,964	494,692
Intergovernmental	1,799,116	2,544,924	2,878,977	4,452,591
Special Assessments	189,768	215,663	218,592	155,908
Interest	69,863	74,330	62,294	158,609
Fines, Licenses and Permits	1,255,426	1,076,206	899,685	970,642
Charges for Services	1,938,131	1,785,024	1,762,696	1,677,224
Other	508,892	337,743	368,072	407,770
<b>Total Revenues</b>	<b>25,854,916</b>	<b>25,584,630</b>	<b>25,134,429</b>	<b>26,526,609</b>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	8,538,832	8,395,875	8,776,924	8,049,713
Public Health and Welfare	307,505	330,767	362,515	338,927
Culture and Recreation	2,742,285	2,771,542	2,844,270	2,800,812
Community Development	546,761	532,084	544,812	597,099
Economic Development	323,904	304,620	321,510	280,958
Streets and Highways	1,671,530	1,691,980	1,758,271	1,563,244
Sanitation	1,075,455	1,091,845	933,094	948,225
General Government	6,692,911	6,620,502	6,771,287	6,765,399
Capital Outlay	1,324,813	1,494,121	2,131,384	2,144,886
Debt Service:				
Principal Retirement	1,647,732	1,988,289	1,973,229	1,925,422
Interest and Fiscal Charges	335,900	408,146	477,982	531,253
Bond Issuance Costs	0	0	0	0
<b>Total Expenditures</b>	<b>25,207,628</b>	<b>25,629,771</b>	<b>26,854,935</b>	<b>25,945,938</b>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>647,288</i>	<i>(45,141)</i>	<i>(1,112,824)</i>	<i>580,671</i>
<b>Other Financing Sources (Uses)</b>				
Refunding Bonds Issued	0	0	0	0
Premium on Debt Issuance	0	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0	0
Sale of Capital Assets	1,000	303,539	1,807	800
Inception of Capital Lease	0	0	143,700	195,989
Loan Proceeds	0	146,869	607,682	0
Transfers In	925,000	850,000	2,118,585	850,000
Transfers Out	(925,000)	(850,000)	(2,118,585)	(850,000)
<b>Total Other Financing Sources (Uses)</b>	<b>1,000</b>	<b>450,408</b>	<b>753,189</b>	<b>196,789</b>
<b>Net Change in Fund Balances</b>	<b>\$648,288</b>	<b>\$405,267</b>	<b>(\$967,317)</b>	<b>\$777,460</b>
Debt Service as a percentage of noncapital expenditures	8.68%	10.29%	10.00%	13.86%

2008	2007	2006	2005	2004	2003
\$2,400,470	\$2,506,371	\$2,399,205	\$2,321,783	\$2,368,704	\$2,245,912
16,176,983	15,421,461	13,754,427	12,914,040	12,554,485	12,555,322
577,467	554,088	569,575	542,499	532,080	581,244
2,652,042	2,136,074	3,259,702	2,101,960	2,405,486	3,033,358
213,368	177,035	223,391	220,757	257,223	212,521
339,326	537,883	456,495	287,866	153,393	225,762
999,295	1,234,800	1,116,500	1,138,066	1,139,530	1,071,550
1,669,275	1,545,425	1,594,664	1,450,352	1,422,075	1,419,832
480,379	358,957	309,760	286,986	246,698	271,142
25,508,605	24,472,094	23,683,719	21,264,309	21,079,674	21,616,643
7,928,650	7,522,883	7,055,890	7,220,518	7,187,492	6,356,082
280,413	259,832	252,147	242,167	251,187	244,428
2,708,975	2,614,153	2,554,708	2,631,011	2,648,981	2,485,636
613,927	626,627	570,045	638,449	623,163	598,079
150,505	161,916	86,653	0	0	0
1,729,497	1,581,516	1,322,841	1,758,966	1,618,920	1,529,623
939,330	948,598	851,522	767,324	729,743	716,221
6,371,715	6,166,876	5,609,843	5,814,271	5,866,851	5,373,213
2,703,366	1,735,992	1,446,315	745,997	2,503,769	3,273,070
2,276,598	1,900,036	1,833,587	1,783,106	1,757,653	1,697,225
460,452	841,476	908,485	977,988	1,048,399	1,131,020
194,549	0	0	0	0	0
26,357,977	24,359,905	22,492,036	22,579,797	24,236,158	23,404,597
(849,372)	112,189	1,191,683	(1,315,488)	(3,156,484)	(1,787,954)
12,180,000	0	0	0	0	0
187,315	690	0	0	0	0
(12,171,866)	0	0	0	0	0
10,000	3,000	7,475	29,778	0	0
137,276	0	120,100	0	0	0
0	0	0	0	0	0
850,000	750,000	1,488,000	850,000	797,018	1,227,083
(850,000)	(750,000)	(1,488,000)	(850,000)	(797,018)	(1,227,083)
342,725	3,690	127,575	29,778	0	0
(\$506,647)	\$115,879	\$1,319,258	(\$1,285,710)	(\$3,156,484)	(\$1,787,954)
11.13%	11.71%	13.09%	12.98%	12.08%	13.38%

**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
2012	\$2,217,751	\$17,287,724	\$588,245	\$20,093,720
2011	2,299,773	16,726,038	524,929	19,550,740
2010	2,244,665	16,184,484	514,964	18,944,113
2009	2,398,978	15,810,195	494,692	18,703,865
2008	2,400,470	16,176,983	577,467	19,154,920
2007*	2,506,371	15,421,461	554,088	18,481,920
2006	2,399,205	13,754,427	569,575	16,723,207
2005	2,321,783	12,914,040	542,499	15,778,322
2004	2,368,704	12,554,485	532,080	15,455,269
2003	2,245,912	12,555,322	581,244	15,382,478

\* 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***

<b>Tax Year</b>	<b>Tax Rate</b>	<b>Total Tax Collected</b>	<b>Taxes from Withholding</b>	<b>Percentage of Taxes from Withholding</b>	<b>Taxes from Individuals</b>	<b>Percentage of Taxes from Individuals</b>	<b>Taxes from Net Profits</b>	<b>Percentage of Taxes from Net Profits</b>
2012	2.00%	17,430,871	14,322,468	82.2%	941,263	5.4%	2,167,140	12.4%
2011	2.00%	16,097,705	13,272,250	82.4%	995,822	6.2%	1,829,633	11.4%
2010	2.00%	15,663,489	12,922,672	82.5%	923,354	5.9%	1,817,462	11.6%
2009	2.00%	15,538,504	12,986,724	83.6%	939,809	6.0%	1,611,971	10.4%
2008	2.00%	15,934,338	12,922,443	81.1%	959,605	6.0%	2,052,290	12.9%
2007*	2.00%	14,954,277	12,551,335	83.9%	883,312	5.9%	1,519,630	10.2%
2006	1.75%	13,426,469	11,102,728	82.7%	777,397	5.8%	1,546,344	11.5%
2005	1.75%	12,441,974	10,426,199	83.8%	792,071	6.4%	1,223,704	9.8%
2004	1.75%	12,608,294	10,855,024	86.1%	718,757	5.7%	1,034,513	8.2%
2003	1.75%	12,592,155	10,461,929	83.1%	768,988	6.1%	1,361,238	10.8%

\* 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:

<b>2012</b>		
	<b>Rank</b>	<b>Taxpayer</b>
	1	Southwest General Hospital
	2	United Parcel Service
	3	Quadax, Inc.
	4	Amerimark Direct LLC
	5	Zin Technologies
	6	Berea City School District
	7	City of Middleburg Heights
	8	Codonics Inc.
	9	Sunnyside Automotive Inc.
	10	Brewer Garrett Co
<b>2003</b>		
<b>2012 Rank</b>	<b>Rank</b>	<b>Taxpayer</b>
1	1	Southwest General Hospital
2	2	United Parcel Service
13	3	Sears Roebuck and Company
8	4	Codonics Inc.
-	5	Advanstar Communications Inc.
6	6	Berea City School District
12	7	Polaris Joint Vocational School
9	8	Sunnyside Automotive Inc.
7	9	City of Middleburg Heights
-	10	Transamerica Holdings LLC

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)	
2003/2004	2.85	1.00	0.30	0.30	1.00	5.45	72.20	19.40	97.05
2004/2005	2.95	0.90	0.30	0.30	1.00	5.45	72.20	20.30	97.95
2005/2006	2.95	0.90	0.30	0.30	1.00	5.45	72.10	20.30	97.85
2006/2007	2.95	0.90	0.30	0.30	1.00	5.45	77.30	20.20	102.95
2007/2008	2.95	0.90	0.30	0.30	1.00	5.45	77.30	20.20	102.95
2008/2009	2.95	0.90	0.30	0.30	1.00	5.45	77.30	20.60	103.35
2009/2010	2.95	0.90	0.30	0.30	1.00	5.45	77.40	20.60	103.45
2010/2011	3.35	0.50	0.30	0.30	1.00	5.45	77.30	20.90	103.65
2011/2012	3.35	0.50	0.30	0.30	1.00	5.45	77.40	20.80	103.65
2012/2013	3.35	0.50	0.30	0.30	1.00	5.45	81.30	20.80	107.55

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

Source: Cuyahoga County Auditor

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

Tax Year/ Collection Year	Real Property (1)			Personal Property (1)			Public Utility Property (1)			Total			Ratio of Total Assessed		Total Direct Tax Rate Mills
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Value To Total Estimated	Actual Value	
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%	5.45					
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%	5.45					
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%	5.45					
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%	5.45					
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%	5.45					
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%	5.45					
2009/2010	520,228,840	1,486,368,114	-	-	10,739,770	12,204,284	530,968,610	1,498,572,398	35.4%	5.45					
2010/2011	519,254,880	1,483,585,371	-	-	10,990,360	12,489,045	530,245,240	1,496,074,416	35.4%	5.45					
2011/2012	519,580,370	1,484,515,342	-	-	11,396,260	12,950,295	530,976,630	1,497,465,637	35.5%	5.45					
2012/2013	489,803,670	1,399,439,057	-	-	12,277,670	13,951,898	502,081,340	1,413,390,955	35.5%	5.45					

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

Source: Cuyahoga County Auditor



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

---



---

<b>Tax Year/ Collection Year</b>	<b>Current Levy (1)</b>	<b>Current Collections</b>	<b>Percent of Current Levy Collected</b>	<b>Collection Including Delinquencies (1)</b>	<b>Total Collections As Percent of Current Levy</b>	<b>Accumulated Delinquency</b>
2002/2003	2,294,350	2,196,677	95.7	2,256,797	98.4	115,621
2003/2004	2,420,193	2,292,801	94.7	2,354,793	97.4	162,854
2004/2005	2,453,253	2,277,192	92.8	2,340,210	95.4	111,224
2005/2006	2,423,430	2,299,832	94.9	2,363,723	97.5	84,041
2006/2007	2,619,454	2,501,316	95.5	2,550,730	97.4	90,448
2007/2008	2,712,622	2,574,035	94.9	2,655,520	97.9	124,972
2008/2009	2,645,923	2,539,405	96.0	2,623,494	99.2	115,126
2009/2010	2,537,015	2,450,568	96.6	2,500,072	98.5	159,157
2010/2011	2,535,734	2,448,667	98.6	2,544,126	100.0	148,230
2011/2012	2,543,961	2,406,690	94.6	2,487,191	97.8	114,714

(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**

	2012	2011	2010
General Obligation Bonds	6,565,000	7,985,153	9,730,327
Percent of estimated actual property value	0.46%	0.53%	0.65%
Per Capita	\$411.70	\$500.76	\$610.20
Special Assessment Bonds	815,110	947,096	1098379
Bond Anticipation Notes			335,000
OPWC Loans	754,551	754,551	607,682
Capital Leases	99,107	194,701	286,533
Total Gross Indebtedness	<u>8,233,768</u>	<u>9,881,501</u>	<u>12,057,921</u>
Percentage of Personal Income	1.71%	2.05%	2.50%
Per Capita	\$516.35	\$619.69	\$756.17
Less:			
Special Assessment Bonds	(815,110)	(947,096)	(1,098,379)
Community & Service Center Refunding Bonds	(6,285,000)	(7,685,000)	(9,205,000)
Community Center Bonds			
Service Center Bonds			
OPWC Loans	(754,551)	(754,551)	(607,682)
Capital Leases	(99,107)	(194,701)	(286,533)
Bond Retirement Fund Balance	<u>(615,483)</u>	<u>(907,696)</u>	<u>(1,586,109)</u>
Total Net Debt Applicable to Debt Limit	<u>(335,483)</u>	<u>(607,543)</u>	<u>(725,782)</u>
Overall Legal Debt Limit			
10 1/2% of Assessed Valuation	<u>52,718,541</u>	<u>55,752,546</u>	<u>55,675,750</u>
Legal Debt Margin Within 10 1/2% Limitations	<u>\$53,054,024</u>	<u>\$56,360,089</u>	<u>\$56,401,532</u>
Legal Debt Margin as a Percentage of the Debt Limit	100.64%	101.09%	101.30%
Unvoted Debt Limitation			
5 1/2% of Assessed Valuation	\$27,614,474	\$29,203,715	\$29,163,488
Net Unvoted Indebtedness Authorized by Council	8,233,768	9,881,501	12,057,921
Less:			
Special Assessment Bonds	(815,110)	(947,096)	(1,098,379)
Community & Service Center Refunding Bonds	(6,285,000)	(7,685,000)	(9,205,000)
Community Center Bonds			
Service Center Bonds			
OPWC Loans	(754,551)	(754,551)	(607,682)
Capital Leases	(99,107)	(194,701)	(286,533)
General Obligation Bond Retirement Fund Balance	<u>(615,483)</u>	<u>(907,696)</u>	<u>(1,586,109)</u>
Net Debt Within 5 1/2% Limitations	<u>(335,483)</u>	<u>(607,543)</u>	<u>(725,782)</u>
Unvoted Legal Debt Margin Within 5 1/2% Limitations	<u>\$27,949,957</u>	<u>\$29,811,258</u>	<u>\$29,889,270</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation	101.21%	102.08%	102.49%

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

2009	2008	2007	2006	2005	2004	2003
11,456,736	\$13,154,922	\$14,796,884	\$16,423,178	\$18,110,804	\$19,769,318	\$21,408,718
0.76%	0.73%	0.83%	0.93%	1.11%	1.21%	1.34%
\$737.15	\$846.41	\$952.06	\$1,056.70	\$1,165.28	\$1,271.99	\$1,377.48
1227784	1,364,806	1,509,480	1,647,282	1,763,243	1,887,835	2,006,087
500,000						500,000
260,247	154,473	69,160	90,100			
13,444,767	14,674,201	16,375,524	18,160,560	19,874,047	21,657,153	23,914,805
3.43%	3.75%	4.18%	4.64%	5.07%	5.53%	6.11%
\$865.06	\$944.16	\$1,053.63	\$1,168.48	\$1,278.73	\$1,393.46	\$1,538.72
(1,227,784)	(1,364,806)	(1,509,480)	(1,647,282)	(1,763,243)	(1,887,835)	(2,006,087)
(10,565,000)	(11,915,000)	(8,853,500)	(9,783,500)	(10,703,500)	(11,613,500)	(12,513,500)
		(4,258,500)	(4,708,500)	(5,128,500)	(5,538,500)	(5,948,500)
(260,247)	(154,473)	(69,160)	(90,100)			0
(739,402)	(825,810)	(842,882)	(780,071)	(1,331,605)	(1,392,721)	(1,694,483)
652,334	414,112	842,002	1,151,107	947,199	1,224,597	1,752,235
55,751,704	59,745,212	60,809,890	61,819,442	57,996,343	58,484,227	57,639,057
\$55,099,370	\$59,331,100	\$59,967,888	\$60,668,335	\$57,049,144	\$57,259,630	\$55,886,822
98.83%	99.31%	98.62%	98.14%	98.37%	97.91%	96.96%
\$29,203,274	\$31,295,111	\$31,852,800	\$32,381,613	\$30,379,037	\$30,634,595	\$30,191,887
13,444,767	14,674,201	16,375,524	18,160,560	19,874,047	21,657,153	23,914,805
(1,227,784)	(1,364,806)	(1,509,480)	(1,647,282)	(1,763,243)	(1,887,835)	(2,006,087)
(10,565,000)	(11,915,000)	(8,853,500)	(9,783,500)	(10,703,500)	(11,613,500)	(12,513,500)
		(4,258,500)	(4,708,500)	(5,128,500)	(5,538,500)	(5,948,500)
(260,247)	(154,473)	(69,160)	(90,100)			
(739,402)	(825,810)	(842,882)	(780,071)	(1,331,605)	(1,392,721)	(1,694,483)
652,334	414,112	842,002	1,151,107	947,199	1,224,597	1,752,235
\$28,550,940	\$30,880,999	\$31,010,798	\$31,230,506	\$29,431,838	\$29,409,998	\$28,439,652
97.77%	98.68%	97.36%	96.45%	96.88%	96.00%	94.20%

**City of Middleburg Heights, Ohio**  
**Computation of Direct and Overlapping Debt**  
**December 31, 2012**

<b>Jurisdiction</b>	<b>Debt Outstanding</b>	<b>Percentage Applicable To City of Middleburg Heights ©</b>	<b>Amount Applicable To City of Middleburg Heights</b>
<b>Direct:</b>			
General Obligation Bonds	\$ 6,565,000 (a)	100.00%	\$ 6,565,000
Special Assessment Bonds	\$ 815,110 (a)	100.00%	\$ 815,110
<b>Total Direct Debt</b>	<u>\$ 7,380,110</u>		<u>\$ 7,380,110</u>
<b>Overlapping:</b>			
Berea School District	10,758,911 (b)	38.00%	4,088,386
Cuyahoga County	340,266,703 (b)	1.82%	6,192,854
Greater Cleveland Regional Transit	129,187,857 (b)	1.82%	2,351,219
<b>Total Overlapping Debt</b>	<u>480,213,471</u>		<u>12,632,459</u>
<b>Total Direct and Overlapping</b>	<u>\$ 487,593,581</u>		<u>\$ 20,012,569</u>

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

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

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

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

Year	Population (1)		Total Personal Income (2)	Per Capita Personal Income (1)		Median Household Income (1)	Unemployment Rate (3)	
2012	15,946	b	\$481,792,444	\$30,214	b	\$66,337	b	7.1%
2011	15,946	b	481,792,444	30,214	b	66,337	b	7.7%
2010	15,946	b	481,792,444	30,214	b	66,337	b	9.2%
2009	15,542	a	391,673,942	25,201	a	60,015	a	9.0%
2008	15,542	a	391,673,942	25,201	a	60,015	a	6.6%
2007	15,542	a	391,673,942	25,201	a	60,015	a	5.9%
2006	15,542	a	391,673,942	25,201	a	60,015	a	5.4%
2005	15,542	a	391,673,942	25,201	a	60,015	a	6.5%
2004	15,542	a	391,673,942	25,201	a	60,015	a	6.5%
2003	15,542	a	391,673,942	25,201	a	60,015	a	6.7%

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

(a) 2000 Federal Census

(b) 2010 Federal Census

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

(3) Source: Ohio Bureau of Employment Services,

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

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

<b>2012</b>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Southwest General Hospital	2,184	14.55%
United Parcel Service	1,801	12.00%
Amerimark Direct LLC	537	3.58%
Sears Roebuck and Co	510	3.40%
Quadax, Inc	472	3.15%
Polaris Joint Vocational	431	2.87%
City of Middleburg Heights	440	2.93%
Berea City School District	277	1.85%
Sunnyside Automotive Inc.	246	1.64%
Zin Technologies	165	1.10%
<b>Total</b>	<b>7,063</b>	<b>47.06%</b>
<b>Total City Employment</b>	<b>15,007</b>	

<b>2003</b>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Southwest General Hospital	2,897	15.62%
United Parcel Service	2,437	13.14%
Sears Roebuck & Company	1,262	6.81%
City of Middleburg Heights	484	2.61%
Polaris Joint Vocational	453	2.44%
Transamerica Holdings	336	1.81%
Berea City School District	290	1.56%
Codonics, Inc.	200	1.08%
Avanstar Communications	170	0.92%
Cardiovascular Medicine Associates	62	0.33%
<b>Total</b>	<b>8,591</b>	<b>46.33%</b>
<b>Total City Employment</b>	<b>18,542</b>	

Source: Regional Income Tax Agency. Total City Employment based upon estimate from the Regional Income Tax Agency withholding information.

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

<b>Function/Program</b>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>General Government:</b>										
Council	2	2	2	2	2	2	2	2	2	2
Finance	5	5	5	5	5	5	5	5	5	5
Law	2	2	2	2	2	2	2	2	2	2
Mayor's Court	2	2	2	2	2	2	2	2	2	2
Mayor's Office	3	4	4	4	4	4	4	4	4	4
Public Service	34	34	34	34	33	33	32	33	33	33
<b>Community Development:</b>										
Planning & Zoning	1	1	1	1	1	1	1	1	1	1
Building	4	4	4	4	5	5	5	5	5	5
<b>Economic Development:</b>										
	1	1	1	1	1	1	1	0	0	0
<b>Public Safety:</b>										
Police	38	38	41	38	38	38	38	39	41	41
Fire	27	27	27	27	27	26	26	26	26	27
<b>Culture and Recreation:</b>										
Programs	2	2	2	2	2	2	2	2	2	2
Recreation Center	9	9	9	11	11	11	11	11	12	12
<b>Streets and Highways:</b>										
Street Department	10	10	10	10	10	10	11	12	12	12
<b>Totals:</b>	<u>140</u>	<u>141</u>	<u>144</u>	<u>143</u>	<u>143</u>	<u>142</u>	<u>142</u>	<u>144</u>	<u>147</u>	<u>148</u>

Source: City of Middleburg Heights, Finance Department

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Operating Indicators by Function/Program</b>										
<b>Fire</b>										
Emergency Responses	2,758	2,770	2,553	2,498	2,647	2,565	2,431	2,471	2,355	2,424
Ambulance runs	2,084	2,036	1,904	1,823	1,848	1,711	1,606	1,755	1,738	1,866
Fire Runs	674	734	649	675	799	854	825	716	825	558
Fire Safety Inspections/Re-Inspections	266	170	338	453	370	387	230	267	231	283
Fire Protection Systems Inspected	51	48	111	226	211	331	129	208	355	380
Building/Fire Protection Plan Received	147	139	139	138	177	300	275	261	173	15
Number of Community Program Hours	237	200	382	440	261	180	218	220	125	94
Hydrants Tested	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,078	1,078
<b>Public Service</b>										
Snowfall in inches <sup>1</sup>	30.8	69.5	59.8	66.7	85.3	62.3	34.6	108.4	95.8	98.6
Tons of salt used	3,200	5,796	7,326	5,000	6,000	7,286	3,255	7,500	5,080	6,999
Asphalt used in road maintenance (tons)	155.5	351.5	317.5	447	149.5	191	117.0	160.5	213.5	164.5
Concrete used in road maintenance (yards)	345.5	286.75	458.5	210	314.5	376.5	272.0	389.5	203.0	162.0
Number of Trees removed	160	122	84	53	115	158	78	88	148	84
Number of Trees planted	201	134	198	155	119	154	99	102	177	191
Senior citizen driveway plowing participants	1,119	1,155	1,127	1,112	1,119	1,100	1,100	1,071	1,129	1,073
<b>Building</b>										
Number of Permits issued by type:										
Building Permits	211	196	166	148	186	269	255	273	279	261
Electrical Permits	185	225	156	142	177	220	226	244	248	243
Plumbing Permits	105	121	92	78	96	131	125	139	179	161
HVAC Permits	133	131	125	102	127	142	153	188	199	224
Miscellaneous Permits	710	734	616	631	633	676	674	673	715	699
Inspections performed	2180	1956	1,671	1,577	1,000	2,705	2,743	3,285	3,445	3,288
Estimated value of construction	\$40,949,916	\$15,993,740	\$4,940,229	\$10,141,903	\$16,361,351	\$34,020,291	\$21,074,047	\$24,200,342	\$15,857,695	\$14,233,591
Number of Plans examined	106	134	98	54	124	136	80	59	21	24
<b>Court</b>										
Number of court cases	6,718	6,826	6,246	6,831	7,257	6,796	7,195	7,980	10,251	9,015
Number of tickets	5,440	5,614	5,236	5,670	5,985	6,610	5,828	6,430	8,917	7,524
Number of Transferred Cases	274	283	463	303	291	385	359	530	631	467
Number of Waivers taken at Violations Bureau (Estimated)	1,488	1,674	1,943	2,072	2,274	2,655	1,897	2,322	2,600	2,000
Number of Court Appearances (Estimated prior to 2005)	2,176	2,232	2,515	2,864	3,162	3,167	1,155	1,786	2,000	1,800
Number of Waivers received by Mail	1,488	1,674	1,943	2,072	2,274	2,654	1,898	2,322	4,300	3,700
Number of Waivers received online	1,259	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a



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

<b>Operating Indicators by Function/Program</b>	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Council</b>										
Number of Ordinances & resolutions	100	105	91	100	111	123	83	133	104	92
<b>Finance</b>										
Number of checks processed (excluding payroll)	3,461	3,624	3,486	3,578	3,644	3,756	3,561	3,474	3,826	3,741
Number of Purchase orders issued	3,128	3,230	3,122	3,251	3,197	3,400	3,264	3,504	3,755	3,711
Number of W-2 forms issued	440	429	434	426	435	420	420	438	477	484
City W-2 Wages (in Millions) <sup>2</sup>	\$11.58	\$11.72	\$11.80	\$11.51	\$11.10	\$10.63	\$10.34	\$10.22	\$10.20	\$9.42
<b>Mayor's Office</b>										
Newsletters mailed (Winter and Summer issues) <sup>3</sup>	8,413	8,413	8,386	8,384	8,494	8,377	15,642	16,110	14,746	13,846
<b>Recreation</b>										
Number of Memberships	7,894	7,788	7,834	7,681	7,944	7,829	7,658	7,239	7,360	6,686
Learn to Swim enrollment	1,301	1,362	1,356	1,358	1,419	1,481	1,344	1,418	1,367	1,252
Enrollment in athletics programs	1,718	1,761	1,803	1,928	1,910	2,072	1,973	2,029	2,081	2,045
Number of Rental Events	3,151	2,967	2,172	1,783	1,800	1,595	1,549	1,429	1,301	1,220
Enrollment in classes, programs, and special events	19,805	14,603	13,352	10,674	10,542	9,756	5,312	5,213	5,344	4,592
<b>Law</b>										
Number of new litigations filed (traffic & criminal cases)	604	552	525	628	615	689	659	1,266	1,100	914
Number of Municipal Court cases heard and disposed	635	589	586	682	661	706	812	1,151	1,140	961
<b>Planning &amp; Zoning</b>										
Number of Planning commission agenda items	82	82	68	52	79	94	73	72	87	78
<b>Civil Service</b>										
Number of Exams given	41	57	96	97	57	73	37	123	59	144

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	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>General Government:</b>										
Other Departmental Vehicles	5	5	5	5	5	7	6	6	6	6
City Hall Square Footage	18,746	18,746	18,746	18,746	18,746	18,746	18,746	18,746	18,746	18,746
<b>Police:</b>										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Vehicles	23	23	25	23	23	29	22	21	22	22
Square Footage of Building	13,400	13,400	13,400	13,400	13,400	13,400	13,400	13,400	13,400	13,400
<b>Fire:</b>										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Vehicles	10	10	10	10	10	10	10	10	10	10
Square Footage of Building	19,730	19,730	19,730	19,730	19,730	19,730	19,730	19,730	19,730	19,730
<b>Culture and Recreation:</b>										
Number of Parks	1	1	1	1	1	1	1	1	1	1
Number of Vehicles	2	2	1	1	1	2	2	3	3	3
Recreation Center Square Footage	83,768	83,768	83,768	83,768	83,768	83,768	83,768	83,768	83,768	83,768
<b>Public Service:</b>										
Number of Vehicles	44	42	45	43	45	42	41	44	43	42
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
<b>Senior Transportation:</b>										
Number of Vehicles	2	2	2	2	2	2	2	2	2	2

Source: City of Middleburg Heights, Finance Department



# Dave Yost • Auditor of State

**CITY OF MIDDLEBURG HEIGHTS**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 11, 2013**