
City Of Middleburg Heights, Ohio



Comprehensive Annual Financial Report

For The Year Ended December 31, 2003

Issued By The Department of Finance

Timothy Pope, CPA
Director

John Mockler, CPA
Assistant Director



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the City of Middleburg Heights, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 6, 2004

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City of Middleburg Heights, Ohio
Comprehensive Financial Annual Report
For the Year Ended December 31, 2003
Table of Contents

I. Introductory Section

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

II. Financial Section

Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet-Governmental Funds.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.....	17
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP Basis) and Actual:	
General Fund.....	19
Recreation Fund.....	20
Statement of Fund Net Assets-Proprietary Fund.....	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets- Proprietary Fund.....	22
Statement of Cash Flows-Proprietary Fund.....	23
Statement of Fiduciary Net Assets-Fiduciary Funds.....	24
Notes to the Basic Financial Statements.....	25
Combining Statements and Individual Fund Schedules:	
Combining Statements-Nonmajor Governmental Funds:	
Fund Descriptions.....	48
Combining Balance Sheet-Nonmajor Governmental Funds..	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Nonmajor Governmental Funds...	51
Combining Balance Sheet-Nonmajor Special Revenue Funds....	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Nonmajor Special Revenue Funds	54
Combining Balance Sheet-Nonmajor Capital Projects Funds.....	56

City of Middleburg Heights, Ohio
Comprehensive Financial Annual Report
For the Year Ended December 31, 2003
Table of Contents

Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Nonmajor Capital Projects Funds.	57
Combining Statements-Agency Funds:	
Fund Descriptions.....	58
Combining Statement of Changes in Assets and Liabilities-Agency Funds.....	59
Individual Fund Schedules of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP Basis) and Actual:	
Major Funds:	
General Fund.....	61
Recreation Fund.....	65
General Obligation Bond Retirement Fund.....	66
Special Assessment Bond Retirement Fund.....	67
Capital Improvements Fund.....	68
Road Improvements Fund.....	69
Nonmajor Funds:	
Street Construction, Maintenance and Repair Fund.....	70
State Highway Fund.....	71
Law Enforcement Fund.....	72
Medical Transport Fund.....	73
Sewer Maintenance Fund.....	74
Police Pension Fund.....	75
Fire Pension Fund.....	76
Tree Planting Fund.....	77
Veteran’s Memorial Fund.....	78
Southwest General Hospital Fund.....	79
Community Center Fund.....	80
Service Center Fund.....	81
City Hall/Fire Station Expansion Fund.....	82
Health Insurance Fund.....	83

III. Statistical Section

Governmental Activities Revenues by Source and Expenses by Function – Last Two Years.....	84
General Fund Revenues by Source-Last Ten Years.....	85
General Fund Expenditures by Function-Last Ten Years.....	86
Property Tax Levies and Collections-Real and Public Utility Taxes-Last Ten Years.....	87
Assessed and Estimated Actual Value of Taxable Property-Last Ten Years.....	88
Property Tax Rates-All Direct and Overlapping Governments-Last Ten Years.....	89
Ratio of Net General Bonded Debt to Assessed Value and Net General Bonded Debt Per Capita-Last Ten Years..	90

City of Middleburg Heights, Ohio
Comprehensive Financial Annual Report
For the Year Ended December 31, 2003
Table of Contents

Special Assessments Collections-Last Ten Years.....	91
Computation of Legal Debt Margin.....	92
Computation of Direct and Overlapping Debt.....	93
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Expenditures-Last Ten Years.....	94
Property Value, New Construction, and Bank Deposits-Last Ten Years	95
Demographic Statistics.....	96
Principal Taxpayers.....	98
Miscellaneous Statistical Data.....	99

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Finance Department
CITY OF MIDDLEBURG HEIGHTS

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Gary W. Starr
Mayor

Timothy Pope, CPA
Director of Finance

April 23, 2004

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

We are pleased to submit the Comprehensive Annual Financial Report of the City of Middleburg Heights (the "City") for the year ended December 31, 2003. We believe this report, prepared by the Department of Finance, presents comprehensive financial and operating information about the City's activities during 2003 that should be useful to citizens and taxpayers. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to set forth fairly the financial position and the results of operations of the City; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

The financial section begins with the Independent Auditors' Report and includes Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, the Combining Statements for non-major funds and other schedules that provide detailed information relative to the basic financial statements.

CITY ORGANIZATION

The City of Middleburg Heights is approximately 8 square miles and is located in northeastern Ohio, southwest of Cleveland, within the boundaries of Cuyahoga County. The City's population from the 2000 federal census was 15,542. The City was first established as a village in 1927 and was incorporated as a City in 1961 under the laws of the State of Ohio.

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

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

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

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

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

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

REPORTING ENTITY

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

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

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

As discussed in the notes, the City participates in several jointly governed organizations, including the Southwest General Health Center, the Woodvale Union Cemetery, the Southwest Council of Governments, the Northeast Ohio Public Energy Council, the Southwest Suburban Airport Council of Governments, and the Suburban Water Regional Council of Governments. Note 16 further describe the City's relationship to these entities.

ECONOMIC CONDITION AND OUTLOOK

Summary of Local Economy: Location is one of the greatest assets of the City of Middleburg Heights. As a major suburb of the City of Cleveland, its proximity to Cleveland Hopkins International Airport and easy access to three interstate highways has contributed to the City's continued economic stability. Major development of the commercial corridor, west of Interstate 71, during the last ten years is responsible for an increase in service industry jobs in the City. Construction of Hepburn Road has added 70 acres of commercially zoned land accessible for future expansion, and the widening of Engle Road has made the area even more desirable. According to an article in *Crain's Cleveland Business*, "The Middleburg Heights commercial market has prospered by filling a niche between the high-end corporate office space and the older commercial space of Cleveland and suburbs bordering the airport."

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

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

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

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

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

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

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

The cover and section dividers of this report features pictures of governmental and commercial buildings throughout the City of Middleburg Heights. For over the last twenty years, the architectural design element of these buildings has been guided by the vision of Mayor Gary W. Starr to produce a cohesive theme to all commercial building within the city. The "Arts in Craft" look of the City's Community Center is also reflected in all new building during this time, and continues to be a hallmark of the city.

New buildings and projects started and/or completed in 2003 include the following:

- Walgreens Drug Store (new)
- St. Bartholomew School (expansion of offices and classrooms)
- Greater Cleveland Christian School (addition)
- Grace Church (addition)
- Sunnyside Audi (renovation and addition)
- Weiler Wilhelm (renovation) including the relocation of regional headquarters of Anderson Windows to this location
- Gabriel Brothers (interior and parking lot renovation – new retail store)
- Panera Bread (new restaurant)
- Aldi (new supermarket)
- Ganley Lincoln Mercury (renovation)
- Dr. Postel D.D.S. (new)
- Ripepi and Sons Funeral Home (renovation and addition)
- Arby's (new restaurant)
- North Coast Nissan (renovation)

New buildings or projects proposed for 2004 include the following:

- Ameri-Con Development (new office building)
- Gerald Rembowski (new medical building)
- Carpet and Tile Liquidators (new)
- Dave Jezek (new office building)
- Cleveland Metal Processing (expansion)
- Woodvale Cemetery (expansion of office and work building)
- Surgery Center (new)
- Pioneer Park Office Building (new)
- Conceptual Business Medical Campus (new building)

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

- Chandler's Inc. – new subdivision consisting of 13 single family homes in the price range of \$350,000 to \$450,000.
- Crystal Lakes Phase 3 – Subdivision of 73 two-bedroom condominiums in the \$125,000 range.
- Deer Creek Estates – 19 sublots total. Only a few remain, priced from \$300,000 to \$400,000
- Nantucket Woods - 48 Detached Cluster Units (20 remaining)
- Silver Oaks – Phase 2 of 3 started. 106 total sublots in the range of \$190,000 to \$250,000.
- Fox Hollow Court Condominiums – 16 units from \$180,000 to \$200,000
- Wexford Glen – Approximately 50 cluster homes in the \$225,000 to \$250,000 range.

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

MAJOR INITIATIVES

Current year projects: Over the last 5 years the City has spent over \$12 million maintaining and improving its streets. City Council appropriated \$500,000 for the resurfacing of various streets throughout the City in 2004. A few of the proposed repairs include a rehabilitation of Bagley Road from Pearl Road to the eastern city limit. In addition, the Ohio Public Works Commission awarded \$2.2 million in federal funds to widen Sprague Road from two lanes to five between Pearl and Webster roads. Total project costs are estimated at \$4.5 million, with \$2.2 million being provided through Issue 2, \$1.1 million will be paid by Cuyahoga County, and the remainder will be split between the cities of Strongsville and Middleburg Heights (\$600,000 each). Construction began in the fall of 2002 and will be completed in 2004.

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

The City has been supportive of the Cleveland Metroparks' efforts to acquire properties along the riparian corridor of Abram Creek from Lake Isaac to Lake Abram, a 105-acre marsh and woodland habitat protection area, also located in the City of Middleburg Heights. The "Lake-to-Lake All Purpose Trail" would directly link to the existing Big Creek all-purpose trail and provide the opportunity for future linkages with adjoining businesses and institutions as well as surrounding neighborhoods. The Metroparks continues to acquire "conversation easements" from property owners and to identify funding sources for this three to five year project.

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

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

FINANCIAL CONDITION

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

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

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

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

As part of the new reporting model, management is responsible for preparing a discussion and analysis of the City. This discussion, following the Independent Auditors' Report, provides an assessment of the City's finances for 2003.

Cash Management

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

Risk Management

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

The City provides two different medical plans for full time employees and council members and their families. A traditional plan with a Preferred Provider Organization is self-funded and administered by a third party administrator. A Health Maintenance Organization plan is also offered at no cost to the employee. All covered employees also receive prescription, vision and dental benefits. Full time employees and council members are covered by a \$30,000 term life insurance policy.

For the traditional plan, the preferred provider prices all claims which are then submitted to the third party administrator. The third party administrator reviews and processes the claims, which the City then pays. The City has purchased stop loss coverage of \$40,000 per individual per year. Control of the plan rests with the City.

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

OTHER INFORMATION

Independent Audit: In accordance with Ohio law, annual independent audits are required to be performed on all financial operations of the City. These audits are conducted by either the Auditor of the State of Ohio or, if the Auditor permits, an independent public accounting firm. The City of Middleburg Heights has contracted with the accounting firm of Ciuni & Panichi, Inc., to perform these services for 2003. Their report is presented in the financial section of this report.

GFOA Certificate of Achievement Award: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Middleburg Heights, Ohio for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2002. 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 government must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both accounting principles generally accepted in the United States of America 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 eight consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

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

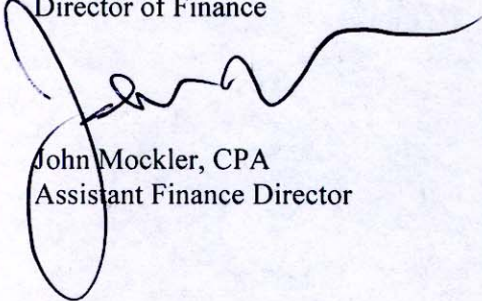
Acknowledgments: The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. We would like to express our appreciation to all staff members who have contributed or assisted in its preparation.

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

Sincerely,



Timothy Pope, CPA
Director of Finance



John Mockler, CPA
Assistant Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Middleburg Heights,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

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.



President

Executive Director

City of Middleburg Heights, Ohio

Listing of Principal City Officials

As of December 31, 2003

ELECTED OFFICIALS

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

APPOINTED OFFICIALS

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

City of Middleburg Heights, Ohio

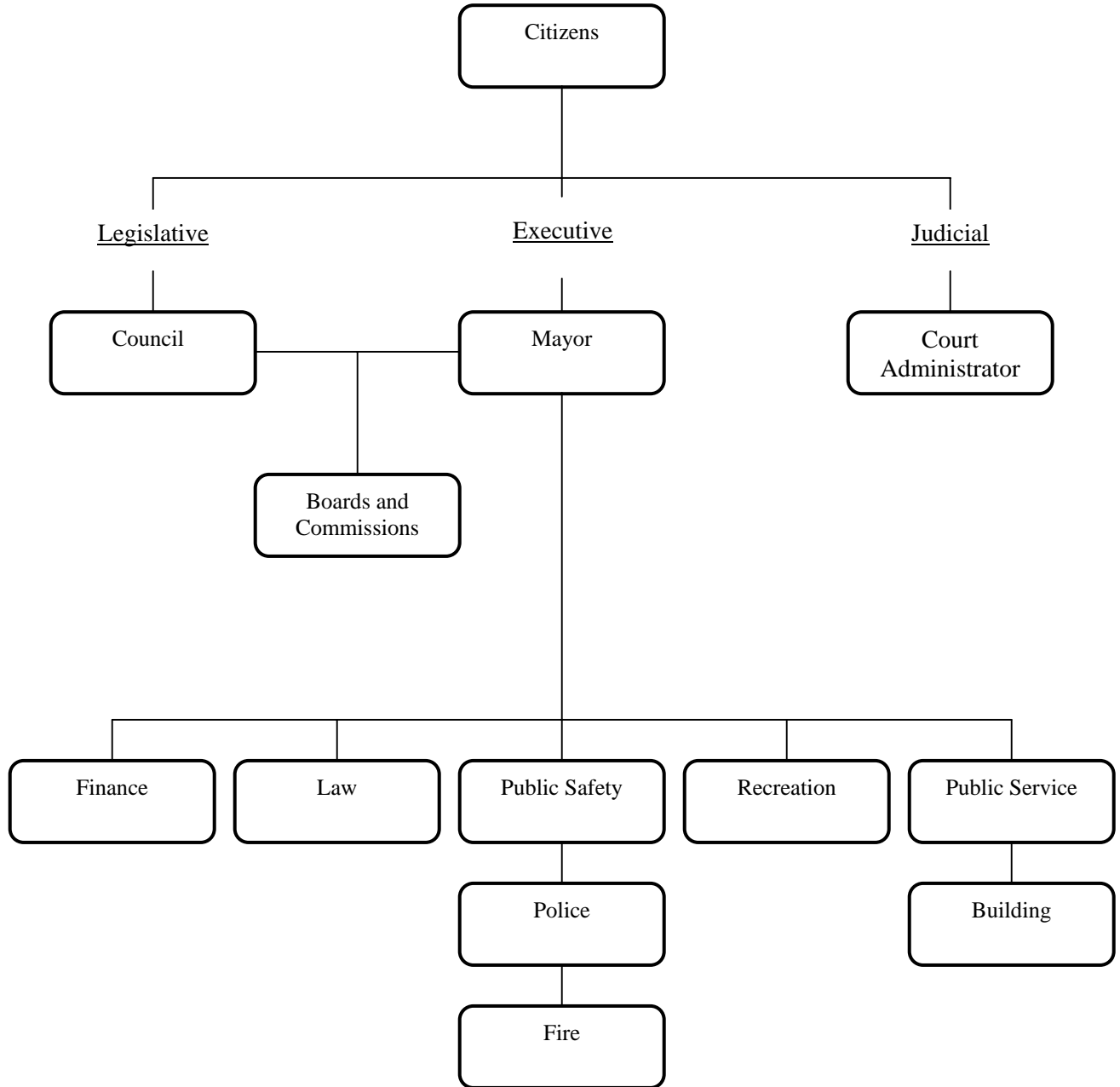
Listing of Principal City Officials

As of December 31, 2003

SPECIAL BOARDS AND COMMISSIONS

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

City of Middleburg Heights, Ohio
Organizational Chart
For the Year Ended December 31, 2003



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Independent Auditor's Report

Members of the City Council
Middleburg Heights, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Middleburg Heights as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Middleburg Heights' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Middleburg Heights, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General and Recreation Funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2004 on our consideration of the City of Middleburg Heights' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Cini & Panichi, Inc.

Cleveland, Ohio
April 23, 2004

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2003
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, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key Financial highlights for 2003 are as follows:

- The assets of the City of Middleburg Heights exceeded its liabilities at the close of the most recent fiscal year by \$38,522,354 (*net assets*). Of this amount, \$7,330,254 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total Net Assets increased \$489,614 or a 1.3 percent increase over 2002. The increase was primarily due to Infrastructure Improvements to Smith and Sprague Roads totaling \$1,662,399, reflected as construction in progress at year-end, of which \$1,266,575 was funded by intergovernmental grants. Both of these projects were cooperative efforts with Cuyahoga County whereby the City leveraged \$395,824 of its resources to obtain improvements totaling \$1,662,399.
- Total Assets of the City decreased \$1,434,587, which represents a 2.06 percent decrease from 2002.
- Total Capital Assets increased by \$730,567 or 1.53 percent over 2002.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,741,633, a decrease of \$1,787,954 in comparison with the prior year.
- Total outstanding Long-term liabilities were \$25,401,660. This was a 6.09% decrease from the balance at the end of 2002.
- On a cash basis, City income tax collections increased 3.90% from 2002. Over the last four years, an average 1.01 percent increase has been realized.

Overview of the Financial Statements

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

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

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

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

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

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

The government-wide financial statements can be found starting on page 13 of this report.

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

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

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

The City of Middleburg Heights maintains 19 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General Fund, Recreation Fund, General Obligation Bond Retirement Fund, Special Assessment Bond Retirement Fund, Capital Improvements Fund and Road Improvement Fund; all of which are considered to be major funds. Data from the other 13 nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City's only proprietary fund is an internal service fund for self-insurance, which is considered a nonmajor fund. The basic proprietary fund financial statements can be found on pages 21 to 23 of this report.

Notes to the Financial Statements The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 to 47 of this report.

Other information In addition to the basic financial statements and accompanying notes, this report also presents certain other information that the City believes readers will find useful. After the notes to the financial statements, the combining statements referred to earlier in connection with nonmajor governmental and internal service funds are presented, as well as individual detailed budgetary comparisons for all funds. This information can be found on pages 50 to 83 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 2003?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

The City of Middleburg Heights as a Whole

Recall that the Statement of Net Assets looks at the City as a whole. The following table provides a summary of the City's net assets for 2003 compared to 2002.

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Table 1 Net Assets

	Governmental Activities	
	2003	2002
Assets		
Current and Other Assets	\$19,740,481	\$21,905,635
Capital Assets, Net	48,398,239	47,667,672
<i>Total Assets</i>	<u>68,138,720</u>	<u>69,573,307</u>
Liabilities		
Current Liabilities	4,214,706	4,492,497
Long-term Liabilities		
Due within One Year	2,958,013	2,869,659
Due in More Than One Year	22,443,647	24,178,411
<i>Total Liabilities</i>	<u>29,616,366</u>	<u>31,540,567</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	24,983,434	22,555,642
Restricted for:		
Capital Projects	1,131,259	1,779,854
Debt Service	4,673,180	5,576,849
Other Purposes	404,227	388,382
Unrestricted	7,330,254	7,732,013
<i>Total Net Assets</i>	<u>\$38,522,354</u>	<u>\$38,032,740</u>

As noted earlier, over time, net assets may serve as a useful indicator of a government's financial position. For the City of Middleburg Heights, assets exceed liabilities by \$38,522,354 at the close of the most recent fiscal year.

The largest portion of the City's net assets (71.03%) reflects investments in capital assets (e.g. land, buildings, infrastructure, machinery and equipment), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets decreased by \$1,434,587 from 2002 to 2003, while the City's total liabilities decreased by \$1,924,201. The most significant change was a decrease in Equity in Pooled Cash and Cash Equivalents, where there was a decrease of \$2,122,188 during the fiscal year. The decrease in liabilities was mainly due to the scheduled retirement of bonded debt.

Total net assets of the City's governmental activities increased by \$489,614. The primary factor for this increase was the infrastructure improvements to Smith and Sprague Roads previously discussed in the "Financial Highlights".

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year in comparison to 2002.

Table 2 Changes in Net Assets

	Governmental Activities 2003	Governmental Activities 2002
	<u>2003</u>	<u>2002</u>
Revenues		
Program Revenues		
Charges for Services	\$2,460,311	\$1,780,089
Operating Grants and Contributions	689,679	633,117
Capital Grants and Contributions	1,362,161	1,231,366
Total Program Revenues	<u>4,512,151</u>	<u>3,644,572</u>
General Revenues		
Property and Other Local Taxes	2,783,996	2,951,675
Income Taxes	12,796,708	12,015,630
Grants and Entitlements	1,129,313	1,139,198
Investment Income	236,156	424,299
Miscellaneous	271,142	767,857
Total General Revenues	<u>17,217,315</u>	<u>17,298,659</u>
<i>Total Revenues</i>	<u>21,729,466</u>	<u>20,943,231</u>
Program Expenses		
General Government	5,912,798	5,621,897
Security of Persons and Property		
Police	3,998,227	3,604,024
Fire	2,851,306	2,934,924
Safety Director	42,266	31,107
Public Health Services	253,092	249,733
Culture and Recreation	2,924,858	2,800,419
Community Development	605,855	537,174
Streets and Highways	2,807,658	2,675,763
Sanitation	716,221	692,434
Interest and Fiscal Charges	1,127,571	1,210,872
Total Program Expenses	<u>21,239,852</u>	<u>20,358,347</u>
Increase in Net Assets	<u>\$489,614</u>	<u>\$584,884</u>

Governmental Activities

Governmental activities increased the City's net assets by \$489,614. A discussion of the reasons for the increase in net assets is as follows:

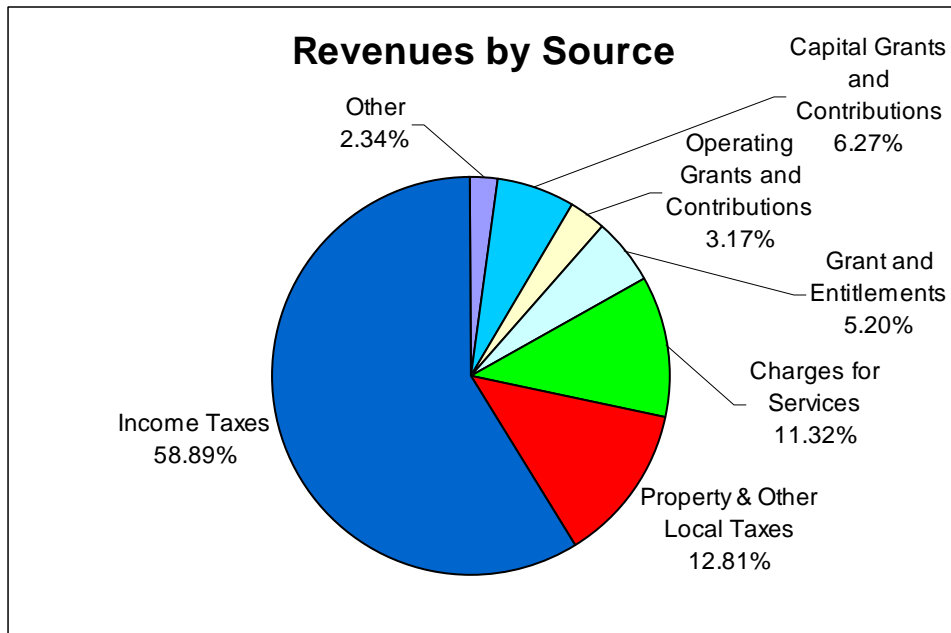
Several types of revenues fund our governmental activities, with the City income tax being the biggest contributor. The income tax rate was 1.75% for 2003. This rate was increased from 1.0% in 1998 by a vote of the residents for the purpose of building and operating a community center and a new service center. Both residents of the City and non-residents who work in the City are subject to the income tax. However if residents work in another locality that has a municipal income tax, the City provides 100%

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

credit up to 1.75% for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City. Due to our recent history of income tax collection increases, which average 1.01% for the last four years, we have been able to realize an increase in our net assets making such a consideration unnecessary, but a future option. Most recently, cash basis income tax collections increased by 3.90% in 2003 as compared to 2002, the first increase since 2000. While income tax collections have been fairly stagnant for the past three years, the increase in 2003 gives rise to cautious optimism that the general economy has improved.

A major factor in increasing the City's net assets has been the City's ability to partner with the State of Ohio and Cuyahoga County to obtain infrastructure improvements largely funded by the State and County. In 2002 the Engle Road Widening project was completed and in 2003 improvements to Smith and Sprague Road were undertaken. At December 31, 2003 the Smith and Sprague Road projects had resulted in an increase in construction in progress of \$1,662,399 at a cost to the City of \$395,824.

2003 saw a substantial 38.2% increase in charges for services. Some of the items that contributed to this included an increase of approximately \$224,000 in Mayor's Court revenue due to some fee increases and enhanced enforcement by the Police Department, an increase of approximately \$180,000 in ambulance fees mostly due to charging residents for this service and an increase of approximately \$143,000 in fees to use the City's Community Center as a result of a new program allowing non-residents to use the facility.



The income tax revenue for 2003 was \$12,796,708. Of the \$21,729,466 in total revenues, income tax accounts for 58.89% of that total. Property and other local taxes of \$2,783,996 account for 12.81% of total revenues, and operating grants and contributions, capital grants and contributions, general revenues from grants and entitlements account for 14.64% of total revenues, and charges for services, investment income, and other revenue make up the remaining 13.66%.

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

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Most of the increase in expenses for 2003 was due to salaries and fringes. 2003 was the final year of a three-year agreement with the City's Union's as well as the three-year salary ordinance covering non-elected administrative personnel. These agreements generally called for 3.5-5% increases in 2003, but also provided significant annual step increases within pay grades for employees below the final step or below midpoint. In 2003 wages to employees increased approximately 5.8% with a corresponding increase for fringe benefits directly and incrementally related to the amount of salary paid to the employee, such as Medicare taxes, Worker's Compensation premiums and employer contributions to the retirement systems.

Health care costs continued to skyrocket nationally, and the City's health care expenses increased approximately 23.9% from 2002 to 2003. The City's premium for Worker's Compensation administered by the State Bureau of Worker's Compensation went from \$35,911 to \$340,213 or an increase of 847%. This increase was largely a result of recent poor claims experience by the City, and the State rescinding a premium dividend program that in past years greatly reduced the City's premium for this coverage sometimes to \$0. Increases in most other expenses closely paralleled inflation and growth in the demand for services.

The largest program function for the City relates to security of persons and property. In 2003, 32.45% of program expenses for governmental activities were for security of persons and property, which include the police and fire departments. The next largest function was general government, which accounted for 29.44% of the expenses in 2003. 13.77% of the expenses were spent on culture and recreation, while expenses for street and highway maintenance, including snow removal accounted for 11.62%.

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Information about the City's governmental funds begins on page 15. These funds are accounted for by using the modified accrual basis of accounting.

As of December 31, 2003, the City's governmental funds reported combined ending fund balances of \$11,741,633. Of that amount, \$10,912,320 constitutes unreserved fund balances, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchases of the prior period (\$829,313).

All governmental funds had total revenues of \$21,616,643 and expenditures of \$23,404,597, leaving a deficit of \$1,787,954. Approximately \$396,000 of the shortfall was due to the City's participation in the Smith and Sprague Road projects and another \$340,000 was spent concluding the Engle Road project. While the City did achieve some revenue growth in 2003, it was outpaced by increases in salaries and benefits.

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 \$6,351,304, of which \$6,177,201 was unreserved. As a measure of the

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to the sum of total fund expenditures and other financing uses. Unreserved fund balance represents 46.1% of total General Fund expenditures and other financing uses, while total fund balance represents 47.4% of that same amount. These numbers are an important representation of the City's solid financial performance and condition.

During the current fiscal year, the fund balance of the City's General Fund decreased by \$738,591. The 2003 decrease was marginally better than the decrease of \$888,351 reported in 2002. While the City had a modest gain in income tax receipts during 2003, the amount of income tax posted to the General Fund increased by approximately 18.5% due to a change in the allocation of income tax dollars done in 2003. Previously, the first one percent of income taxes was split with 80% going to the General Fund and the remaining 20% to the Capital Improvements Fund. In 2003 that allocation was changed with 90% going to the General Fund and 10% going to the Capital Improvements Fund. In addition, after a careful analysis of the City's General Obligation Bond Retirement Fund balance, it was decided that less income tax revenue could be posted to that fund and instead be credited to the General Fund. Fee increases and enhanced Police enforcement accounted for an increase of approximately \$224,000 in receipts from the Mayor's Court. Over 70% of General Fund expenditures are for salaries and fringes. Pay increases, as well as large increases in health benefit costs and workers compensation account for most of the overall decrease in the General Fund balance. In all, the actual decrease in General Fund balance was far less than the anticipated budget decrease originally estimated at over \$2 million.

The City's Recreation Fund experienced an increase in fund balance of \$105,592 mostly due to a new program charging a fee to permit non-residents to use the facility, and rent the Community Centers rooms.

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

The Balance in the Special Assessment Bond Retirement Fund was reduced by virtue of an operating transfer from this fund to the Road Improvements Fund.

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

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

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of 2003 the City amended its General Fund budget on various occasions. All recommendations for budget changes come to the Finance Committee of City Council for review before going to the whole Council for Ordinance enactment on the change. The City does allow small interdepartmental budget changes that modify line items within departments within the same fund and within major category, the major categories being "Wages and Fringe Benefits" and "Other". The General Fund supports many of our major activities such as our Police Department and Fire Department as well as most legislative and executive activities. The General Fund is monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

For the General Fund, original budgeted revenues were \$12.4 million. The final budgeted amount was \$12.7 million. The City's ending unencumbered cash balance in the General Fund was \$1,172,873 above the final budgeted amount.

The differences between the General Fund's original budget and the final amended budget were minor, amounting to less than 1%.

Capital Assets and Debt Administration

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

	Governmental Activities	
	2003	2002
Land	\$2,697,738	\$2,697,738
Land Improvements	584,635	617,528
Buildings and Improvements	25,912,263	26,276,100
Machinery and Equipment	3,109,001	3,100,121
Furniture and Fixtures	54,768	58,108
Infrastructure		
Streets	6,196,863	6,368,748
Sidewalks	410,909	421,714
Traffic Signals	2,493,048	2,638,589
Water Mains	1,301,037	1,321,018
Sanitary Sewers	1,615,025	1,640,208
Storm Sewers	2,341,774	2,353,661
Construction in Progress	1,681,178	174,139
Total Capital Assets	<u>\$48,398,239</u>	<u>\$47,667,672</u>

Total capital assets of the City as of December 31, 2003 were \$48,398,239, \$730,567 more than in 2002. The most significant increases in our capital assets came as a result of infrastructure improvements to Smith and Sprague Roads, which are included in construction in progress at year-end. As in past years, the City acquired several new vehicles for the Police Department at a cost of approximately \$107,000; and in 2003 a new multi-purpose Vac-All truck was purchased for the Service Department costing approximately \$195,000. The City is committed to a long-term goal of not only meeting its infrastructure and facilities needs, but also satisfying those needs in a continued high quality manner. Additional information on the City's capital assets can be found in Note 7 of this report.

Debt

As of December 31, 2003, the City had \$25,401,660 in bonds and compensated absences outstanding with \$2,958,013 due within one year.

Table 4 Outstanding Long-Term Obligations at Year End

	Governmental Activities	
	2003	2002
General Obligation Bonds	\$21,408,718	\$22,989,008
Special Assessment Bonds	\$2,006,087	\$2,123,022
Compensated Absences	\$1,986,855	\$1,936,040
Total	<u>\$25,401,660</u>	<u>\$27,048,070</u>

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

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

The Special Assessment Bonds consist of various Street and Sewer Construction projects, Engle Road Improvements, Newton Road Improvements, Hepburn Road Improvements, and various other improvements. The County Auditor collects principal and interest for these bonds on behalf of the City for special assessments to be used for debt service.

The \$500,000 in notes are General Obligation Notes, which have been purchased as an investment by the City's Special Assessment Bond Retirement Fund from which they will be repaid.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10-1/2% of total assessed valuation. The City's net legal debt margin within the 10 1/2% limit was \$55.9 million on December 31, 2003.

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

The Future

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

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

Contacting the City's Finance Department

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

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City of Middleburg Heights, Ohio

Statement of Net Assets

December 31, 2003

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$10,705,723
Cash and Cash Equivalents:	
With Fiscal Agents	2,887
Investment in Manuscript Bonds	239,804
Accounts Receivable	156,699
Accrued Interest Receivable	35,604
Intergovernmental Receivable	853,311
Prepaid Items	143,623
Materials and Supplies Inventory	172,413
Income Tax Receivable	2,840,635
Property Taxes Receivable	2,502,895
Other Local Taxes Receivable	43,570
Special Assessments Receivable	2,006,087
Unamortized Bond Issue Costs	37,230
Nondepreciable Capital Assets	4,378,916
Depreciable Capital Assets	44,019,323
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<i>Total Assets</i>	68,138,720
	<hr/>
Liabilities	
Accounts Payable	479,784
Accrued Wages	397,473
Retainage Payable	28,501
Intergovernmental Payable	545,011
Matured Bonds Principal and Interest Payable	2,887
Accrued Interest Payable	87,124
Claims Payable	102,427
Deferred Revenue	2,350,920
Unearned Revenue	220,579
Long-Term Liabilities:	
Due Within One Year	2,958,013
Due In More Than One Year	22,443,647
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<i>Total Liabilities</i>	29,616,366
	<hr/>
Net Assets	
Invested in Capital Assets, Net of Related Debt	24,983,434
Restricted for:	
Capital Projects	1,131,259
Debt Service	4,673,180
Other Purposes	404,227
Unrestricted	7,330,254
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<i>Total Net Assets</i>	\$38,522,354
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See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Statement of Activities

For the Year Ended December 31, 2003

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets	
Governmental Activities:					
Security of Persons and Property:					
Police	\$3,998,227	\$743,258	\$0	\$0	(\$3,254,969)
Fire	2,851,306	424,981	0	0	(2,426,325)
Safety Director	42,266	0	0	0	(42,266)
Public Health and Welfare	253,092	0	0	0	(253,092)
Culture and Recreation	2,924,858	921,023	0	0	(2,003,835)
Community Development	605,855	217,690	0	0	(388,165)
Streets and Highways	2,807,658	0	689,679	1,362,161	(755,818)
Sanitation	716,221	0	0	0	(716,221)
General Government	5,912,798	153,359	0	0	(5,759,439)
Interest and Fiscal Charges	1,127,571	0	0	0	(1,127,571)
<i>Total Governmental Activities</i>	<u>\$21,239,852</u>	<u>\$2,460,311</u>	<u>\$689,679</u>	<u>\$1,362,161</u>	<u>(16,727,701)</u>

General Revenues

Property and Other Local Taxes Levied for:

General Purposes	1,871,807
Debt Service	453,296
Police and Fire Pension	271,698
Public Health and Welfare	187,195
Income Tax Levied for:	
General Purposes	8,682,559
Debt Service	1,746,570
Recreation	1,656,965
Capital Outlay	710,614
Grants and Entitlements not Restricted to Specific Programs	1,129,313
Investment Earnings	236,156
Miscellaneous	271,142

Total General Revenues 17,217,315

Change in Net Assets 489,614

Net Assets Beginning of Year 38,032,740

Net Assets End of Year \$38,522,354

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Balance Sheet

Governmental Funds

December 31, 2003

	General	Recreation	General Obligation Bond Retirement	Special Assessment Bond Retirement	Capital Improvements	Road Improvements
Assets						
Equity in Pooled Cash and Cash Equivalents	\$5,266,217	\$653,998	\$1,392,287	\$605,987	\$859,426	\$314,445
Cash and Cash Equivalents						
With Fiscal Agents	0	0	2,887	0	0	0
Materials and Supplies Inventory	26,819	22,853			0	0
Investment in Manuscript Bond	0	0	45,900	693,904	0	0
Accrued Interest Receivable	28,635	172	924	3,640	2,930	0
Accounts Receivable	23,908	0	0	0	4,550	0
Interfund Receivable	0	0	0	0	0	502,083
Intergovernmental Receivable	457,550	0	31,173	0	0	0
Prepaid Items	108,838	34,785	0	0	0	0
Income Taxes Receivable	1,998,856	319,628	364,817	0	157,334	0
Property Taxes Receivable	1,473,479	0	517,011	0	0	0
Other Local Taxes Receivable	43,570	0	0	0	0	0
Special Assessments Receivable	0	0	0	2,006,087	0	0
<i>Total Assets</i>	<u>\$9,427,872</u>	<u>\$1,031,436</u>	<u>\$2,354,999</u>	<u>\$3,309,618</u>	<u>\$1,024,240</u>	<u>\$816,528</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$129,148	\$44,175	\$0	\$907	\$56,644	\$204,849
Accrued Wages	307,942	60,061	0	0	0	0
Accrued Interest Payable	0	0	0	0	0	2,083
Intergovernmental Payable	271,110	50,365	0	0	0	0
Matured Bonds & Interest Payable	0	0	2,887	0	0	0
Retainage Payable	0	0	0	0	28,501	0
Interfund Payable	0	0	0	502,083	0	0
Deferred Revenue	2,368,368	95,888	657,629	2,006,087	51,750	0
Unearned Revenue	0	220,579	0	0	0	0
Notes Payable	0	0	0	0	0	500,000
<i>Total Liabilities</i>	<u>3,076,568</u>	<u>471,068</u>	<u>660,516</u>	<u>2,509,077</u>	<u>136,895</u>	<u>706,932</u>
Fund Balances						
Reserved for Encumbrances	174,103	38,228	0	572	157,099	0
Unreserved, Undesignated, Reported in:						
General Fund	6,177,201	0	0	0	0	0
Special Revenue Funds	0	522,140	0	0	0	0
Debt Service Funds	0	0	1,694,483	799,969	0	0
Capital Projects Funds	0	0	0	0	730,246	109,596
<i>Total Fund Balances</i>	<u>6,351,304</u>	<u>560,368</u>	<u>1,694,483</u>	<u>800,541</u>	<u>887,345</u>	<u>109,596</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$9,427,872</u>	<u>\$1,031,436</u>	<u>\$2,354,999</u>	<u>\$3,309,618</u>	<u>\$1,024,240</u>	<u>\$816,528</u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2003*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$11,741,633
		<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
\$1,138,458	\$10,230,818	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	48,398,239
0	2,887	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
122,741	172,413	Delinquent Property Taxes	151,975
0	739,804	Income Taxes	852,190
3	36,304	Intergovernmental	591,791
128,241	156,699	Special Assessments	2,010,637
	502,083	Charges for Services	58,380
364,588	853,311	Total	3,664,973
0	143,623		
0	2,840,635	As internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	373,861
512,405	2,502,895		
0	43,570		
0	2,006,087		
<u>\$2,266,436</u>	<u>\$20,231,129</u>	Unamortized bond issue costs.	37,230
		Intergovernmental Payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(204,798)
\$44,061	\$479,784		
29,470	397,473	Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(87,124)
0	2,083		
18,738	340,213	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
0	2,887	General Obligation Bonds	(21,408,718)
0	28,501	Special Assessment Bonds	(2,006,087)
0	502,083	Compensated Absences	(1,986,855)
836,171	6,015,893	Total	(25,401,660)
0	220,579		
0	500,000		
<u>928,440</u>	<u>8,489,496</u>	<i>Net Assets of Governmental Activities</i>	<u>\$38,522,354</u>
459,311	829,313		
0	6,177,201		
847,423	1,369,563		
0	2,494,452		
31,262	871,104		
<u>1,337,996</u>	<u>11,741,633</u>		
<u>\$2,266,436</u>	<u>\$20,231,129</u>		

City of Middleburg Heights, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003

	General	Recreation	General Obligation Bond Retirement	Special Assessment Bond Retirement	Capital Improvements
Revenues					
Property Taxes	\$1,315,450	\$0	\$462,028	\$0	\$0
Income Taxes	8,492,915	1,643,135	1,721,909	0	697,363
Other Local Taxes	581,244	0	0	0	0
Intergovernmental	995,703	0	60,009	0	128,929
Special Assessments	0	0	0	212,521	0
Interest	95,921	7,538	40,161	7,415	23,886
Fines, Licenses and Permits	949,658	0	0	0	0
Charges for Services	28,002	921,023	0	0	28,848
Other	204,372	18,332	14,786	0	5,921
<i>Total Revenues</i>	<u>12,663,265</u>	<u>2,590,028</u>	<u>2,298,893</u>	<u>219,936</u>	<u>884,947</u>
Expenditures					
Current:					
General Government:					
Security of Persons and Property					
Police	3,500,444	0	0	0	0
Fire	2,428,956	0	0	0	0
Safety Director	40,375	0	0	0	0
Public Health and Welfare	29,847	0	0	0	0
Culture and Recreation	0	2,484,436	0	0	0
Community Development	598,079	0	0	0	0
Streets and Highways	0	0	0	0	0
Sanitation	716,221	0	0	0	0
General Government	5,362,934	0	0	907	0
Capital Outlay	0	0	0	0	1,274,224
Debt Service:					
Principal Retirement	0	0	1,580,289	116,936	0
Interest and Fiscal Charges	0	0	1,019,493	103,494	0
<i>Total Expenditures</i>	<u>12,676,856</u>	<u>2,484,436</u>	<u>2,599,782</u>	<u>221,337</u>	<u>1,274,224</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(13,591)</u>	<u>105,592</u>	<u>(300,889)</u>	<u>(1,401)</u>	<u>(389,277)</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	0	0
Transfers Out	(725,000)	0	0	(502,083)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(725,000)</u>	<u>0</u>	<u>0</u>	<u>(502,083)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(738,591)</u>	<u>105,592</u>	<u>(300,889)</u>	<u>(503,484)</u>	<u>(389,277)</u>
<i>Fund Balances Beginning of Year</i>	<u>7,089,895</u>	<u>454,776</u>	<u>1,995,372</u>	<u>1,304,025</u>	<u>1,276,622</u>
<i>Fund Balances End of Year</i>	<u>\$6,351,304</u>	<u>\$560,368</u>	<u>\$1,694,483</u>	<u>\$800,541</u>	<u>\$887,345</u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2003*

Road Improvements	Other Governmental Funds	Total Governmental Funds		
			Net Change in Fund Balances - Total Governmental Funds	(\$1,787,954)
			<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
\$0	\$468,434	\$2,245,912	Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
0	0	12,555,322	Capital Asset Additions	2,262,884
0	0	581,244	Current Year Depreciation	<u>(1,474,439)</u>
1,137,646	711,071	3,033,358	Total	788,445
0	0	212,521	Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(57,878)
38,894	11,947	225,762	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
0	121,892	1,071,550	Delinquent Property Taxes	(43,160)
0	441,959	1,419,832	Income Tax	241,386
8,333	19,398	271,142	Intergovernmental	52,209
1,184,873	1,774,701	21,616,643	Special Assessments	(116,935)
			Charges for Services	<u>(31,071)</u>
			Total	102,429
			Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,697,225
			In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	5,931
			Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable (which represent contractually required pension contributions), do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
0	165,206	3,665,650	Compensated Absences	(50,815)
0	221,101	2,650,057	Pension Obligation	<u>149,152</u>
0	0	40,375	Total	98,337
0	214,581	244,428	Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(2,482)
0	1,200	2,485,636	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.	(354,439)
0	0	598,079	<i>Change in Net Assets of Governmental Activities</i>	<u>\$489,614</u>
0	1,529,623	1,529,623		
0	0	716,221		
8,532	840	5,373,213		
1,857,401	141,445	3,273,070		
0	0	1,697,225		
8,033	0	1,131,020		
1,873,966	2,273,996	23,404,597		
(689,093)	(499,295)	(1,787,954)		
502,083	725,000	1,227,083		
0	0	(1,227,083)		
502,083	725,000	0		
(187,010)	225,705	(1,787,954)		
296,606	1,112,291	13,529,587		
\$109,596	\$1,337,996	\$11,741,633		

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, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,315,021	\$1,315,450	\$1,315,450	\$0
Income Taxes	8,265,000	8,500,000	8,540,942	40,942
Other Local Taxes	630,000	582,500	583,011	511
Intergovernmental	931,737	956,059	1,001,649	45,590
Interest	225,000	125,000	126,932	1,932
Fines, Licenses and Permits	740,650	955,650	943,600	(12,050)
Charges for Services	47,225	30,500	28,002	(2,498)
Other	234,200	214,436	222,419	7,983
<i>Total Revenues</i>	<u>12,388,833</u>	<u>12,679,595</u>	<u>12,762,005</u>	<u>82,410</u>
Expenditures				
Current:				
Security of Persons and Property:				
Police	3,659,439	3,677,916	3,442,271	235,645
Fire	2,591,409	2,600,604	2,398,473	202,131
Safety Director	41,181	41,181	39,277	1,904
Public Health and Welfare	34,386	34,847	31,063	3,784
Community Development	605,957	638,628	592,184	46,444
Sanitation	715,000	715,000	714,541	459
General Government	6,036,457	6,104,742	5,504,646	600,096
<i>Total Expenditures</i>	<u>13,683,829</u>	<u>13,812,918</u>	<u>12,722,455</u>	<u>1,090,463</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,294,996)</u>	<u>(1,133,323)</u>	<u>39,550</u>	<u>1,172,873</u>
Other Financing Sources (Uses)				
Transfers Out	(725,000)	(725,000)	(725,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(725,000)</u>	<u>(725,000)</u>	<u>(725,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(2,019,996)</u>	<u>(1,858,323)</u>	<u>(685,450)</u>	<u>1,172,873</u>
<i>Fund Balance Beginning of Year</i>	5,383,694	5,383,694	5,383,694	0
Prior Year Encumbrances Appropriated	345,776	345,776	345,776	0
<i>Fund Balance End of Year</i>	<u>\$3,709,474</u>	<u>\$3,871,147</u>	<u>\$5,044,020</u>	<u>\$1,172,873</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, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Income Taxes	\$1,655,000	\$1,700,000	\$1,709,038	\$9,038
Charges for Services	811,000	897,500	936,594	39,094
Interest	5,000	7,500	7,896	396
Other	1,000	16,161	18,332	2,171
<i>Total Revenues</i>	<u>2,472,000</u>	<u>2,621,161</u>	<u>2,671,860</u>	<u>50,699</u>
Expenditures				
Current:				
Culture and Recreation	<u>2,750,147</u>	<u>2,768,147</u>	<u>2,483,729</u>	<u>284,418</u>
<i>Total Expenditures</i>	<u>2,750,147</u>	<u>2,768,147</u>	<u>2,483,729</u>	<u>284,418</u>
<i>Net Change in Fund Balance</i>	(278,147)	(146,986)	188,131	335,117
<i>Fund Balance Beginning of Year</i>	328,080	328,080	328,080	0
Prior Year Encumbrances Appropriated	<u>75,238</u>	<u>75,238</u>	<u>75,238</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$125,171</u>	<u>\$256,332</u>	<u>\$591,449</u>	<u>\$335,117</u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Statement of Fund Net Assets

Proprietary Fund

December 31, 2003

	Governmental Activities Internal Service Fund - Insurance
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$474,905
Accrued Interest Receivable	1,383
<i>Total Assets</i>	476,288
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	102,427
<i>Total Liabilities</i>	102,427
Net Assets	
Unrestricted	373,861
<i>Total Net Assets</i>	\$373,861

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio
*Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2003*

	Governmental Activities Internal Service Fund - Insurance
Operating Revenues	
Charges for Services	\$1,072,040
<i>Total Operating Revenues</i>	1,072,040
Operating Expenses	
Contractual Services	342,114
Claims	1,094,759
<i>Total Operating Expenses</i>	1,436,873
<i>Operating Loss</i>	(364,833)
Non Operating Revenue	
Interest	10,394
<i>Total Non Operating Revenue</i>	10,394
<i>Change in Net Assets</i>	(354,439)
<i>Net Assets Beginning of Year</i>	728,300
<i>Net Assets End of Year</i>	\$373,861

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, 2003

	Governmental Activities Internal Service Fund - Insurance
<i>Increase (Decrease) In Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$1,072,040
Cash Payments to Suppliers for Services	(342,114)
Cash Payments for Claims	(1,033,505)
	(303,579)
Cash Flows from Investing Activities	
Interest	13,153
	(290,426)
<i>Net Decrease In Cash and Cash Equivalents</i>	(290,426)
<i>Cash and Cash Equivalents Beginning of Year</i>	765,331
<i>Cash and Cash Equivalents End of Year</i>	\$474,905
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
<i>Operating Loss</i>	(\$364,833)
Adjustments:	
Decrease in Accounts Receivable	55,080
Increase in Claims Payable	6,174
	(\$303,579)
<i>Net Cash Used for Operating Activities</i>	(\$303,579)

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2003

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$324,281</u>
Liabilities	
Deposits Held and Due to Others	<u>\$324,281</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, 2003

Note 1 – Description of the City and Reporting Entity

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

Reporting Entity

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

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

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

The City participates in several jointly governed organizations, including the Southwest General Health Center, the Woodvale Union Cemetery, the Southwest Council of Governments, the Northeast Ohio Public Energy Council, the Southwest Suburban Airport Council of Governments, and the Suburban Water Regional Council of Governments. Refer to Note 16 for the City’s relationship to these entities.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the City’s accounting policies are described below.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the Health Insurance internal service fund is eliminated to avoid the double counting of revenues and expenses.

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

General Fund The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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

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

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

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

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

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

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

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

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

C. Measurement Focus

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

D. Basis of Accounting

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 5.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. Annual membership revenues for the City's Community Center have been recorded as unearned revenue to the extent that they had not been earned as of December 31, 2003.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2003, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio), Money Market Mutual Funds, manuscript bonds, Federal Agency Securities, U.S. Treasury Notes and Bonds, non-negotiable certificates of deposit, and repurchase agreements.

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

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2003.

Investment procedures are restricted by provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2003 amounted to \$95,921, which includes \$8,374 assigned from other City funds.

Investments with an original maturity of three months or less and investments of the cash management pool are presented on the financial statements as cash equivalents.

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

G. Inventory

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

H. Capital Assets

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

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

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

K. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due.

L. Fund Balance Reserve

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

M. Net Assets

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

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Interfund Activity

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and are either unusual in nature or infrequent in occurrence.

P. Estimates

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Q. Operating Revenues and Expenses

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

R. Budgetary Process

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

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

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

Note 3 - Budgetary Basis of Accounting

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

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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.

Net Change in Fund Balance

	General	Recreation
GAAP Basis	(\$738,591)	\$105,592
Net Adjustment for Revenue Accruals	122,720	81,661
Fair Value Adjustment for Investments 2002	(23,804)	(305)
Fair Value Adjustment for Investments 2003	(176)	476
Net Adjustment for Expenditure Accruals	176,774	62,780
Encumbrances	(222,373)	(62,073)
Budget Basis	(\$685,450)	\$188,131

Note 4 - Deposits and Investments

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

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

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

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

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits. At year-end, the carrying amount of the City's deposits was \$957,383 and the bank balance was \$1,228,708. \$268,816 of the bank balance was covered by federal depository insurance. \$959,892 was uninsured and uncollateralized. Although the securities were held by the pledging financial institution's trust department or agent in the financial institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments. The City's investments are required to be categorized to give an indication of the level of custodial credit risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. STAROhio and the Money Market Mutual Funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 3	Fair Value
Federal Home Loan Bank Bonds		\$3,007,864	\$3,007,864
Federal National Mortgage Association Bonds		500,625	500,625
Federal Home Loan Mortgage Corporation Bonds		1,500,415	1,500,415

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	Category 1	Category 3	Fair Value
Manuscript Bonds and Notes	\$739,804		739,804
Huntington Bank Money Market			2,439,423
KeyBank Money Market			2,010,887
STAROhio			613,407
Total Investments	<u>\$739,804</u>	<u>\$5,008,904</u>	<u>\$10,812,425</u>

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

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

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement 9</i>	\$11,030,004	\$739,804
Investments:		
Federal Home Loan Bank Bonds	(3,007,864)	3,007,864
Federal National Mortgage Association Bonds	(500,625)	500,625
Federal Home Loan Mortgage Corporation Bonds	(1,500,415)	1,500,415
Huntington Bank Money Market	(2,439,423)	2,439,423
KeyBank Money Market	(2,010,887)	2,010,887
STAROhio	(613,407)	613,407
<i>GASB Statement 3</i>	<u>\$957,383</u>	<u>\$10,812,425</u>

The City's Special Assessment Bond Retirement Fund purchased a \$500,000 Manuscript Note for Sprague Road Improvements as an investment. This investment as well as an interfund receivable are reflected on the Governmental Funds Balance Sheet, but have been eliminated on the Entity-Wide Statement of Net Assets.

Note 5 – Receivables

Receivables at December 31, 2003, consisted primarily of municipal income taxes, property and other local taxes, accounts, special assessments, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full.

Special assessments expected to be collected in more than one-year amount to \$1,887,836 in the Special Assessment Bond Retirement Fund. At December 31, 2003 the amount of delinquent special assessments was \$15,792.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2003 for real and public utility property taxes represents collections of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) are for 2003 taxes.

2003 real property taxes are levied after October 1, 2003 on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

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

2003 tangible personal property taxes are levied after October 1, 2002 on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent for inventory.

The tax rate for all City operations for the year ended December 31, 2003, was \$5.45 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property	\$491,230,770
Tangible Personal Property	44,252,676
Public Utility Tangible Property	<u>13,459,950</u>
Total Valuation	<u><u>\$548,943,396</u></u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2003 and for which there is an enforceable legal claim. In the general, police pension, fire pension, general obligation bond retirement and Southwest General Hospital funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2003 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.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

B. Municipal Income Taxes

The City levies a municipal income tax of 1.75 percent on all income earned within the City as well as on income of residents earned outside of the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA), on behalf of the City, at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the 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
Estate Tax	\$29,399
Local Government Funds	331,756
Gasoline Taxes	315,706
Permissive Motor Vehicle License Tax	7,869
Homestead and Rollback	134,112
Public Utility Reimbursement	16,016
Liquor Permit	1,118
Prisoner Board and Care	4,273
Other	13,062
Total	\$853,311

Note 6 - 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 2003, the City contracted with Jackson, Dieken, and Associates for all their insurance. A summary of insurance coverage is as follows:

Company	Type of Coverage	Coverage
Arch Insurance Company	Commercial General Liability	\$1 million per occurrence/ \$3 million aggregate
Arch Insurance Company	Commercial Property	\$35,975,541
Arch Insurance Company	Boiler and Machinery	\$20,000,000
Arch Insurance Company	Commercial Inland Marine	\$1,217,900
Arch Insurance Company	Public Officials Liability	\$1,000,000
Arch Insurance Company	Law Enforcement Liability	\$1,000,000
Arch Insurance Company	Commercial Crime/Employee Dishonesty	\$25,000-\$100,000
Arch Insurance Company	Commercial Automobile	\$1,000,000
Arch Insurance Company	Commercial Umbrella/Natural Disasters	\$10,000,000
Arch Insurance Company	Ohio Stop Gap	\$1,000,000
Arch Insurance Company	Employee Benefits	\$1 million per occurrence/ \$3 million aggregate

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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

Under the traditional medical plan, the preferred provider prices all claims which are then submitted to the third party administrator. The third party administrator reviews and processes the claims, which the City then pays. The City has purchased medical stop loss coverage of \$40,000 per individual and \$1,017,639 in aggregate. In 2003 the City funded the self-insurance internal service fund at \$275 per month for single coverage and \$700 per month for family coverage. These charges are paid by the fund from which the employee's compensation is paid.

The claims liability of \$102,427, as estimated by the third party administrator and reported in the internal service fund at December 31, 2003, is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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

Year	Estimated Claims Payable January 1st	Current Year Claims and Changes in Estimates	Claim Payments	Estimated Claims Payable December 31
2002	\$185,584	\$908,265	\$(997,596)	\$96,253
2003	96,253	1,094,759	(1,088,585)	102,427

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 7 – Capital Assets

Capital asset activity for the year ended December 31, 2003, was as follows:

	Balance 12/31/02	Additions	Deletions	Balance 12/31/03
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	\$2,697,738	\$0	\$0	\$2,697,738
Construction-In-Progress	174,139	1,675,317	(168,278)	1,681,178
Total Capital Assets, not being Depreciated	2,871,877	1,675,317	(168,278)	4,378,916

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	Balance 12/31/02	Additions	Deletions	Balance 12/31/03
<i>Capital Assets being Depreciated:</i>				
Land Improvements	1,003,152	29,093	0	1,032,245
Buildings and Improvements	29,690,158	253,568	0	29,943,726
Furniture and Fixtures	66,797	0	0	66,797
Machinery and Equipment	5,615,632	451,393	(57,878)	6,009,147
Infrastructure:				
Streets	6,864,447	0	0	6,864,447
Sidewalks	432,186	0	0	432,186
Traffic Signals	2,910,816	0	0	2,910,816
Water Mains	1,498,572	0	0	1,498,572
Sanitary Sewers	1,888,699	0	0	1,888,699
Storm Sewers	2,525,866	21,791	0	2,547,657
Total Capital Assets being Depreciated	<u>52,496,325</u>	<u>755,845</u>	<u>(57,878)</u>	<u>53,194,292</u>
Less Accumulated Depreciation:				
Land Improvements	(385,624)	(61,986)	0	(447,610)
Buildings and Improvements	(3,414,058)	(617,405)	0	(4,031,463)
Furniture and Fixtures	(8,689)	(3,340)	0	(12,029)
Machinery and Equipment	(2,515,511)	(384,635)	0	(2,900,146)
Infrastructure:				
Streets	(495,699)	(171,885)	0	(667,584)
Sidewalks	(10,472)	(10,805)	0	(21,277)
Traffic Signals	(272,227)	(145,541)	0	(417,768)
Water Mains	(177,554)	(19,981)	0	(197,535)
Sanitary Sewers	(248,491)	(25,183)	0	(273,674)
Storm Sewers	(172,205)	(33,678)	0	(205,883)
Total Accumulated Depreciation	<u>(7,700,530)</u>	<u>(1,474,439) *</u>	<u>0</u>	<u>(9,174,969)</u>
Net Capital Assets being Depreciated	<u>44,795,795</u>	<u>(718,594)</u>	<u>(57,878)</u>	<u>44,019,323</u>
Governmental Activities Capital Assets, Net	<u>\$47,667,672</u>	<u>\$956,723</u>	<u>\$(226,156)</u>	<u>\$48,398,239</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$381,327
Public Safety:	
Police	116,693
Fire	132,900
Public Health and Welfare	9,296
Streets and Highways	407,072
Culture and Recreation	420,123
Community Development	7,028
Total Depreciation Expense	<u>\$1,474,439</u>

Note 8 - 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 administer 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% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The Combined Plan is a cost-sharing multiple-employer defined benefit pension plan. Under the Combined plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed plan.

OPERS provide retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614/222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The City contributed 13.55 percent of covered payroll, of which 5.0 percent was used to fund health care coverage for retirees. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2003, 2002 and 2001 were \$747,250, \$705,400, and \$654,653 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 administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City contributes 19.5 percent for police and 24.0 percent for firefighters, of which 7.75 percent is used to pay retiree health care expenses. The City's contributions to the OP&F for the years ended December 31, 2003, 2002 and 2001 were \$801,342, \$749,525 and \$701,881 respectively. The full amount has been contributed for 2002 and 2001. 74.4 percent has been contributed for 2003 with the remainder being reported as "intergovernmental payable" in the governmental activities column of the statement of net assets.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

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

OPERS provide retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. 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 must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority requiring employers to fund post-retirement health care through their contributions to OPERS. The 2003 and 2002 employer contribution rate was 13.55 percent of covered payroll; 5.0 percent was the portion that was used to fund health care for both years.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.0 percent. An annual increase of 4.0 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from .50 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

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

At December 31, 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The City's actual contributions for 2003, which were used to fund postemployment benefits, were \$275,735. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides access to postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a two-thirds basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the OP&F's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2003 and 2002. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$164,713 for police and \$124,823 for fire. The OP&F's total health care expenses for the year ended December 31, 2002, (the latest actuarial information available) was \$141,028,006, which was net of member contributions of \$12,623,875. The number of participants eligible to receive health care benefits as of December 31, 2002 (the date of the last actuarial valuation available), was 13,527 for police and 10,396 for firefighters.

Note 10 - Compensated Absences

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

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 11 - 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 12 - Long-Term Obligations

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

Debt Issue	Original Issue Date	Interest Rate	Original Issue Amount
General Obligation Bonds			
Real Estate Acquisition	1998	3.35 - 5.125 %	\$120,000
City Hall/Fire Station	1998	3.35 - 5.125 %	2,760,000
Bagley Road/I-71/Newton	1998	3.35 - 5.125 %	149,659
Community Center	1998	3.35 - 5.125 %	16,467,500
Service Center	1998	3.35 - 5.125 %	7,997,500
Emergency Generator	2002	1.60 - 4.50 %	475,000
Pearl Road Sanitary Sewer	1992	6.75%	102,000
Pearl Road Improvements	2002	1.60 - 2.60 %	220,000
Special Assessment Bonds			
Engle Road Improvements	1998	3.35 -5.125%	\$814,000
Engle Road Improvements	2002	1.60 - 4.50 %	210,000
Newton Road Refunding	1998	3.35 -5.125%	295,341
Pearl Road Sanitary Sewer	1992	6.75%	102,000
Claremont/Morningside Road	1994	4.75 - 8.00%	301,000
Hepburn Road Improvements	1998	3.35 -5.125%	611,000
Fowles Road Sanitary Sewer	1999	6.00%	216,000

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

	Outstanding 12/31/02	Additions	(Reductions)	Outstanding 12/31/03	Amounts Due in One Year
General Obligation Bonds:					
Real Estate Acquisition Refunding	\$101,440	\$0	(\$10,108)	\$91,332	\$10,469
City Hall/Fire Station Refunding	2,332,582	0	(232,428)	2,100,154	240,729
Bagley Road/I-71/Newton Road Refunding	126,451	0	(12,600)	113,851	13,050
Community Center	13,383,500	0	(870,000)	12,513,500	900,000
Service Center	6,348,500	0	(400,000)	5,948,500	410,000
Emergency Generator	475,000	0	(15,000)	460,000	20,000
Pearl Road Sanitary Sewer	1,535	0	(154)	1,381	153
Pearl Road Improvements	220,000	0	(40,000)	180,000	45,000
Total General Obligation Bonds	22,989,008	0	(1,580,290)	21,408,718	1,639,401

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	Outstanding 12/31/02	Additions	(Reductions)	Outstanding 12/31/03	Amount Due in One Year
Special Assessment Bonds:					
Engle Road Improvements	706,000	0	(35,000)	671,000	30,000
Engle Road Improvements	210,000	0	(5,000)	205,000	10,000
Newton Road Refunding	249,528	0	(24,864)	224,664	25,752
Pearl Road Sanitary Sewer Claremont/Morningside Road Improvements	49,465	0	(4,946)	44,519	4,946
Hepburn Road Improvements	180,000	0	(15,000)	165,000	15,000
Fowles Road Sanitary Sewer	527,000	0	(25,000)	502,000	25,000
Total Special Assessment Bonds	201,029	0	(7,125)	193,904	7,553
Compensated Absences	2,123,022	0	(116,935)	2,006,087	118,251
Total Long-Term Liabilities	1,936,040	89,987	(39,172)	1,986,855	1,200,361
	\$27,048,070	\$89,987	(\$1,736,397)	\$25,401,660	\$2,958,013

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

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

In 1998, the City defeased a general obligation bond issue by placing the proceeds of new bonds in an irrevocable escrow account to provide for all future debt service payments on the old bonds. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the statement of net assets. As of December 31, 2003 the amount of defeased debt outstanding amounted to \$2,395,000.

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

The City's overall legal debt margin was \$55,886,822 at December 31, 2003. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2003, are as follows:

Year	General Obligation Bonds		Special Assessment Bonds		Totals
	Principal	Interest	Principal	Interest	
2004	\$1,639,401	\$951,322	\$118,251	\$94,161	\$2,803,135
2005	1,658,513	888,746	124,593	89,242	2,761,094
2006	1,687,626	824,497	115,961	83,988	2,712,072
2007	1,741,294	758,093	137,802	78,981	2,716,170
2008	1,814,962	672,586	144,674	72,065	2,704,287
2009-2013	7,369,922	2,192,474	667,457	258,483	10,488,336
2014-2018	5,372,000	710,094	624,249	107,362	6,813,705
2019-2023	125,000	14,400	73,100	7,611	220,111
Total	\$21,408,718	\$7,012,212	\$2,006,087	\$791,893	\$31,218,910

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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

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

At December 31, 2003, the aggregate principal amount of conduit debt obligations outstanding is \$59,722,113.

Note 13 – Bond Anticipation Notes Payable

Note activity for the year ended December 31, 2003, was as follows:

	Outstanding 12/31/02	Additions	(Reductions)	Outstanding 12/31/03
Sprague Road Improvements 1.70%	\$600,000	\$0	(\$600,000)	\$0
Sprague Road Improvements 1.00%	0	500,000	0	500,000
Total	\$600,000	\$500,000	(\$600,000)	\$500,000

All notes are backed by the full faith and credit of the City and mature within one year. The liability for the \$500,000 note outstanding at year-end is reflected in the Road Improvements Fund, which received the proceeds. The \$500,000 Note Payable, as well as, an interfund payable transaction are reflected on the Governmental Funds Balance Sheet, but have been eliminated on the Entity-wide statement of Net Assets.

Note 14 - Contractual Commitments

The City had the following contractual commitments outstanding at December 31, 2003:

Project	Amount Remaining
Police Patrol Vehicles	\$77,400
Emergency Medical Transport Vehicle	196,000
Road Salt	187,460
Sprague Road Improvements	43,592
2003 Street Improvement Program	76,984
City Hall Updates	23,423
Community Center	54,702
	\$659,561

Note 15 – Interfund Transfers and Balances

A transfer of \$725,000 was made during calendar year 2003 from the general fund to the street construction, maintenance and repair fund to provide additional resources to fund current operations. A transfer of \$502, 083 from the Special Assessment Bond Retirement Fund to the Road Improvement Fund has been recorded to provide resources to fund the Sprague Road Improvement Project.

Note 16 - Jointly Governed Organizations

A. Southwest General Health Center

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

The Health Center is governed by a Board of Trustees consisting of the following: one person who is a member of the legislative body from each of the political subdivisions, one person residing in each political subdivision who is not a member of the legislative body, three people who are residents of any of the participating political subdivisions, the president of the corporation, the president of the medical staff, the vice president of the medical staff, and the executive vice president of the corporation. The legislative bodies of each political subdivision elect their members to serve on the Board of Trustees of the Health Center. The Board exercises total control over the operation of the Health Center including budgeting, appropriating, contracting and designating management. Each City's degree of control is limited to its representation on the Board. The Southwest General Hospital special revenue fund accounts for property tax resources that are distributed to the Health Center. In 2003, the City of Middleburg Heights remitted \$214,581 to the Health Center.

B. Woodvale Union Cemetery

The Woodvale Union Cemetery is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Woodvale Union Cemetery provides burial grounds and burial services to the public. The Cemetery is a jointly governed organization among the cities of Middleburg Heights and Berea. A joint council consisting of the council members from the member communities governs the Cemetery. The joint council elects and appoints the members of the Board of Trustees. The Board consists of the following: one elected member of the legislative body from each of the political subdivisions, and one appointed resident from either of the political subdivisions who is not a member of the legislative body. The joint council exercises total control over the operation of the Cemetery including budgeting, appropriating, and contracting. Each City's degree of control is limited to its representation on the Board. In 2003, the City of Middleburg Heights contributed \$7,500 to the Cemetery.

C. Southwest Council of Governments

The Southwest Council of Governments helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions, and regional development. The Council's Board is comprised of one member from each of the sixteen participating cities. The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. Budgets are adopted by the Board. Each City's degree of control is limited to its representation on the Board. The Council has established two subsidiary organizations, the

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 2003, the City of Middleburg Heights contributed \$7,500 to the Council. The Council’s financial statements may be obtained by contacting the Southwest Council of Governments, Parma Heights, Ohio.

D. Northeast Ohio Public Energy Council

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities. NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Dan DiLiberto, Board Chairman, 1615 Clark Avenue, Cleveland, OH 44109.

E. Southwest Suburban Airport Council of Governments

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

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

F. Suburban Water Regional Council of Governments

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

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

Combining Statements and Individual Fund Schedules – Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

**Combining Statements
Nonmajor Governmental Funds (Continued)**

Nonmajor Capital Projects Funds

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

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

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

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

City of Middleburg Heights, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,052,494	\$85,964	\$1,138,458
Materials and Supplies Inventory	122,741	0	122,741
Accrued Interest Receivable	3	0	3
Accounts Receivable	128,241	0	128,241
Intergovernmental Receivable	364,588	0	364,588
Property Taxes Receivable	512,405	0	512,405
<i>Total Assets</i>	<u>\$2,180,472</u>	<u>\$85,964</u>	<u>\$2,266,436</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$40,665	\$3,396	\$44,061
Accrued Wages	29,470	0	29,470
Intergovernmental Payable	18,738	0	18,738
Deferred Revenue	836,171	0	836,171
<i>Total Liabilities</i>	<u>925,044</u>	<u>3,396</u>	<u>928,440</u>
Fund Balances			
Reserved for Encumbrances	408,005	51,306	459,311
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	847,423	0	847,423
Capital Projects Funds	0	31,262	31,262
<i>Total Fund Balances</i>	<u>1,255,428</u>	<u>82,568</u>	<u>1,337,996</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,180,472</u>	<u>\$85,964</u>	<u>\$2,266,436</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, 2003

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Property Taxes	\$468,434	\$0	\$468,434
Intergovernmental	711,071	0	711,071
Interest	10,158	1,789	11,947
Fines, Licenses and Permits	121,892	0	121,892
Charges for Services	441,959	0	441,959
Other	19,398	0	19,398
<i>Total Revenues</i>	<u>1,772,912</u>	<u>1,789</u>	<u>1,774,701</u>
Expenditures			
Current:			
Security of Persons and Property:			
Police	165,206	0	165,206
Fire	221,101	0	221,101
Public Health and Welfare	214,581	0	214,581
Culture and Recreation	0	1,200	1,200
Streets and Highways	1,529,623	0	1,529,623
General Government	840	0	840
Capital Outlay	68,017	73,428	141,445
<i>Total Expenditures</i>	<u>2,199,368</u>	<u>74,628</u>	<u>2,273,996</u>
<i>Excess of Revenues Under Expenditures</i>	(426,456)	(72,839)	(499,295)
Other Financing Sources			
Transfers In	725,000	0	725,000
<i>Total Other Financing Sources</i>	<u>725,000</u>	<u>0</u>	<u>725,000</u>
<i>Net Change in Fund Balances</i>	298,544	(72,839)	225,705
<i>Fund Balances Beginning of Year</i>	<u>956,884</u>	<u>155,407</u>	<u>1,112,291</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,255,428</u></u>	<u><u>\$82,568</u></u>	<u><u>\$1,337,996</u></u>

City of Middleburg Heights, Ohio

Combining Balance Sheet

Nonmajor Special Revenue Funds

December 31, 2003

	Street Construction	State Highway	Law Enforcement	Medical Transport	Sewer Maintenance
Assets					
Equity in Pooled Cash and Cash Equivalents	\$358,125	\$86,815	\$149,143	\$404,307	\$7,413
Materials and Supplies Inventory	104,747	17,994	0	0	0
Accrued Interest Receivable	0	3	0	0	0
Accounts Receivable	0	0	0	128,241	0
Intergovernmental Receivable	299,307	24,268	10,898	0	0
Property Taxes Receivable	0	0	0	0	0
<i>Total Assets</i>	<u>\$762,179</u>	<u>\$129,080</u>	<u>\$160,041</u>	<u>\$532,548</u>	<u>\$7,413</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$37,512	\$0	\$0	\$3,153	\$0
Accrued Wages	28,416	0	0	1,054	0
Intergovernmental Payable	18,034	0	0	704	0
Deferred Revenue	217,626	17,645	0	58,380	0
<i>Total Liabilities</i>	<u>301,588</u>	<u>17,645</u>	<u>0</u>	<u>63,291</u>	<u>0</u>
Fund Balances					
Reserved for Encumbrances	172,904	31,488	0	202,163	1,450
Unreserved, Undesignated	287,687	79,947	160,041	267,094	5,963
<i>Total Fund Balances</i>	<u>460,591</u>	<u>111,435</u>	<u>160,041</u>	<u>469,257</u>	<u>7,413</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$762,179</u>	<u>\$129,080</u>	<u>\$160,041</u>	<u>\$532,548</u>	<u>\$7,413</u>

(continued)

City of Middleburg Heights, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2003

	Police Pension	Fire Pension	Tree Planting	Veterans Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
Assets						
Equity in Pooled Cash and						
Cash Equivalents	\$6,999	\$6,999	\$26,668	\$6,025	\$0	\$1,052,494
Materials and Supplies Inventory	0	0	0	0	0	122,741
Accrued Interest Receivable	0	0	0	0	0	3
Accounts Receivable	0	0	0	0	0	128,241
Intergovernmental Receivable	9,352	9,352	0	0	11,411	364,588
Property Taxes Receivable	155,103	155,103	0	0	202,199	512,405
<i>Total Assets</i>	<u>\$171,454</u>	<u>\$171,454</u>	<u>\$26,668</u>	<u>\$6,025</u>	<u>\$213,610</u>	<u>\$2,180,472</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$0	\$0	\$0	\$0	\$0	\$40,665
Accrued Wages	0	0	0	0	0	29,470
Intergovernmental Payable	0	0	0	0	0	18,738
Deferred Revenue	164,455	164,455	0	0	213,610	836,171
<i>Total Liabilities</i>	<u>164,455</u>	<u>164,455</u>	<u>0</u>	<u>0</u>	<u>213,610</u>	<u>925,044</u>
Fund Balances						
Reserved for Encumbrances	0	0	0	0	0	408,005
Unreserved, Undesignated	6,999	6,999	26,668	6,025	0	847,423
<i>Total Fund Balances</i>	<u>6,999</u>	<u>6,999</u>	<u>26,668</u>	<u>6,025</u>	<u>0</u>	<u>1,255,428</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$171,454</u>	<u>\$171,454</u>	<u>\$26,668</u>	<u>\$6,025</u>	<u>\$213,610</u>	<u>\$2,180,472</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, 2003

	Street Construction	State Highway	Law Enforcement	Medical Transport	Sewer Maintenance
Revenues					
Property Taxes	\$0	\$0	\$0	\$0	\$0
Intergovernmental	603,081	48,899	0	0	0
Interest	4,129	549	1,046	3,165	181
Fines, Licenses and Permits	0	0	121,892	0	0
Charges for Services	0	0	0	441,209	0
Other	18,073	0	0	0	0
<i>Total Revenues</i>	<u>625,283</u>	<u>49,448</u>	<u>122,938</u>	<u>444,374</u>	<u>181</u>
Expenditures					
Current:					
Security of Persons and Property:					
Police	0	0	206	0	0
Fire	0	0	0	56,101	0
Public Health and Welfare	0	0	0	0	0
Streets and Highways	1,429,520	100,103	0	0	0
General Government	0	0	0	0	0
Capital Outlay	0	0	16,500	32,062	19,455
<i>Total Expenditures</i>	<u>1,429,520</u>	<u>100,103</u>	<u>16,706</u>	<u>88,163</u>	<u>19,455</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(804,237)	(50,655)	106,232	356,211	(19,274)
Other Financing Sources					
Transfers In	725,000	0	0	0	0
<i>Total Other Financing Sources</i>	<u>725,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(79,237)	(50,655)	106,232	356,211	(19,274)
<i>Fund Balances Beginning of Year</i>	<u>539,828</u>	<u>162,090</u>	<u>53,809</u>	<u>113,046</u>	<u>26,687</u>
<i>Fund Balances End of Year</i>	<u>\$460,591</u>	<u>\$111,435</u>	<u>\$160,041</u>	<u>\$469,257</u>	<u>\$7,413</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, 2003

	Police Pension	Fire Pension	Tree Planting	Veterans Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
Revenues						
Property Taxes	\$138,469	\$138,469	\$0	\$0	\$191,496	\$468,434
Intergovernmental	18,003	18,003	0	0	23,085	711,071
Interest	513	513	0	62	0	10,158
Fines, Licenses and Permits	0	0	0	0	0	121,892
Charges for Services	0	0	750	0	0	441,959
Other	0	0	0	1,325	0	19,398
<i>Total Revenues</i>	<u>156,985</u>	<u>156,985</u>	<u>750</u>	<u>1,387</u>	<u>214,581</u>	<u>1,772,912</u>
Expenditures						
Current:						
Security of Persons and Property:						
Police	165,000	0	0	0	0	165,206
Fire	0	165,000	0	0	0	221,101
Public Health and Welfare	0	0	0	0	214,581	214,581
Streets and Highways	0	0	0	0	0	1,529,623
General Government	0	0	0	840	0	840
Capital Outlay	0	0	0	0	0	68,017
<i>Total Expenditures</i>	<u>165,000</u>	<u>165,000</u>	<u>0</u>	<u>840</u>	<u>214,581</u>	<u>2,199,368</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenditures</i>	(8,015)	(8,015)	750	547	0	(426,456)
Other Financing Sources						
Transfers In	0	0	0	0	0	725,000
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>725,000</u>
<i>Net Change in Fund Balances</i>	(8,015)	(8,015)	750	547	0	298,544
<i>Fund Balances Beginning of Year</i>	<u>15,014</u>	<u>15,014</u>	<u>25,918</u>	<u>5,478</u>	<u>0</u>	<u>956,884</u>
<i>Fund Balances End of Year</i>	<u><u>\$6,999</u></u>	<u><u>\$6,999</u></u>	<u><u>\$26,668</u></u>	<u><u>\$6,025</u></u>	<u><u>\$0</u></u>	<u><u>\$1,255,428</u></u>

City of Middleburg Heights, Ohio
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2003

	Community Center	Service Center	City Hall/ Fire Station Expansion	Total Nonmajor Capital Projects Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$60,051	\$21,229	\$4,684	\$85,964
<i>Total Assets</i>	<u>\$60,051</u>	<u>\$21,229</u>	<u>\$4,684</u>	<u>\$85,964</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$3,396	\$0	\$0	\$3,396
<i>Total Liabilities</i>	<u>3,396</u>	<u>0</u>	<u>0</u>	<u>3,396</u>
Fund Balances				
Reserved for Encumbrances	51,306	0	0	51,306
Unreserved, Undesignated	5,349	21,229	4,684	31,262
<i>Total Fund Balances</i>	<u>56,655</u>	<u>21,229</u>	<u>4,684</u>	<u>82,568</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$60,051</u>	<u>\$21,229</u>	<u>\$4,684</u>	<u>\$85,964</u>

City of Middleburg Heights, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2003

	Community Center	Service Center	City Hall/Fire Station Expansion	Total Nonmajor Capital Projects Funds
Revenues				
Interest	\$1,264	\$486	\$39	\$1,789
<i>Total Revenues</i>	<u>1,264</u>	<u>486</u>	<u>39</u>	<u>1,789</u>
Expenditures				
Current:				
Culture and Recreation	1,200	0	0	1,200
Capital Outlay	54,906	18,522	0	73,428
<i>Total Expenditures</i>	<u>56,106</u>	<u>18,522</u>	<u>0</u>	<u>74,628</u>
<i>Net Change in Fund Balances</i>	(54,842)	(18,036)	39	(72,839)
<i>Fund Balances Beginning of Year</i>	<u>111,497</u>	<u>39,265</u>	<u>4,645</u>	<u>155,407</u>
<i>Fund Balances End of Year</i>	<u><u>\$56,655</u></u>	<u><u>\$21,229</u></u>	<u><u>\$4,684</u></u>	<u><u>\$82,568</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, 2003

	Beginning Balance 12/31/02	Additions	Deductions	Ending Balance 12/31/03
<i>Flexible Spending Account</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$908	\$17,150	\$17,292	\$766
Liabilities				
Deposits Held and Due to Others	\$908	\$17,150	\$17,292	\$766
<i>Board of Buildings Standards Fee</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$259	\$2,907	\$3,135	\$31
Liabilities				
Deposits Held and Due to Others	\$259	\$2,907	\$3,135	\$31
<i>Mayor's Court</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$35,058	\$791,567	\$773,919	\$52,706
Liabilities				
Deposits Held and Due to Others	\$35,058	\$791,567	\$773,919	\$52,706
<i>Deposits</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$303,349	\$104,264	\$136,835	\$270,778
Liabilities				
Deposits Held and Due to Others	\$303,349	\$104,264	\$136,835	\$270,778
<i>Total - All Agency Funds</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$339,574	\$915,888	\$931,181	\$324,281
Liabilities				
Deposits Held and Due to Others	\$339,574	\$915,888	\$931,181	\$324,281

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

City of Middeburg 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, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,315,021	\$1,315,450	\$1,315,450	\$0
Income Taxes	8,265,000	8,500,000	8,540,942	40,942
Other Local Taxes	630,000	582,500	583,011	511
Intergovernmental	931,737	956,059	1,001,649	45,590
Interest	225,000	125,000	126,932	1,932
Fines, Licenses and Permits	740,650	955,650	943,600	(12,050)
Charges for Services	47,225	30,500	28,002	(2,498)
Other	234,200	214,436	222,419	7,983
<i>Total Revenues</i>	12,388,833	12,679,595	12,762,005	82,410
Expenditures				
Current:				
Public Safety:				
Police:				
Personal Services	3,228,605	3,247,082	3,092,727	154,355
Other	430,834	430,834	349,544	81,290
Total Police	3,659,439	3,677,916	3,442,271	235,645
Fire:				
Personal Services	2,220,527	2,220,527	2,130,004	90,523
Other	370,882	380,077	268,469	111,608
Total Fire	2,591,409	2,600,604	2,398,473	202,131
Safety Director:				
Personal Services	39,876	39,876	39,124	752
Other	1,305	1,305	153	1,152
Total Safety Director	41,181	41,181	39,277	1,904
Total Public Safety	6,292,029	6,319,701	5,880,021	439,680
Public Health and Welfare:				
Senior Bus:				
Personal Services	24,936	25,397	25,387	10
Other	9,450	9,450	5,676	3,774
Total Public Health and Welfare	34,386	34,847	31,063	3,784

(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, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Community Development:				
Planning and Zoning:				
Personal Services	\$57,089	\$57,089	\$52,639	\$4,450
Other	3,450	3,540	2,800	740
Total Planning and Zoning	60,539	60,629	55,439	5,190
Building:				
Personal Services	404,630	404,630	379,221	25,409
Other	31,359	31,359	22,033	9,326
Total Building	435,989	435,989	401,254	34,735
Engineer:				
Personal Services	88,429	95,810	95,710	100
Other	21,000	46,200	39,781	6,419
Total Engineer	109,429	142,010	135,491	6,519
Total Community Development	605,957	638,628	592,184	46,444
Sanitation:				
Refuse Removal:				
Other	715,000	715,000	714,541	459
General Government:				
Mayor's Court:				
Personal Services	162,455	185,172	149,378	35,794
Other	58,830	70,830	54,254	16,576
Total Mayor's Court	221,285	256,002	203,632	52,370
Mayor:				
Personal Services	389,592	389,592	377,313	12,279
Other	24,407	24,407	15,489	8,918
Total Mayor	413,999	413,999	392,802	21,197

(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, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Finance:				
Personal Services	\$435,797	\$435,797	\$412,573	\$23,224
Other	87,358	87,358	68,807	18,551
Total Finance	523,155	523,155	481,380	41,775
Law:				
Personal Services	256,751	263,251	261,103	2,148
Other	36,552	136,552	130,985	5,567
Total Law	293,303	399,803	392,088	7,715
Service:				
Personal Services	2,119,898	2,119,898	2,070,275	49,623
Other	340,450	340,450	270,178	70,272
Total Service	2,460,348	2,460,348	2,340,453	119,895
Facilities Maintenance:				
Personal Services	252,178	252,178	250,386	1,792
Other	143,000	175,000	151,003	23,997
Total Facilities Maintenance	395,178	427,178	401,389	25,789
Council:				
Personal Services	290,661	290,661	256,018	34,643
Other	39,750	39,750	24,884	14,866
Total Council	330,411	330,411	280,902	49,509
Boards and Commissions:				
Personal Services	10,220	10,220	5,884	4,336
Other	7,050	7,050	5,642	1,408
Total Boards and Commissions	17,270	17,270	11,526	5,744
City Hall:				
Other	663,328	703,928	450,024	253,904
Statutory Accounts:				
Other	718,180	572,648	550,450	22,198
Total General Government	6,036,457	6,104,742	5,504,646	600,096
Total Expenditures	13,683,829	13,812,918	12,722,455	1,090,463

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, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<i>Excess of Revenues Under Expenditures</i>	<u>(\$1,294,996)</u>	<u>(\$1,133,323)</u>	<u>\$39,550</u>	<u>\$1,172,873</u>
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	<u>(725,000)</u>	<u>(725,000)</u>	<u>(725,000)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(725,000)</u>	<u>(725,000)</u>	<u>(725,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(2,019,996)	(1,858,323)	(685,450)	1,172,873
<i>Fund Balance Beginning of Year</i>	5,383,694	5,383,694	5,383,694	0
Prior Year Encumbrances Appropriated	<u>345,776</u>	<u>345,776</u>	<u>345,776</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$3,709,474</u></u>	<u><u>\$3,871,147</u></u>	<u><u>\$5,044,020</u></u>	<u><u>\$1,172,873</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Recreation Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Income Taxes	\$1,655,000	\$1,700,000	\$1,709,038	\$9,038
Charges for Services	811,000	897,500	936,594	39,094
Interest	5,000	7,500	7,896	396
Other	1,000	16,161	18,332	2,171
<i>Total Revenues</i>	<u>2,472,000</u>	<u>2,621,161</u>	<u>2,671,860</u>	<u>50,699</u>
Expenditures				
Current:				
Culture and Recreation:				
Personal Services	1,885,158	1,885,158	1,682,217	202,941
Other	864,989	882,989	801,512	81,477
<i>Total Expenditures</i>	<u>2,750,147</u>	<u>2,768,147</u>	<u>2,483,729</u>	<u>284,418</u>
<i>Net Change in Fund Balance</i>	(278,147)	(146,986)	188,131	335,117
<i>Fund Balance Beginning of Year</i>	328,080	328,080	328,080	0
Prior Year Encumbrances Appropriated	<u>75,238</u>	<u>75,238</u>	<u>75,238</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$125,171</u>	<u>\$256,332</u>	<u>\$591,449</u>	<u>\$335,117</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Obligation Bond Retirement Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$461,412	\$462,028	\$462,028	\$0
Income Taxes	1,710,000	1,760,000	1,765,800	5,800
Intergovernmental	58,925	60,009	60,009	0
Interest	60,000	50,000	50,601	601
Other	0	14,786	14,786	0
<i>Total Revenues</i>	<u>2,290,337</u>	<u>2,346,823</u>	<u>2,353,224</u>	<u>6,401</u>
Expenditures				
Debt Service:				
Principal Retirement	1,580,289	1,580,289	1,580,289	0
Interest and Fiscal Charges	1,022,946	1,022,946	1,019,493	3,453
<i>Total Expenditures</i>	<u>2,603,235</u>	<u>2,603,235</u>	<u>2,599,782</u>	<u>3,453</u>
<i>Net Change in Fund Balance</i>	(312,898)	(256,412)	(246,558)	9,854
<i>Fund Balance Beginning of Year</i>	<u>1,683,185</u>	<u>1,683,185</u>	<u>1,683,185</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,370,287</u>	<u>\$1,426,773</u>	<u>\$1,436,627</u>	<u>\$9,854</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Special Assessment Bond Retirement Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Special Assessments	\$196,125	\$212,000	\$212,522	\$522
Interest	25,000	17,000	18,783	1,783
<i>Total Revenues</i>	<u>221,125</u>	<u>229,000</u>	<u>231,305</u>	<u>2,305</u>
Expenditures				
Debt Service:				
Principal Retirement	116,936	116,936	116,936	0
Interest and Fiscal Charges	104,972	104,972	104,972	0
<i>Total Expenditures</i>	<u>221,908</u>	<u>221,908</u>	<u>221,908</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(783)	7,092	9,397	2,305
<i>Fund Balance Beginning of Year</i>	<u>1,289,017</u>	<u>1,289,017</u>	<u>1,289,017</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,288,234</u>	<u>\$1,296,109</u>	<u>\$1,298,414</u>	<u>\$2,305</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, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Income Tax	\$685,000	\$705,000	\$707,060	\$2,060
Charges for Services	7,270	27,269	28,848	1,579
Interest	30,000	23,000	23,557	557
Other	0	5,921	5,921	0
<i>Total Revenues</i>	<u>732,270</u>	<u>761,190</u>	<u>765,386</u>	<u>4,196</u>
Expenditures				
Capital Outlay	<u>583,429</u>	<u>1,792,776</u>	<u>1,468,570</u>	<u>324,206</u>
<i>Total Expenditures</i>	<u>583,429</u>	<u>1,792,776</u>	<u>1,468,570</u>	<u>324,206</u>
<i>Net Change in Fund Balance</i>	148,841	(1,031,586)	(703,184)	328,402
<i>Fund Balance Beginning of Year</i>	741,115	741,115	741,115	0
Prior Year Encumbrances Appropriated	<u>583,429</u>	<u>583,429</u>	<u>583,429</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,473,385</u></u>	<u><u>\$292,958</u></u>	<u><u>\$621,360</u></u>	<u><u>\$328,402</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Road Improvements Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental				\$0
Interest	3,000	38,830	38,894	64
Other	1,000	9,679	9,679	0
<i>Total Revenues</i>	<u>4,000</u>	<u>48,509</u>	<u>48,573</u>	<u>64</u>
Expenditures				
Capital Outlay	878,140	837,573	567,531	270,042
Debt Service:				
Principal Retirement	600,000	600,000	600,000	0
Interest and Fiscal Charges	10,200	10,200	10,200	0
Total Debt Service	<u>610,200</u>	<u>610,200</u>	<u>610,200</u>	<u>0</u>
<i>Total Expenditures</i>	<u>1,488,340</u>	<u>1,447,773</u>	<u>1,177,731</u>	<u>270,042</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,484,340)</u>	<u>(1,399,264)</u>	<u>(1,129,158)</u>	<u>270,106</u>
Other Financing Sources				
Notes Issued	615,000	500,000	500,000	0
<i>Total Other Financing Sources</i>	<u>615,000</u>	<u>500,000</u>	<u>500,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(869,340)	(899,264)	(629,158)	270,106
<i>Fund Balance Beginning of Year</i>	621,870	621,870	621,870	0
Prior Year Encumbrances Appropriated	278,140	278,140	278,140	0
<i>Fund Balance End of Year</i>	<u>\$30,670</u>	<u>\$746</u>	<u>\$270,852</u>	<u>\$270,106</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Constuction, Maintenance and Repair Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$562,000	\$582,000	\$591,356	\$9,356
Interest	3,000	4,500	4,755	255
Other	0	18,000	18,073	73
<i>Total Revenues</i>	<u>565,000</u>	<u>604,500</u>	<u>614,184</u>	<u>9,684</u>
Expenditures				
Current:				
Transportation:				
Streets and Highways:				
Personal Services	710,641	710,641	692,595	18,046
Other	816,355	1,028,655	932,622	96,033
<i>Total Expenditures</i>	<u>1,526,996</u>	<u>1,739,296</u>	<u>1,625,217</u>	<u>114,079</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(961,996)</u>	<u>(1,134,796)</u>	<u>(1,011,033)</u>	<u>123,763</u>
Other Financing Sources				
Transfers In	725,000	725,000	725,000	0
<i>Net Change in Fund Balance</i>	(236,996)	(409,796)	(286,033)	123,763
<i>Fund Balance Beginning of Year</i>	284,835	284,835	284,835	0
Prior Year Encumbrances Appropriated	159,329	159,329	159,329	0
<i>Fund Balance End of Year</i>	<u>\$207,168</u>	<u>\$34,368</u>	<u>\$158,131</u>	<u>\$123,763</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, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$45,000	\$46,500	\$47,948	\$1,448
Interest	1,500	1,500	1,390	(110)
<i>Total Revenues</i>	<u>46,500</u>	<u>48,000</u>	<u>49,338</u>	<u>1,338</u>
Expenditures				
Current:				
Transportation:				
Streets and Highways:				
Other	<u>145,211</u>	<u>175,311</u>	<u>131,795</u>	<u>43,516</u>
<i>Net Change in Fund Balance</i>	(98,711)	(127,311)	(82,457)	44,854
<i>Fund Balance Beginning of Year</i>	17,573	17,573	17,573	0
Prior Year Encumbrances Appropriated	<u>120,211</u>	<u>120,211</u>	<u>120,211</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$39,073</u></u>	<u><u>\$10,473</u></u>	<u><u>\$55,327</u></u>	<u><u>\$44,854</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Law Enforcement Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$1,000	\$1,150	\$1,270	\$120
Fines, Licenses and Permits	2,750	109,825	112,021	2,196
<i>Total Revenues</i>	<u>3,750</u>	<u>110,975</u>	<u>113,291</u>	<u>2,316</u>
Expenditures				
Current:				
Public Safety:				
Other	60	16,765	16,765	0
<i>Net Change in Fund Balance</i>	3,690	94,210	96,526	2,316
<i>Fund Balance Beginning of Year</i>	52,557	52,557	52,557	0
Prior Year Encumbrances Appropriated	60	60	60	0
<i>Fund Balance End of Year</i>	<u>\$56,307</u>	<u>\$146,827</u>	<u>\$149,143</u>	<u>\$2,316</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, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	2,000	3,000	3,318	318
Charges for Services	<u>275,000</u>	<u>400,000</u>	<u>412,796</u>	<u>12,796</u>
<i>Total Revenues</i>	<u>277,000</u>	<u>403,000</u>	<u>416,114</u>	<u>13,114</u>
Expenditures				
Current:				
Public Safety:				
Personal Services	24,224	27,679	22,346	5,333
Other	<u>34,956</u>	<u>284,556</u>	<u>271,118</u>	<u>13,438</u>
<i>Total Expenditures</i>	<u>59,180</u>	<u>312,235</u>	<u>293,464</u>	<u>18,771</u>
<i>Net Change in Fund Balance</i>	217,820	90,765	122,650	31,885
<i>Fund Balance Beginning of Year</i>	73,386	73,386	73,386	0
Prior Year Encumbrances Appropriated	<u>2,956</u>	<u>2,956</u>	<u>2,956</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$294,162</u></u>	<u><u>\$167,107</u></u>	<u><u>\$198,992</u></u>	<u><u>\$31,885</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Sewer Maintenance Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$0	\$200	\$200	\$0
Expenditures				
Current:				
General Government:				
Capital Outlay	4,865	26,865	20,905	5,960
<i>Net Change in Fund Balance</i>	(4,865)	(26,665)	(20,705)	5,960
<i>Fund Balance Beginning of Year</i>	21,803	21,803	21,803	0
Prior Year Encumbrances Appropriated	4,865	4,865	4,865	0
<i>Fund Balance End of Year</i>	<u>\$21,803</u>	<u>\$3</u>	<u>\$5,963</u>	<u>\$5,960</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, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$138,423	\$138,469	\$138,469	\$0
Intergovernmental	17,678	18,003	18,003	0
Interest	500	500	608	108
<i>Total Revenues</i>	<u>156,601</u>	<u>156,972</u>	<u>157,080</u>	<u>108</u>
Expenditures				
Current:				
Public Safety:				
Personal Services	<u>165,000</u>	<u>165,000</u>	<u>165,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(8,399)	(8,028)	(7,920)	108
<i>Fund Balance Beginning of Year</i>	<u>14,919</u>	<u>14,919</u>	<u>14,919</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$6,520</u></u>	<u><u>\$6,891</u></u>	<u><u>\$6,999</u></u>	<u><u>\$108</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, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$138,423	\$138,469	\$138,469	\$0
Intergovernmental	17,678	18,003	18,003	0
Interest	500	500	608	108
<i>Total Revenues</i>	<u>156,601</u>	<u>156,972</u>	<u>157,080</u>	<u>108</u>
Expenditures				
Current:				
Public Safety:				
Personal Services	<u>165,000</u>	<u>165,000</u>	<u>165,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(8,399)	(8,028)	(7,920)	108
<i>Fund Balance Beginning of Year</i>	<u>14,919</u>	<u>14,919</u>	<u>14,919</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$6,520</u></u>	<u><u>\$6,891</u></u>	<u><u>\$6,999</u></u>	<u><u>\$108</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, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$0	\$0	\$750	\$750
Expenditures				
Current:				
General Government:				
Other	16,000	16,000	0	16,000
<i>Net Change in Fund Balance</i>	(16,000)	(16,000)	750	16,750
<i>Fund Balance Beginning of Year</i>	25,918	25,918	25,918	0
<i>Fund Balance End of Year</i>	<u>\$9,918</u>	<u>\$9,918</u>	<u>\$26,668</u>	<u>\$16,750</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, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$100	\$100	\$99	(\$1)
Other	1,000	1,000	1,325	325
<i>Total Revenues</i>	<u>1,100</u>	<u>1,100</u>	<u>1,424</u>	<u>324</u>
Expenditures				
Current:				
General Government:				
Other	5,500	5,500	840	4,660
<i>Net Change in Fund Balance</i>	(4,400)	(4,400)	584	4,984
<i>Fund Balance Beginning of Year</i>	<u>5,441</u>	<u>5,441</u>	<u>5,441</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,041</u></u>	<u><u>\$1,041</u></u>	<u><u>\$6,025</u></u>	<u><u>\$4,984</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, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	191,919	191,496	191,496	0
Intergovernmental	40,143	23,085	23,085	0
<i>Total Revenues</i>	<u>232,062</u>	<u>214,581</u>	<u>214,581</u>	<u>0</u>
Expenditures				
Current:				
Public Health and Welfare:				
Other	231,914	214,581	214,581	0
<i>Net Change in Fund Balance</i>	148	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>\$148</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, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$1,800	\$4,200	\$1,291	(\$2,909)
Expenditures				
Capital Outlay	<u>64,715</u>	<u>118,001</u>	<u>109,748</u>	<u>8,253</u>
<i>Net Change in Fund Balance</i>	(62,915)	(113,801)	(108,457)	5,344
<i>Fund Balance Beginning of Year</i>	49,090	49,090	49,090	0
Prior Year Encumbrances Appropriated	<u>64,715</u>	<u>64,715</u>	<u>64,715</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$50,890</u></u>	<u><u>\$4</u></u>	<u><u>\$5,348</u></u>	<u><u>\$5,344</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Service Center Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$700	\$475	\$489	\$14
Exenditures				
Capital Outlay	<u>2,475</u>	<u>32,475</u>	<u>20,997</u>	<u>11,478</u>
<i>Net Change in Fund Balance</i>	(1,775)	(32,000)	(20,508)	11,492
<i>Fund Balance Beginning of Year</i>	39,262	39,262	39,262	0
Prior Year Encumbrances Appropriated	<u>2,475</u>	<u>2,475</u>	<u>2,475</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$39,962</u></u>	<u><u>\$9,737</u></u>	<u><u>\$21,229</u></u>	<u><u>\$11,492</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
City Hall /Fire Station Expansion
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$75	\$65	\$69	\$4
Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	75	65	69	4
<i>Fund Balance Beginning of Year</i>	<u>4,615</u>	<u>4,615</u>	<u>4,615</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4,690</u></u>	<u><u>\$4,680</u></u>	<u><u>\$4,684</u></u>	<u><u>\$4</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Health Insurance
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	15,000	17,000	17,200	200
Charges for Service	1,087,465	1,070,000	1,072,040	2,040
Other	15,000	0	0	0
<i>Total Revenues</i>	<u>1,117,465</u>	<u>1,087,000</u>	<u>1,089,240</u>	<u>2,240</u>
Expenditures				
General Government:				
Other	1,224,250	1,460,500	1,375,619	84,881
<i>Net Change in Fund Balance</i>	(106,785)	(373,500)	(286,379)	87,121
<i>Fund Balance Beginning of Year</i>	<u>751,209</u>	<u>751,209</u>	<u>751,209</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$644,424</u></u>	<u><u>\$377,709</u></u>	<u><u>\$464,830</u></u>	<u><u>\$87,121</u></u>

City of Middleburg Heights, Ohio
Governmental Activities Revenues by Source
and Expenses by Function
Last Two Years

	2003	2002
Program Revenues		
Charges for Services	\$2,460,311	\$1,780,089
Operating Grants and Contributions	689,679	633,117
Capital Grants and Contributions	1,362,161	1,231,366
General Revenues		
Property and Other Local Taxes	2,783,996	2,951,675
Income Tax	12,796,708	12,015,630
Intergovernmental	1,129,313	1,139,198
Investment Earnings	236,156	424,299
Miscellaneous	271,142	767,857
Total	\$21,729,466	\$20,943,231
Expenses		
General Government:		
Security of Persons and Property:		
Police	\$3,998,227	\$3,604,024
Fire	2,851,306	2,934,924
Safety Director	42,266	31,107
Public Health and Welfare	253,092	249,733
Culture and Recreation	2,924,858	2,800,419
Community Development	605,855	537,174
Streets and Highways	2,807,658	2,675,763
Sanitation	716,221	692,434
General Government	5,912,798	5,621,897
Interest and Fiscal Charges	1,127,571	1,210,872
Total	\$21,239,852	\$20,358,347

Source: City of Middleburg Heights, Finance Department

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

Fiscal Year	Taxes (1)	Intergovernmental Revenues	Interest Earnings	Fines, Licenses and Permits	Charges for Services	Miscellaneous Revenue	Totals
1994	\$ 5,781,533	\$ 665,346	\$ 120,837	\$ 645,027	\$ 11,849	\$ 41,255	\$ 7,265,847
1995	6,330,474	679,236	184,011	702,991	31,507	39,218	7,967,437
1996	6,484,334	828,042	161,300	670,534	33,821	103,968	8,281,999
1997	6,702,202	892,846	158,060	696,995	33,656	46,160	8,529,919
1998	9,075,230	1,001,968	227,455	1,043,027	34,045	315,737	11,697,462
1999	8,047,629	1,095,839	292,296	803,659	56,450	86,081	10,381,954
2000	8,609,849	1,400,949	480,381	765,738	76,332	110,145	11,443,394
2001	8,670,454	1,198,630	425,372	677,999	50,910	51,393	11,074,758
2002 (2)	9,067,809	1,087,207	229,998	704,593	32,047	251,970	11,373,624
2003	10,389,609	995,703	95,921	949,658	28,002	204,372	12,663,265

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

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

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

Source: City of Middleburg Heights, Finance Department

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

Fiscal Year	Public Safety	Public Health and Welfare	Community Development	Sanitation	General Government	Totals
1994	\$ 3,402,490	\$ 15,358	\$ 315,345	\$ 554,795	\$ 2,408,601	\$ 6,696,589
1995	3,373,543	18,230	319,473	556,664	2,658,207	6,926,117
1996	3,648,659	18,014	324,887	561,377	2,844,023	7,396,960
1997	3,862,928	18,043	357,071	585,524	2,730,643	7,554,209
1998	4,182,444	23,912	365,493	601,783	2,844,277	8,017,909
1999	4,522,060	19,522	389,869	612,496	3,491,258	9,035,205
2000	4,590,998	20,879	404,481	641,825	4,132,400	9,790,583
2001	5,297,832	20,524	486,411	670,964	4,352,252	10,827,983
2002 (1)	5,562,142	25,942	522,904	692,434	4,945,347	11,748,769
2003	5,969,775	29,847	598,079	716,221	5,362,934	12,676,856

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

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

Source: City of Middleburg Heights, Finance Department

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

Tax Year/ Collection Year	Current Levy (1)	Current Collections	Percent of Current Levy Collected	Collection Including Delinquencies (1)	Total Collections As Percent of Current Levy	Accumulated Delinquency
1993/1994	\$ 1,843,691	\$ 1,795,741	97.4%	\$ 1,846,917	100.2%	\$ 74,103
1994/1995	1,801,763	1,759,817	97.7	1,775,727	98.6	56,968
1995/1996	1,808,124	1,777,935	98.3	1,801,722	99.6	44,574
1996/1997	1,791,132	1,736,891	97.0	1,752,232	97.8	59,637
1997/1998	1,959,435	1,878,618	95.9	1,934,025	98.7	75,024
1998/1999	1,980,787	1,935,119	97.7	1,962,836	99.1	71,546
1999/2000	2,042,289	1,973,594	96.6	2,017,915	98.8	94,684
2000/2001	2,297,430	2,191,586	95.4	2,285,460	99.5	105,464
2001/2002	2,340,255	2,216,737	94.7	2,291,772	97.9	163,897
2002/2003	2,294,350	2,196,677	95.7	2,256,797	98.4	115,621

(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
Assessed and Estimated Actual Value of Taxable Property
Last Ten Years

Tax Year/ Collection Year	Real Property (1)		Personal Property (1)		Public Utility Property (1)		Total		Ratio of Total Assessed Value To Total Estimated Actual Value	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Estimated Value	Actual Value
1994/1995	\$ 286,855,190	\$ 819,586,257	\$ 35,183,611	\$ 140,734,444	\$ 22,188,990	\$ 25,214,761	\$ 344,227,791	\$ 985,535,462	34.9%	
1995/1996	326,679,730	933,370,657	37,942,938	151,771,752	22,560,410	25,636,830	387,183,078	1,110,779,239	34.9%	
1996/1997	334,514,330	955,755,200	42,717,032	170,868,128	22,085,910	25,097,630	399,317,272	1,151,720,958	34.7%	
1997/1998	369,990,240	1,057,114,971	46,497,314	185,989,256	21,361,400	24,274,318	437,848,954	1,267,378,545	34.5%	
1998/1999	374,433,000	1,069,808,571	48,791,605	195,166,420	20,858,100	23,702,386	444,082,705	1,288,677,377	34.5%	
1999/2000	388,560,540	1,110,172,971	47,131,859	188,527,436	19,100,640	21,705,273	454,793,039	1,320,405,680	34.4%	
2000/2001	452,686,520	1,293,390,057	48,858,969	195,435,876	18,908,480	21,486,909	520,453,969	1,510,312,842	34.5%	
2001/2002	456,826,300	1,305,218,000	47,573,331	190,293,324	14,925,620	16,960,932	519,325,251	1,512,472,256	34.3%	
2002/2003	464,168,000	1,326,194,286	46,222,909	184,891,636	13,550,990	15,398,852	523,941,899	1,526,484,774	34.3%	
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%	

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

Source: Cuyahoga County Auditor

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

Tax Year/ Collection Year	City of Middleburg Heights							Polaris and Berea		Cuyahoga County (1)	Total
	General Fund	Debt Service Fund	Police Pension Fund	Fire Pension Fund	Recreation	Southwest Community Hospital	Total	School District	Total		
1994/1995	\$ 3.10	\$ 0.94	\$ 0.30	\$ 0.30	\$ 0.26	\$ 1.00	\$ 5.90	\$ 60.50	\$ 16.80	\$ 83.20	
1995/1996	2.85	1.19	0.30	0.30	0.26	1.00	5.90	60.80	16.80	83.50	
1996/1997	2.95	1.09	0.30	0.30	0.26	1.00	5.90	60.90	16.60	83.40	
1997/1998	2.85	1.15	0.30	0.30		1.00	5.60	61.70	16.60	83.90	
1998/1999	2.85	1.15	0.30	0.30		1.00	5.60	60.40	16.70	82.70	
1999/2000	2.85	1.15	0.30	0.30		1.00	5.60	66.30	16.70	88.60	
2000/2001	2.85	1.15	0.30	0.30		1.00	5.60	66.20	17.60	89.40	
2001/2002	2.85	1.15	0.30	0.30		1.00	5.60	66.20	17.60	89.40	
2002/2003	2.85	1.00	0.30	0.30		1.00	5.45	72.20	17.60	95.25	
2003/2004	2.85	1.00	0.30	0.30		1.00	5.45	72.20	19.40	97.05	

Source: Cuyahoga County Auditor

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

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

Year	Population (1)	Assessed Value (2)	Gross General Bonded Debt (3)	Less Balance in Debt Service Fund	Net General Bonded Debt	Ratio of Net Bonded Debt to	
						Assessed Value	Net Bonded Debt Per Capita
1994	14,702	\$ 344,227,791	\$ 4,538,195	\$ 1,273,393	\$ 3,264,802	0.95%	\$ 222.07
1995	14,702	387,183,078	4,291,856	744,784	3,547,072	0.92%	241.26
1996	14,702	399,317,272	4,047,516	747,561	3,299,955	0.83%	224.46
1997	14,702	437,848,954	3,793,688	804,890	2,988,798	0.68%	203.29
1998	14,702	444,082,705	29,239,153	1,480,840	27,758,313	6.25%	1,888.06
1999	14,702	454,793,039	27,858,536	1,599,200	26,259,336	5.77%	1,786.11
2000	15,542	520,453,969	26,264,138	1,799,118	24,465,020	4.70%	1,574.12
2001	15,542	519,325,251	24,621,629	1,936,630	22,684,999	4.37%	1,459.59
2002	15,542	523,941,899	22,989,008	1,995,372	20,993,636	4.01%	1,350.77
2003	15,542	548,943,396	21,408,718	1,694,483	19,714,235	3.59%	1,268.45

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

(2) Source: Cuyahoga County Auditor

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

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

Fiscal Year	Current Assessment Due	Total Collection Including Delinquencies	Total Collection As A Percent of Current Assessments	Accumulated Delinquency
1994	\$ 195,088	\$ 185,496	95.1%	\$ 87,807
1995	192,716	174,402	90.5%	112,721
1996	94,439	205,328	217.4%	14,814
1997	85,506	86,765	101.5%	14,771
1998	75,128	81,037	107.9%	9,998
1999	118,730	121,175	102.1%	7,599
2000	134,328	129,693	96.5%	12,779
2001	134,328	141,037	105.0%	7,248
2002	134,328	133,912	99.7%	8,352
2003	240,638	228,701	95.0%	15,792

Source: Cuyahoga County Auditor

City of Middleburg Heights, Ohio
Computation of Legal Debt Margin
December 31, 2003

TOTAL ASSESSED VALUATION		\$	548,943,396
Overall Debt Limitation - 10 1/2% of assessed valuation			57,639,057
Debt within 10 1/2% limitation	\$	3,446,718	
Less: Bond Retirement fund balance		1,694,483	
Net debt within 10 1/2% limitation			1,752,235
Overall Legal debt margin within 10 1/2% limitation		\$	55,886,822
Unvoted Debt Limitation - 5 1/2% of assessed valuation		\$	30,191,887
Debt within 5 1/2% limitation	\$	3,446,718	
Less: Bond Retirement fund balance		1,694,483	
Net debt within 5 1/2% limitation			1,752,235
Legal debt margin within 5 1/2% limitation		\$	28,439,652

Source: City of Middleburg Heights, Finance Department

City of Middleburg Heights, Ohio
Computation of Direct and Overlapping Debt
December 31, 2003

Jurisdiction	Debt Outstanding	Percentage Applicable To City of Middleburg Heights	Amount Applicable To City of Middleburg Heights
Direct:			
City of Middleburg Heights	\$ 23,914,805 (a)	100.00%	\$ 23,914,805
Overlapping:			
Berea School District	9,505,000 (b)	35.78%	3,400,889
Cuyahoga County	183,239,636 (b)	1.81%	3,316,637
Greater Cleveland Regional Transit	<u>130,795,000 (b)</u>	1.81%	<u>2,367,390</u>
Total Overlapping	<u>323,539,636</u>		<u>9,084,916</u>
Total Direct and Overlapping	<u><u>\$ 347,454,441</u></u>		<u><u>\$ 32,999,721</u></u>

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

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

City of Middleburg Heights, Ohio
Ratio of Annual Debt Service Expenditures for General
Bonded Debt to Total General Fund Expenditures
Last Ten Years

Year	Principal	Interest	Total Debt Service on General Bonded Debt	General Fund Expenditures	Ratio of Tax Supported Debt Service to General Fund Expenditures
1994	\$ 239,735	\$ 315,905	\$ 555,640	\$ 6,696,589	8.3%
1995	316,340	340,993	657,333	6,926,117	9.5%
1996	244,339	349,859	594,198	7,396,960	8.0%
1997	253,828	354,333	608,161	7,554,209	8.1%
1998	261,880	183,472	445,352	8,017,909	5.6%
1999	1,380,617	1,454,953	2,835,570	9,035,205	31.4%
2000	1,594,398	1,202,108	2,796,506	9,790,583	28.6%
2001	1,642,509	1,143,799	2,786,308	10,827,983	25.7%
2002	1,621,622	1,082,289	2,703,911	11,748,769	23.0%
2003	1,580,289	1,012,946	2,593,235	12,676,856	20.5%

Source: City of Middleburg Heights, Finance Department

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

Tax Year/ Collection Year	Commercial/ Industrial Construction (a)	Residential Construction (a)	Cuyahoga County Bank Deposits (b) (In Thousands)	Total Assessed Valuation
1994/1995	\$ 3,513,930	\$ 2,150,820	\$ 20,885,453	\$ 344,227,791
1995/1996	1,990,460	1,120,120	22,458,573	387,183,078
1996/1997	3,155,710	2,655,950	27,068,211	399,317,272
1997/1998	10,728,360	2,396,570	53,941,971	437,848,954
1998/1999	3,753,800	3,190,890	58,904,596	444,082,705
1999/2000	9,667,480	4,327,960	57,816,942	454,793,039
2000/2001	4,334,990	5,407,710	61,942,764	520,453,969
2001/2002	2,819,720	2,026,290	63,893,769	519,325,251
2002/2003	2,955,910	5,211,640	95,761,917	523,941,899
2003/2004	2,252,080	3,490,230	97,238,973	548,943,396

(a) Source: Cuyahoga County Auditor

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

City of Middleburg Heights, Ohio

Demographic Statistics

December 31, 2003

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

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

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

Median age 40.6 43.3

Distribution of Families by Income Bracket (average 2.84 persons)

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

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

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

City of Middleburg Heights, Ohio
Demographic Statistics (Continued)
December 31, 2003

Employment

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

Year	Employed		Unemployed		Unemployment Rate			
	County	PMSA	County	PMSA	County	PMSA	Ohio	U.S.
1991	636,000	1,017,700	39,400	67,400	5.8%	6.2%	6.4%	6.7%
1992	628,100	1,009,600	48,700	80,700	7.2%	7.4%	7.2%	7.4%
1993	625,700	1,005,800	45,900	72,600	6.8%	6.7%	6.5%	6.8%
1994	636,300	1,022,800	39,400	62,800	5.8%	5.8%	5.5%	6.1%
1995	644,100	1,036,600	31,800	55,400	4.9%	5.1%	4.8%	5.6%
1996	655,700	1,046,900	34,300	57,400	5.1%	5.2%	4.9%	5.4%
1997	660,800	1,061,600	32,700	53,500	4.8%	4.8%	4.6%	5.0%
1998	643,800	1,059,900	30,100	48,400	4.5%	4.4%	4.3%	4.5%
1999	649,900	1,069,800	31,300	50,300	4.6%	4.5%	4.3%	4.2%
2000	649,500	1,075,900	31,100	49,800	4.6%	4.4%	4.1%	4.0%
2001	643,400	1,071,100	30,800	51,700	4.6%	4.6%	4.2%	4.7%
2002	624,900	1,040,300	44,800	72,700	6.7%	6.5%	5.7%	5.8%
2003 (1)	629,600	1,051,600	45,800	75,600	6.8%	6.7%	6.1%	6.0%

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

(1) Preliminary estimate.

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

City of Middleburg Heights, Ohio

Principal Taxpayers

December 31, 2003

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

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

Source: Regional Income Tax Agency

City of Middleburg Heights, Ohio
Miscellaneous Statistical Data
December 31, 2003

Date of incorporation as a village	1927
Date of incorporation as a city	1961
Form of government	Mayor - Council
Area	8 Square miles
Miles of Streets	61
Fire protection:	
Number of stations	1
Number of firefighters and officers	25
Police protection:	
Number of stations	1
Number of police-persons and officers	34
Buildings:	
Permits issued	254
Estimated cost of construction	\$15,365,673
Parks and Recreation:	
Number of parks	1
Number of ball diamonds	3
Tennis courts	4
Volleyball courts	2
Soccer fields	3
Horseshoe pits	3
Bocce ball courts	2
Playgrounds	1

City of Middleburg Heights, Ohio

December 31, 2003

City Of Middleburg Heights, Ohio

For The Year Ended December 31, 2003

Table Of Contents

<u>TITLE</u>	<u>PAGE</u>
Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Schedule of Findings.....	3
Schedule of Prior Audit Findings.....	4
Response to Findings Associated with Audit Conducted in Accordance with <i>Government Auditing Standards</i> for the Year Ended December 31, 2003	5

**Report On Compliance And On Internal Control Over
Financial Reporting Based On An Audit Of Financial Statements
Performed In Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Middleburg Heights, Ohio, (the “City”) as of and for the year ended December 31, 2003, which collectively comprise the City’s basic financial statements and have issued our report thereon dated April 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

2

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

Cuni & Panichi, Inc.

Cleveland, Ohio
April 23, 2004

City Of Middleburg Heights, Ohio

Schedule of Findings

December 31, 2003

1. Summary of Auditor's Results

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

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

None.

3. Other Findings

None.

City Of Middleburg Heights, Ohio

Schedule of Prior Audit Findings

December 31, 2003

None.

City Of Middleburg Heights, Ohio

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

**Response To Findings Associated With Audit Conducted
In Accordance With *Government Auditing Standards*
For The Year Ended December 31, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
-------------------	------------------------------	-----------------------------------	----------------------------------

Not
applicable



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF MIDDLEBURG HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 20, 2004**