
City Of Middleburg Heights, Ohio



Comprehensive Annual Financial Report

For The Year Ended December 31, 2007

Issued By The Department of Finance

Timothy Pope, CPA
Director

Jason Stewart, CPA
Assistant Director

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City of Middleburg Heights, Ohio
Comprehensive Financial Annual Report
For the Year Ended December 31, 2007
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Finance Department
CITY OF MIDDLEBURG HEIGHTS

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Gary W. Starr
Mayor

Timothy Pope, CPA
Director of Finance

June 6, 2008

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

Ohio law (Ohio Administrative Code Section 117-2-03(B)) requires that all cities file annual audited financial reports prepared on a GAAP (Generally Accepted Accounting Principles) basis with the Auditor of State within six months of the close of each fiscal year. This report is published to fulfill that requirement for the fiscal year ended December 31, 2007.

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

Rea & Associates, Inc., has issued an unqualified ("clean") opinion on the City of Middleburg Heights' financial statements for the year ended December 31, 2007. The independent auditor's report is located at the front of the financial section of this report.

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

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

PROFILE OF THE GOVERNMENT

Basic Information: The City of Middleburg Heights is approximately 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 Ohio cities. Under the State Constitution, the City may exercise all powers of local self-government and police powers to the extent not in conflict with applicable general laws. The Charter provides for a Mayor-Council form of government.

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

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

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

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

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

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

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

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

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

Budget Process: Although City Council is required to adopt a temporary budget by no later than the close of the fiscal year, and a final budget within 90 days of the new year; the final operating budget has been prepared and adopted by the close of the fiscal year for the last 20 years. The Capital Budget is customarily passed within 90 days of the start of the new year. This annual budget serves as the foundation for the City of Middleburg Heights' financial planning and control. The budget is prepared by fund, department, (e.g. police) and major category. The major categories used are: "Wages and Fringe Benefits" and "Other". Department heads may transfer resources within a major category as needed, and approved by the Mayor and Director of Finance. Transfers between major categories, however, need re-appropriation from City Council.

ECONOMIC CONDITION AND OUTLOOK

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

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

- Big Creek Surgery Center began operations in May 2006 as a state of the art outpatient surgical facility with four operating rooms. Specializing in orthopedic, ear, nose and throat, and podiatry, the center supports thirteen physician partners.
- Lauth Medical Office Building, across from Southwest General Health Center, is a 75,000 square foot facility that is scheduled to open in September 2008.
- The Middleburg Heights Medical Arts Center, located across from Southwest General Health Center, provides a two building campus with approximately 66,000 square feet of medical office building that is currently leased at 97% occupancy.
- The Pearl Professional Medical Office Building, 37,000 square feet, opened in 2007 to serve regional physician groups and will include an advanced surgery center.
- Regency Hospital is a new long-term acute-care hospital with 43 beds and a 10-bed intensive care unit. Regency Hospital is expected to employ 200 health care professionals.
- The Surgery Center, a multi-specialty outpatient surgery center, founded by a group of 30 area physicians, services approximately 8,000 outpatient surgical and diagnostic cases per year.

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

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

Major achievements: Through the efforts of it's Department of Economic Development and elected officials the City was able to assist two companies in receiving job creation tax credits from the State of Ohio during 2007. The first of these two credits was granted to Quadax, Inc., the fourth-largest medical billing company in the United States. Quadax, Inc. will invest over \$12 million dollars into an existing building to serve as the location

for their corporate headquarters and to facilitate the consolidation and expansion of their operations. This project will create 400 new jobs in the City. The second of the two credits was granted to Codonics, Inc., a manufacturer of technologically advanced medical imaging equipment, including equipment used by the military. This project is expected to retain over 169 current jobs and create 35 new jobs over the next three years.

During 2007, the Department of Economic Development expanded its web page to include an interactive site selection program to aid businesses and developers in locating suitable sites and tenant space in Middleburg Heights. This state-of-the-art Prospector site selection program is compatible with the Regional Economic Development Information System program utilized by Team NEO, which is the regional economic development organization for the sixteen-county Northeast Ohio area.

Future Projects: Engineering plans have been completed for the 65-acre Englewood Industrial Park Expansion Project. The City of Middleburg Heights is in discussions with the Ohio Department of Development regarding state funding for property improvements.

Southland Shopping Center redevelopment will be completely redeveloped by June 2008. The redevelopment included the construction of a new 85,000 square foot store for Giant Eagle which celebrated its' grand opening on May 15, 2008. The redevelopment also includes the complete reconfiguration and improvement of the parking areas throughout the center; improvements to lighting, landscaping, and improvements to building facades and tenant spaces.

The City has been engaged in negotiations with Harsax Management regarding a proposed commerce park that will include a new dedicated street and mixed-use facilities to be located on twenty acres of vacant land on Engle Road adjacent to Interstate 71. Construction is expected to begin in Autumn 2008.

The "Lake-to-Lake All Purpose Trail" project linking Lake Abrams to Lake Isaac, in Middleburg Heights, continues to move forward. Construction of the 2.3-mile trail is being undertaken by Cleveland Metroparks with funding from The State of Ohio Department of Natural Resources as well as funding from Cleveland Metroparks. The trail will provide hiking and biking opportunities along a nature preserve and link to the Cleveland Metroparks Big Creek Reservation that runs through the heart of the City.

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

The City has received the designation of "Tree City USA" for eleven 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 POLICIES

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

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

The City provides a medical plan for full time employees and council members and their families. This plan with a Preferred Provider Organization is self-funded and administered by a third party administrator. All covered

employees also receive prescription drug, vision and dental benefits. During 2007, full time employees and council members were covered by a \$50,000 term life insurance and accidental death and dismemberment policy.

For the traditional plan, the preferred provider prices all claims which are then submitted to the third party administrator. The third party administrator reviews and processes the claims, which the City then pays. The City has purchased stop loss coverage of \$70,000 per individual per year. Control of the plan rests with the City.

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

Independent Audit: In accordance with Ohio law, annual independent audits are required to be performed on all financial operations of the City. These audits are conducted by either the Auditor of the State of Ohio or, if the Auditor permits, an independent public accounting firm. The City of Middleburg Heights has contracted with the accounting firm of Rea & Associates, Inc. to perform these services for 2007. Their report is presented in the financial section of this report.

AWARDS AND ACKNOWLEDGEMENTS

GFOA Certificate of Achievement Award: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Middleburg Heights, Ohio for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2006. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Middleburg Heights has received a Certificate of Achievement for the last twelve consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

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

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

Sincerely,



Timothy Pope, CPA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Middleburg Heights
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

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.



Cherie S. Cox

President

Jeffrey R. Emer

Executive Director

City of Middleburg Heights, Ohio
Listing of Principal City Officials
As of December 31, 2007

ELECTED OFFICIALS

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

APPOINTED OFFICIALS

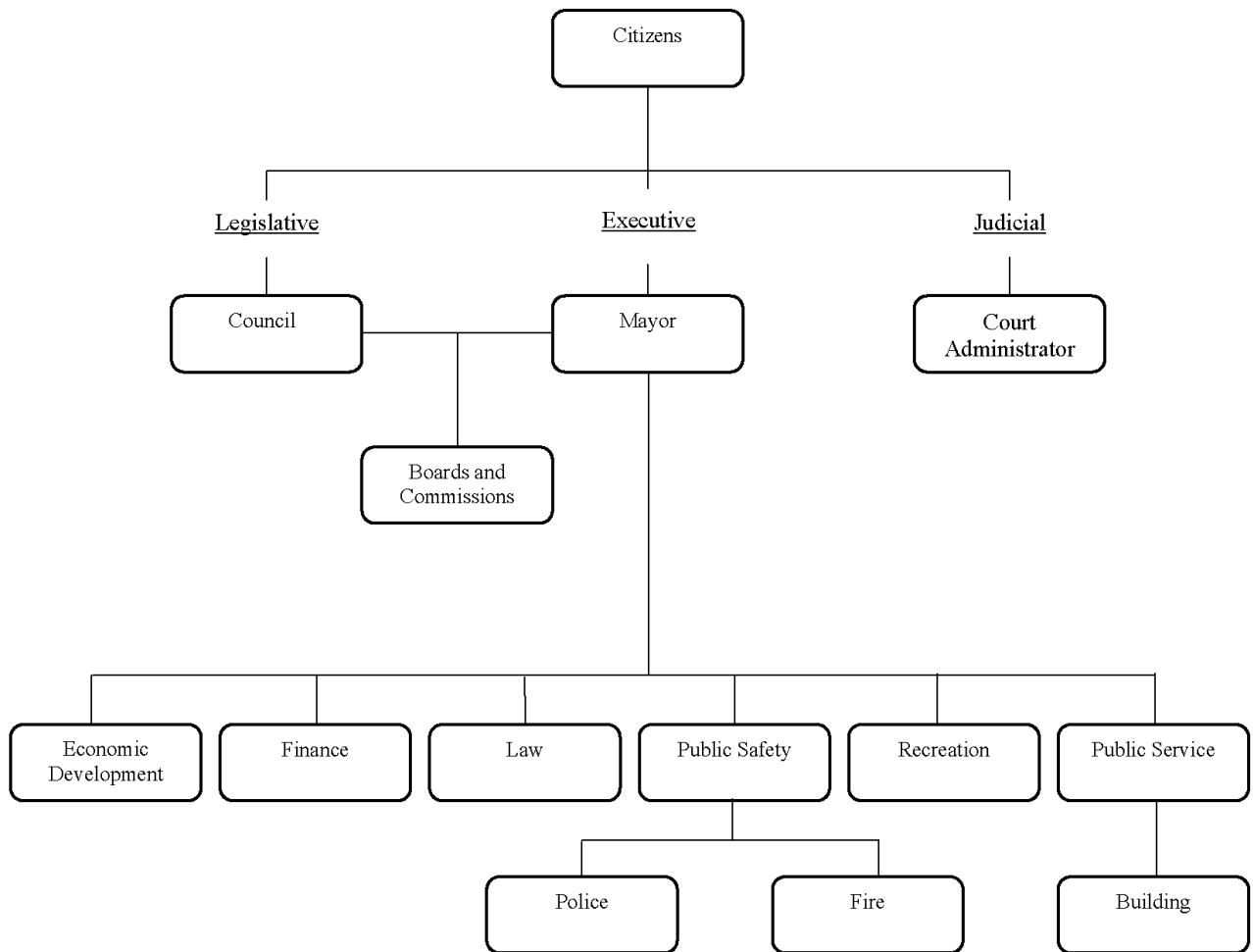
Director of Finance	Timothy Pope, CPA
Assistant Finance Director.....	Jason Stewart, CPA
Director of Economic Development	Charles Bichara
Director of Public Service.....	Frank D. Castelli
Chief Building Official	Robert M. Cline
Assistant Building Director.....	Norman H. Herwerden
Director of Recreation.....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

City of Middleburg Heights, Ohio
Listing of Principal City Officials
As of December 31, 2007

SPECIAL BOARDS AND COMMISSIONS

Planning Commission	Joseph Caterini
Planning Commission	Brian Driscoll
Planning Commission	Frederick Duprow
Planning Commission	John Grech
Planning Commission	Carol Herman
Planning Commission	Chris Tibbits
Planning Commission	Marion Zgrabik
Board of Zoning and Building Appeals (Alternate)	Joe Abraham
Board of Zoning and Building Appeals (Alternate)	Tony Ciaravino
Board of Zoning and Building Appeals	Mary Ferrante
Board of Zoning and Building Appeals	Debbie Hudak
Board of Zoning and Building Appeals	Pam Marek
Board of Zoning and Building Appeals	Doretta Selvaggio
Board of Zoning and Building Appeals	Michael Settoni
Civil Service.....	Kathryn Cannon
Civil Service.....	Eileen Herold
Civil Service.....	Pat Morsillo
Secretary - Civil Service	Sherri Menoes
Secretary - Boards and Commissions	Kimberly Earley

City of Middleburg Heights, Ohio
Organizational Chart
For the Year Ended December 31, 2007





Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

June 6, 2008

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Middleburg Heights, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Middleburg Heights' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Middleburg Heights, Ohio, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Recreation Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2008, on our consideration of the City of Middleburg Heights' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Hea & Associates, Inc.

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2007
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, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, the basic financial statements, and notes to enhance their understanding of the City's financial performance.

Financial Highlights

Key Financial highlights for 2007 are as follows:

- The assets of the City of Middleburg Heights exceeded its liabilities at the close of the most recent fiscal year by \$43,895,159 (*net assets*). Of this amount, \$4,868,489 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total Net Assets increased by \$1,085,794 a 2.5 percent increase from 2006. Unrestricted net assets increased by \$108,073 or 2.3 percent in 2007.
- Total Assets of the City decreased \$181,179, which represents a 0.27 percent decrease from 2006.
- Total Capital Assets decreased by \$807,747 or 1.59 percent from 2006 primarily due to depreciation expense.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,734,576 an increase of \$115,879 or 1.34 percent in comparison with the prior year. Equity in Pooled Cash and Cash Equivalents in the governmental funds increased by \$134,815 or 2.02 percent from 2006, as a result of increased income tax collections.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$3,979,593, or 26 percent of total general fund expenditures.
- Total outstanding Long-term liabilities were \$18,938,358. This was an 8.1 percent decrease from the balance at the end of 2006 primarily due to the repayment of General Obligation Bonds; particularly the bonds issued to construct the City's Service Center and Community Center.

Overview of the Financial Statements

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

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

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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

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

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

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

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

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

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

The City of Middleburg Heights maintains 18 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General Fund, Recreation Fund, General Obligation Bond Retirement Fund, Special Assessment Bond Retirement Fund, and Capital Improvements Fund; all of which are considered to be major funds. Data from the other 13 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, 2007
Unaudited

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

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

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

Other information In addition to the basic financial statements and accompanying notes, this report also presents certain other information that the City believes readers will find useful. After the notes to the financial statements, the combining statements referred to earlier in connection with nonmajor governmental are presented, as well as individual detailed budgetary comparisons for all funds. This information can be found on pages 51 to 85 of this report.

Government-Wide Financial Analysis

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How well did the City perform financially during 2007?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

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

Recall that the Statement of Net Assets looks at the City as a whole. The following table provides a summary of the City's net assets for 2007 compared to 2006.

Table 1 Net Assets

	Governmental Activities	
	2007	2006
Assets		
Current and Other Assets	\$16,981,226	\$16,354,658
Capital Assets, Net	50,123,334	50,931,081
<i>Total Assets</i>	<u>67,104,560</u>	<u>67,285,739</u>
Liabilities		
Current Liabilities	4,271,043	3,875,439
Long-term Liabilities		
Due within One Year	3,569,687	3,343,192
Due in More Than One Year	15,368,671	17,257,743
<i>Total Liabilities</i>	<u>23,209,401</u>	<u>24,476,374</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	33,862,810	32,770,521
Restricted for:		
Capital Projects	1,529,607	1,596,987
Debt Service	3,237,703	3,312,729
Other Purposes	396,550	368,712
Unrestricted	4,868,489	4,760,416
<i>Total Net Assets</i>	<u>\$43,895,159</u>	<u>\$42,809,365</u>

As noted earlier, over time, net assets may serve as a useful indicator of a government's financial position. For the City of Middleburg Heights, total assets exceed liabilities by \$43,895,159 at the close of the most recent fiscal year.

The largest portion of the City's net assets (76.9%) 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 \$181,179 from 2006 to 2007, while the City's total liabilities decreased by \$1,266,973. As a result, the total net assets of the City's governmental activities increased \$1,085,794. The most significant changes were a decrease in Capital Assets in the amount of \$807,747 and increase in income tax receivable in the amount of \$722,899 or 24.2%. The increase in income tax receivable can be attributed to an increase in the income tax rate from 1.75% to 2% effective January 1, 2007 and increased collection expectations. The decrease in Capital Assets can be largely attributed to depreciation expense. The decrease in liabilities was mainly due to the scheduled retirement of bonded debt.

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In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year in comparison to 2006.

Table 2 Changes in Net Assets

	Governmental Activities 2007	Governmental Activities 2006
Revenues		
Program Revenues:		
Charges for Services	\$2,802,399	\$2,748,224
Operating Grants and Contributions	862,363	938,974
Capital Grants and Contributions	184,981	1,138,124
Total Program Revenues	<u>3,849,743</u>	<u>4,825,322</u>
General Revenues:		
Property Taxes & Other Local Taxes	3,073,740	2,931,622
Income Taxes	15,652,200	13,822,349
Grants and Entitlements	1,268,580	1,792,104
Investment Income	537,883	456,495
Miscellaneous	356,597	288,108
Total General Revenues	<u>20,889,000</u>	<u>19,290,678</u>
<i>Total Revenues</i>	<u>24,738,743</u>	<u>24,116,000</u>
Program Expenses		
General Government	6,871,475	6,132,310
Security of Persons and Property:		
Police	4,441,487	4,234,859
Fire	3,588,665	3,260,065
Safety Director	53,720	50,592
Public Health Services	263,939	256,254
Culture and Recreation	3,159,631	3,013,378
Community Development	645,709	589,575
Economic Development	163,873	95,056
Streets and Highways	2,679,466	2,089,356
Sanitation	948,598	851,522
Interest and Fiscal Charges	836,386	905,016
Total Program Expenses	<u>23,652,949</u>	<u>21,477,983</u>
Increase (decrease) in Net Assets	<u>\$1,085,794</u>	<u>\$2,638,017</u>

Governmental Activities

Governmental activities increased the City's net assets by \$1,085,794. 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. On November 7, 2006, the residents of the City of Middleburg Heights voted in favor of an income tax increase from 1.75% to 2.00%, effective January 1, 2007. Both residents of the City and non-residents who work in the City are subject to the income tax. However if residents work in another locality that has a municipal income tax, the City provides 100% credit up to 2% for those who pay

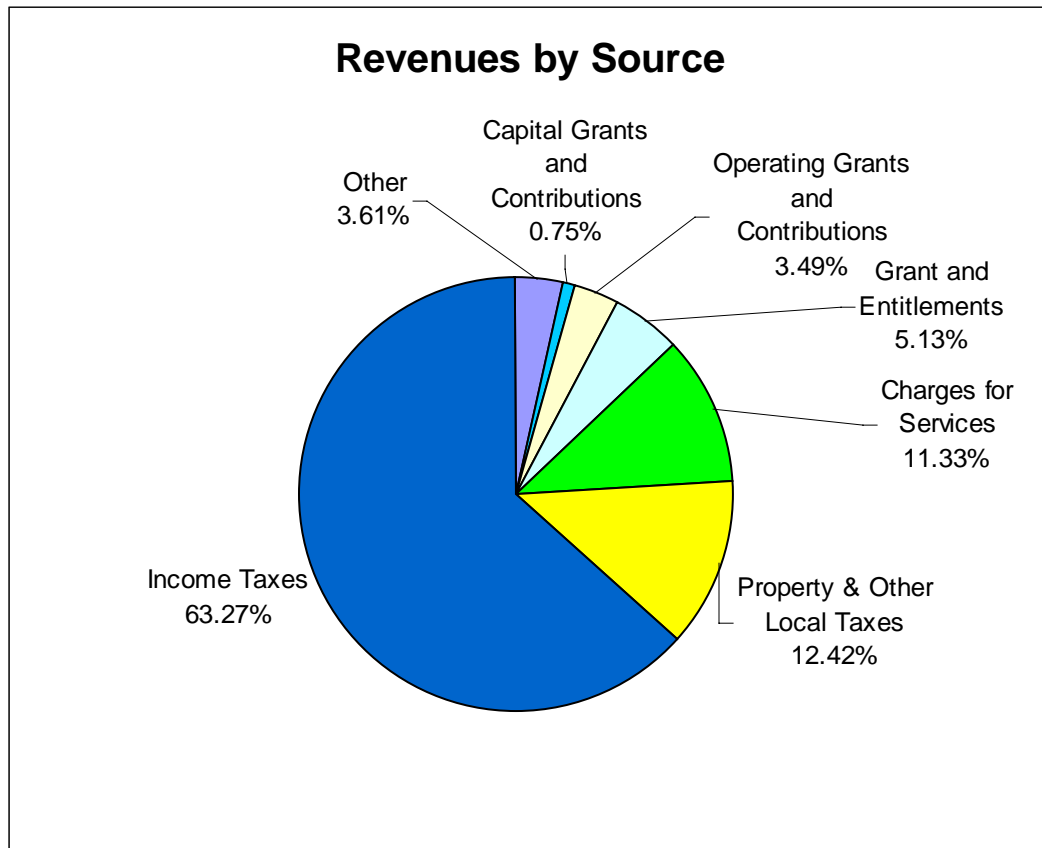
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income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

The decrease of \$523,524 in Grants and Entitlements is primarily attributable to a decrease of \$560,091, or 63% in estate tax collections, on a cash basis, in 2007. This decrease was the result of a one-time windfall of estate tax collections received in 2006.

Income tax revenue for 2007 was \$15,652,200, an increase of \$1,829,851 or 13.24% from 2006. Of the \$24,738,743 in total revenues, income tax accounts for 63.27% of the total. Property and other local taxes were \$3,073,740, an increase of \$142,118 or 4.85% from 2006, and account for 12.42% of total revenues. Operating grants and contributions, capital grants and contributions, general revenues from grants and entitlements account for 9.37% of total revenues, and charges for services, investment income, and other revenue make up the remaining 14.94%.

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.

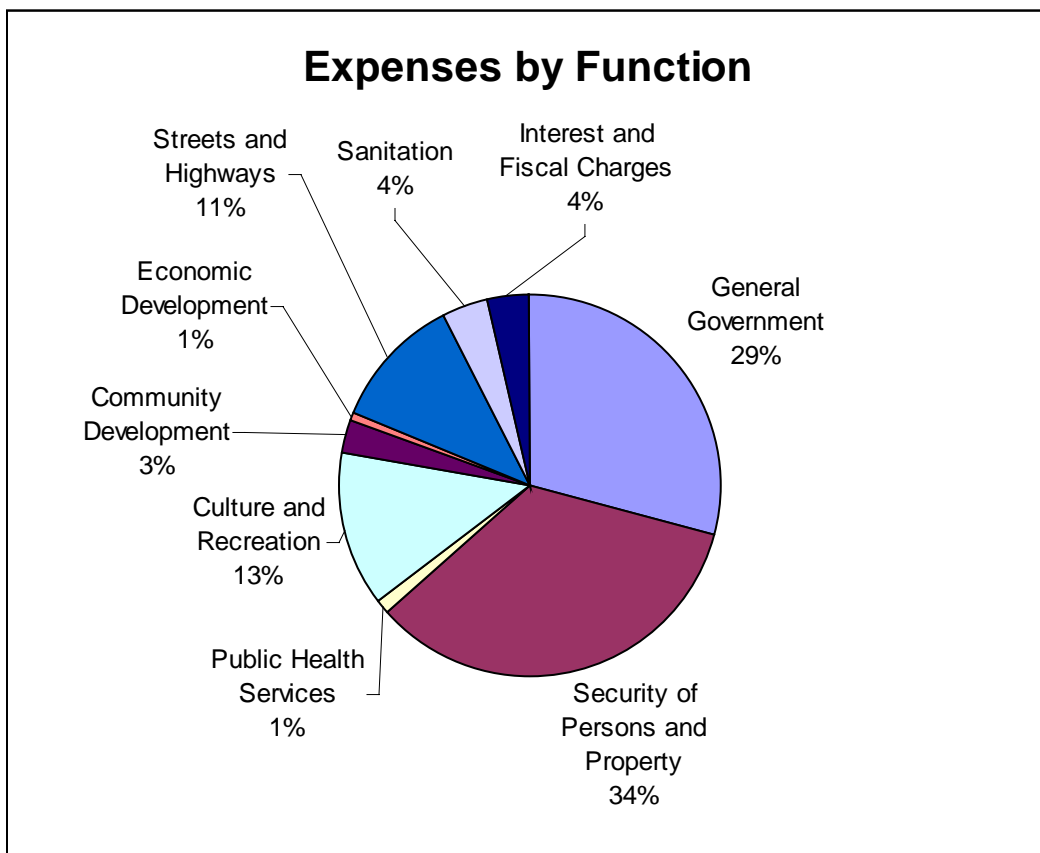


Total program expenses increased by \$2,174,966 as compared to 2006. Total program costs increased across the board in part due to an increased capital improvement program in 2007. Expenses for General Government increased by \$739,165. In 2007, cost of living salary increases amounted to 3.25%, however personnel related costs increased by 4.8% on a cash basis due to increased health care and worker's compensation costs. Expenses for Streets and Highways increased by \$590,110 from 2006 primarily due to more money being allocated to our Capital Improvements Fund for our annual street repair program and more money was spent on snow removal and road salt in 2007 as a result of 2006's unusually mild winter.

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Total program expenses for 2007 were \$23,652,949. Security of Persons and Property, which included the police and fire departments as well as the City's Safety Director, accounted for program expenses of \$8,083,872, which represents 34 percent of total City expenses for the year 2007. Culture and Recreation expenses of \$3,159,631 accounted for 13 percent. Culture and recreation expenses consist largely of costs to operate the City's Community Center and depreciation expense on the building. Street and highway expenses of \$2,679,466 accounted for 11 percent.

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



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

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As of December 31, 2007, the City's governmental funds reported combined ending fund balances of \$8,734,576, an increase of \$115,879 in comparison with the prior year. Of that amount, \$7,120,176 constitutes unreserved fund balances, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchases of the prior period (\$1,508,932) or has been reserved for prepaid items (\$105,438).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance for the General Fund was \$4,256,932 of which \$3,979,593 was unreserved. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to the sum of total fund expenditures and other financing uses of \$15,807,448. Unreserved fund balance represents 25.18% (27.06% in 2006) of total General Fund expenditures and other financing uses, while total fund balance represents 26.93% (28.6% in 2006) of that same amount.

During the current fiscal year, the fund balance of the City's General Fund decreased by \$122,644. On a modified accrual basis of accounting, total income tax receipts recorded in 2007 were about 12.12% greater than the total amount posted in 2006. However, the amount of income tax posted to the General Fund increased only 1.47%, or \$148,986 when compared to 2006. With some exception, prior to 2003, the first one percent of income taxes was split with 80% going to the General Fund and the remaining 20% to the Capital Improvements Fund. Beginning in 2003, and continuing through 2006 that allocation was changed, with 90% going to the General Fund and 10% going to the Capital Improvements Fund. City Council returned to the original allocation formula in 2007.

The balances in the Recreation Fund and General Obligation Bond Retirement Fund increased \$57,611 and \$62,811, respectively. This was caused almost exclusively by an increase in income tax receivable in both funds due to the income tax increase passed effective January 1, 2007 and increased collection expectations.

The balance in the Special Assessment Bond Retirement Fund decreased by \$31,364 mostly because special assessment collections lagged behind the corresponding debt service payments.

The Capital Improvements Fund decreased by \$72,356 due in most part to allocating more resources for the maintenance and improvement of our equipment and infrastructure needs.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of 2007 the City amended its General Fund budget on various occasions. All recommendations for budget changes come to the Finance Committee of City Council for review before going to the whole Council for Ordinance enactment on the change. The City does allow small interdepartmental budget changes that modify line items within departments within the same fund and within major category, the major categories being "Wages and Fringe Benefits" and "Other". The General Fund supports many of our major activities such as our Police, Fire and Service Departments, as well as administrative, legislative and executive activities. The General Fund is monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

For the General Fund, original budgeted revenues were \$15.5 million. The final budgeted amount was \$15.3 million and actual revenues were \$15.4 million. Revenue estimates decreased in the General Fund because income tax collections were lower than initially expected. However, intergovernmental revenues

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were approximately \$145,000 greater than initial estimates and interest income posted to the General Fund was higher than expected both because of higher rates and increased fund balance with which to invest. The City's ending unencumbered cash balance in the General Fund was \$1,053,412 above the final budgeted amount.

The difference between the General Fund's original budget for expenditures and other uses of \$16,091,274 and the final amended budget of \$16,707,754 was \$616,480 or about 3.8%. Over 63% of these revisions were due to salary negotiations concluded during 2007. Actual expenditures and other uses were \$15,774,349 or \$993,405 (5.6%) less than the final amended budget. The Final budget for wages and fringe benefits was \$11,757,376 of which \$11,358,536 or 96.6% was spent, leaving a positive variance of \$398,840. Most of this variance was attributable to the police and fire departments. Police officers and firefighters have a contractual right to redeem certain compensated absences for pay, and the city budgets for this as if all eligible employees will exercise their option to sell the maximum number of hours available to sell. If less than the maximum number of hours are sold, then a positive variance results. The final budget for expenditures other than wages and fringe benefits was \$3,583,941 of which \$3,231,150 or 90% was actually spent leaving a positive variance of \$352,791. The only significant variance for expenditures, other than wages and fringe benefits, was attributable to the budget for unclaimed funds, which the city budgets for as if all amounts available will be reclaimed.

Capital Assets and Debt Administration

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

	Governmental Activities	
	2007	2006
Land	\$3,294,570	\$3,294,570
Land Improvements	420,658	442,273
Buildings and Improvements	23,744,366	24,253,196
Machinery and Equipment	3,401,743	3,328,519
Furniture and Fixtures	52,573	56,586
Infrastructure		
Streets	11,141,733	11,316,415
Sidewalks	502,972	517,261
Traffic Signals	2,010,628	2,082,443
Water Mains	1,532,965	1,557,225
Sanitary Sewers	1,748,569	1,776,954
Storm Sewers	2,254,144	2,288,415
Construction in Progress	18,413	17,224
Total Capital Assets	\$50,123,334	\$50,931,081

Total capital assets of the City as of December 31, 2007 were \$50,123,334, \$807,747 less than in 2006. The decrease in capital assets is mainly due to current year depreciation expense in excess of capital asset additions. The significant increases in the city's capital assets came as a result of the city: a) purchasing new vehicles for use in our Police and Public Service Departments, b) assuming responsibility and ownership of a new traffic signal on Bagley Road, c) roof replacement on City Hall, and d) infrastructure additions related to our 2007 Street program. The City is committed to a long-term goal of not only meeting its infrastructure and facilities needs, but also satisfying those needs in a continued high quality manner. Additional information on the City's capital assets can be found in Note 8 of this report.

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Debt

As of December 31, 2007, the City had \$18,938,358 in bonds, capital lease obligations, and compensated absences outstanding with \$3,569,687 due within one year.

Table 4 Outstanding Long-Term Obligations at Year End

	Governmental Activities	
	2007	2006
General Obligation Bonds	\$14,681,884	\$16,423,178
Special Assessment Bonds	\$1,509,480	\$1,647,282
Capital Lease Obligations	\$69,160	\$90,100
Compensated Absences	\$2,677,834	\$2,440,375
Total	\$18,938,358	\$20,600,935

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 Road 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. Principal and interest for these bonds are paid from the collection of special assessments collected by the County Auditor from the specific property owners who primarily benefited from the projects.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10½% of total assessed valuation. The City's net legal debt margin within the 10½% limit was nearly \$60 million on December 31, 2007.

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

Current Financial Related Activities

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

On March 6, 2008, Moody's Investors Service reaffirmed the City's Aa2 credit rating when reviewing the City in relation to its upcoming bond refunding (See Note 19). Stated in its report Moody's, "expects the city's healthy financial operations to continue given satisfactory operating reserves, strong financial management, and demonstrated willingness to respond to economic challenges.

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

Contacting the City's Finance Department

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

City of Middleburg Heights, Ohio

Statement of Net Assets

December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,353,543
Restricted Cash	115,000
Investment in Manuscript Bonds	186,362
Accounts Receivable	183,093
Accrued Interest Receivable	23,161
Intergovernmental Receivable	976,835
Prepaid Items	105,438
Materials and Supplies Inventory	234,895
Income Tax Receivable	3,714,693
Property Taxes Receivable	2,514,139
Other Local Taxes Receivable	37,285
Special Assessments Receivable	1,509,480
Unamortized Bond Issue Costs	27,302
Nondepreciable Capital Assets	3,312,983
Depreciable Capital Assets	<u>46,810,351</u>
<i>Total Assets</i>	<u>67,104,560</u>
Liabilities	
Accounts Payable	510,660
Accrued Wages	161,924
Retainage Payable	27,562
Intergovernmental Payable	660,425
Short-term Bonds Payable	115,000
Accrued Interest Payable	62,184
Claims Payable	94,251
Unearned Revenue	2,639,037
Long-Term Liabilities:	
Due Within One Year	3,569,687
Due In More Than One Year	<u>15,368,671</u>
<i>Total Liabilities</i>	<u>23,209,401</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	33,862,810
Restricted for:	
Capital Projects	1,529,607
Debt Service	3,237,703
Other Purposes	396,550
Unrestricted	<u>4,868,489</u>
<i>Total Net Assets</i>	<u><u>\$43,895,159</u></u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Statement of Activities

For the Year Ended December 31, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:					
Security of Persons and Property:					
Police	\$4,441,487	\$760,864	\$0	\$0	(\$3,680,623)
Fire	3,588,665	394,681	0	0	(3,193,984)
Safety Director	53,720	0	0	0	(53,720)
Public Health and Welfare	263,939	5,929	0	0	(258,010)
Culture and Recreation	3,159,631	1,121,296	0	0	(2,038,335)
Community Development	645,709	353,339	0	0	(292,370)
Economic Development	163,873	1,750	0	0	(162,123)
Streets and Highways	2,679,466	0	862,363	184,981	(1,632,122)
Sanitation	948,598	0	0	0	(948,598)
General Government	6,871,475	164,540	0	0	(6,706,935)
Interest and Fiscal Charges	836,386	0	0	0	(836,386)
<i>Total Governmental Activities</i>	<u>\$23,652,949</u>	<u>\$2,802,399</u>	<u>\$862,363</u>	<u>\$184,981</u>	<u>(19,803,206)</u>
General Revenues					
Property and Other Local Taxes Levied for:					
					2,104,512
					473,010
					315,340
					180,878
Income Tax Levied for:					
					10,452,686
					2,056,875
					1,579,588
					1,563,051
					1,268,580
					537,883
					356,597
<i>Total General Revenues</i>					<u>20,889,000</u>
					1,085,794
<i>Net Assets Beginning of Year</i>					<u>42,809,365</u>
<i>Net Assets End of Year</i>					<u>\$43,895,159</u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Balance Sheet

Governmental Funds

December 31, 2007

	General	Recreation	General Obligation Bond Retirement	Special Assessment Bond Retirement	Capital Improvements	Other Governmental Funds
Assets						
Equity in Pooled Cash and						
Cash Equivalents	\$3,045,524	\$180,912	\$500,028	\$538,497	\$1,377,666	\$1,163,028
Restricted Cash	0	0	0	0	0	115,000
Materials and Supplies Inventory	50,474	28,991	0	0	0	155,430
Investment in Manuscript Bond	0	0	25,500	160,862	0	0
Accrued Interest Receivable	22,105	0	178	878	0	0
Accounts Receivable	89,237	0	0	0	2,939	90,917
Intergovernmental Receivable	541,398	0	24,798	0	0	410,639
Prepaid Items	90,723	14,715	0	0	0	0
Income Taxes Receivable	2,492,470	405,726	456,172	0	360,325	0
Property Taxes Receivable	1,541,348	0	470,242	0	0	502,549
Other Local Taxes Receivable	37,285	0	0	0	0	0
Special Assessments Receivable	0	0	0	1,509,480	0	0
<i>Total Assets</i>	<u>\$7,910,564</u>	<u>\$630,344</u>	<u>\$1,476,918</u>	<u>\$2,209,717</u>	<u>\$1,740,930</u>	<u>\$2,437,563</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$202,979	\$40,311	\$0	\$0	\$187,706	\$79,664
Accrued Wages	123,563	23,179	0	0	0	15,182
Intergovernmental Payable	593,101	50,345	0	0	0	16,979
Short-term Bonds Payable	0	0	0	0	0	115,000
Retainage Payable	0	0	0	0	27,562	0
Deferred Revenue	2,733,989	123,625	634,036	1,509,480	112,730	844,241
Unearned Revenue	0	237,788	0	0	0	0
<i>Total Liabilities</i>	<u>3,653,632</u>	<u>475,248</u>	<u>634,036</u>	<u>1,509,480</u>	<u>327,998</u>	<u>1,071,066</u>
Fund Balances						
Reserved for Encumbrances	186,616	11,619	0	0	661,521	649,176
Reserved for Prepays	90,723	14,715	0	0	0	0
Unreserved, Undesignated, Reported in:						
General Fund	3,979,593	0	0	0	0	0
Special Revenue Funds	0	128,762	0	0	0	713,376
Debt Service Funds	0	0	842,882	700,237	0	0
Capital Projects Funds	0	0	0	0	751,411	3,945
<i>Total Fund Balances</i>	<u>4,256,932</u>	<u>155,096</u>	<u>842,882</u>	<u>700,237</u>	<u>1,412,932</u>	<u>1,366,497</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$7,910,564</u>	<u>\$630,344</u>	<u>\$1,476,918</u>	<u>\$2,209,717</u>	<u>\$1,740,930</u>	<u>\$2,437,563</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, 2007*

Total Governmental Funds	Total Governmental Fund Balances	\$8,734,576
	<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
\$6,805,655	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	50,123,334
115,000		
234,895	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
186,362		
23,161	Delinquent Property Taxes	\$112,890
183,093	Income Taxes	1,131,867
976,835	Intergovernmental	701,572
105,438	Special Assessments	1,509,480
3,714,693	Charges for Services	101,043
2,514,139	Total	3,556,852
37,285		
1,509,480	An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of of net assets.	453,637
<u>\$16,406,036</u>		
	Unamortized bond issue costs.	27,302
\$510,660	Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(62,184)
161,924		
660,425		
115,000	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
27,562		
5,958,101	General Obligation Bonds	(14,681,884)
237,788	Special Assessment Bonds	(1,509,480)
	Capital Lease	(69,160)
7,671,460	Compensated Absences	(2,677,834)
		<u>(18,938,358)</u>
1,508,932	<i>Net Assets of Governmental Activities</i>	<u>\$43,895,159</u>
105,438		
3,979,593		
842,138		
1,543,119		
755,356		
8,734,576		
<u>\$16,406,036</u>		

City of Middleburg Heights, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Recreation	General Obligation Bond Retirement	Special Assessment Bond Retirement	Capital Improvements
Revenues					
Property Taxes	\$1,541,788	\$0	\$470,376	\$0	\$0
Income Taxes	10,302,412	1,546,257	2,032,123	0	1,540,669
Other Local Taxes	554,088	0	0	0	0
Intergovernmental	1,077,119	0	60,706	0	0
Special Assessments	0	0	0	177,035	0
Interest	500,577	0	2,043	10,177	0
Fines, Licenses and Permits	1,215,616	0	0	0	0
Charges for Services	193,171	1,121,296	0	0	18,624
Other	300,033	4,211	0	0	42,644
<i>Total Revenues</i>	<u>15,684,804</u>	<u>2,671,764</u>	<u>2,565,248</u>	<u>187,212</u>	<u>1,601,937</u>
Expenditures					
Current:					
General Government:					
Security of Persons and Property					
Police	4,049,021	0	0	0	0
Fire	3,018,750	0	0	0	0
Safety Director	53,260	0	0	0	0
Public Health and Welfare	44,946	0	0	0	0
Culture and Recreation	0	2,614,153	0	0	0
Community Development	626,627	0	0	0	0
Economic Development	161,916	0	0	0	0
Streets and Highways	0	0	0	0	0
Sanitation	948,598	0	0	0	0
General Government	6,154,330	0	3,050	1,793	0
Capital Outlay	0	0	0	0	1,652,131
Debt Service:					
Principal Retirement	0	0	1,741,294	137,802	20,940
Interest and Fiscal Charges	0	0	758,093	78,981	4,402
<i>Total Expenditures</i>	<u>15,057,448</u>	<u>2,614,153</u>	<u>2,502,437</u>	<u>218,576</u>	<u>1,677,473</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>627,356</u>	<u>57,611</u>	<u>62,811</u>	<u>(31,364)</u>	<u>(75,536)</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	0	0	0	0	3,000
Premium on Debt Issuance	0	0	0	0	0
Transfers In	0	0	0	0	0
Transfers Out	(750,000)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(750,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,000</u>
<i>Net Change in Fund Balances</i>	(122,644)	57,611	62,811	(31,364)	(72,536)
<i>Fund Balances Beginning of Year</i>	<u>4,379,576</u>	<u>97,485</u>	<u>780,071</u>	<u>731,601</u>	<u>1,485,468</u>
<i>Fund Balances End of Year</i>	<u><u>\$4,256,932</u></u>	<u><u>\$155,096</u></u>	<u><u>\$842,882</u></u>	<u><u>\$700,237</u></u>	<u><u>\$1,412,932</u></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, 2007*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	\$115,879
		<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
\$494,207	\$2,506,371	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 depreciation exceeded capital outlays in the current period.	
0	15,421,461	Capital Asset Additions	\$938,225
0	554,088	Current Year Depreciation	(1,742,808)
998,249	2,136,074	Total	(804,583)
0	177,035	Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(3,164)
25,086	537,883	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
19,184	1,234,800	Delinquent Property Taxes	13,281
212,334	1,545,425	Income Tax	230,739
12,069	358,957	Intergovernmental	37,567
1,761,129	24,472,094	Special Assessments	(137,802)
		Charges for Services	22,174
		Total	165,959
		Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,900,036
		In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	7,572
		Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(237,459)
162,549	4,211,570	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)
239,303	3,258,053	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.	(55,964)
0	53,260	<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$1,085,794</u></u>
214,886	259,832		
0	2,614,153		
0	626,627		
0	161,916		
1,581,516	1,581,516		
0	948,598		
7,703	6,166,876		
83,861	1,735,992		
0	1,900,036		
0	841,476		
2,289,818	24,359,905		
(528,689)	112,189		
0	3,000		
690	690		
750,000	750,000		
0	(750,000)		
750,690	3,690		
222,001	115,879		
1,144,496	8,618,697		
\$1,366,497	\$8,734,576		

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,552,568	\$1,541,788	\$1,541,788	\$0
Income Taxes	10,560,811	9,900,000	9,982,728	82,728
Other Local Taxes	560,000	554,537	559,592	5,055
Intergovernmental	1,003,705	1,157,247	1,149,180	(8,067)
Interest	375,000	435,000	449,601	14,601
Fines, Licenses and Permits	1,113,190	1,181,505	1,200,498	18,993
Charges for Services	167,650	187,421	192,544	5,123
Other	216,924	324,102	325,676	1,574
<i>Total Revenues</i>	<u>15,549,848</u>	<u>15,281,600</u>	<u>15,401,607</u>	<u>120,007</u>
Expenditures				
Current:				
Security of Persons and Property:				
Police	4,102,742	4,171,301	4,011,250	160,051
Fire	3,086,889	3,183,899	2,999,736	184,163
Safety Director	52,139	53,332	52,546	786
Public Health and Welfare	58,689	60,184	43,856	16,328
Community Development	615,751	661,318	626,620	34,698
Economic Development	163,291	173,401	163,924	9,477
Sanitation	907,000	907,000	893,084	13,916
General Government	6,354,773	6,747,319	6,233,333	513,986
<i>Total Expenditures</i>	<u>15,341,274</u>	<u>15,957,754</u>	<u>15,024,349</u>	<u>933,405</u>
<i>Excess of Revenues Under Expenditures</i>	<u>208,574</u>	<u>(676,154)</u>	<u>377,258</u>	<u>1,053,412</u>
Other Financing Sources (Uses)				
Advances In	45,748	45,748	45,748	0
Transfers Out	(750,000)	(750,000)	(750,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(704,252)</u>	<u>(704,252)</u>	<u>(704,252)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(495,678)	(1,380,406)	(326,994)	1,053,412
<i>Fund Balance Beginning of Year</i>	2,908,113	2,908,113	2,908,113	0
Prior Year Encumbrances Appropriated	183,388	183,388	183,388	0
<i>Fund Balance End of Year</i>	<u>\$2,595,823</u>	<u>\$1,711,095</u>	<u>\$2,764,507</u>	<u>\$1,053,412</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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Income Taxes	\$1,565,000	\$1,485,000	\$1,473,643	(\$11,357)
Charges for Services	1,164,600	1,116,777	1,123,342	6,565
Other	1,000	1,000	4,211	3,211
<i>Total Revenues</i>	<u>2,730,600</u>	<u>2,602,777</u>	<u>2,601,196</u>	<u>(1,581)</u>
Expenditures				
Current:				
Culture and Recreation	<u>2,760,170</u>	<u>2,782,995</u>	<u>2,636,769</u>	<u>146,226</u>
<i>Total Expenditures</i>	<u>2,760,170</u>	<u>2,782,995</u>	<u>2,636,769</u>	<u>146,226</u>
<i>Net Change in Fund Balance</i>	(29,570)	(180,218)	(35,573)	144,645
<i>Fund Balance Beginning of Year</i>	150,000	150,000	150,000	0
Prior Year Encumbrances Appropriated	<u>35,573</u>	<u>35,573</u>	<u>35,573</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$156,003</u>	<u>\$5,355</u>	<u>\$150,000</u>	<u>\$144,645</u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Statement of Fund Net Assets

Proprietary Fund

December 31, 2007

	<u>Governmental Activities</u> <u>Internal Service</u> <u>Fund - Health Insurance</u>
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$547,888</u>
<i>Total Assets</i>	<u>547,888</u>
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	<u>94,251</u>
<i>Total Liabilities</i>	<u>94,251</u>
Net Assets	
Unrestricted	<u>453,637</u>
<i>Total Net Assets</i>	<u><u>\$453,637</u></u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio
*Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2007*

	Governmental Activities Internal Service Fund - Health Insurance
Operating Revenues	
Charges for Services	\$1,456,314
<i>Total Operating Revenues</i>	1,456,314
Operating Expenses	
Contractual Services	270,424
Claims	1,241,854
<i>Total Operating Expenses</i>	1,512,278
<i>Change in Net Assets</i>	(55,964)
<i>Net Assets Beginning of Year</i>	509,601
<i>Net Assets End of Year</i>	\$453,637

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, 2007

	Governmental Activities Internal Service Fund - Health Insurance
<i>Increase (Decrease) In Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$1,456,314
Cash Payments to Suppliers for Services	(270,424)
Cash Payments for Claims	(1,288,008)
<i>Net Decrease In Cash and Cash Equivalents</i>	(102,118)
<i>Cash and Cash Equivalents Beginning of Year</i>	650,006
<i>Cash and Cash Equivalents End of Year</i>	\$547,888
Reconciliation of Operating Loss to Net Cash Used In Operating Activities	
<i>Operating Loss</i>	(\$55,964)
Adjustments:	
Decrease in Claims Payable	(46,154)
<i>Net Cash Used In Operating Activities</i>	(\$102,118)

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$202,646</u>
Liabilities	
Deposits Held and Due to Others	<u>\$202,646</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, 2007

Note 1 – Description of the City

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

Note 2 - Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Government-wide Financial Statements

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

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

Fund Financial Statements

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

C. Fund Accounting

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

Governmental Funds

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

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

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.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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

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

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

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

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

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

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

D. Measurement Focus

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

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

E. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance year 2008 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, 2007.

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

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

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

F. 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". Proceeds from the sale of short-term bonds are classified as restricted in the Medical Transport Fund because their use is limited by bond covenants.

During fiscal year 2007, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio), manuscript bonds, and Federal Agency Securities.

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, 2007.

Investment procedures are restricted by provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2007 amounted to \$500,577, which includes \$221,475 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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

H. Inventory

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

I. Capital Assets

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

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

materially extend an asset's life are not.

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

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

J. Interfund Balances

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

K. Compensated Absences

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

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

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

L. Accrued Liabilities and Long-term Obligations

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

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due.

M. Fund Balance Reserve

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

N. Net Assets

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

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of December 31, 2007, net assets restricted by enabling legislation were \$3,237,703 in the Statement of Net Assets.

O. Interfund Activity

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and are either unusual in nature or infrequent in occurrence. Neither occurred in 2007.

Q. Estimates

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

R. Operating Revenues and Expenses

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

City of Middleburg Heights, Ohio
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For the Year Ended December 31, 2007

S. Budgetary Process

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

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

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

Note 3 – Change in Accounting Principles

For 2007, the City has implemented GASB No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations".

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers.

GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings. The statement also includes disclosure requirements for future revenues that are pledged of sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

Implementation of GASB Statement No. 45, No. 48, and No. 49 did not affect the presentation of the financial statements of the City.

Note 4 - Budgetary Basis of Accounting

While the City is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is

City of Middleburg Heights, Ohio
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For the Year Ended December 31, 2007

based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund and the recreation fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

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

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

	<u>Net Change in Fund Balance</u>	
	<u>General</u>	<u>Recreation</u>
GAAP Basis	(\$122,644)	\$57,611
Net Adjustment for Revenue Accruals	(329,465)	(70,568)
Fair Value Adjustment for Investments 2006	(4,053)	0
Fair Value Adjustment for Investments 2007	50,321	0
Advances In	45,748	0
Net Adjustment for Expenditure Accruals	263,795	8,296
Encumbrances	<u>(230,696)</u>	<u>(30,912)</u>
Budget Basis	<u>(\$326,994)</u>	<u>(\$35,573)</u>

Note 5 - Deposits and Investments

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

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

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

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

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

The City's investment policies are governed by state statutes and its own investment policy which authorize the City to invest in obligations of the United States Treasury, United States government agencies and instrumentalities, bonds and other obligations of the State of Ohio and its political subdivisions, no-load Money Market Mutual Funds not containing derivatives, repurchase agreements, certificates of deposit and State Treasurer Asset Reserve of Ohio (STAROhio). Repurchase agreements are limited to 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 collateral-backed mortgage obligations, derivatives, interest-only purchases, variable interest securities, reverse repurchase agreements, investment pools, except for STAROhio, and stocks, are prohibited, unless specifically authorized by council. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

Deposits

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

At year-end, the carrying amount of the City's deposits was \$3,139,547 and the bank balance was \$3,563,443. Of the bank balance \$499,749 was covered by Federal depository insurance and \$3,063,694 was uninsured. Of the remaining uninsured bank balance, \$1,978,563 was collateralized with securities held by the pledging institution's agent, not in the City's name and, \$1,085,131 was collateralized with a combination of surety bonds issued pledged by the institution and securities held by the pledging institution's agent, as allowed by the Ohio Revised Code.

City of Middleburg Heights, Ohio
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Investments

Investments are reported at fair value. As of December 31, 2007, the City had the following investments:

	Fair Value	Weighted Average Maturity (Days)
Federal National Mortgage Association Bonds	\$1,980,479	351
Federal Home Loan Mortgage Corporation Bonds	1,358,515	638
Federal Home Loan Bank Bonds	999,060	23
STAROhio	193,588	0
Manuscript Bonds	186,362	3953
Total Portfolio	\$4,718,004	492

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

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

Credit Risk is addressed by the City's investment policy which requires that all investments are authorized by the Ohio Revised Code and that the portfolio be diversified both by types of investment and issuer. The Federal Home Loan Bank Bonds and the Federal Home Loan Mortgage Corporation Bonds carry a rating of AAA by Standard & Poor's. STAROhio also carries a rating of AAAM by Standard & Poor's. Investments in manuscript bonds are not considered to have credit risk as they are bonds issued by and owned by the City.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as having invested five percent or more of the city's portfolio in the securities of a single issuer. The City's investment policy requires diversification of the portfolio and limits the amount of investments placed with any institution to no more than fifty percent of the City's deposit/investment portfolio. The following is the City's allocation as of December 31, 2007:

Investment Issuer	Percentage of Investments
Federal National Mortgage Association Bonds	41.98%
Federal Home Loan Mortgage Corporation Bonds	28.79%
Federal Home Loan Bank Bonds	21.18%
STAROhio	4.10%
Manuscript Bonds	3.95%

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 6 – Receivables

Receivables at December 31, 2007, 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 \$1,364,806 in the Special Assessment Bond Retirement Fund. At December 31, 2007 the amount of delinquent special assessments was \$6,069.

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 2007 for real and public utility property taxes represents collections of 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007 on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

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. 2007 public utility property taxes, which became a lien December 31, 2006, are levied after October 1, 2007, and collected in 2007 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006 on the value as of December 31, 2006. Collections are made in 2007. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 24 percent for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and eliminated for 2009.

The tax rate for all City operations for the year ended December 31, 2007, was \$5.45 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$542,446,760
Public Utility Tangible Property	9,997,300
Tangible Personal Property	<u>26,697,752</u>
Total Valuation	<u><u>\$579,141,812</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.

City of Middleburg Heights, Ohio
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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, 2007 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 2007 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Municipal Income Taxes

In 2007, the City levied a municipal income tax of 2.00 percent on all income earned within the City as well as on income of residents earned outside of the City. In the case of income of residents earned outside of the city, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA), on behalf of the City, at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the first (advance) and tenth business days (final settlement) of the following month. Income tax revenue is credited to the general fund, recreation fund, general obligation bond retirement fund and the capital improvements fund.

C. Intergovernmental Receivable

A summary of intergovernmental receivables follows:

Governmental Activities	Amounts
Gasoline Taxes	\$374,349
Local Government Funds	356,279
Homestead and Rollback	96,656
Woodvale Cemetery Reimbursement	58,339
CAT Tax Reimbursement	22,441
Estate Tax	18,642
Public Utility Reimbursement	13,400
DARE Grant	10,490
Permissive Motor Vehicle License Tax	8,768
Liquor Permit	7,408
Prisoner Board and Care	6,300
Berea Municipal Court	3,084
Targeted Enforcement Grant	679
Total	\$976,835

City of Middleburg Heights, Ohio
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For the Year Ended December 31, 2007

Note 7 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2007, the City contracted with Custis Insurance Service, Inc. for its' Commercial Umbrella coverage and with Arthur J. Gallagher Risk Management Services, Inc. for the rest of its' insurance coverage. A summary of insurance coverage is as follows:

Company	Type of Coverage	Coverage
Argonaut Insurance Company	Comprehensive general liability	\$1 million per occurrence/ 2 million aggregate
Argonaut Insurance Company	Employee Benefits	\$1 million per occurrence/ 2 million aggregate
Argonaut Insurance Company	Blanket building and contents	\$36,308,528
Argonaut Insurance Company	Inland marine coverage	\$2,569,815
Argonaut Insurance Company	Electronic Data Processing Equipment	\$805,459
Argonaut Insurance Company	Public Officials Liability	\$1,000,000
Argonaut Insurance Company	Law Enforcement Liability	\$1,000,000
Argonaut Insurance Company	Commercial Crime	\$25,000
Argonaut Insurance Company	Employee Dishonesty	\$250,000
Argonaut Insurance Company	Commercial Automobile	\$1,000,000
AAIC	Commercial Umbrella	\$10,000,000
Argonaut Insurance Company	Ohio Stop Gap	\$1,000,000
Argonaut Insurance Company	Boiler and Machinery	\$50,000,000

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

In 2007 the City provided two different medical plans for full time employees, council members and their families. A traditional plan with a Preferred Provider Organization is self funded and administered by a third party administrator. A Health Maintenance Organization plan was also offered and was fully insured. All covered employees also receive prescription, dental and vision benefits. Starting in 2001, employees declining health care benefits can receive a monthly opt-out payment ranging from \$14 to \$100. Full time employees 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 \$60,000 per individual and \$1,546,255 in aggregate. In 2007 the City funded the self-insurance internal service fund at \$319 per month for single coverage and \$997 per month for family coverage. These charges are paid by the fund from which the employee's compensation is paid.

The claims liability of \$94,251, as estimated and reported in the internal service fund at December 31, 2007, 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.

City of Middleburg Heights, Ohio
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For the Year Ended December 31, 2007

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

	Estimated Claims Payable January 1st	Current Year Claims and Changes In Estimates	Claim Payments	Estimated Claims Payable December 31st
2006	\$58,632	\$1,153,064	(\$1,071,291)	\$140,405
2007	\$140,405	\$1,241,854	(\$1,288,008)	\$94,251

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

Note 8 – Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Balance 12/31/2006	Additions	Deletions	Balance 12/31/2007
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	\$3,294,570	\$0	\$0	\$3,294,570
Construction-In-Progress	17,224	1,189	0	18,413
Total Capital Assets, not being Depreciated	<u>3,311,794</u>	<u>1,189</u>	<u>0</u>	<u>3,312,983</u>
<i>Capital Assets being Depreciated:</i>				
Land Improvements	1,062,602	31,300	0	1,093,902
Buildings and Improvements	30,186,742	133,547	0	30,320,289
Furniture and Fixtures	80,262	0	0	80,262
Machinery and Equipment	7,171,079	546,195	(29,225)	7,688,049
Infrastructure:				
Streets	13,006,121	150,994	0	13,157,115
Sidewalks	571,558	0	0	571,558
Traffic Signals	2,936,292	75,000	0	3,011,292
Water Mains	1,819,468	0	0	1,819,468
Sanitary Sewers	2,128,873	0	0	2,128,873
Storm Sewers	2,570,324	0	0	2,570,324
Total Capital Assets being Depreciated	<u>61,533,321</u>	<u>937,036</u>	<u>(29,225)</u>	<u>62,441,132</u>
Less Accumulated Depreciation:				
Land Improvements	(620,329)	(52,915)	0	(673,244)
Buildings and Improvements	(5,933,546)	(642,377)	0	(6,575,923)
Furniture and Fixtures	(23,676)	(4,013)	0	(27,689)
Machinery and Equipment	(3,842,560)	(469,807)	26,061	(4,286,306)
Infrastructure:				
Streets	(1,689,706)	(325,676)	0	(2,015,382)
Sidewalks	(54,297)	(14,289)	0	(68,586)
Traffic Signals	(853,849)	(146,815)	0	(1,000,664)
Water Mains	(262,243)	(24,260)	0	(286,503)

City of Middleburg Heights, Ohio
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Sanitary Sewers	(351,919)	(28,385)	0	(380,304)
Storm Sewers	<u>(281,909)</u>	<u>(34,271)</u>	<u>0</u>	<u>(316,180)</u>
 Total Accumulated Depreciation	 <u>(13,914,034)</u>	 <u>(1,742,808)</u>	 <u>26,061</u>	 <u>(15,630,781)</u>
 Total Capital Assets being Depreciated, Net	 <u>47,619,287</u>	 <u>(805,772)</u>	 <u>(3,164)</u>	 <u>46,810,351</u>
 Governmental Activities Capital Assets, Net	 <u>\$50,931,081</u>	 <u>\$(804,583)</u>	 <u>\$(3,164)</u>	 <u>\$50,123,334</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$415,011
Public Safety:	
Police	152,329
Fire	172,078
Health and Welfare	4,107
Streets and Highways	573,695
Culture and Recreation	418,691
Community Development	<u>6,897</u>
Total Depreciation Expense	<u><u>\$1,742,808</u></u>

Note 9 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. Employees were required to contribute 9.5 percent of their annual covered salary to fund pension obligations. The City contributed 13.85 percent of covered payroll. The City's required contributions to OPERS for the years ended December 31, 2007, 2006 and 2005 were \$852,128, \$819,178, and \$803,657, respectively. The full amount has been contributed for all three years.

City of Middleburg Heights, Ohio
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B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24.0 percent respectively for police officers and firefighters. The City's contributions to the OP&F for the years ended December 31, 2007, 2006 and 2005 were \$940,805, \$904,738, and \$880,157, respectively. The full amount has been contributed for 2006 and 2005. 67.95 percent has been contributed for 2007 with the remainder being reported as "intergovernmental payable" in the governmental activities column of the statement of net assets.

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

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

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

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

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

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

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

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Employer contribution rates are expressed as a percentage of the covered payroll of active members. The 2007 employer contribution rate was 13.85 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2007, the employer contribution allocated to the health care plan from January 1 through June 30, 2007 and July 1 through December 31, 2007 was 5.0% and 6.0% of covered payroll, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's required contributions to OPERS for the years ended December 31, 2007, 2006 and 2005 were \$852,128, \$819,178, and \$803,657, respectively, of which \$340,037, \$269,100 and \$237,240, respectively, was allocated to the healthcare plan.

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

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to 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. The healthcare coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate OP&F to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 742 of the Ohio Revised Code.

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

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

OP&F's post employment healthcare plan was established and is administrated as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F board of trustees. The board of trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the 401h account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401h.

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

The City's required contributions to OP&F for the years ended December 31, 2007, 2006 and 2005 were \$940,805, \$904,738, and \$880,157, respectively, of which \$294,823, \$326,071 and \$317,926, respectively, was allocated to the healthcare plan.

Note 11 - Compensated Absences

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

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

Note 12 - Contingencies

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

Note 13 – Short-Term Bonds Payable

A summary of the short-term bond transactions for the year ended December 31, 2007 follows:

	Outstanding 12/31/06	Additions	(Reductions)	Outstanding 12/31/07
3.95% General Obligation Bonds	\$0	\$115,000	\$0	\$115,000

In 2007, the City issued \$115,000 in general obligation bonds, due in 2008, for the acquisition of a new fire truck. The City intends to retire the bonds with revenues received from ambulance service fees.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 14 - Long-Term Obligations

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

Debt Issue	Original Issue Date	Interest Rate	Original Issue Amount
General Obligation Bonds			
Pearl Road Sanitary Sewer	1992	6.75%	\$3,070
Real Estate Acquisition Refunding	1998	3.35 - 5.125 %	120,000
City Hall/Fire Station Refunding	1998	3.35 - 5.125 %	2,760,000
Bagley Road/I-71/Newton Road Refunding	1998	3.35 - 5.125 %	149,659
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 Improvements	2002	1.60 - 2.60 %	220,000

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

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

	Outstanding 12/31/06	Additions	(Reductions)	Outstanding 12/31/07	Amounts Due in One Year
General Obligation Bonds:					
Real Estate Acquisition Refunding	\$58,843	\$0	(\$11,732)	\$47,111	\$12,274
City Hall/Fire Station Refunding	1,353,064	0	(269,783)	1,083,281	282,234
Bagley Rd./I-71/Newton Rd. Refunding	73,351	0	(14,625)	58,726	15,300
Community Center	9,783,500	0	(930,000)	8,853,500	960,000
Service Center	4,708,500	0	(450,000)	4,258,500	525,000
Emergency Generator	400,000	0	(20,000)	380,000	20,000
Pearl Road Sanitary Sewer	920	0	(154)	766	154
Pearl Road Improvements	45,000	0	(45,000)	0	0
Total General Obligation Bonds	16,423,178	0	(1,741,294)	14,681,884	1,814,962

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Special Assessment Bonds:					
Engle Road Improvements	\$581,000	\$0	(\$45,000)	\$536,000	\$45,000
Engle Road Improvements	175,000	0	(10,000)	165,000	10,000
Newton Road Refunding	144,744	0	(28,860)	115,884	30,192
Pearl Road Sanitary Sewer	29,680	0	(4,946)	24,734	4,947
Claremont/Morningside Road Imp.	120,000	0	(15,000)	105,000	15,000
Hepburn Road Improvements	427,000	0	(25,000)	402,000	30,000
Fowles Road Sanitary Sewer	169,858	0	(8,996)	160,862	9,535
Total Special Assessment Bonds	<u>1,647,282</u>	<u>0</u>	<u>(137,802)</u>	<u>1,509,480</u>	<u>144,674</u>
Other Long-Term Liabilities:					
Capital Lease - Salt Truck	90,100	0	(20,940)	69,160	21,963
Compensated Absences	<u>2,440,375</u>	<u>1,755,772</u>	<u>(1,518,313)</u>	<u>2,677,834</u>	<u>1,588,088</u>
Total Other Long-Term Liabilities	<u>2,530,475</u>	<u>1,755,772</u>	<u>(1,539,253)</u>	<u>2,746,994</u>	<u>1,610,051</u>
Total Long-Term Liabilities	<u>\$20,600,935</u>	<u>\$1,755,772</u>	<u>(\$3,418,349)</u>	<u>\$18,938,358</u>	<u>\$3,569,687</u>

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

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

In 1998, the City defeased a general obligation bond issue by placing the proceeds of new bonds in an irrevocable escrow account to provide for all future debt service payments on the old bonds. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the statement of net assets. As of December 31, 2007 the amount of defeased debt outstanding amounted to \$1,370,000. In prior years, the compensated absences liability has been paid from the general fund, the street construction fund and the recreation fund. The capital lease payable will be paid from the capital improvements fund.

The City's overall legal debt margin was \$60,809,890 at December 31, 2007. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2007, are as follows:

Year	General Obligation Bonds		Special Assessment Bonds		Totals
	Principal	Interest	Principal	Interest	
2008	\$1,814,962	\$672,586	\$144,674	\$72,065	\$2,704,287
2009	1,598,186	582,255	137,022	\$64,754	2,382,217
2010	1,636,409	515,347	129,405	\$58,569	2,339,730
2011	1,670,174	445,178	151,283	\$52,583	2,319,218
2012	1,375,153	359,924	131,985	\$44,729	1,911,791
2013-2017	5,475,000	951,020	606,933	\$135,450	7,168,403
2018-2022	1,112,000	63,244	208,178	\$17,372	1,400,794
Total	<u>\$14,681,884</u>	<u>\$3,589,554</u>	<u>\$1,509,480</u>	<u>\$445,522</u>	<u>\$20,226,440</u>

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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

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

At December 31, 2007, the aggregate principal amount of conduit debt obligations outstanding is \$49,520,000.

Note 15 – Capital Leases

In 2006, the City entered into a Capital Lease Agreement for financing the acquisition of a 2007 Model Salt Truck with a down payment of \$30,000. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through capital lease is reported as follows:

	Governmental Activities
	Salt Truck
Asset:	
Machinery and Equipment	\$120,100
Less: Accumulated Depreciation	(11,676)
Total	\$108,424

The future minimum lease obligations and the present value of these minimum lease payments as of December 31, 2007, were as follows:

	Governmental Activities
	Salt Truck
Year Ending December 31:	
2008	25,342
2009	25,342
2010	25,342
Total Minimum Lease Payments	76,026
Less: Amount Representing Interest	(6,866)
Present Value of Minimum Lease Payments	\$69,160

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 16 - Contractual Commitments

The City had the following contractual commitments outstanding at December 31, 2007:

<u>Project</u>	<u>Remaining on Contract</u>
Bagley Road Resurfacing	\$500,000
Airport Monitoring	71,563
2007 Street Improvement Program	52,550
Community Center Wall Repair	<u>2,990</u>
Total	<u><u>\$627,103</u></u>

Note 17 – Interfund Transfers and Balances

During calendar year 2007, a transfer of \$750,000 was made from the General Fund to the Street Construction Fund. This transfer was made to provide additional resources to fund current operations.

Note 18 - 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 2007, the City of Middleburg Heights remitted \$214,886 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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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 2007, the City of Middleburg Heights contributed \$10,000 for operating expenses to the Cemetery. In 2004, the cities of Berea and Middleburg Heights each contributed \$133,339 for the renovation and construction of the Cemetery buildings. Woodvale Union Cemetery is in the process of reimbursing the City for the construction costs over a five year period as follows: \$25,000 for 2005 through 2008, with the balance of \$33,339 being paid in 2009. The amount to be reimbursed has been reflected as an intergovernmental receivable on the Entity-wide Statement of Net Assets and Governmental Funds Balance Sheet.

C. Southwest Council of Governments

The Southwest Council of Governments helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions, and regional development. The Council's Board is comprised of one member from each of the sixteen participating cities. The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. Budgets are adopted by the Board. Each City's degree of control is limited to its representation on the Board. The Council has established two subsidiary organizations, the Hazardous Material Response Team ("HAZMAT"), which provides hazardous material protection and assistance, and the Southwest Enforcement Bureau, which provides extra assistance to cities in the form of a SWAT team. In 2007, 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, 6281 Pearl Road, Parma Heights, Ohio.

D. Northeast Ohio Public Energy Council

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities. NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 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.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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.

Note 19 – Subsequent Event

On May 1, 2008, the City issued \$12,180,000 of general obligation bonds to defease a portion of the general obligation bonds originally issued in 1998 for the construction of the Community Center and Service Center. The proceeds of the new bonds have been placed in an irrevocable escrow account to provide for all future debt service payments on the old bonds.

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Combining Statements and Individual Fund Schedules – Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

Combining Statements
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 of Middleburg Heights, Ohio

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2007

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,159,083	\$3,945	\$1,163,028
Restricted Cash	115,000	0	115,000
Materials and Supplies Inventory	155,430	0	155,430
Accounts Receivable	90,917	0	90,917
Intergovernmental Receivable	410,639	0	410,639
Property Taxes Receivable	502,549	0	502,549
<i>Total Assets</i>	<u>\$2,433,618</u>	<u>\$3,945</u>	<u>\$2,437,563</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$79,664	\$0	\$79,664
Accrued Wages	15,182	0	15,182
Intergovernmental Payable	16,979	0	16,979
Short-Term Bonds Payable	115,000	0	115,000
Deferred Revenue	844,241	0	844,241
<i>Total Liabilities</i>	<u>1,071,066</u>	<u>0</u>	<u>1,071,066</u>
Fund Balances			
Reserved for Encumbrances	649,176	0	649,176
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	713,376	0	713,376
Capital Projects Funds	0	3,945	3,945
<i>Total Fund Balances</i>	<u>1,362,552</u>	<u>3,945</u>	<u>1,366,497</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,433,618</u>	<u>\$3,945</u>	<u>\$2,437,563</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, 2007

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Property Taxes	\$494,207	\$0	\$494,207
Intergovernmental	998,249	0	998,249
Interest	24,608	478	25,086
Fines, Licenses and Permits	19,184	0	19,184
Charges for Services	212,334	0	212,334
Other	12,069	0	12,069
<i>Total Revenues</i>	<u>1,760,651</u>	<u>478</u>	<u>1,761,129</u>
Expenditures			
Current:			
Security of Persons and Property:			
Police	162,549	0	162,549
Fire	239,303	0	239,303
Public Health and Welfare	214,886	0	214,886
Streets and Highways	1,581,516	0	1,581,516
General Government	7,703	0	7,703
Capital Outlay	69,707	14,154	83,861
<i>Total Expenditures</i>	<u>2,275,664</u>	<u>14,154</u>	<u>2,289,818</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(515,013)</u>	<u>(13,676)</u>	<u>(528,689)</u>
Other Financing Sources			
Premium on Debt Issuance	690	0	690
Transfers In	750,000	0	750,000
<i>Total Other Financing Sources</i>	<u>750,690</u>	<u>0</u>	<u>750,690</u>
<i>Net Change in Fund Balances</i>	235,677	(13,676)	222,001
<i>Fund Balances Beginning of Year</i>	<u>1,126,875</u>	<u>17,621</u>	<u>1,144,496</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,362,552</u></u>	<u><u>\$3,945</u></u>	<u><u>\$1,366,497</u></u>

City of Middleburg Heights, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2007

	Street Construction	State Highway	Clerk of Court Computer	Law Enforcement	Medical Transport	Assistance to Firefighters Grant
Assets						
Equity in Pooled Cash and Cash Equivalents	\$464,609	\$89,833	\$75,489	\$85,361	\$393,609	\$13
Restricted Cash	0	0	0	0	115,000	0
Materials and Supplies Inventory	137,718	17,712	0	0	0	0
Accounts Receivable	0	0	0	0	90,917	0
Intergovernmental Receivable	354,383	28,734	0	50	0	0
Property Taxes Receivable	0	0	0	0	0	0
<i>Total Assets</i>	<u>\$956,710</u>	<u>\$136,279</u>	<u>\$75,489</u>	<u>\$85,411</u>	<u>\$599,526</u>	<u>\$13</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$70,383	\$0	\$0	\$0	\$9,281	\$0
Accrued Wages	14,246	0	0	0	936	0
Intergovernmental Payable	16,194	0	0	0	785	0
Short-term Bonds Payable	0	0	0	0	115,000	0
Deferred Revenue	236,205	19,152	0	0	58,863	0
<i>Total Liabilities</i>	<u>337,028</u>	<u>19,152</u>	<u>0</u>	<u>0</u>	<u>184,865</u>	<u>0</u>
Fund Balances						
Reserved for Encumbrances	158,956	5,134	0	0	485,086	0
Unreserved, Undesignated	460,726	111,993	75,489	85,411	(70,425)	13
<i>Total Fund Balances</i>	<u>619,682</u>	<u>117,127</u>	<u>75,489</u>	<u>85,411</u>	<u>414,661</u>	<u>13</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$956,710</u>	<u>\$136,279</u>	<u>\$75,489</u>	<u>\$85,411</u>	<u>\$599,526</u>	<u>\$13</u>

(continued)

City of Middleburg Heights, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2007

	Police Pension	Fire Pension	Tree Planting	Veteran's Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$18,298	\$18,298	\$5,552	\$8,021	\$0	\$1,159,083
Restricted Cash	0	0	0	0	0	\$115,000
Materials and Supplies Inventory	0	0	0	0	0	155,430
Accounts Receivable	0	0	0	0	0	90,917
Intergovernmental Receivable	8,184	8,184	0	0	11,104	410,639
Property Taxes Receivable	156,747	156,747	0	0	189,055	502,549
<i>Total Assets</i>	<u>\$183,229</u>	<u>\$183,229</u>	<u>\$5,552</u>	<u>\$8,021</u>	<u>\$200,159</u>	<u>\$2,433,618</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$0	\$0	\$0	\$0	\$0	\$79,664
Accrued Wages	0	0	0	0	0	15,182
Intergovernmental Payable	0	0	0	0	0	16,979
Short-term Bonds Payable	0	0	0	0	0	115,000
Deferred Revenue	164,931	164,931	0	0	200,159	844,241
<i>Total Liabilities</i>	<u>164,931</u>	<u>164,931</u>	<u>0</u>	<u>0</u>	<u>200,159</u>	<u>1,071,066</u>
Fund Balances						
Reserved for Encumbrances	0	0	0	0	0	649,176
Unreserved, Undesignated	18,298	18,298	5,552	8,021	0	713,376
<i>Total Fund Balances</i>	<u>18,298</u>	<u>18,298</u>	<u>5,552</u>	<u>8,021</u>	<u>0</u>	<u>1,362,552</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$183,229</u>	<u>\$183,229</u>	<u>\$5,552</u>	<u>\$8,021</u>	<u>\$200,159</u>	<u>\$2,433,618</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, 2007

	Street Construction	State Highway	Clerk of Court Computer	Law Enforcement	Medical Transport	Assistance to Firefighters Grant
Revenues						
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental	812,254	65,858	0	0	0	45,748
Interest	14,780	4,977	0	4,421	0	0
Fines, Licenses and Permits	0	0	12,100	7,084	0	0
Charges for Services	0	0	0	0	211,109	0
Other	10,937	0	0	0	517	0
<i>Total Revenues</i>	<u>837,971</u>	<u>70,835</u>	<u>12,100</u>	<u>11,505</u>	<u>211,626</u>	<u>45,748</u>
Expenditures						
Current:						
Security of Persons and Property:						
Police	0	0	0	2,460	0	0
Fire	0	0	0	0	79,214	0
Public Health and Welfare	0	0	0	0	0	0
Streets and Highways	1,482,176	99,340	0	0	0	0
General Government	0	0	5,633	0	0	0
Capital Outlay	0	0	0	611	23,360	45,736
<i>Total Expenditures</i>	<u>1,482,176</u>	<u>99,340</u>	<u>5,633</u>	<u>3,071</u>	<u>102,574</u>	<u>45,736</u>
<i>Excess of Revenues Over (Under)</i>						
<i>Expenditures</i>	<u>(644,205)</u>	<u>(28,505)</u>	<u>6,467</u>	<u>8,434</u>	<u>109,052</u>	<u>12</u>
Other Financing Sources						
Premium on Debt Issuance	0	0	0	0	690	0
Transfers In	750,000	0	0	0	0	0
<i>Total Other Financing Sources</i>	<u>750,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>690</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	105,795	(28,505)	6,467	8,434	109,742	12
<i>Fund Balances Beginning of Year</i>	<u>513,887</u>	<u>145,632</u>	<u>69,022</u>	<u>76,977</u>	<u>304,919</u>	<u>1</u>
<i>Fund Balances End of Year</i>	<u>\$619,682</u>	<u>\$117,127</u>	<u>\$75,489</u>	<u>\$85,411</u>	<u>\$414,661</u>	<u>\$13</u>

(continued)

City of Middleburg Heights, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
For the Year Ended December 31, 2007

	Police Pension	Fire Pension	Tree Planting	Veteran's Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
Revenues						
Property Taxes	\$156,792	\$156,792	\$0	\$0	\$180,623	\$494,207
Intergovernmental	20,063	20,063	0	0	34,263	998,249
Interest	0	0	0	430	0	24,608
Fines, Licenses and Permits	0	0	0	0	0	19,184
Charges for Services	0	0	1,225	0	0	212,334
Other	0	0	0	615	0	12,069
<i>Total Revenues</i>	<u>176,855</u>	<u>176,855</u>	<u>1,225</u>	<u>1,045</u>	<u>214,886</u>	<u>1,760,651</u>
Expenditures						
Current:						
Security of Persons and Property:						
Police	160,089	0	0	0	0	162,549
Fire	0	160,089	0	0	0	239,303
Public Health and Welfare	0	0	0	0	214,886	214,886
Streets and Highways	0	0	0	0	0	1,581,516
General Government	0	0	1,695	375	0	7,703
Capital Outlay	0	0	0	0	0	69,707
<i>Total Expenditures</i>	<u>160,089</u>	<u>160,089</u>	<u>1,695</u>	<u>375</u>	<u>214,886</u>	<u>2,275,664</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenditures</i>	<u>16,766</u>	<u>16,766</u>	<u>(470)</u>	<u>670</u>	<u>0</u>	<u>(515,013)</u>
Other Financing Sources						
Premium on Debt Issuance	0	0	0	0	0	690
Transfers In	0	0	0	0	0	750,000
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>750,690</u>
<i>Net Change in Fund Balances</i>	16,766	16,766	(470)	670	0	235,677
<i>Fund Balances Beginning of Year</i>	1,532	1,532	6,022	7,351	0	1,126,875
<i>Fund Balances End of Year</i>	<u>\$18,298</u>	<u>\$18,298</u>	<u>\$5,552</u>	<u>\$8,021</u>	<u>\$0</u>	<u>\$1,362,552</u>

City of Middleburg Heights, Ohio
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2007

	Community Center	Service Center	Total Nonmajor Capital Projects Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,945	\$0	\$3,945
<i>Total Assets</i>	<u>\$3,945</u>	<u>\$0</u>	<u>\$3,945</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$0	\$0	\$0
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Reserved for Encumbrances	0	0	0
Unreserved, Undesignated	3,945	0	3,945
<i>Total Fund Balances</i>	<u>3,945</u>	<u>0</u>	<u>3,945</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,945</u>	<u>\$0</u>	<u>\$3,945</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, 2007

	Community Center	Service Center	Total Nonmajor Capital Projects Funds
Revenues			
Interest	\$212	\$266	\$478
<i>Total Revenues</i>	<u>212</u>	<u>266</u>	<u>478</u>
Expenditures			
Current:			
Capital Outlay	0	14,154	14,154
<i>Total Expenditures</i>	<u>0</u>	<u>14,154</u>	<u>14,154</u>
<i>Net Change in Fund Balances</i>	212	(13,888)	(13,676)
<i>Fund Balances Beginning of Year</i>	<u>3,733</u>	<u>13,888</u>	<u>17,621</u>
<i>Fund Balances End of Year</i>	<u><u>\$3,945</u></u>	<u><u>\$0</u></u>	<u><u>\$3,945</u></u>

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

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,552,568	\$1,541,788	\$1,541,788	\$0
Income Taxes	10,560,811	9,900,000	9,982,728	82,728
Other Local Taxes	560,000	554,537	559,592	5,055
Intergovernmental	1,003,705	1,157,247	1,149,180	(8,067)
Interest	375,000	435,000	449,601	14,601
Fines, Licenses and Permits	1,113,190	1,181,505	1,200,498	18,993
Charges for Services	167,650	187,421	192,544	5,123
Other	216,924	324,102	325,676	1,574
<i>Total Revenues</i>	<i>15,549,848</i>	<i>15,281,600</i>	<i>15,401,607</i>	<i>120,007</i>
Expenditures				
Current:				
Public Safety:				
Police:				
Personal Services	3,693,727	3,762,286	3,668,060	94,226
Other	409,015	409,015	343,190	65,825
Total Police	4,102,742	4,171,301	4,011,250	160,051
Fire:				
Personal Services	2,750,771	2,801,781	2,678,064	123,717
Other	336,118	382,118	321,672	60,446
Total Fire	3,086,889	3,183,899	2,999,736	184,163
Safety Director:				
Personal Services	51,564	52,757	52,349	408
Other	575	575	197	378
Total Safety Director	52,139	53,332	52,546	786
Total Public Safety	7,241,770	7,408,532	7,063,532	345,000
Public Health and Welfare:				
Senior Bus:				
Personal Services	47,739	49,234	37,586	11,648
Other	10,950	10,950	6,270	4,680
Total Public Health and Welfare	58,689	60,184	43,856	16,328

(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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Community Development:				
Planning and Zoning:				
Personal Services	\$73,941	\$78,566	\$72,670	\$5,896
Other	3,650	3,650	2,650	1,000
Total Planning and Zoning	77,591	82,216	75,320	6,896
Building:				
Personal Services	447,731	465,872	453,456	12,416
Other	30,296	53,176	44,304	8,872
Total Building	478,027	519,048	497,760	21,288
Engineer:				
Personal Services	933	854	854	0
Other	59,200	59,200	52,686	6,514
Total Engineer	60,133	60,054	53,540	6,514
Total Community Development	615,751	661,318	626,620	34,698
Economic Development:				
Personal Services	97,712	107,822	107,414	408
Other	65,579	65,579	56,510	9,069
Total Economic Development	163,291	173,401	163,924	9,477
Sanitation:				
Refuse Removal:				
Other	907,000	907,000	893,084	13,916
General Government:				
Mayor's Court:				
Personal Services	149,653	157,185	150,733	6,452
Other	65,224	66,974	49,535	17,439
Total Mayor's Court	214,877	224,159	200,268	23,891
Mayor:				
Personal Services	448,210	460,161	424,297	35,864
Other	21,708	21,708	16,691	5,017
Total Mayor	469,918	481,869	440,988	40,881

(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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Finance:				
Personal Services	\$463,521	\$493,790	\$469,646	\$24,144
Other	54,725	63,225	60,779	2,446
Total Finance	518,246	557,015	530,425	26,590
Law:				
Personal Services	236,931	247,013	244,462	2,551
Other	105,319	153,319	115,786	37,533
Total Law	342,250	400,332	360,248	40,084
Service:				
Personal Services	2,359,039	2,468,283	2,409,745	58,538
Other	342,900	376,940	301,844	75,096
Total Service	2,701,939	2,845,223	2,711,589	133,634
Facilities Maintenance:				
Personal Services	300,840	309,068	298,771	10,297
Other	217,730	217,730	194,114	23,616
Total Facilities Maintenance	518,570	526,798	492,885	33,913
Council:				
Personal Services	292,083	298,788	288,300	10,488
Other	31,232	31,232	11,794	19,438
Total Council	323,315	330,020	300,094	29,926
Boards and Commissions:				
Personal Services	3,934	3,916	2,129	1,787
Other	9,050	11,550	10,044	1,506
Total Boards and Commissions	12,984	15,466	12,173	3,293
City Hall:				
Other	639,203	741,608	609,575	132,033
Statutory Accounts:				
Other	613,471	624,829	575,088	49,741
Total General Government	6,354,773	6,747,319	6,233,333	513,986
Total Expenditures	15,341,274	15,957,754	15,024,349	933,405

(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, 2007

	<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>\$208,574</u>	<u>(\$676,154)</u>	<u>\$377,258</u>	<u>\$1,053,412</u>
Other Financing Sources (Uses)				
Advances In	45,748	45,748	45,748	0
Transfers Out	<u>(750,000)</u>	<u>(750,000)</u>	<u>(750,000)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(704,252)</u>	<u>(704,252)</u>	<u>(704,252)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(495,678)	(1,380,406)	(326,994)	1,053,412
<i>Fund Balance Beginning of Year</i>	2,908,113	2,908,113	2,908,113	0
Prior Year Encumbrances Appropriated	<u>183,388</u>	<u>183,388</u>	<u>183,388</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,595,823</u></u>	<u><u>\$1,711,095</u></u>	<u><u>\$2,764,507</u></u>	<u><u>\$1,053,412</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Income Taxes	\$1,565,000	\$1,485,000	\$1,473,643	(\$11,357)
Charges for Services	1,164,600	1,116,777	1,123,342	6,565
Other	1,000	1,000	4,211	3,211
<i>Total Revenues</i>	<u>2,730,600</u>	<u>2,602,777</u>	<u>2,601,196</u>	<u>(1,581)</u>
Expenditures				
Current:				
Culture and Recreation:				
Personal Services	1,934,033	1,956,858	1,865,014	91,844
Other	826,137	826,137	771,755	54,382
<i>Total Expenditures</i>	<u>2,760,170</u>	<u>2,782,995</u>	<u>2,636,769</u>	<u>146,226</u>
<i>Net Change in Fund Balance</i>	(29,570)	(180,218)	(35,573)	144,645
<i>Fund Balance Beginning of Year</i>	150,000	150,000	150,000	0
Prior Year Encumbrances Appropriated	<u>35,573</u>	<u>35,573</u>	<u>35,573</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$156,003</u>	<u>\$5,355</u>	<u>\$150,000</u>	<u>\$144,645</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$473,664	\$470,376	\$470,376	\$0
Income Taxes	1,980,000	1,980,000	1,980,000	0
Intergovernmental	59,796	60,222	60,706	484
Interest	2,065	2,065	2,066	1
<i>Total Revenues</i>	<u>2,515,525</u>	<u>2,512,663</u>	<u>2,513,148</u>	<u>485</u>
Expenditures				
Current:				
General Government	10,400	10,400	3,050	7,350
Debt Service:				
Principal Retirement	1,741,300	1,741,300	1,741,294	6
Interest and Fiscal Charges	758,100	758,100	758,093	7
<i>Total Expenditures</i>	<u>2,509,800</u>	<u>2,509,800</u>	<u>2,502,437</u>	<u>7,363</u>
<i>Net Change in Fund Balance</i>	5,725	2,863	10,711	7,848
<i>Fund Balance Beginning of Year</i>	<u>514,816</u>	<u>514,816</u>	<u>514,816</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$520,541</u>	<u>\$517,679</u>	<u>\$525,527</u>	<u>\$7,848</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, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Special Assessments	\$215,498	\$177,035	\$177,035	\$0
Interest	10,191	10,191	10,191	0
<i>Total Revenues</i>	<u>225,689</u>	<u>187,226</u>	<u>187,226</u>	<u>0</u>
Expenditures				
Current:				
General Government	12,354	12,354	1,793	10,561
Debt Service:				
Principal Retirement	137,825	137,825	137,802	23
Interest and Fiscal Charges	78,990	78,990	78,981	9
<i>Total Expenditures</i>	<u>229,169</u>	<u>229,169</u>	<u>218,576</u>	<u>10,593</u>
<i>Net Change in Fund Balance</i>	(3,480)	(41,943)	(31,350)	10,593
<i>Fund Balance Beginning of Year</i>	<u>730,710</u>	<u>730,710</u>	<u>730,710</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$727,230</u></u>	<u><u>\$688,767</u></u>	<u><u>\$699,360</u></u>	<u><u>\$10,593</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Capital Improvements Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Income Taxes	\$1,514,419	\$1,490,628	\$1,492,930	\$2,302
Charges for Services	15,350	11,950	18,624	6,674
Other	8,200	35,525	42,644	7,119
<i>Total Revenues</i>	<u>1,537,969</u>	<u>1,538,103</u>	<u>1,554,198</u>	<u>16,095</u>
Expenditures				
Current:				
Capital Outlay	232,109	2,622,245	2,386,207	236,038
<i>Total Expenditures</i>	<u>232,109</u>	<u>2,622,245</u>	<u>2,386,207</u>	<u>236,038</u>
<i>Net Change in Fund Balance</i>	1,305,860	(1,084,142)	(832,009)	252,133
<i>Fund Balance Beginning of Year</i>	1,241,119	1,241,119	1,241,119	0
Prior Year Encumbrances Appropriated	<u>91,767</u>	<u>91,767</u>	<u>91,767</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,638,746</u>	<u>\$248,744</u>	<u>\$500,877</u>	<u>\$252,133</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Construction Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$802,175	\$802,175	\$800,767	(\$1,408)
Interest	9,000	14,000	14,780	780
Other	0	10,937	10,937	0
<i>Total Revenues</i>	<u>811,175</u>	<u>827,112</u>	<u>826,484</u>	<u>(628)</u>
Expenditures				
Current:				
Transportation:				
Streets and Highways:				
Personal Services	707,164	705,545	667,857	37,688
Other	1,193,041	1,204,516	1,062,594	141,922
<i>Total Expenditures</i>	<u>1,900,205</u>	<u>1,910,061</u>	<u>1,730,451</u>	<u>179,610</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,089,030)</u>	<u>(1,082,949)</u>	<u>(903,967)</u>	<u>178,982</u>
Other Financing Sources				
Transfers In	750,000	750,000	750,000	0
<i>Net Change in Fund Balance</i>	(339,030)	(332,949)	(153,967)	178,982
<i>Fund Balance Beginning of Year</i>	174,018	174,018	174,018	0
Prior Year Encumbrances Appropriated	227,393	227,393	227,393	0
<i>Fund Balance End of Year</i>	<u>\$62,381</u>	<u>\$68,462</u>	<u>\$247,444</u>	<u>\$178,982</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, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$64,825	\$64,825	\$64,927	\$102
Interest	3,000	4,700	4,977	277
<i>Total Revenues</i>	<u>67,825</u>	<u>69,525</u>	<u>69,904</u>	<u>379</u>
Expenditures				
Current:				
Transportation:				
Streets and Highways:				
Other	<u>101,072</u>	<u>101,072</u>	<u>91,152</u>	<u>9,920</u>
<i>Net Change in Fund Balance</i>	(33,247)	(31,547)	(21,248)	10,299
<i>Fund Balance Beginning of Year</i>	68,647	68,647	68,647	0
Prior Year Encumbrances Appropriated	<u>37,300</u>	<u>37,300</u>	<u>37,300</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$72,700</u></u>	<u><u>\$74,400</u></u>	<u><u>\$84,699</u></u>	<u><u>\$10,299</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Clerk of Courts Computer Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines, Licenses and Permits	<u>\$10,000</u>	<u>\$10,000</u>	<u>\$12,100</u>	<u>\$2,100</u>
Expenditures				
Current:				
General Government:				
Other	<u>6,000</u>	<u>6,000</u>	<u>5,633</u>	<u>367</u>
<i>Net Change in Fund Balance</i>	4,000	4,000	6,467	2,467
<i>Fund Balance Beginning of Year</i>	<u>69,022</u>	<u>69,022</u>	<u>69,022</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$73,022</u></u>	<u><u>\$73,022</u></u>	<u><u>\$75,489</u></u>	<u><u>\$2,467</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$4,610	\$3,310	\$4,421	\$1,111
Fines, Licenses and Permits	1,500	5,045	7,159	2,114
<i>Total Revenues</i>	<u>6,110</u>	<u>8,355</u>	<u>11,580</u>	<u>3,225</u>
Expenditures				
Current:				
Public Safety:				
Other	2,765	4,765	3,071	1,694
<i>Net Change in Fund Balance</i>	3,345	3,590	8,509	4,919
<i>Fund Balance Beginning of Year</i>	76,087	76,087	76,087	0
Prior Year Encumbrances Appropriated	765	765	765	0
<i>Fund Balance End of Year</i>	<u>\$80,197</u>	<u>\$80,442</u>	<u>\$85,361</u>	<u>\$4,919</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, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for Services	\$216,000	\$204,500	\$210,170	\$5,670
Other	0	517	517	0
<i>Total Revenues</i>	<u>216,000</u>	<u>205,017</u>	<u>210,687</u>	<u>5,670</u>
Expenditures				
Current:				
Transportation:				
Public Safety:				
Personal Services	26,858	27,680	26,491	1,189
Other	85,179	565,179	562,977	2,202
<i>Total Expenditures</i>	<u>112,037</u>	<u>592,859</u>	<u>589,468</u>	<u>3,391</u>
<i>Excess of Revenues Over Expenditures</i>	103,963	(387,842)	(378,781)	9,061
Other Financing Sources				
Note Proceeds	0	115,690	115,690	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>115,690</u>	<u>115,690</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	103,963	(272,152)	(263,091)	9,061
<i>Fund Balance Beginning of Year</i>	265,640	265,640	265,640	0
Prior Year Encumbrances Appropriated	13,079	13,079	13,079	0
<i>Fund Balance End of Year</i>	<u>\$382,682</u>	<u>\$6,567</u>	<u>\$15,628</u>	<u>\$9,061</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Assistance to Firefighters Grant Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	<u>\$45,748</u>	<u>\$45,748</u>	<u>\$45,748</u>	<u>\$0</u>
Expenditures				
Current:				
Capital Outlay:				
Capital Outlay	<u>45,749</u>	<u>45,749</u>	<u>45,736</u>	<u>13</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1)</u>	<u>(1)</u>	<u>12</u>	<u>13</u>
Other Financing Sources				
Advances Out	<u>0</u>	<u>(45,748)</u>	<u>(45,748)</u>	<u>0</u>
<i>Total Other Financing Sources</i>	<u>0</u>	<u>(45,748)</u>	<u>(45,748)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1)	(45,749)	(45,736)	13
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	<u>45,749</u>	<u>45,749</u>	<u>45,749</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$45,748</u></u>	<u><u>\$0</u></u>	<u><u>\$13</u></u>	<u><u>\$13</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Pension Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$157,889	\$156,792	\$156,792	\$0
Intergovernmental	19,776	19,918	20,063	145
<i>Total Revenues</i>	<u>177,665</u>	<u>176,710</u>	<u>176,855</u>	<u>145</u>
Expenditures				
Current:				
Public Safety:				
Personal Services	160,000	160,000	160,000	0
Other	135	135	89	46
<i>Total Expenditures</i>	<u>160,135</u>	<u>160,135</u>	<u>160,089</u>	<u>46</u>
<i>Net Change in Fund Balance</i>	17,530	16,575	16,766	191
<i>Fund Balance Beginning of Year</i>	<u>1,532</u>	<u>1,532</u>	<u>1,532</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$19,062</u></u>	<u><u>\$18,107</u></u>	<u><u>\$18,298</u></u>	<u><u>\$191</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, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$157,889	\$156,792	\$156,792	\$0
Intergovernmental	19,776	19,918	20,063	145
<i>Total Revenues</i>	<u>177,665</u>	<u>176,710</u>	<u>176,855</u>	<u>145</u>
Expenditures				
Current:				
Public Safety:				
Personal Services	160,000	160,000	160,000	0
Other	135	135	89	46
<i>Total Expenditures</i>	<u>160,135</u>	<u>160,135</u>	<u>160,089</u>	<u>46</u>
<i>Net Change in Fund Balance</i>	17,530	16,575	16,766	191
<i>Fund Balance Beginning of Year</i>	1,532	1,532	1,532	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$19,062</u></u>	<u><u>\$18,107</u></u>	<u><u>\$18,298</u></u>	<u><u>\$191</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	<u>\$2,550</u>	<u>\$1,250</u>	<u>\$1,225</u>	<u>(\$25)</u>
Expenditures				
Current:				
General Government:				
Other	<u>8,572</u>	<u>7,272</u>	<u>1,695</u>	<u>5,577</u>
<i>Net Change in Fund Balance</i>	(6,022)	(6,022)	(470)	5,552
<i>Fund Balance Beginning of Year</i>	<u>6,022</u>	<u>6,022</u>	<u>6,022</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$5,552</u></u>	<u><u>\$5,552</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Veteran's Memorial Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$300	\$300	\$430	\$130
Other	500	500	615	115
<i>Total Revenues</i>	<u>800</u>	<u>800</u>	<u>1,045</u>	<u>245</u>
Expenditures				
Current:				
General Government:				
Other	6,306	6,306	375	5,931
<i>Net Change in Fund Balance</i>	(5,506)	(5,506)	670	6,176
<i>Fund Balance Beginning of Year</i>	<u>7,351</u>	<u>7,351</u>	<u>7,351</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,845</u></u>	<u><u>\$1,845</u></u>	<u><u>\$8,021</u></u>	<u><u>\$6,176</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, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$181,531	\$180,623	\$180,623	\$0
Intergovernmental	33,783	34,263	34,263	0
<i>Total Revenues</i>	<u>215,314</u>	<u>214,886</u>	<u>214,886</u>	<u>0</u>
Expenditures				
Current:				
Public Health and Welfare:				
Other	210,023	214,886	214,886	0
<i>Net Change in Fund Balance</i>	5,291	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>\$5,291</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, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	<u>\$150</u>	<u>\$150</u>	<u>\$212</u>	<u>\$62</u>
Expenditures				
Current:				
Capital Outlay:				
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	150	150	212	62
<i>Fund Balance Beginning of Year</i>	<u>3,733</u>	<u>3,733</u>	<u>3,733</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$3,883</u></u>	<u><u>\$3,883</u></u>	<u><u>\$3,945</u></u>	<u><u>\$62</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, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	<u>\$500</u>	<u>\$266</u>	<u>\$266</u>	<u>\$0</u>
Expenditures				
Current:				
Capital Outlay:				
Capital Outlay	<u>0</u>	<u>14,154</u>	<u>14,154</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	500	(13,888)	(13,888)	0
<i>Fund Balance Beginning of Year</i>	<u>13,888</u>	<u>13,888</u>	<u>13,888</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$14,388</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Health Insurance Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for Service	<u>\$1,537,416</u>	<u>\$1,456,285</u>	<u>\$1,456,314</u>	<u>\$29</u>
Expenditures				
General Government:				
Other	<u>1,630,016</u>	<u>1,630,016</u>	<u>1,558,432</u>	<u>71,584</u>
<i>Net Change in Fund Balance</i>	(92,600)	(173,731)	(102,118)	71,613
<i>Fund Balance Beginning of Year</i>	649,693	649,693	649,693	0
Prior Year Encumbrances Appropriated	<u>313</u>	<u>313</u>	<u>313</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$557,406</u></u>	<u><u>\$476,275</u></u>	<u><u>\$547,888</u></u>	<u><u>\$71,613</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, 2007

	Beginning Balance 12/31/06	Additions	Deductions	Ending Balance 12/31/07
<i>Flexible Spending Account</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$0	\$46,083	\$46,083	\$0
Liabilities				
Deposits Held and Due to Others	\$0	\$46,083	\$46,083	\$0
<i>Board of Buildings Standards Fee</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$58	\$6,313	\$6,033	\$338
Liabilities				
Deposits Held and Due to Others	\$58	\$6,313	\$6,033	\$338
<i>Mayor's Court</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$62,745	\$913,535	\$921,544	\$54,736
Liabilities				
Deposits Held and Due to Others	\$62,745	\$913,535	\$921,544	\$54,736
<i>Deposits</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$203,017	\$105,915	\$161,360	\$147,572
Liabilities				
Deposits Held and Due to Others	\$203,017	\$105,915	\$161,360	\$147,572
<i>Total - All Agency Funds</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$265,820	\$1,071,846	\$1,135,020	\$202,646
Liabilities				
Deposits Held and Due to Others	\$265,820	\$1,071,846	\$1,135,020	\$202,646

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Statistical Section

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

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

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

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

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

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

<i>Ratios of General Bonded Debt and Legal Debt Margins-Last Ten Years</i>	100
<i>Computation of Direct and Overlapping Debt</i>	102

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

<i>Demographic and Economic Statistics-Last Ten Years</i>	103
<i>Principal Employers-Current Year and Five Years Ago</i>	104

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

<i>Full-time City Employees by Function/Program-Last Ten Years</i>	105
<i>Operating Indicators by Function/Program-Last Ten Years</i>	106
<i>Capital Asset Statistics by Function/Program-Last Ten Years</i>	108

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

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City of Middleburg Heights, Ohio

Net Assets by Component

Last Six Years

(accrual basis of accounting)

	2007	2006	2005	2004	2003	2002
Governmental Activities						
Invested in Capital Assets, Net of Related Debt	\$33,862,810	\$32,770,521	\$31,196,151	\$29,822,417	\$28,782,469	\$26,448,543
Restricted for:						
Capital Projects	1,529,607	1,596,987	551,559	442,211	1,131,259	1,779,854
Debt Service	3,237,703	3,312,729	3,939,645	4,128,272	4,673,180	5,576,849
Other Purposes	396,550	368,712	398,548	418,588	404,227	1,631,319
Unrestricted	4,868,489	4,760,416	4,085,445	5,270,879	7,330,254	6,489,076
Total Net Assets	<u>\$43,895,159</u>	<u>\$42,809,365</u>	<u>\$40,171,348</u>	<u>\$40,082,367</u>	<u>\$42,321,389</u>	<u>\$41,925,641</u>

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

	2007	2006	2005	2004	2003	2002
Program Revenues						
Governmental Activities:						
Charges for Services:						
Security of Persons and Property:						
Police	\$760,864	\$672,077	\$679,012	\$766,507	\$743,258	\$385,002
Fire	394,681	384,615	355,800	357,415	424,981	244,939
Safety Director	0	0	0	0	0	0
Public Health and Welfare	5,929	2,739	0	0	0	0
Culture and Recreation	1,121,296	1,105,925	1,054,775	992,986	921,023	777,934
Community Development	353,339	354,273	329,658	198,759	217,690	255,325
Economic Development	1,750	500	0	0	0	0
Streets and Highways	0	758	4,867	0	0	17,270
Sanitation	0	0	0	0	0	0
General Government	164,540	227,337	174,977	214,146	153,359	99,619
Interest and Fiscal Charges	0	0	0	0	0	0
Operating Grants and Contributions	862,363	938,974	761,102	756,071	689,679	633,117
Capital Grants and Contributions	184,981	1,138,124	1,153,013	539,301	1,362,161	1,231,366
Total Governmental Activities Program Revenues	3,849,743	4,825,322	4,513,204	3,825,185	4,512,151	3,644,572
Expenses						
Governmental Activities:						
Security of Persons and Property:						
Police	4,441,487	4,234,859	4,341,528	4,343,435	3,998,227	3,604,024
Fire	3,588,665	3,260,065	3,208,411	3,026,842	2,851,306	2,934,924
Safety Director	53,720	50,592	48,360	45,650	42,266	31,107
Public Health and Welfare	263,939	256,254	246,274	258,754	253,092	249,733
Culture and Recreation	3,159,631	3,013,378	3,080,371	3,152,424	2,924,858	2,800,419
Community Development	645,709	589,575	632,819	631,527	605,855	537,174
Economic Development	163,873	95,056	0	0	0	0
Streets and Highways	2,679,466	2,089,356	2,642,158	3,345,946	2,901,524	2,675,763
Sanitation	948,598	851,522	767,324	729,743	716,221	692,434

General Government	6,871,475	6,132,310	6,308,086	6,295,289	5,912,798	5,621,897
Interest and Fiscal Charges	836,386	905,016	974,678	1,045,256	1,127,571	1,210,872
<i>Total Governmental Activities Expenses</i>	23,652,949	21,477,983	22,250,009	22,874,866	21,333,718	20,358,347

Net (Expense)/Revenue

Governmental Activities:

Security of Persons and Property:

Police	(3,680,623)	(3,562,782)	(3,647,516)	(3,576,928)	(3,254,969)	(3,219,022)
Fire	(3,193,984)	(2,270,366)	(2,851,611)	(2,669,427)	(2,426,325)	(2,685,481)
Safety Director	(53,720)	(50,592)	(48,360)	(45,650)	(42,266)	(31,107)
Public Health and Welfare	(258,010)	(253,515)	(246,274)	(258,754)	(253,092)	(249,733)
Culture and Recreation	(2,038,335)	(1,907,453)	(2,025,596)	(2,159,438)	(2,003,835)	(2,022,485)
Community Development	(292,370)	(235,302)	(303,161)	(432,768)	(388,165)	(281,849)
Economic Development	(162,123)	(94,556)	0	0	0	0
Streets and Highways	(1,632,122)	(616,584)	(739,176)	(2,050,574)	(849,684)	(798,514)
Sanitation	(948,598)	(851,522)	(767,324)	(729,743)	(716,221)	(692,434)
General Government	(6,706,935)	(5,904,973)	(6,133,109)	(6,081,143)	(5,759,439)	(5,522,278)
Interest and Fiscal Charges	(836,386)	(905,016)	(974,678)	(1,045,256)	(1,127,571)	(1,210,872)
<i>Total Net Expense</i>	(19,803,206)	(16,652,661)	(17,736,805)	(19,049,681)	(16,821,567)	(16,713,775)

General Revenues

Property and Other Local Taxes Levied for:

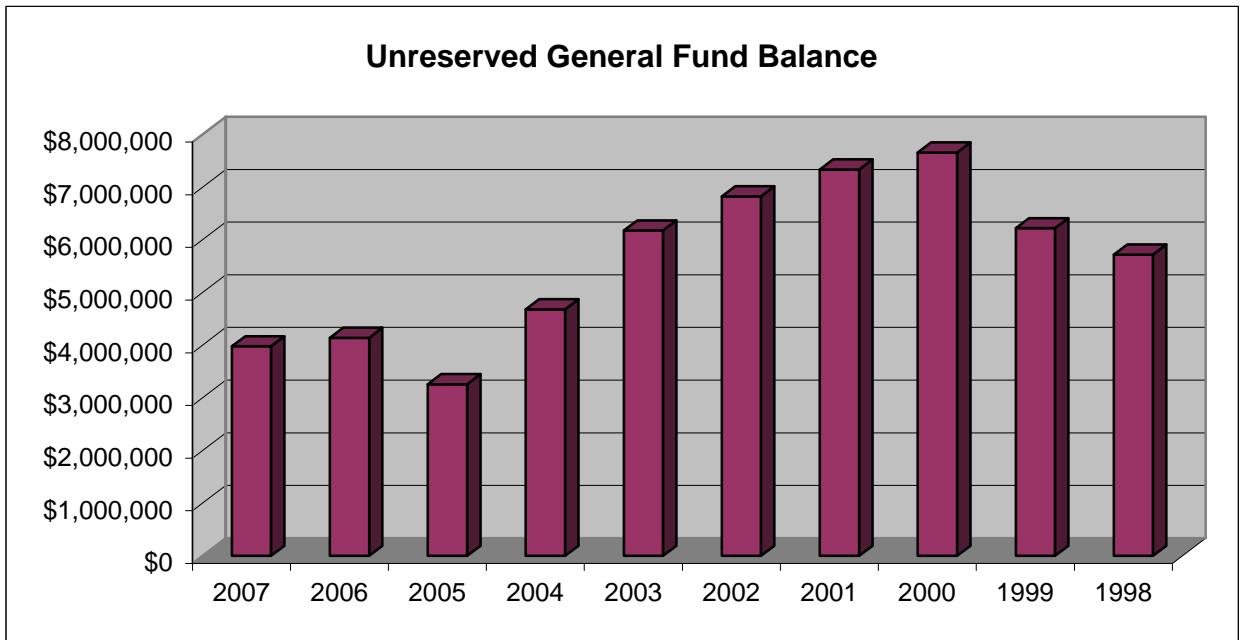
General Purposes	2,104,512	2,009,978	1,927,455	1,947,370	1,871,807	1,939,239
Debt Service	473,010	439,446	422,528	491,408	453,296	533,931
Police and Fire Pension	315,340	292,962	281,686	297,148	271,698	281,718
Public Health and Welfare	180,878	189,236	183,855	198,408	187,195	196,787
Income Tax Levied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

Change in Net Assets

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

	2007	2006	2005	2004
General Fund				
Reserved	\$277,339	\$240,571	\$327,660	\$120,798
Unreserved	3,979,593	4,139,005	3,258,029	4,435,260
<i>Total General Fund</i>	<u>4,256,932</u>	<u>4,379,576</u>	<u>3,585,689</u>	<u>4,556,058</u>
All Other Governmental Funds				
Reserved	1,337,031	371,017	501,387	382,321
Unreserved, undesignated, reported in:				
Special Revenue Funds	842,138	924,331	970,785	1,328,350
Debt Service Funds	1,543,119	1,511,672	2,031,226	2,077,031
Capital Project Funds	755,356	1,432,101	210,352	241,389
<i>Total All Other Governmental Funds</i>	<u>4,477,644</u>	<u>4,239,121</u>	<u>3,713,750</u>	<u>4,029,091</u>
<i>Total Governmental Funds</i>	<u><u>\$8,734,576</u></u>	<u><u>\$8,618,697</u></u>	<u><u>\$7,299,439</u></u>	<u><u>\$8,585,149</u></u>



2003	2002	2001	2000	1999	1998
\$174,103	\$263,148	\$198,069	\$139,629	\$129,262	\$54,654
6,177,201	6,826,747	7,335,563	7,659,445	6,221,129	5,718,045
6,351,304	7,089,895	7,533,632	7,799,074	6,350,391	5,772,699
655,210	1,059,121	1,618,797	1,650,361	7,629,199	6,649,881
1,369,563	1,102,511	638,624	764,510	972,446	888,246
2,494,452	3,299,397	2,885,400	2,704,882	2,444,514	2,299,815
871,104	978,663	885,471	1,315,279	2,310,711	16,711,599
5,390,329	6,439,692	6,028,292	6,435,032	13,356,870	26,549,541
<u>\$11,741,633</u>	<u>\$13,529,587</u>	<u>\$13,561,924</u>	<u>\$14,234,106</u>	<u>\$19,707,261</u>	<u>\$32,322,240</u>

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

	2007	2006	2005	2004
Revenues				
Property Taxes	\$2,506,371	\$2,399,205	\$2,321,783	\$2,368,704
Income Taxes	15,421,461	13,754,427	12,914,040	12,554,485
Other Local Taxes	554,088	569,575	542,499	532,080
Intergovernmental	2,136,074	3,259,702	2,101,960	2,405,486
Special Assessments	177,035	223,391	220,757	257,223
Interest	537,883	456,495	287,866	153,393
Fines, Licenses and Permits	1,234,800	1,116,500	1,138,066	1,139,530
Charges for Services	1,545,425	1,594,664	1,450,352	1,422,075
Other	358,957	309,760	286,986	246,698
Total Revenues	24,472,094	23,683,719	21,264,309	21,079,674
Expenditures				
Current:				
General Government:				
Security of Persons and Property	7,522,883	7,055,890	7,220,518	7,187,492
Public Health and Welfare	259,832	252,147	242,167	251,187
Culture and Recreation	2,614,153	2,554,708	2,631,011	2,648,981
Community Development	626,627	570,045	638,449	623,163
Economic Development	161,916	86,653	0	0
Streets and Highways	1,581,516	1,322,841	1,758,966	1,618,920
Sanitation	948,598	851,522	767,324	729,743
General Government	6,166,876	5,609,843	5,814,271	5,866,851
Capital Outlay	1,735,992	1,446,315	745,997	2,503,769
Debt Service:				
Principal Retirement	1,900,036	1,833,587	1,783,106	1,757,653
Interest and Fiscal Charges	841,476	908,485	977,988	1,048,399
Total Expenditures	24,359,905	22,492,036	22,579,797	24,236,158
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>112,189</u>	<u>1,191,683</u>	<u>(1,315,488)</u>	<u>(3,156,484)</u>
Other Financing Sources (Uses)				
General Obligation Bonds Issued	0	0	0	0
Premium on Debt Issuance	690	0	0	0
Payments to Refund Bonds	0	0	0	0
Sale of Capital Assets	3,000	7,475	29,778	0
Inception of Capital Lease	0	120,100	0	0
Transfers In	750,000	1,488,000	850,000	797,018
Transfers Out	(750,000)	(1,488,000)	(850,000)	(797,018)
<i>Total Other Financing Sources (Uses)</i>	<u>3,690</u>	<u>127,575</u>	<u>29,778</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u><u>\$115,879</u></u>	<u><u>\$1,319,258</u></u>	<u><u>(\$1,285,710)</u></u>	<u><u>(\$3,156,484)</u></u>
Debt Service as a percentage of noncapital expenditures	11.71%	13.09%	12.98%	12.08%

2003	2002	2001	2000	1999	1998
\$2,245,912	\$2,288,560	\$2,095,127	\$1,866,997	\$1,846,314	\$1,814,822
12,555,322	12,303,925	12,720,629	12,834,407	12,331,122	11,360,703
581,244	601,078	684,553	718,032	679,142	647,313
3,033,358	1,945,744	6,215,508	2,296,007	6,677,949	2,478,101
212,521	386,563	141,037	129,693	120,116	81,013
225,762	393,370	817,361	1,212,912	1,490,742	1,034,247
1,071,550	708,045	680,870	775,737	817,432	1,046,276
1,419,832	991,998	874,296	811,018	199,220	169,839
271,142	494,481	196,619	306,831	270,118	460,024
<u>21,616,643</u>	<u>20,113,764</u>	<u>24,426,000</u>	<u>20,951,634</u>	<u>24,432,155</u>	<u>19,092,338</u>
6,356,082	5,918,175	5,962,994	4,905,637	4,877,775	4,454,615
244,428	240,355	20,524	20,879	19,522	23,912
2,485,636	2,328,033	2,202,176	1,608,700	435,125	389,703
598,079	522,904	486,411	405,971	389,869	365,493
0	0	0	0	0	0
1,529,623	1,328,920	995,240	860,832	914,634	754,094
716,221	692,434	670,964	641,825	612,634	601,783
5,373,213	4,966,300	4,726,051	4,560,407	3,857,675	3,184,734
3,273,070	2,717,128	7,292,919	10,473,147	22,946,586	6,196,780
1,697,225	1,696,822	1,716,441	1,657,007	1,435,100	295,100
1,131,020	1,252,987	1,291,137	1,342,311	1,775,295	337,521
<u>23,404,597</u>	<u>21,664,058</u>	<u>25,364,857</u>	<u>26,476,716</u>	<u>37,264,215</u>	<u>16,603,735</u>
<u>(1,787,954)</u>	<u>(1,550,294)</u>	<u>(938,857)</u>	<u>(5,525,082)</u>	<u>(12,832,060)</u>	<u>2,488,603</u>
0	905,000	0	0	216,000	29,715,682
0	0	0	0	0	0
0	0	0	0	0	(3,815,682)
0	0	0	0	0	0
0	0	0	0	0	0
1,227,083	1,111,466	765,067	206,599	772,834	846,171
<u>(1,227,083)</u>	<u>(1,111,466)</u>	<u>(702,338)</u>	<u>(206,599)</u>	<u>(771,891)</u>	<u>(816,940)</u>
<u>0</u>	<u>905,000</u>	<u>62,729</u>	<u>0</u>	<u>216,943</u>	<u>25,929,231</u>
<u>(\$1,787,954)</u>	<u>(\$645,294)</u>	<u>(\$876,128)</u>	<u>(\$5,525,082)</u>	<u>(\$12,615,117)</u>	<u>\$28,417,834</u>

13.38%

14.75%

12.36%

16.56%

14.96%

4.93%

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

Year	Property Taxes	Income Taxes	Other Local Taxes	Total
2007*	\$2,506,371	\$15,421,461	\$554,088	\$18,481,920
2006	2,399,205	13,754,427	569,575	16,723,207
2005	2,321,783	12,914,040	542,499	15,778,322
2004	2,368,704	12,554,485	532,080	15,455,269
2003	2,245,912	12,555,322	581,244	15,382,478
2002	2,288,560	12,303,925	601,078	15,193,563
2001	2,095,127	12,720,629	684,553	15,500,309
2000	1,866,997	12,834,407	718,032	15,419,436
1999	1,846,314	12,331,122	679,142	14,856,578
1998	1,601,822	11,360,703	647,313	13,609,838

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

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

Tax Year	Tax Rate	Total Tax Collected	Taxes from Withholding	Percentage of Taxes from Withholding	Taxes from Individuals	Percentage of Taxes from Individuals	Taxes from Net Profits	Percentage of Taxes from Net Profits
2007*	2.00%	\$ 14,954,277	\$ 12,551,335	83.9%	\$ 883,312	5.9%	\$1,519,630	10.2%
2006	1.75%	13,426,469	11,102,728	82.7%	777,397	5.8%	1,546,344	11.5%
2005	1.75%	12,441,974	10,426,199	83.8%	792,071	6.4%	1,223,704	9.8%
2004	1.75%	12,608,294	10,855,024	86.1%	718,757	5.7%	1,034,513	8.2%
2003	1.75%	12,592,155	10,461,929	83.1%	768,988	6.1%	1,361,238	10.8%
2002	1.75%	12,021,744	10,393,208	86.4%	768,275	6.4%	860,261	7.2%
2001	1.75%	12,369,314	10,488,588	84.8%	824,298	6.7%	1,056,428	8.5%
2000	1.75%	12,494,592	10,704,686	85.7%	777,193	6.2%	1,012,713	8.1%
1999	1.75%	11,843,640	10,038,164	84.8%	833,376	7.0%	972,100	8.2%
1998	1.75%	10,743,000	8,990,450	83.7%	847,956	7.9%	904,594	8.4%

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

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

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

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

2007

Rank	Taxpayer
1	Southwest General Hospital
2	United Parcel Service
3	Amerimark Direct LLC
4	UPS Supply Chain Solutions Inc.
5	City of Middleburg Heights
6	Berea City School District
7	Codonics, Inc.
8	Thyssenkrupp Materials, Inc.
9	Polaris Joint Vocational School
10	Advanstar Communications Incorporated

1998

2007 Rank	Rank	Taxpayer
1	1	Southwest General Hospital
2	2	United Parcel Service
-	3	Compuware Corporation
10	4	Advanstar Communications Incorporated
22	5	Sears Roebuck and Company
6	6	Berea City School District
9	7	Polaris Joint Vocational School
5	8	City of Middleburg Heights
-	9	DMD Management Incorporated
-	10	Tool Producers Incorporated

Source: Regional Income Tax Agency

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

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

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

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

Source: Cuyahoga County Auditor

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

Tax Year/ Collection Year	Real Property (1)			Personal Property (1)			Public Utility Property (1)			Total			Ratio of Total Assessed	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Value To Estimated	Actual Value
1998/1999	374,433,000	1,069,808,571	48,791,605	195,166,420	20,858,100	23,702,386	444,082,705	1,288,677,377	34.5%					
1999/2000	388,560,540	1,110,172,971	47,131,859	188,527,436	19,100,640	21,705,273	454,793,039	1,320,405,680	34.4%					
2000/2001	452,686,520	1,293,390,057	48,858,969	195,435,876	18,908,480	21,486,909	520,453,969	1,510,312,842	34.5%					
2001/2002	456,826,300	1,305,218,000	47,573,331	190,293,324	14,925,620	16,960,932	519,325,251	1,512,472,256	34.3%					
2002/2003	464,168,000	1,326,194,286	46,222,909	184,891,636	13,550,990	15,398,852	523,941,899	1,526,484,774	34.3%					
2003/2004	491,230,770	1,403,516,486	44,252,676	177,010,704	13,459,950	15,295,398	548,943,396	1,595,822,588	34.4%					
2004/2005	498,434,550	1,424,098,714	45,358,039	197,208,815	13,200,050	15,000,057	556,992,639	1,636,307,586	34.0%					
2005/2006	494,600,890	1,413,145,400	45,922,606	199,663,504	11,822,630	13,434,807	552,346,126	1,626,243,711	34.0%					
2006/2007	538,328,450	1,538,081,285	38,632,772	206,041,450	11,795,370	13,403,829	588,756,592	1,757,526,564	33.5%					
2007/2008	542,446,760	1,549,847,885	26,697,752	213,582,016	9,997,300	11,360,568	579,141,812	1,774,790,469	32.6%					

(1) The percentages for tax year 2007 were 35% for all real property, 88% for Public Utility Tangible, 12.5% for tangible personal property.

Source: Cuyahoga County Auditor

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

Tax Year/ Collection Year	Current Levy (1)	Current Collections	Percent of Current Levy Collected	Collection Including Delinquencies (1)	Total Collections As Percent of Current Levy	Accumulated Delinquency
1997/1998	1,959,435	1,878,618	95.9	1,934,025	98.7	75,024
1998/1999	1,980,787	1,935,119	97.7	1,962,836	99.1	71,546
1999/2000	2,042,289	1,973,594	96.6	2,017,915	98.8	94,684
2000/2001	2,297,430	2,191,586	95.4	2,285,460	99.5	105,464
2001/2002	2,340,255	2,216,737	94.7	2,291,772	97.9	163,897
2002/2003	2,294,350	2,196,677	95.7	2,256,797	98.4	115,621
2003/2004	2,420,193	2,292,801	94.7	2,354,793	97.4	162,854
2004/2005	2,453,253	2,277,192	92.8	2,340,210	95.4	111,224
2005/2006	2,423,430	2,299,832	94.9	2,363,723	97.5	84,041
2006/2007	2,619,454	2,501,316	95.5	2,550,730	97.4	90,448

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

Source: Cuyahoga County Auditor

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

	2007	2006	2005
General Obligation Bonds	\$14,796,884	\$16,423,178	\$18,110,804
Percent of estimated actual property value	0.83%	0.93%	1.11%
Per Capita	\$952.06	\$1,056.70	\$1,165.28
Special Assessment Bonds	1,509,480	1,647,282	1,763,243
Bond Anticipation Notes	0	0	0
Total Gross Indebtedness	<u>16,306,364</u>	<u>18,070,460</u>	<u>19,874,047</u>
Percentage of Personal Income	4.16%	4.61%	5.07%
Per Capita	\$1,049.18	\$1,162.69	\$1,278.73
Less:			
Special Assessment Bonds	(1,509,480)	(1,647,282)	(1,763,243)
Community Center Bonds	(8,853,500)	(9,783,500)	(10,703,500)
Service Center Bonds	(4,258,500)	(4,708,500)	(5,128,500)
General Obligation Bond Retirement Fund Balance	<u>(842,882)</u>	<u>(780,071)</u>	<u>(1,331,605)</u>
Total Net Debt Applicable to Debt Limit	<u>842,002</u>	<u>1,151,107</u>	<u>947,199</u>
Overall Legal Debt Limit			
10 1/2% of Assessed Valuation	<u>60,809,890</u>	<u>61,819,442</u>	<u>57,996,343</u>
Legal Debt Margin Within 10 1/2% Limitations	<u>\$59,967,888</u>	<u>\$60,668,335</u>	<u>\$57,049,144</u>
Legal Debt Margin as a Percentage of the Debt Limit	98.62%	98.14%	98.37%
Unvoted Debt Limitation			
5 1/2% of Assessed Valuation	\$31,852,800	\$32,381,613	\$30,379,037
Net Unvoted Indebtedness Authorized by Council	16,306,364	18,070,460	19,874,047
Less:			
Special Assessment Bonds	(1,509,480)	(1,647,282)	(1,763,243)
Community Center Bonds	(8,853,500)	(9,783,500)	(10,703,500)
Service Center Bonds	(4,258,500)	(4,708,500)	(5,128,500)
General Obligation Bond Retirement Fund Balance	<u>(842,882)</u>	<u>(780,071)</u>	<u>(1,331,605)</u>
Net Debt Within 5 1/2% Limitations	<u>842,002</u>	<u>1,151,107</u>	<u>947,199</u>
Unvoted Legal Debt Margin Within 5 1/2% Limitations	<u>\$31,010,798</u>	<u>\$31,230,506</u>	<u>\$29,431,838</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation	97.36%	96.45%	96.88%

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

2004	2003	2002	2001	2000	1999	1998
\$19,769,318	\$21,408,718	\$22,989,008	\$24,621,629	\$26,264,138	\$27,858,536	\$29,239,153
1.21%	1.34%	1.51%	1.63%	1.74%	2.11%	2.27%
\$1,271.99	\$1,377.48	\$1,479.15	\$1,584.20	\$1,689.88	\$1,894.88	\$1,988.79
1,887,835	2,006,087	2,123,022	1,282,223	1,356,155	1,418,764	1,257,247
0	500,000	600,000	2,215,000	920,000	1,600,000	5,500,000
<u>21,657,153</u>	<u>23,914,805</u>	<u>25,712,030</u>	<u>28,118,852</u>	<u>28,540,293</u>	<u>30,877,300</u>	<u>35,996,400</u>
5.53%	6.11%	6.56%	7.18%	7.29%	11.57%	13.48%
\$1,393.46	\$1,538.72	\$1,654.36	\$1,809.22	\$1,836.33	\$2,100.21	\$2,448.40
(1,887,835)	(2,006,087)	(2,123,022)	(1,282,223)	(1,356,155)	(1,418,764)	(1,257,247)
(11,613,500)	(12,513,500)	(13,383,500)	(14,218,500)	(15,023,500)	(15,797,500)	(16,467,500)
(5,538,500)	(5,948,500)	(6,348,500)	(6,738,500)	(7,188,500)	(7,632,500)	(7,997,500)
<u>(1,392,721)</u>	<u>(1,694,483)</u>	<u>(1,995,372)</u>	<u>(1,936,630)</u>	<u>(1,799,118)</u>	<u>(1,599,200)</u>	<u>(1,480,840)</u>
<u>1,224,597</u>	<u>1,752,235</u>	<u>1,861,636</u>	<u>3,942,999</u>	<u>3,173,020</u>	<u>4,429,336</u>	<u>8,793,313</u>
<u>58,484,227</u>	<u>57,639,057</u>	<u>55,013,899</u>	<u>54,529,151</u>	<u>54,647,667</u>	<u>47,753,269</u>	<u>46,628,684</u>
<u>\$57,259,630</u>	<u>\$55,886,822</u>	<u>\$53,152,263</u>	<u>\$50,586,152</u>	<u>\$51,474,647</u>	<u>\$43,323,933</u>	<u>\$37,835,371</u>
97.91%	96.96%	96.62%	92.77%	94.19%	90.72%	81.14%
\$30,634,595	\$30,191,887	\$28,816,804	\$28,562,889	\$28,624,968	\$25,013,617	\$24,424,549
21,657,153	23,914,805	25,712,030	28,118,852	28,540,293	30,877,300	35,996,400
(1,887,835)	(2,006,087)	(2,123,022)	(1,282,223)	(1,356,155)	(1,418,764)	(1,257,247)
(11,613,500)	(12,513,500)	(13,383,500)	(14,218,500)	(15,023,500)	(15,797,500)	(16,467,500)
(5,538,500)	(5,948,500)	(6,348,500)	(6,738,500)	(7,188,500)	(7,632,500)	(7,997,500)
<u>(1,392,721)</u>	<u>(1,694,483)</u>	<u>(1,995,372)</u>	<u>(1,936,630)</u>	<u>(1,799,118)</u>	<u>(1,599,200)</u>	<u>(1,480,840)</u>
<u>1,224,597</u>	<u>1,752,235</u>	<u>1,861,636</u>	<u>3,942,999</u>	<u>3,173,020</u>	<u>4,429,336</u>	<u>8,793,313</u>
<u>\$29,409,998</u>	<u>\$28,439,652</u>	<u>\$26,955,168</u>	<u>\$24,619,890</u>	<u>\$25,451,948</u>	<u>\$20,584,281</u>	<u>\$15,631,236</u>
96.00%	94.20%	93.54%	86.20%	88.92%	82.29%	64.00%

City of Middleburg Heights, Ohio
Computation of Direct and Overlapping Debt
December 31, 2007

Jurisdiction	Debt Outstanding	Percentage Applicable To City of Middleburg Heights	Amount Applicable To City of Middleburg Heights
Direct:			
City of Middleburg Heights	\$ 16,306,364 (a)	100.00%	\$ 16,306,364
Overlapping:			
Berea School District	18,617,802 (b)	36.76%	6,843,904
Cuyahoga County	194,593,691 (b)	1.78%	3,463,768
Greater Cleveland Regional Transit	147,385,000 (b)	1.78%	2,623,453
Total Overlapping	<u>360,596,493</u>		<u>12,931,125</u>
Total Direct and Overlapping	<u>\$ 376,902,857</u>		<u>\$ 29,237,489</u>

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

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

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

Year	Population (1)		Total Personal Income (2)	Per Capita Personal Income (1)		Median Household Income (1)		Unemployment Rate (3)
2007	15,542	a	\$391,673,942	\$25,201	a	\$60,015	a	5.9%
2006	15,542	a	\$391,673,942	\$25,201	a	\$60,015	a	5.4%
2005	15,542	a	391,673,942	25,201	a	60,015	a	6.5%
2004	15,542	a	391,673,942	25,201	a	60,015	a	6.5%
2003	15,542	a	391,673,942	25,201	a	60,015	a	6.7%
2002	15,542	a	391,673,942	25,201	a	60,015	a	6.5%
2001	15,542	a	391,673,942	25,201	a	60,015	a	4.6%
2000	15,542	a	391,673,942	25,201	a	60,015	a	4.4%
1999	14,702	b	266,958,916	18,158	b	37,298	b	4.5%
1998	14,702	b	266,958,916	18,158	b	37,298	b	4.4%

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

(a) 2000 Federal Census

(b) 1990 Federal Census

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

(3) Source: Ohio Bureau of Employment Services,

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

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

2007		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Southwest General Hospital	2,720	14.62%
United Parcel Service	2,110	11.34%
City of Middleburg Heights	420	2.26%
Polaris Joint Vocational	419	2.25%
Amerimark Direct LLC	410	2.20%
Berea City School District	276	1.48%
UPS Supply Chain Solutions Inc.	251	1.35%
Advanstar Communications	212	1.14%
Codonics, Inc.	167	0.90%
Sunnyside Automotive	149	0.80%
Total	7,134	38.34%
Total City Employment	18,609	

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

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

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

Function/Program	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
General Government:										
Council	2	2	2	2	2	2	2	2	2	2
Finance	5	5	5	5	5	5	5	5	5	5
Law	2	2	2	2	2	2	2	2	2	2
Mayor's Court	2	2	2	2	2	2	2	2	2	2
Mayor's Office	4	4	4	4	4	4	4	4	4	4
Public Service	33	32	33	33	33	32	32	31	23	21
Community Development:										
Planning & Zoning	1	1	1	1	1	1	1	1	1	1
Building	5	5	5	5	5	5	5	5	4	4
Economic Development:										
	1	1	0	0	0	0	0	0	0	0
Public Safety:										
Police	38	38	39	41	41	40	40	39	39	36
Fire	26	26	26	26	27	27	28	25	25	25
Culture and Recreation:										
Programs	2	2	2	2	2	2	2	2	6	3
Recreation Center	11	11	11	12	12	13	12	12	0	0
Streets and Highways:										
Street Department	10	11	12	12	12	12	12	12	11	8
Totals:	<u>142</u>	<u>142</u>	<u>144</u>	<u>147</u>	<u>148</u>	<u>147</u>	<u>147</u>	<u>142</u>	<u>124</u>	<u>113</u>

Source: City of Middleburg Heights, Finance Department

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

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Operating Indicators by Function/Program										
Fire										
Emergency Responses	2,565	2,431	2,471	2,355	2,424	2,163	2,063	1,968	1,982	1,693
Ambulance runs	1,711	1,606	1,755	1,738	1,866	1,709	1,475	1,354	1,372	1,187
Fire Runs	854	825	716	617	558	454	588	614	610	506
Fire Safety Inspections/Re-Inspections	387	230	267	231	283	387	802	667	412	520
Fire Protection Systems Inspected	331	129	208	355	380	195	178	260	215	193
Building/Fire Protection Plan Review	300	275	261	173	15	N/A	N/A	N/A	N/A	N/A
Number of Community Program Hours	180	218	220	125	94	80	124	64	32	N/A
Hydrants Tested	1,100	1,100	1,100	1,078	1,078	1,078	1,078	1,058	1,055	1,055
Public Service										
Snowfall in inches ¹	62.3	34.6	108.4	95.8	98.6	69.8	49.8	81.2	67.3	21.7
Tons of salt used	7,286	3,255	7,500	5,080	6,999	5,000	4,480	6,400	4,800	4,400
Asphalt used in road maintenance (tons)	191	117.0	160.5	213.5	164.5	156.5	170.5	216.0	N/A	N/A
Concrete used in road maintenance (yards)	376.5	272.0	389.5	203.0	162.0	123.5	140.5	132.0	N/A	N/A
Number of Trees removed	158	78	88	148	84	114	90	87	95	153
Number of Trees planted	154	99	102	177	191	200	93	214	221	201
Senior citizen driveway plowing participants	1,100	1,100	1,071	1,129	1,073	1,024	938	930	906	878
Building										
Number of Permits issued by type:										
Building Permits	269	255	273	279	261	293	243	303	343	372
Electrical Permits	220	226	244	248	243	239	216	270	270	323
Plumbing Permits	131	125	139	179	161	185	180	235	213	292
HVAC Permits	142	153	188	199	224	217	169	239	243	296
Miscellaneous Permits	676	674	673	715	699	575	551	525	513	480
Inspections performed	2,705	2,743	3,285	3,445	3,288	2,920	2,653	2,676	3,720	3,107
Estimated value of construction	\$34,020,291	\$21,074,047	\$24,200,342	\$15,857,695	\$14,233,591	\$22,350,722	\$17,761,608	\$27,066,342	\$44,995,386	\$44,874,260
Number of Plans examined	136	80	59	21	24	23	24	57	63	N/A
Court										
Number of court cases	6,796	7,195	7,980	10,251	9,015	5,405	4,515	4,168	5,107	6,393
Number of tickets	6,610	5,828	6,430	8,917	7,524	4,530	3,723	3,349	4,207	5,265
Number of Transferred Cases	385	359	530	631	467	362	284	559	270	281
Number of Waivers taken at Violations Bureau (Estimated)	2,655	1,897	2,322	2,600	2,000	1,000	900	800	1,000	1,200
Number of Court Appearances (Estimated prior to 2005)	3,167	1,155	1,786	2,000	1,800	1,500	1,200	1,000	1,400	1,600
Number of Waivers received by Mail (Estimated)	2,654	1,898	2,322	4,300	3,700	2,000	1,600	1,500	1,800	2,400

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

Operating Indicators by Function/Program	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Council											
Number of Ordinances & resolutions	123	83	133	104	92	108	127	128	147	141	148
Finance											
Number of checks processed (excluding payroll)	3,756	3,561	3,474	3,826	3,741	4,135	4,142	3,648	3,066	3,002	2,653
Number of Purchase orders issued	3,400	3,264	3,504	3,755	3,711	4,189	4,104	3,604	2,917	2,686	2,412
Number of W-2 forms issued	420	420	438	477	484	485	471	457	299	282	296
City W-2 Wages (in Millions) ²	\$10.63	\$10.34	\$10.22	\$10.20	\$9.42	\$8.90	\$8.19	\$7.00	\$6.03	\$5.47	\$5.14
Mayor's Office											
Newsletters mailed (Winter and Summer issues) ³	8,377	15,642	16,110	14,746	13,846	12,944	12,944	N/A	N/A	N/A	N/A
Recreation											
Number of Memberships	7,829	7,658	7,239	7,360	6,686	6,419	6,040	7,358	N/A	N/A	N/A
Learn to Swim enrollment	1,481	1,344	1,418	1,367	1,252	1,152	808	N/A	N/A	N/A	N/A
Enrollment in athletics programs	2,072	1,973	2,029	2,081	2,045	1,919	1,847	1,790	N/A	N/A	N/A
Number of Rental Events	1,595	1,549	1,429	1,301	1,220	1,185	1,139	506	N/A	N/A	N/A
Enrollment in classes, programs, and special events	9,756	5,312	5,213	5,344	4,592	4,786	3,899	1,877	N/A	N/A	N/A
Law											
Number of new litigations filed (traffic & criminal cases)	689	659	1,266	1,100	914	742	618	627	588	612	502
Number of Municipal Court cases heard and disposed	706	812	1,151	1,140	961	783	575	622	631	620	543
Planning & Zoning											
Number of Planning commission agenda items	94	73	72	87	78	92	81	85	114	128	150
Civil Service											
Number of Exams given	73	37	123	59	144	25	98	37	82	36	65

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

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

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

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

Function/Program	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Government:										
Other Departmental Vehicles	7	6	6	6	6	4	4	4	3	3
City Hall Square Footage	18,746	18,746	18,746	18,746	18,746	18,746	18,746	18,746	18,746	18,746
Police:										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Vehicles	29	22	21	22	22	21	19	19	19	19
Square Footage of Building	13,400	13,400	13,400	13,400	13,400	13,400	13,400	13,400	13,400	13,400
Fire:										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Vehicles	10	10	10	10	10	10	10	10	10	10
Square Footage of Building	19,730	19,730	19,730	19,730	19,730	19,730	19,730	19,730	19,730	19,730
Culture and Recreation:										
Number of Parks	1	1	1	1	1	1	1	1	1	1
Number of Vehicles	2	2	3	3	3	2	2	2	2	2
Recreation Center Square Footage	83,768	83,768	83,768	83,768	83,768	83,768	83,768	83,768	0	0
Public Service:										
Number of Vehicles	42	41	44	43	42	44	42	41	35	34
Service Center Square Footage	62,445	62,445	62,445	62,445	62,445	62,445	62,445	62,445	62,445	0
Streets (miles)	65	65	65	65	65	65	65	65	65	65
Senior Transportation:										
Number of Vehicles	2	2	2	2	2	2	2	1	1	1

Source: City of Middleburg Heights, Finance Department