
City Of Middleburg Heights, Ohio



Comprehensive Annual Financial Report

For The Year Ended December 31, 2005

Issued By The Department of Finance

Timothy Pope, CPA
Director

John Mockler, CPA
Assistant Director



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the City of Middleburg Heights, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 21, 2006

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Comprehensive Financial Annual Report
For the Year Ended December 31, 2005
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Finance Department
CITY OF MIDDLEBURG HEIGHTS

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Gary W. Starr
Mayor

Timothy Pope, CPA
Director of Finance

March 29, 2006

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, 2005.

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.

Ciuni & Panichi, Inc. (Certified Public Accountants and Business Advisors), have issued an unqualified ("clean") opinion on the City of Middleburg Heights' financial statements for the year ended December 31, 2005. 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.

Profile of the Government

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 that is elected on a non-partisan basis. 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 is also elected on a non-partisan basis.

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.

The City of Middleburg Heights provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; and recreational and cultural activities. Water service is provided by the City of Cleveland, and sewer service is provided by the Northeast Ohio Regional Sewer District. Rubbish removal is privately contracted by the City, and is provided free of charge to the residents of the City.

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

Although the 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 18 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 major category as needed, and approved by the Mayor and Director of Finance. Transfers between major categories, however, need re-appropriation from City Council.

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

commercial corridor, west of Interstate 71, during the last ten years is responsible for an increase in service industry jobs in the City. Construction of Hepburn Road has added 70 acres of commercially zoned land accessible for future expansion, and the widening of Engle Road has made the area even more desirable.

With its juxtaposition to Cleveland Hopkins Airport, the Ohio Turnpike, Interstate 480 and Interstate 71, the City of Middleburg Heights is home to several international shipping and package delivery carriers. As a hub for companies such as UPS, FedEx, ABX Logistics, DHL, BAX Global and others, the shipping industry continues to employ over 1,500 in the City.

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

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

Long-term Financial Planning Ohio, and particularly the Cleveland area, has been slow to recover from the economic downturn that started in the year 2000. Since then, the City of Middleburg Heights has continued to experience declining fund balances. Although the city has taken steps to cut expenditures, these measures have proven insufficient to sustain the level of service to which Middleburg Heights residents have been accustomed. Within the next year City Council will have to either cut services or increase revenues.

Revenue increase can be accomplished by council action with a decrease in the credit given residents who pay city income tax in other municipalities. The City of Middleburg Heights currently grants residents 100% credit for taxes paid in other communities up to the City income tax rate of 1.75%. It is estimated that a .25% decrease in the credit would increase income tax collections by \$1,016,000 per year.

Any increase in the income tax or property tax rates would have to be approved by a vote of the residents of Middleburg Heights. An increase of .25% in the income tax rate would generate \$1,830,000, with the tax credit remaining at 100%. An increase of 1 mill in the property tax rate would bring in approximately \$552,000 per year.

Major Initiatives In September 2005 City Council passed legislation authorizing a job creation grant program in cooperation with the State of Ohio. This was the first step of many taken by the City of Middleburg Heights to ensure economic development in the city. In March 2006 City Council created two Community Reinvestment Areas for property tax abatement incentive to retain existing and attract new business for the City, and established a full-time economic development department.

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

The City has been supportive of the Cleveland Metroparks' efforts to acquire properties along the riparian corridor of Abram Creek from Lake Isaac to Lake Abram, a 105-acre marsh and woodland habitat protection area, also located in the City of Middleburg Heights. The "Lake-to-Lake All Purpose Trail" will directly link to the existing Big Creek all-purpose trail and provide the opportunity for future linkages with adjoining businesses and

institutions as well as surrounding neighborhoods. In 2005 the Metroparks received two grants in the amounts of \$400,000 and \$70,000 from the Ohio Department of Natural Resources to help fund the project that is estimated at a cost of \$1.5 to \$2.5 million.

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 nine 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.

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, 2004. 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 ten consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

The City also recently received *The Auditor's Award* from Ohio Auditor of State, Betty Montgomery, for its December 31, 2003 Comprehensive Annual Financial Report. To receive this award a governmental entity must receive the GFOA certificate of achievement as well as receive no recommendations, citations nor findings for recovery in its audit for the year. This is the sixth time in ten years the city has received this award.

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 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, 2004

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.



Carla E. Perry

President

Jeffrey R. Emmer

Executive Director

City of Middleburg Heights, Ohio
Listing of Principal City Officials
As of December 31, 2005

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

City of Middleburg Heights, Ohio

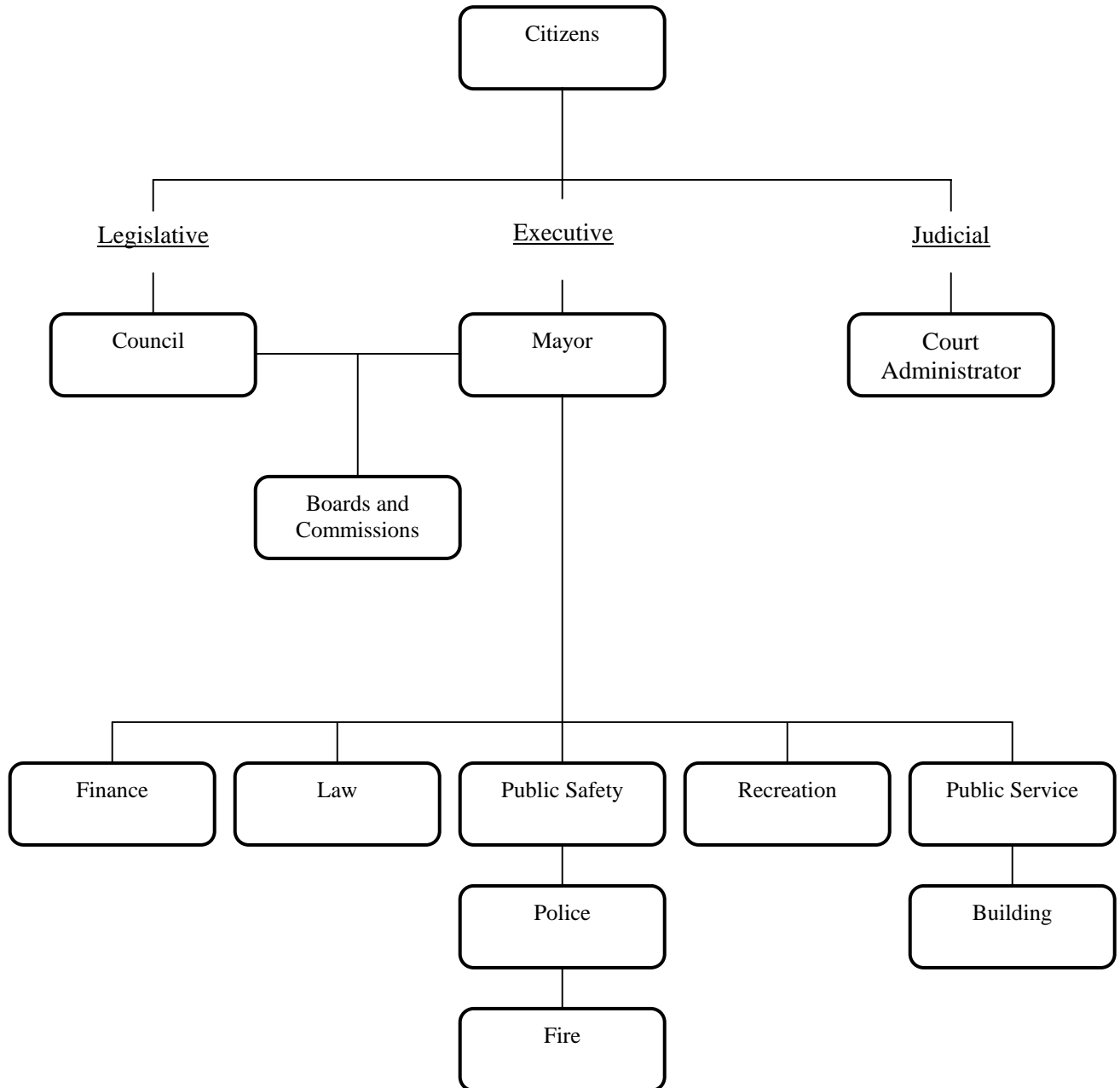
Listing of Principal City Officials

As of December 31, 2005

SPECIAL BOARDS AND COMMISSIONS

Planning Commission	Joseph Caterini
Planning Commission	Fred Duprow
Planning Commission	John J. Grech
Planning Commission	Diane Mille
Planning Commission	John Nauer
Planning Commission	Randall Over
Planning Commission	Marion Zgrabik
Board of Zoning and Building Appeals (Alternate)	Mary Ferrante
Board of Zoning and Building Appeals	Pamela Marek
Board of Zoning and Building Appeals	Barbara Mihuta
Board of Zoning and Building Appeals	Doretta Selvaggio
Board of Zoning and Building Appeals	Michael Settonni
Board of Zoning and Building Appeals	David Sliman
Civil Service.....	Walter Gainer
Civil Service.....	Eileen Herold
Civil Service.....	Kathryn Cannon
Secretary - Civil Service	Jan Brocklehurst
Secretary - Boards and Commissions	Kimberly Drown

City of Middleburg Heights, Ohio
Organizational Chart
For the Year Ended December 31, 2005



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Independent Auditors' Report

Members of the City Council
Middleburg Heights, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Middleburg Heights, Ohio as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Middleburg Heights, Ohio's 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Middleburg Heights, Ohio, as of December 31, 2005, and the respective changes in financial position and the respective budgetary comparison for the General and Recreation Funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2005, the City of Middleburg Heights, Ohio implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Statement No. 42 "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditure/Expense and Liabilities by Cost-Sharing Employers".

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2006 on our consideration of the City of Middleburg Heights, Ohio's internal control over financial reporting and on 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.

Members of the City Council
Middleburg Heights, Ohio

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

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

Cioni & Paricki, Inc.

Cleveland, Ohio
March 29, 2006

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2005
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, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key Financial highlights for 2005 are as follows:

- The assets of the City of Middleburg Heights exceeded its liabilities at the close of the most recent fiscal year by \$40,171,348 (*net assets*). Of this amount, \$4,085,445 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total Net Assets increased by \$88,981, a slight .2 percent increase from 2004. This increase was the result of the city accepting the dedication of certain streets (Quinebaug Court, Gilford Lane, Hinsdale Court, Wexford Glen and Foxhill Lane) in the Wexford Glen Subdivision in the amount of \$1,041,848 contributed by a private developer. If not for the effect of this capital contribution, total net assets for the city would have decreased by approximately \$950,000. Unrestricted net assets declined by \$1,185,434 or 22.5% in 2005.
- Total Assets of the City decreased \$1,986,177, which represents a 2.9 percent decrease from 2004.
- Total Capital Assets decreased by \$409,372 or .80 percent from 2004 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 \$7,299,439, a decrease of \$1,285,710 or 15% in comparison with the prior year. Equity in Pooled Cash and Cash Equivalents in the governmental funds decreased by \$1,494,145 or 21.4% from 2004, as the city continued to spend down its reserves to maintain services.
- Total outstanding Long-term liabilities were \$22,270,127. This was a 6.75% decrease from the balance at the end of 2004 primarily due to the repayment of General Obligation Bonds; particularly the bonds issued to construct the City's Service Center and Community Center.
- On a cash basis, City income tax collections increased 3.12% from 2004. However, Income tax collections have been essentially flat since 2000. Using 2000 as our base year, for the five-year period from 1/1/2001 thru 12/31/05 the cumulative cash basis income tax increase is only \$289,055 or \$57,811 per year or approximately .46 of 1 percent, with two positive years interspersed with three down years.

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

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

activities of the whole city, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statement also looks at the City's most significant funds with all other nonmajor funds presented in total in one column.

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

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.

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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

Proprietary Funds The City of Middleburg Heights maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains 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 49 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 52 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 2005?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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 2005 compared to 2004.

Table 1 Net Assets

	Governmental Activities	
	2005	2004
Assets		
Current and Other Assets	\$15,075,980	\$16,652,785
Capital Assets, Net	51,070,198	51,479,570
<i>Total Assets</i>	66,146,178	68,132,355
Liabilities		
Current Liabilities	3,704,703	4,166,712
Long-term Liabilities		
Due within One Year	3,281,425	3,124,144
Due in More Than One Year	18,988,702	20,759,132
<i>Total Liabilities</i>	25,974,830	28,049,988
Net Assets		
Invested in Capital Assets, Net of Related Debt	31,196,151	29,822,417
Restricted for:		
Capital Projects	551,559	442,211
Debt Service	3,939,645	4,128,272
Other Purposes	398,548	418,588
Unrestricted	4,085,445	5,270,879
<i>Total Net Assets</i>	\$40,171,348	\$40,082,367

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 \$40,171,348 at the close of the most recent fiscal year.

The largest portion of the City's net assets (77.7%) reflects investments in capital assets (e.g. land, buildings, infrastructure, machinery and equipment), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets decreased by \$1,986,177 from 2004 to 2005, while the City's total liabilities decreased by \$2,075,158. The most significant change was a decrease in Equity in Pooled Cash and Cash Equivalents in the amount of \$1,349,520 or 17.7%, and net Capital Assets of \$409,372 during the fiscal year. The decrease in liabilities was mainly due to the scheduled retirement of bonded debt.

Total net assets of the City's governmental activities increased \$88,981. The primary reasons for this increase was previously discussed in the "Financial Highlights".

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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 2004.

Table 2 Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
Revenues		
Program Revenues:		
Charges for Services	\$2,599,089	\$2,529,813
Operating Grants and Contributions	761,102	756,071
Capital Grants and Contributions	1,153,013	539,301
Total Program Revenues	4,513,204	3,825,185
General Revenues:		
Property Taxes & Other Local Taxes	2,815,524	2,934,334
Income Taxes	13,147,009	12,302,532
Grants and Entitlements	1,187,184	1,053,794
Investment Income	287,866	164,962
Miscellaneous	388,203	355,037
Total General Revenues	17,825,786	16,810,659
<i>Total Revenues</i>	22,338,990	20,635,844
Program Expenses		
General Government	6,308,086	6,295,289
Security of Persons and Property:		
Police	4,341,528	4,343,435
Fire	3,208,411	3,026,842
Safety Director	48,360	45,650
Public Health Services	246,274	258,754
Culture and Recreation	3,080,371	3,152,424
Community Development	632,819	631,527
Streets and Highways	2,642,158	3,345,946
Sanitation	767,324	729,743
Interest and Fiscal Charges	974,678	1,045,256
Total Program Expenses	22,250,009	22,874,866
Increase (Decrease) in Net Assets	\$88,981	(\$2,239,022)

Governmental Activities

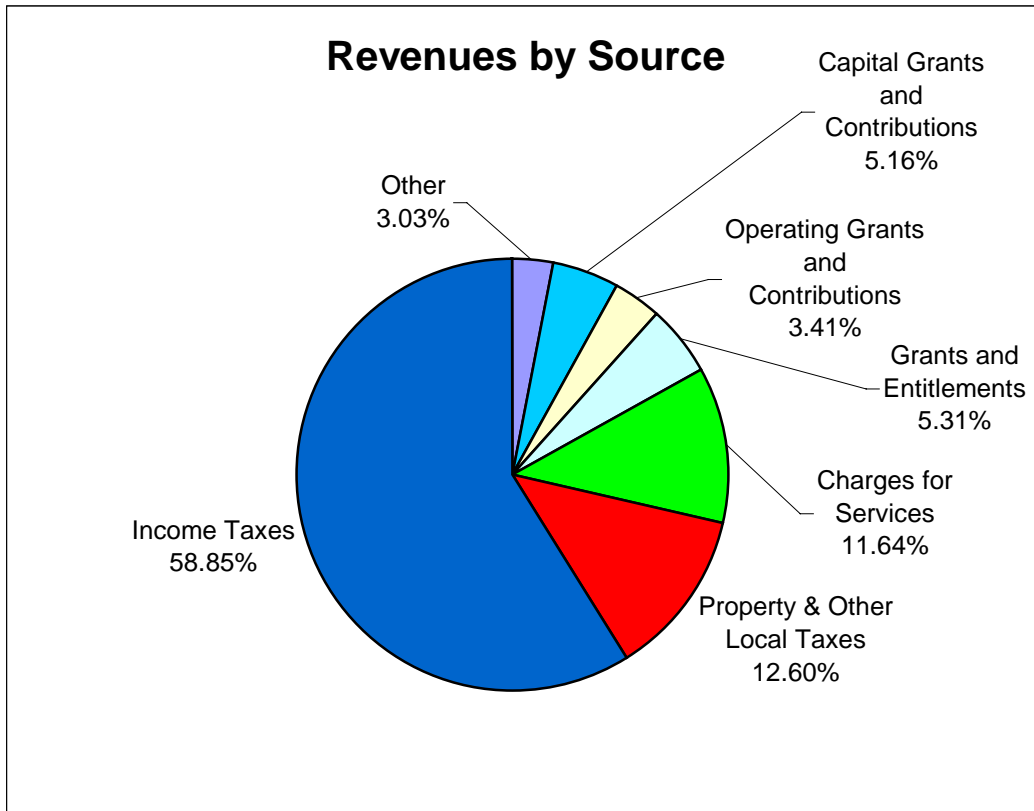
Governmental activities increased the City's net assets by \$88,981. A discussion of the reasons for the increase in net assets is as follows:

Several types of revenues fund our governmental activities, with the City income tax being the biggest contributor. The income tax rate was 1.75% for 2005, the same as it has been since 1998, when the rate was increased from 1.0% by a vote of the residents for the purpose of building and operating a community center and a new service center. Both residents of the City and non-residents who work in the City are subject to the income tax. However if residents work in another locality that has a municipal income tax, the City provides 100% credit up to 1.75% for those who pay income tax to another city.

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City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City. In 2005, cash basis income tax collections increased by 3.12% compared to 2004, as noted in the "Financial Highlights" this was only the second year in the last five years that the city has had a year-to-year increase.

The increase of \$613,712 in Capital Grants and Contributions is attributable to the city accepting the dedication of various streets in the Wexford Glen Subdivision paid for and contributed by a private developer in the amount of \$1,041,848.



The income tax revenue for 2005 was \$13,147,009 an increase of \$844,477 or 6.86% from 2004. Of the \$22,338,990 in total revenues, income tax accounts for 58.85% of the total. Property and other local taxes were \$2,815,524, a decrease of \$118,810 or 4.05% from 2004, account for 12.60% of total revenues. Operating grants and contributions, capital grants and contributions, general revenues from grants and entitlements account for 13.88% of total revenues, and charges for services, investment income, and other revenue make up the remaining 14.67%.

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 declined in 2005 by \$624,857 or 2.73% as compared to 2004. This decrease was almost entirely due to the following factors: 1) While cost of living salary increases amounted to 3.25% in 2005, overall expenses for salaries and fringes were essentially the same as in 2004 because: a) In 2004 the city had an extra twenty-seventh pay which amounted to approximately \$443,000 more in expense being recognized in 2004. b) Health care costs decreased slightly in 2005, as opposed to large year-over-year increases of the recent past. c) Where possible the city has deferred hiring replacements for city

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employees who have retired. 2) Expenses for Streets and Highways decreased by \$703,788 because less money was available to spend on the annual street maintenance and repair program and 2004 expenses included approximately \$557,555 in expenses associated with the repair and maintenance of Bagley Road and W. 130th Street.

While health care costs decreased slightly in 2005, these costs continue to be a substantial drain on city resources. In 2005 the city sought competitive quotes for health care coverage and beginning January 1st, 2006 the city has switched to a new health care provider and hopes to save up to \$250,000 based on bid estimates submitted by the city's old and new health care providers, actual savings, of course, will depend on actual claim activity. City expenses for worker's compensation in 2005 were the highest ever. The City's premium for Worker's Compensation administered by the State Bureau of Worker's Compensation (the Bureau) went from \$35,911 in 2002 to \$340,213 in 2003, decreased slightly in 2004 to \$334,703; and then increased by \$75,677 or 22.61% to \$410,380 in 2005. The increase in 2005 was attributable to a 20% or \$83,675 premium dividend granted by the Bureau in 2004 and repealed in 2005. The increases over the past years are largely the result of recent poor claims experience by the City, and the State rescinding a premium dividend program that in past years greatly reduced the City's premium for this coverage sometimes to \$0.

In 2005 the city undertook several steps in an attempt to mitigate future workers compensation expense and enhance workplace safety. Steps taken include: enrolling in a Premium Discount Program administered by the Greater Cleveland Safety Council; contracting with Drug-Free Solutions, LLC for implementing a Drug-Free Workplace Program, and contracting with the Ohio Association of Public Treasurers and Integrated Consulting Services for admission to a Group Worker's Compensation Pool for 2006. These steps should result in considerable savings for 2006, however a financial scandal in 2005 at the Bureau has resulted in the Bureau adopting a more conservative investment policy whereby the Bureau now expects to earn less on its investments, possibly resulting in future premium increases to employers. 2005 saw unusual increases in the cost of snow removal materials and gasoline and diesel fuel due to a harsh 2004-2005 winter, and as a result of Hurricane Katrina respectively. Most other expenses closely paralleled inflation and growth in the demand for services.

The largest program function for the City relates to security of persons and property. In 2005, 34.15% of program expenses for governmental activities were for security of persons and property, which includes the police and fire departments. The next largest function was general government, which accounted for 28.35% of the expenses in 2005. 13.84% of the expenses were spent on culture and recreation, while expenses for street and highway maintenance, including snow removal accounted for 11.87%. All other expenses, primarily interest and fiscal charges and sanitation expense for refuse removal, accounted for the remaining 11.79%.

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, 2005, the City's governmental funds reported combined ending fund balances of \$7,299,439. Of that amount, \$6,470,392 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 (\$698,084) or has been reserved for prepaid items (\$130,963).

All governmental funds had total revenues of \$21,264,309 and expenditures of \$22,579,797, leaving a deficit of \$1,315,488. The majority of this deficit is due to current year revenues being insufficient to pay for current year services. Since peaking in the year 2000 the city's General Fund Balance has declined from \$7,799,074 to \$3,585,689 at the end of 2005. There has been a similar decline in Total Governmental Fund balance from \$14,234,106 to \$7,299,439 over the same period. While there are a variety of individual events associated with this decline the two most relevant are: 1). Since 2000 the State of Ohio, and particularly Northeast Ohio and Cuyahoga County has experienced very difficult economic times. A recent report published by *The Center for Community Solutions*, a local nonprofit research organization, reports that since the second quarter of 2000 through the second quarter of 2005 that the State has lost 204,308 jobs. During that same period, Cuyahoga County has lost 75,733 or 9.3% of all jobs, and 20.1% of all high paying manufacturing jobs. According to this report, Cuyahoga County lost more jobs than any other county in the state, and more than twice as many jobs were lost in Cuyahoga County than in any other county. The center estimates that, annualized, Ohio has lost \$2.5 billion in payroll earnings during this five-year period. This has resulted in stagnant overall revenue growth (particularly income tax) since 2000. 2). Coincident with the recession that began in this area in 2000, in 2000 the City opened a new Service Center and Community Center. As is typically the case with capital acquisition, the opening of these buildings has resulted in permanent increases in operating costs connected with the operation and maintenance of these facilities. The addition of new employees to provide the services associated with these facilities; as well as salary increases (with a corresponding increase for fringe benefits directly and incrementally related to the amount of salary paid to the employee, such as Medicare taxes, worker's compensation premiums and employer contributions to the retirement systems) negotiated via collective bargaining with the city's unions, have seen W-2 wages climb from approximately \$7,000,000 in 2000 to \$10,200,000 in 2005.

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 \$3,585,689 of which \$3,258,029 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 \$14,885,571. Unreserved fund balance represents 21.89% (32.18% in 2004) of total General Fund expenditures and other financing uses, while total fund balance represents 24.1% (33.01% in 2004) of that same amount.

During the current fiscal year, the fund balance of the City's General Fund decreased by \$970,369. The 2005 decrease was less than the decrease of \$1,550,723 reported in 2004 mostly due to a twenty-seventh pay in 2004 and improvements made to Woodvale Cemetery in 2004. On a modified accrual basis of accounting, total income tax receipts recorded in 2005 were about 2.86% greater than the total amount posted in 2004. However, the amount of income tax posted to the General Fund was approximately equal to the amount posted in 2004. 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 in 2004 and 2005 that allocation was changed with 90% going to the General Fund and 10% going to the Capital Improvements Fund. Over 74% of General Fund expenditures are for salaries and fringes. As has been the case since 2000, the majority of this deficit is due to current year revenues being insufficient to pay for current year services. The actual decrease in General Fund balance was less than the anticipated budget decrease originally estimated at approximately \$2.65 million.

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The City's Recreation Fund experienced a decrease in fund balance of \$132,966 because less income tax was received than initially anticipated.

The balance in the General Obligation Bond Retirement Fund decreased because property tax collections decreased.

The Balance in the Special Assessment Bond Retirement Fund increased by \$15,311 mostly because special assessment collections exceeded the corresponding debt service payments.

The Capital Improvements fund increased because less money was spent on capital acquisition.

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 2005 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 \$12.8 million. The final budgeted amount was \$13.5 million and actual revenues were \$13.7 million. Revenue estimates increased in the General Fund because income tax collections were better than initially expected, inheritance tax (intergovernmental) revenues were approximately \$250,000 greater than initial estimates and interest income posted to the General Fund was higher than expected both because of higher rates and because starting January 1st 2005, Council passed an ordinance allocating all unrestricted interest income to the General Fund. The City's ending unencumbered cash balance in the General Fund was \$1,039,900 above the final budgeted amount.

The difference between the General Fund's original budget for expenditures and other uses of \$15,532,665 and the final amended budget of \$15,930,507 was \$397,842 or about 2.6%. Over 69% of these revisions were due to salary negotiations concluded during 2005 as well as appropriations to develop an economic development department and a drug free workplace program. Actual expenditures and other uses were \$15,063,539 or \$866,968 (5.4%) less than the final amended budget. The Final budget for wages and fringe benefits was \$11,359,500 of which \$10,964,206 or 96.52% was spent, leaving a positive variance of \$395,294. Most of this variance was attributable to the police and fire departments. Police officers and firefighters have a contractual right to redeem certain compensated absences for pay, and the city budgets for this as if all eligible employees will exercise their option to sell the maximum number of hours available to sell. If less than the maximum number of hours are sold, then a positive variance results. The final budget for expenditures other than wages and fringe benefits was \$4,571,007 of which \$4,099,333 or 89.7% was actually spent leaving a positive variance of \$471,674. 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.

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Capital Assets and Debt Administration

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

	Governmental Activities	
	2005	2004
Land	\$3,239,310	\$3,107,462
Land Improvements	493,971	545,451
Buildings and Improvements	24,767,146	25,364,214
Machinery and Equipment	2,803,217	3,093,092
Furniture and Fixtures	60,599	64,612
Infrastructure		
Streets	11,528,607	11,509,759
Sidewalks	507,467	420,454
Traffic Signals	2,226,439	2,373,254
Water Mains	1,531,697	1,364,474
Sanitary Sewers	1,756,735	1,599,741
Storm Sewers	2,098,586	1,872,890
Construction in Progress	56,424	164,167
Total Capital Assets	\$51,070,198	\$51,479,570

Total capital assets of the City as of December 31, 2005 were \$51,070,198, \$409,372 less than in 2004. The decrease in capital assets is mainly due to current year depreciation expense in excess of capital asset additions. The most significant increase in the city's capital assets came as a result the city accepting the dedication of new streets in the Wexford Glen subdivision in the amount of \$1,041,848 contributed by a private developer. The City is committed to a long-term goal of not only meeting its infrastructure and facilities needs, but also satisfying those needs in a continued high quality manner. Additional information on the City's capital assets can be found in Note 8 of this report.

Debt

As of December 31, 2005, the City had \$22,270,127 in bonds and compensated absences outstanding with \$3,281,425 due within one year.

Table 4 Outstanding Long-Term Obligations at Year End

	Governmental Activities	
	2005	2004
General Obligation Bonds	\$18,110,804	\$19,769,318
Special Assessment Bonds	1,763,243	1,887,835
Compensated Absences	2,396,080	2,226,123
Total	\$22,270,127	\$23,883,276

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

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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 \$57 million on December 31, 2005.

Additional information concerning the City's debt can be found note 13 of this report.

The Future

The City of Middleburg Heights continues to address the needs of the community during these difficult economic times. The Mayor and City Council will consider all available options to maintain the service level that has come to be expected by its residents while balancing a tight budget.

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

Contacting the City's Finance Department

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

City of Middleburg Heights, Ohio

Statement of Net Assets

December 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,263,693
Cash and Cash Equivalents:	
With Fiscal Agents	1,512
Investment in Manuscript Bonds	214,015
Accounts Receivable	137,602
Accrued Interest Receivable	11,599
Intergovernmental Receivable	998,556
Prepaid Items	130,963
Materials and Supplies Inventory	136,107
Income Tax Receivable	2,917,388
Property Taxes Receivable	2,425,753
Other Local Taxes Receivable	43,283
Special Assessments Receivable	1,763,243
Unamortized Bond Issue Costs	32,266
Nondepreciable Capital Assets	3,295,734
Depreciable Capital Assets	47,774,464
<i>Total Assets</i>	<u>66,146,178</u>
Liabilities	
Accounts Payable	243,666
Accrued Wages	95,072
Retainage Payable	40,776
Intergovernmental Payable	666,199
Matured Bonds Principal and Interest Payable	1,512
Accrued Interest Payable	75,707
Claims Payable	58,632
Unearned Revenue	2,523,139
Long-Term Liabilities:	
Due Within One Year	3,281,425
Due In More Than One Year	18,988,702
<i>Total Liabilities</i>	<u>25,974,830</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	31,196,151
Restricted for:	
Capital Projects	551,559
Debt Service	3,939,645
Other Purposes	398,548
Unrestricted	4,085,445
<i>Total Net Assets</i>	<u><u>\$40,171,348</u></u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Statement of Activities

For the Year Ended December 31, 2005

	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities:				
Security of Persons and Property:				
Police	\$4,341,528	\$679,012		\$15,000
Fire	3,208,411	355,800	\$1,000	
Safety Director	48,360			
Public Health and Welfare	246,274			
Culture and Recreation	3,080,371	1,054,775		
Community Development	632,819	329,658		
Streets and Highways	2,642,158	4,867	760,102	1,138,013
Sanitation	767,324			
General Government	6,308,086	174,977		
Interest and Fiscal Charges	974,678			
Total Governmental Activities	\$22,250,009	\$2,599,089	\$761,102	\$1,153,013

General Revenues

Property and Other Local Taxes Levied for:

General Purposes	1,927,455
Debt Service	422,528
Police and Fire Pension	281,686
Public Health and Welfare	183,855
Income Tax Levied for:	
General Purposes	8,990,441
Debt Service	1,974,159
Recreation	1,454,103
Capital Outlay	728,306
Grants and Entitlements not Restricted to Specific Programs	1,187,184
Investment Earnings	287,866
Miscellaneous	388,203

Total General Revenues 17,825,786

Change in Net Assets 88,981

Net Assets Beginning of Year 40,082,367

Net Assets End of Year \$40,171,348

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Balance Sheet

Governmental Funds

December 31, 2005

	General	Recreation	General Obligation Bond Retirement	Special Assessment Bond Retirement	Capital Improvements	Other Governmental Funds
Assets						
Equity in Pooled Cash and						
Cash Equivalents	\$2,341,171	\$302,722	\$1,067,661	\$520,414	\$424,654	\$821,288
Cash and Cash Equivalents						
With Fiscal Agents	0	0	1,512	0	0	0
Materials and Supplies Inventory	19,653	29,432	0	0	0	87,022
Investment in Manuscript Bond	0	0	35,700	178,315	0	0
Accrued Interest Receivable	10,506	0	201	892	0	0
Accounts Receivable	124,264	0	0	0	13,338	0
Intergovernmental Receivable	628,238	0	28,559	0	0	341,759
Prepaid Items	112,008	18,955	0	0	0	0
Income Taxes Receivable	2,078,050	358,544	319,209	0	161,585	0
Property Taxes Receivable	1,476,783	0	450,543	0	0	498,427
Other Local Taxes Receivable	43,283	0	0	0	0	0
Special Assessments Receivable	0	0	0	1,763,243	0	0
<i>Total Assets</i>	<u>\$6,833,956</u>	<u>\$709,653</u>	<u>\$1,903,385</u>	<u>\$2,462,864</u>	<u>\$599,577</u>	<u>\$1,748,496</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$126,163	\$40,211	\$0	\$0	\$37,957	\$39,335
Accrued Wages	56,585	26,395	0	0	0	12,092
Intergovernmental Payable	581,868	60,962	0	0	0	23,369
Matured Bonds & Interest Payable	0	0	1,512	0	0	0
Retainage Payable	0	0	0	0	40,776	0
Deferred Revenue	2,483,651	102,400	570,268	1,763,243	50,387	707,165
Unearned Revenue	0	234,153	0	0	0	0
<i>Total Liabilities</i>	<u>3,248,267</u>	<u>464,121</u>	<u>571,780</u>	<u>1,763,243</u>	<u>129,120</u>	<u>781,961</u>
Fund Balances						
Reserved for Encumbrances	215,652	31,708	0	0	290,820	159,904
Reserved for Prepays	112,008	18,955	0	0	0	0
Unreserved, Undesignated,						
Reported in:						
General Fund	3,258,029	0	0	0	0	0
Special Revenue Funds	0	194,869	0	0	0	775,916
Debt Service Funds	0	0	1,331,605	699,621	0	0
Capital Projects Funds	0	0	0	0	179,637	30,715
<i>Total Fund Balances</i>	<u>3,585,689</u>	<u>245,532</u>	<u>1,331,605</u>	<u>699,621</u>	<u>470,457</u>	<u>966,535</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$6,833,956</u>	<u>\$709,653</u>	<u>\$1,903,385</u>	<u>\$2,462,864</u>	<u>\$599,577</u>	<u>\$1,748,496</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, 2005*

Total Governmental Funds	Total Governmental Fund Balances	\$7,299,439
	<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
\$5,477,910	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	51,070,198
1,512	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
136,107	Delinquent Property Taxes	\$136,767
214,015	Income Taxes	833,206
11,599	Intergovernmental	613,103
137,602	Special Assessments	1,763,243
998,556	Charges for Services	41,809
130,963	Total	3,388,128
2,917,388	An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	727,151
2,425,753	Unamortized bond issue costs.	32,266
43,283	Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(75,707)
1,763,243	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
\$14,257,931	General Obligation Bonds	(18,110,804)
	Special Assessment Bonds	(1,763,243)
	Compensated Absences	(2,396,080)
	Total	(22,270,127)
	<i>Net Assets of Governmental Activities</i>	<u>\$40,171,348</u>
698,084		
130,963		
3,258,029		
970,785		
2,031,226		
210,352		
7,299,439		
<u>\$14,257,931</u>		

City of Middleburg Heights, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Recreation	General Obligation Bond Retirement	Special Assessment Bond Retirement
Revenues				
Property Taxes	\$1,414,781	\$0	\$431,628	\$0
Income Taxes	8,785,139	1,430,362	1,983,137	0
Other Local Taxes	542,499	0	0	0
Intergovernmental	1,168,605	0	57,052	0
Special Assessments	0	0	0	220,757
Interest	258,021	0	2,726	11,141
Fines, Licenses and Permits	1,121,129	0	0	0
Charges for Services	376,964	1,054,775	0	0
Other	248,064	12,908	11,933	3,520
<i>Total Revenues</i>	<u>13,915,202</u>	<u>2,498,045</u>	<u>2,486,476</u>	<u>235,418</u>
Expenditures				
Current:				
General Government:				
Security of Persons and Property				
Police	4,032,867	0	0	0
Fire	2,730,556	0	0	0
Safety Director	49,638	0	0	0
Public Health and Welfare	31,922	0	0	0
Culture and Recreation	0	2,631,011	0	0
Community Development	638,449	0	0	0
Streets and Highways	0	0	0	0
Sanitation	767,324	0	0	0
General Government	5,784,815	0	332	6,273
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	0	0	1,658,514	124,592
Interest and Fiscal Charges	0	0	888,746	89,242
<i>Total Expenditures</i>	<u>14,035,571</u>	<u>2,631,011</u>	<u>2,547,592</u>	<u>220,107</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(120,369)</u>	<u>(132,966)</u>	<u>(61,116)</u>	<u>15,311</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	0	0
Transfers In	0	0	0	0
Transfers Out	(850,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(850,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(970,369)	(132,966)	(61,116)	15,311
<i>Fund Balances Beginning of Year - Restated</i>	<u>4,556,058</u>	<u>378,498</u>	<u>1,392,721</u>	<u>684,310</u>
<i>Fund Balances End of Year</i>	<u><u>\$3,585,689</u></u>	<u><u>\$245,532</u></u>	<u><u>\$1,331,605</u></u>	<u><u>\$699,621</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, 2005*

Capital Improvements	Other Governmental Funds	Total Governmental Funds		
			Net Change in Fund Balances - Total Governmental Funds	(\$1,285,710)
			Amounts reported for governmental activities in the statement of activities are different because	
\$0	\$475,374	\$2,321,783	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.	
715,402	0	12,914,040	Capital Asset Additions	1,302,939
0	0	542,499	Current Year Depreciation	<u>(1,696,803)</u>
0	876,303	2,101,960	Total	(393,864)
0	0	220,757	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.	(15,508)
0	15,978	287,866	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
0	16,937	1,138,066	Delinquent Property Taxes	(48,758)
10,546	8,067	1,450,352	Income Tax	232,969
5,146	5,415	286,986	Intergovernmental	(66,727)
731,094	1,398,074	21,264,309	Special Assessments	(124,592)
			Charges for Services	<u>10,671</u>
			Total	3,563
			Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,783,106
			In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	5,792
			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.	(169,957)
			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)
			The internal service fund used by management to charge the cost of health insurance to individual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	<u>164,041</u>
			Change in Net Assets of Governmental Activities	<u><u>\$88,981</u></u>

City of Middleburg Heights, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,455,942	\$1,414,781	\$1,414,781	\$0
Income Taxes	8,135,468	8,500,000	8,627,452	127,452
Other Local Taxes	535,000	539,500	540,702	1,202
Intergovernmental	918,185	1,168,362	1,160,313	(8,049)
Interest	130,000	235,000	250,833	15,833
Fines, Licenses and Permits	1,018,750	1,082,010	1,118,432	36,422
Charges for Services	439,000	379,000	377,687	(1,313)
Other	175,450	173,893	175,278	1,385
<i>Total Revenues</i>	<u>12,807,795</u>	<u>13,492,546</u>	<u>13,665,478</u>	<u>172,932</u>
Expenditures				
Current:				
Security of Persons and Property:				
Police	4,132,247	4,238,931	4,036,473	202,458
Fire	2,836,395	2,899,851	2,722,674	177,177
Safety Director	49,247	50,048	49,361	687
Public Health and Welfare	39,565	40,258	31,762	8,496
Community Development	660,526	672,252	638,009	34,243
Sanitation	758,550	767,050	761,630	5,420
General Government	6,116,135	6,350,462	5,927,776	422,686
<i>Total Expenditures</i>	<u>14,592,665</u>	<u>15,018,852</u>	<u>14,167,685</u>	<u>851,167</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,784,870)</u>	<u>(1,526,306)</u>	<u>(502,207)</u>	<u>1,024,099</u>
Other Financing Sources (Uses)				
Advances In	72,000	72,000	72,000	0
Transfers Out	(940,000)	(911,655)	(895,854)	15,801
<i>Total Other Financing Sources (Uses)</i>	<u>(868,000)</u>	<u>(839,655)</u>	<u>(823,854)</u>	<u>15,801</u>
<i>Net Change in Fund Balance</i>	<u>(2,652,870)</u>	<u>(2,365,961)</u>	<u>(1,326,061)</u>	<u>1,039,900</u>
<i>Fund Balance Beginning of Year</i>	3,263,269	3,263,269	3,263,269	0
Prior Year Encumbrances Appropriated	174,393	174,393	174,393	0
<i>Fund Balance End of Year</i>	<u>\$784,792</u>	<u>\$1,071,701</u>	<u>\$2,111,601</u>	<u>\$1,039,900</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, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Income Taxes	\$1,648,000	\$1,465,000	\$1,443,084	(\$21,916)
Charges for Services	963,600	1,030,900	1,045,503	14,603
Other	15,050	13,105	12,908	(197)
<i>Total Revenues</i>	<u>2,626,650</u>	<u>2,509,005</u>	<u>2,501,495</u>	<u>(7,510)</u>
Expenditures				
Current:				
Culture and Recreation	2,829,846	2,847,358	2,662,048	185,310
<i>Total Expenditures</i>	<u>2,829,846</u>	<u>2,847,358</u>	<u>2,662,048</u>	<u>185,310</u>
<i>Net Change in Fund Balance</i>	(203,196)	(338,353)	(160,553)	177,800
<i>Fund Balance Beginning of Year</i>	358,499	358,499	358,499	0
Prior Year Encumbrances Appropriated	52,055	52,055	52,055	0
<i>Fund Balance End of Year</i>	<u>\$207,358</u>	<u>\$72,201</u>	<u>\$250,001</u>	<u>\$177,800</u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Statement of Fund Net Assets

Proprietary Fund

December 31, 2005

	<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>\$785,783</u>
<i>Total Assets</i>	<u>785,783</u>
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	<u>58,632</u>
<i>Total Liabilities</i>	<u>58,632</u>
Net Assets	
Unrestricted	<u>727,151</u>
<i>Total Net Assets</i>	<u><u>\$727,151</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, 2005*

	Governmental Activities Internal Service Fund - Health Insurance
Operating Revenues	
Charges for Services	\$1,623,822
<i>Total Operating Revenues</i>	1,623,822
Operating Expenses	
Contractual Services	334,548
Claims	1,125,233
<i>Total Operating Expenses</i>	1,459,781
<i>Operating Income</i>	164,041
<i>Change in Net Assets</i>	164,041
<i>Net Assets Beginning of Year</i>	563,110
<i>Net Assets End of Year</i>	\$727,151

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, 2005

	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	\$1,623,822
Cash Payments to Suppliers for Services	(334,548)
Cash Payments for Claims	(1,144,649)
	144,625
<i>Net Cash Provided by Operating Activities</i>	144,625
<i>Net Increase In Cash and Cash Equivalents</i>	144,625
<i>Cash and Cash Equivalents Beginning of Year</i>	641,158
	785,783
	\$785,783
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
<i>Operating Income</i>	\$164,041
Adjustments:	
Decrease in Claims Payable	(19,416)
	\$144,625
<i>Net Cash Provided by Operating Activities</i>	\$144,625

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2005

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$303,099</u>
Liabilities	
Deposits Held and Due to Others	<u>\$303,099</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, 2005

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 16 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, 2005

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, 2005

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, donations received for the benefit of Patrolman Nagy and his family, 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, 2005

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

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance year 2006 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, 2005.

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, 2005

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".

During fiscal year 2005, 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, 2005.

Investment procedures are restricted by provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2005 amounted to \$258,021, which includes \$125,992 assigned from other City funds.

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

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2005, 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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

streets, water mains, sanitary sewers, storm sewers, traffic signals and sidewalks. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

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.

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, 2005

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.

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.

Q. Estimates

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

R. Operating Revenues and Expenses

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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 and Restatement of Prior Year Fund Equity

A. Changes in Accounting Principles

For 2005, the City has implemented GASB No. 40, "Deposit and Investment Risk Disclosures-an Amendment of GASB No. 3", GASB No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", and GASB Technical Bulletin No. 2004-02, "Recognition of Pension and Other Postemployment Benefit Expenditure/Expense and Liabilities by Cost-Sharing Employers."

GASB Statement No. 40 establishes disclosure requirements for investment credit risk, interest rate risk, deposit custodial risk, and foreign currency risk. The implementation of GASB Statement No. 40 did not affect the presentation of the financial statements of the city.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. The implementation of GASB Statement No. 42 did not affect the presentation of the financial statements of the city.

GASB Technical Bulletin No. 2004-02 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans. This technical bulletin requires governments to recognize pension expenditures/expenses in the period to which a payment relates even if the payment is not due until the next fiscal year.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

B. Restatement of Fund Balance

The implementation of GASB Technical Bulletin No. 2004-02 had the following effect on the fund balance of the General Fund of the City as it was previously reported.

Governmental Activities:

	<u>General</u>
Fund Balance, December 31, 2004	\$ 4,800,581
Intergovernmental Payable Adjustment	<u>(244,523)</u>
Adjusted Fund Balance, December 31, 2004	<u>\$ 4,556,058</u>

Total beginning Governmental Funds' balance was likewise adjusted by (\$244,523) from the prior period, from \$8,829,672 to \$8,585,149.

Note 4 - Budgetary Basis of Accounting

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

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

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Net Change in Fund Balance

	General	Recreation
GAAP Basis	(\$970,369)	(\$132,966)
Net Adjustment for Revenue Accruals	(244,652)	3,450
Fair Value Adjustment for Investments 2004	44,084	0
Fair Value Adjustment for Investments 2005	(20,586)	0
Advances In	72,000	0
Net Adjustment for Expenditure Accruals	43,617	21,684
Encumbrances	(250,155)	(52,721)
Budget Basis	(\$1,326,061)	(\$160,553)

Note 5 - Deposits and Investments

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

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

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

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

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

The City's investment policies are governed by state statutes and its own investment policy which authorize the City to invest in obligations of the United States Treasury, United States government agencies and instrumentalities, bonds and other obligations of the State of Ohio and its political subdivisions, no-load Money Market Mutual Funds not containing derivatives, repurchase agreements, certificates of deposit and State Treasurer Asset Reserve of Ohio (STAROhio). Repurchase agreements are limited to 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.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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. In accordance with Chapter 135 of the Ohio Revised Code, 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 \$4,447,226 and the bank balance was \$4,879,470. Of the bank balance \$490,632 was covered by Federal depository insurance and \$4,388,838 was uninsured. Of the remaining uninsured bank balance, \$1,900,697 was collateralized with securities held by the pledging institution's agent, not in the City's name and, \$2,488,141 was collateralized with surety bonds issued pledged by the institution, as allowed by the Ohio Revised Code.

Investments

Investments are reported at fair value. As of December 31, 2005, the City had the following investments:

	Fair Value	Weighted Average Maturity (Days)
Federal Home Loan Bank Bonds	984,595	184
STAROhio	640,591	0
Federal Home Loan Mortgage Corporation	494,350	219
Manuscript Bonds	214,045	4596
Total Portfolio	\$2,333,581	546

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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. Investments in manuscript bonds are not considered to have credit risk as they are bonds issued by and owned by the City. All other investments of the City are registered and carry the highest ratings of Moody's or Standard & Poor's.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as having invested five percent or more of the city's portfolio in the securities of a single issuer. The City's investment policy requires diversification of the portfolio and limits the amount of investments placed with any institution to no more than fifty percent of the City's investment portfolio. The following is the City's allocation as of December 31, 2005:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Federal Home Loan Bank Bonds	42.19%
STAROhio	27.45%
Federal Home Loan Mortgage Corporation	21.19%
Manuscript Bonds	9.17%

Note 6 – Receivables

Receivables at December 31, 2005, 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 \$1,647,282 in the Special Assessment Bond Retirement Fund. At December 31, 2005 the amount of delinquent special assessments was \$11,389.

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 2005 for real and public utility property taxes represents collections of 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005 on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

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. 2005 public utility property taxes, which became a lien December 31, 2004, are levied after October 1, 2005, and collected in 2005 with real property taxes.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

2005 tangible personal property taxes are levied after October 1, 2004 on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent for inventory.

The tax rate for all City operations for the year ended December 31, 2005, was \$5.45 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	\$494,600,890
Public Utility Tangible Property	11,822,630
Tangible Personal Property	<u>45,922,606</u>
Total Valuation	<u>\$552,346,126</u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2005 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 2005 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

The City levies a municipal income tax of 1.75 percent on all income earned within the City as well as on income of residents earned outside of the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA), on behalf of the City, at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the first (advance) and tenth business days (final settlement) of the following month. Income tax revenue is credited to the general fund, recreation fund, general obligation bond retirement fund and the capital improvements fund.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

C. Intergovernmental Receivable

A summary of intergovernmental receivables follows:

Governmental Activities	Amounts
Local Government Funds	\$311,196
Gasoline Taxes	301,585
Homestead and Rollback	135,333
Woodvale Cemetery Reimbursement	108,339
Estate Tax	69,077
City of Berea	23,941
Public Utility Reimbursement	16,016
Permissive Motor Vehicle License Tax	9,509
Liquor Permit	7,067
Prisoner Board and Care	6,683
Ohio Safe Commute Grant	4,874
Berea Municipal Court	4,433
Targeted Enforcement Grant	503
Total	\$998,556

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 2005, the City contracted with Jackson, Dieken, and Associates for all their insurance. A summary of insurance coverage is as follows:

Company	Type of Coverage	Coverage
Arch Insurance Company	Comprehensive general liability	\$1 million per occurrence/ 3 million aggregate
Arch Insurance Company	Employee Benefits	\$1 million per occurrence/ 3 million aggregate
Arch Insurance Company	Blanket building and contents	\$39,393,009
Arch Insurance Company	Inland marine coverage	\$2,187,137
Arch Insurance Company	Electronic Data Processing Equipment	\$423,595
Arch Insurance Company	Public Officials Liability	\$1,000,000
Arch Insurance Company	Law Enforcement Liability	\$1,000,000
Arch Insurance Company	Commercial Crime/Employee Dishonesty	\$50,000 - \$100,000
Arch Insurance Company	Commercial Automobile	\$1,000,000
Arch Insurance Company	Commercial Umbrella/Natural Disasters	\$10,000,000
Arch Insurance Company	Ohio Stop Gap	\$1,000,000

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.

City of Middleburg Heights, Ohio
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For the Year Ended December 31, 2005

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

Under the traditional medical plan, the preferred provider prices all claims which are then submitted to the third party administrator. The third party administrator reviews and processes the claims, which the City then pays. The City has purchased medical stop loss coverage of \$40,000 per individual and \$1,601,440 in aggregate. In 2005 the City funded the self-insurance internal service fund at \$488 per month for single coverage and \$1,054 per month for family coverage. These charges are paid by the fund from which the employee's compensation is paid.

The claims liability of \$58,632, as estimated by the third party administrator and reported in the internal service fund at December 31, 2005, is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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

	Estimated Claims Payable January 1st	Current Year Claims and Changes In Estimates	Claim Payments	Estimated Claims Payable December 31st
2004	\$102,427	\$1,088,553	(\$1,112,932)	\$78,048
2005	\$78,048	\$1,125,233	(\$1,144,649)	\$58,632

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, 2005, was as follows:

	Balance 12/31/2004	Additions	Deletions	Balance 12/31/2005
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	\$3,107,462	\$131,848	\$0	\$3,239,310
Construction-In-Progress	164,167	39,200	(146,943)	56,424
Total Capital Assets, not being Depreciated	<u>3,271,629</u>	<u>171,048</u>	<u>(146,943)</u>	<u>3,295,734</u>
<i>Capital Assets being Depreciated:</i>				
Land Improvements	1,056,502	6,100	0	1,062,602

City of Middleburg Heights, Ohio
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For the Year Ended December 31, 2005

Buildings and Improvements	30,027,402	36,711	0	30,064,113
Furniture and Fixtures	80,262	0	0	80,262
Machinery and Equipment	6,237,850	179,080	(43,574)	6,373,356
Infrastructure:				
Streets	12,598,282	334,328	0	12,932,610
Sidewalks	451,610	98,303	0	549,913
Traffic Signals	2,936,292	0	0	2,936,292
Water Mains	1,583,117	188,331	0	1,771,448
Sanitary Sewers	1,898,731	182,310	0	2,081,041
Storm Sewers	<u>2,098,111</u>	<u>253,671</u>	<u>0</u>	<u>2,351,782</u>
Total Capital Assets being Depreciated	<u>58,968,159</u>	<u>1,278,834</u>	<u>(43,574)</u>	<u>60,203,419</u>
Less Accumulated Depreciation:				
Land Improvements	(511,051)	(57,580)	0	(568,631)
Buildings and Improvements	(4,663,188)	(633,779)	0	(5,296,967)
Furniture and Fixtures	(15,650)	(4,013)	0	(19,663)
Machinery and Equipment	(3,144,758)	(453,447)	28,066	(3,570,139)
Infrastructure:				
Streets	(1,088,523)	(315,480)	0	(1,404,003)
Sidewalks	(31,156)	(11,290)	0	(42,446)
Traffic Signals	(563,038)	(146,815)	0	(709,853)
Water Mains	(218,643)	(21,108)	0	(239,751)
Sanitary Sewers	(298,990)	(25,316)	0	(324,306)
Storm Sewers	<u>(225,221)</u>	<u>(27,975)</u>	<u>0</u>	<u>(253,196)</u>
Total Accumulated Depreciation	<u>(10,760,218)</u>	<u>(1,696,803)</u>	<u>28,066</u>	<u>(12,428,955)</u>
Total Capital Assets being Depreciated, Net	<u>48,207,941</u>	<u>(417,969)</u>	<u>(15,508)</u>	<u>47,774,464</u>
Governmental Activities Capital Assets, Net	<u>51,479,570</u>	<u>(246,921)</u>	<u>(162,451)</u>	<u>51,070,198</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$417,159
Public Safety:	
Police	153,307
Fire	147,524
Health and Welfare	4,107
Streets and Highways	547,984
Culture and Recreation	419,694
Community Development	<u>7,028</u>
Total Depreciation Expense	<u>\$1,696,803</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 provide retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. Employees were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The City contributed 13.55 percent of covered payroll, of which 4.0 percent was used to fund health care coverage for retirees. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2005, 2004 and 2003 were \$803,657, \$813,882, and \$747,250, respectively. The full amount has been contributed for all three years.

B. Ohio Police and Fire Pension Fund

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

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, 2005, 2004 and 2003 were \$880,157, \$877,414, and \$801,342, respectively. The full amount has been contributed for 2004 and 2003. 70.9 percent has been contributed for 2005 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 provides retirement, disability, and survivor benefits as well as post-retirement health care coverage 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 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. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority requiring employers to fund post-retirement health care through their contributions to OPERS. The 2005 employer contribution rate was 13.55 percent of covered payroll; 4.0 percent was allocated to health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.0 percent. An annual increase of 4.0 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next eight years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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

At December 31, 2005, the number of active contributing participants in the Traditional and Combined Plans totaled 376,109. The City's actual contributions for 2005, which were used to fund postemployment benefits, were \$237,240. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

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

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the OP&F's Board of Trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2005 that were used to fund postemployment benefits were \$180,450 for police and \$137,476 for fire. The OP&F's total health care expenses for the year ended December 31, 2004, (the latest actuarial information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of participants eligible to receive health care benefits as of December 31, 2004 (the date of the last actuarial valuation available), was 13,812 for police and 10,528 for firefighters.

Note 11 - Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements, City ordinances and State laws. Vacation leave is earned at rates 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.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 13 - Long-Term Obligations

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

Debt Issue	Original Issue Date	Interest Rate	Original Issue Amount
General Obligation Bonds			
Real Estate Acquisition 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 Sanitary Sewer	1992	6.75%	102,000
Pearl Road Improvements	2002	1.60 - 2.60 %	220,000

Debt Issue	Original Issue Date	Interest Rate	Original Issue Amount
Special Assessments Bonds			
Engle Road Improvements	1998	3.35 -5.125%	\$814,000
Engle Road Improvements	2002	1.60 - 4.50 %	210,000
Newton Road Refunding	1998	3.35 -5.125%	295,341
Pearl Road Sanitary Sewer	1992	6.75%	102,000
Claremont/Morningside Road Improvements	1994	4.75 - 8.00%	301,000
Hepburn Road Improvements	1998	3.35 -5.125%	611,000
Fowles Road Sanitary Sewer	1999	6.00%	216,000

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

	Outstanding 12/31/04	Additions	(Reductions)	Outstanding 12/31/05	Amounts Due in One Year
General Obligation Bonds:					
Real Estate Acquisition Refunding	\$80,864	\$0	(\$10,830)	\$70,034	\$11,191
City Hall/Fire Station Refunding	1,859,425	0	(249,030)	1,610,395	257,331
Bagley Rd./I-71/Newton Rd. Refunding	100,801	0	(13,500)	87,301	13,950
Community Center	11,613,500	0	(910,000)	10,703,500	920,000
Service Center	5,538,500	0	(410,000)	5,128,500	420,000
Emergency Generator	440,000	0	(20,000)	420,000	20,000
Pearl Road Sanitary Sewer	1,228	0	(154)	1,074	154
Pearl Road Improvements	135,000	0	(45,000)	90,000	45,000
Total General Obligation Bonds	19,769,318	0	(1,658,514)	18,110,804	1,687,626

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Special Assessment Bonds:					
Engle Road Improvements	641,000	0	(35,000)	606,000	25,000
Engle Road Improvements	195,000	0	(10,000)	185,000	10,000
Newton Road Refunding	198,912	0	(26,640)	172,272	27,528
Pearl Road Sanitary Sewer	39,572	0	(4,946)	34,626	4,946
Claremont/Morningside Road Imp.	150,000	0	(15,000)	135,000	15,000
Hepburn Road Improvements	477,000	0	(25,000)	452,000	25,000
Fowles Road Sanitary Sewer	186,351	0	(8,006)	178,345	8,487
Total Special Assessment Bonds	<u>1,887,835</u>	<u>0</u>	<u>(124,592)</u>	<u>1,763,243</u>	<u>115,961</u>
Compensated Absences	<u>2,226,123</u>	<u>1,264,668</u>	<u>(1,094,711)</u>	<u>2,396,080</u>	<u>1,477,838</u>
Total Long-Term Liabilities	<u>\$23,883,276</u>	<u>\$1,264,668</u>	<u>(\$2,877,817)</u>	<u>\$22,270,127</u>	<u>\$3,281,425</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, 2005 the amount of defeased debt outstanding amounted to \$1,920,000. The compensated absences liability will be paid from the general fund, the street construction, maintenance and repair fund and the recreation fund.

The City's overall legal debt margin was \$57,996,343 at December 31, 2005. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2005, are as follows:

Year	General Obligation Bonds		Special Assessment Bonds		Totals
	Principal	Interest	Principal	Interest	
2006	\$1,687,626	\$824,497	\$115,961	\$83,988	\$2,712,072
2007	1,741,294	758,093	137,802	78,981	2,716,170
2008	1,814,962	672,586	144,674	72,065	2,704,287
2009	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
2011-2015	6,470,327	1,525,060	643,893	196,727	8,836,007
2016-2020	3,097,000	289,806	424,486	51,382	3,862,674
2021-2022	65,000	4,500	30,000	2,025	101,525
Total	<u>\$18,110,804</u>	<u>\$5,172,144</u>	<u>\$1,763,243</u>	<u>\$608,491</u>	<u>\$25,654,682</u>

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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, 2005, the aggregate principal amount of conduit debt obligations outstanding is \$54,470,000.

Note 14 - Contractual Commitments

The City had the following contractual commitments outstanding at December 31, 2005:

Project	Remaining on Contract
Road Salt	\$115,548
Police Patrol Vehicles	\$113,161
Airport Monitoring	\$62,047
2005 Street Improvement Program	\$47,673
Economic Development Consulting	\$42,660
W. 130th Street Improvements	\$32,915
Ambulance Stretchers	\$31,215
City Website	\$21,510
Webster Road Bridge Lighting	\$15,892
2005 Sidewalk Program	\$8,182
Storm Sewer on Big Creek Parkway	\$5,320
Total	\$496,123

Note 15 – Interfund Transfers and Balances

During calendar year 2005, a transfer of \$850,000 was made from the General Fund to the Street Construction, Maintenance and Repair Fund. This transfer was made to provide additional resources to fund current operations.

Note 16 - Jointly Governed Organizations

A. Southwest General Health Center

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

The Health Center is governed by a Board of Trustees consisting of the following: one person who is a member of the legislative body from each of the political subdivisions, one person residing in each political subdivision who is not a member of the legislative body, three people who are residents of any of the participating political subdivisions, the president of the corporation, the president of the medical staff, the vice president of the medical staff, and the executive vice president of the corporation. The legislative bodies of each political subdivision elect their members to serve on the Board of Trustees of the Health Center. The Board exercises total control over the operation of the Health Center including budgeting, appropriating, contracting and designating management. Each City's degree of control is limited to its representation on the Board. The Southwest General Hospital special revenue fund accounts for property tax resources that are distributed to the Health Center. In 2005, the City of Middleburg Heights remitted \$210,245 to the Health Center.

B. Woodvale Union Cemetery

The Woodvale Union Cemetery is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Woodvale Union Cemetery provides burial grounds and burial services to the public. The Cemetery is a jointly governed organization among the cities of Middleburg Heights and Berea. A joint council consisting of the council members from the member communities governs the Cemetery. The joint council elects and appoints the members of the Board of Trustees. The Board consists of the following: one elected member of the legislative body from each of the political subdivisions, and one appointed resident from either of the political subdivisions who is not a member of the legislative body. The joint council exercises total control over the operation of the Cemetery including budgeting, appropriating, and contracting. Each City's degree of control is limited to its representation on the Board. In 2005, the City of Middleburg Heights contributed \$7,500 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 2005, the City of Middleburg Heights contributed \$7,500 to the Council. The

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Council's financial statements may be obtained by contacting the Southwest Council of Governments, Parma Heights, Ohio.

D. Northeast Ohio Public Energy Council

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 112 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.

F. Suburban Water Regional Council of Governments

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

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

Combining Statements and Individual Fund Schedules – Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

Combining Statements
Nonmajor Governmental Funds (Continued)

Nonmajor Capital Projects Funds

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

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

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

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

Road Improvements Fund To account for resources specifically earmarked for improvements to city streets and related infrastructure.

City of Middleburg Heights, Ohio

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$790,573	\$30,715	\$821,288
Materials and Supplies Inventory	87,022	0	87,022
Intergovernmental Receivable	341,759	0	341,759
Property Taxes Receivable	498,427	0	498,427
<i>Total Assets</i>	<u>\$1,717,781</u>	<u>\$30,715</u>	<u>\$1,748,496</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$39,335	\$0	\$39,335
Accrued Wages	12,092	0	12,092
Intergovernmental Payable	23,369	0	23,369
Deferred Revenue	707,165	0	707,165
<i>Total Liabilities</i>	<u>781,961</u>	<u>0</u>	<u>781,961</u>
Fund Balances			
Reserved for Encumbrances	159,904	0	159,904
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	775,916	0	775,916
Capital Projects Funds	0	30,715	30,715
<i>Total Fund Balances</i>	<u>935,820</u>	<u>30,715</u>	<u>966,535</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,717,781</u>	<u>\$30,715</u>	<u>\$1,748,496</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, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Property Taxes	\$475,374	\$0	\$475,374
Intergovernmental	876,303	0	876,303
Interest	14,414	1,564	15,978
Fines, Licenses and Permits	16,937	0	16,937
Charges for Services	8,067	0	8,067
Other	5,415	0	5,415
<i>Total Revenues</i>	<u>1,396,510</u>	<u>1,564</u>	<u>1,398,074</u>
Expenditures			
Current:			
Security of Persons and Property:			
Police	165,517	0	165,517
Fire	241,940	0	241,940
Public Health and Welfare	210,245	0	210,245
Streets and Highways	1,758,966	0	1,758,966
General Government	22,851	0	22,851
Capital Outlay	77,973	44,412	122,385
<i>Total Expenditures</i>	<u>2,477,492</u>	<u>44,412</u>	<u>2,521,904</u>
<i>Excess of Revenues Under Expenditures</i>	(1,080,982)	(42,848)	(1,123,830)
Other Financing Sources			
Transfers In	850,000	0	850,000
<i>Total Other Financing Sources</i>	<u>850,000</u>	<u>0</u>	<u>850,000</u>
<i>Net Change in Fund Balances</i>	(230,982)	(42,848)	(273,830)
<i>Fund Balances Beginning of Year</i>	<u>1,166,802</u>	<u>73,563</u>	<u>1,240,365</u>
<i>Fund Balances End of Year</i>	<u><u>\$935,820</u></u>	<u><u>\$30,715</u></u>	<u><u>\$966,535</u></u>

City of Middleburg Heights, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005

	Street Construction	State Highway	Clerk of Court Computer	Law Enforcement	Medical Transport	Police Pension
Assets						
Equity in Pooled Cash and						
Cash Equivalents	\$110,734	\$98,521	\$65,026	\$138,084	\$365,174	\$1,338
Materials and Supplies Inventory	85,028	1,994	0	0	0	0
Intergovernmental Receivable	287,762	23,332	0	225	0	9,422
Property Taxes Receivable	0	0	0	0	0	150,181
<i>Total Assets</i>	<u>\$483,524</u>	<u>\$123,847</u>	<u>\$65,026</u>	<u>\$138,309</u>	<u>\$365,174</u>	<u>\$160,941</u>
 Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$33,630	\$0	\$0	\$0	\$5,705	\$0
Accrued Wages	11,585	0	0	0	507	0
Intergovernmental Payable	22,410	0	0	0	959	0
Deferred Revenue	164,926	13,372	0	0	0	159,603
<i>Total Liabilities</i>	<u>232,551</u>	<u>13,372</u>	<u>0</u>	<u>0</u>	<u>7,171</u>	<u>159,603</u>
Fund Balances						
Reserved for Encumbrances	35,800	82,000	3,600	0	38,504	0
Unreserved, Undesignated	215,173	28,475	61,426	138,309	319,499	1,338
<i>Total Fund Balances</i>	<u>250,973</u>	<u>110,475</u>	<u>65,026</u>	<u>138,309</u>	<u>358,003</u>	<u>1,338</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$483,524</u>	<u>\$123,847</u>	<u>\$65,026</u>	<u>\$138,309</u>	<u>\$365,174</u>	<u>\$160,941</u>

(continued)

City of Middleburg Heights, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2005

	Fire Pension	Tree Planting	Veteran's Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,338	\$3,572	\$6,786	\$0	\$790,573
Materials and Supplies Inventory	0	0	0	0	87,022
Intergovernmental Receivable	9,422	0	0	11,596	341,759
Property Taxes Receivable	150,181	0	0	198,065	498,427
<i>Total Assets</i>	<u>\$160,941</u>	<u>\$3,572</u>	<u>\$6,786</u>	<u>\$209,661</u>	<u>\$1,717,781</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$0	\$0	\$0	\$0	\$39,335
Accrued Wages	0	0	0	0	12,092
Intergovernmental Payable	0	0	0	0	23,369
Deferred Revenue	159,603	0	0	209,661	707,165
<i>Total Liabilities</i>	<u>159,603</u>	<u>0</u>	<u>0</u>	<u>209,661</u>	<u>781,961</u>
Fund Balances					
Reserved for Encumbrances	0	0	0	0	159,904
Unreserved, Undesignated	1,338	3,572	6,786	0	775,916
<i>Total Fund Balances</i>	<u>1,338</u>	<u>3,572</u>	<u>6,786</u>	<u>0</u>	<u>935,820</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$160,941</u>	<u>\$3,572</u>	<u>\$6,786</u>	<u>\$209,661</u>	<u>\$1,717,781</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, 2005

	Street Construction	State Highway	Clerk of Court Computer	Law Enforcement	Medical Transport	Police Pension
Revenues						
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$143,876
Intergovernmental	753,908	61,128	0	0	1,000	18,822
Interest	6,622	2,798	0	4,773	0	0
Fines, Licenses and Permits	0	0	11,665	5,272	0	0
Charges for Services	4,867	0	0	0	0	0
Other	5,000	0	0	0	0	0
<i>Total Revenues</i>	<u>770,397</u>	<u>63,926</u>	<u>11,665</u>	<u>10,045</u>	<u>1,000</u>	<u>162,698</u>
Expenditures						
Current:						
Security of Persons and Property:						
Police	0	0	0	407	0	165,110
Fire	0	0	0	0	76,830	0
Public Health and Welfare	0	0	0	0	0	0
Streets and Highways	1,710,003	48,963	0	0	0	0
General Government	0	0	17,634	0	0	0
Capital Outlay	0	0	0	18,466	59,507	0
<i>Total Expenditures</i>	<u>1,710,003</u>	<u>48,963</u>	<u>17,634</u>	<u>18,873</u>	<u>136,337</u>	<u>165,110</u>
<i>Excess of Revenues Over (Under)</i>						
<i>Expenditures</i>	(939,606)	14,963	(5,969)	(8,828)	(135,337)	(2,412)
Other Financing Sources						
Transfers In	850,000	0	0	0	0	0
<i>Total Other Financing Sources</i>	<u>850,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(89,606)	14,963	(5,969)	(8,828)	(135,337)	(2,412)
<i>Fund Balances Beginning of Year</i>	<u>340,579</u>	<u>95,512</u>	<u>70,995</u>	<u>147,137</u>	<u>493,340</u>	<u>3,750</u>
<i>Fund Balances End of Year</i>	<u>\$250,973</u>	<u>\$110,475</u>	<u>\$65,026</u>	<u>\$138,309</u>	<u>\$358,003</u>	<u>\$1,338</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, 2005

	Fire Pension	Tree Planting	Veteran's Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
Revenues					
Property Taxes	\$143,876	\$0	\$0	\$187,622	\$475,374
Intergovernmental	18,822	0	0	22,623	876,303
Interest	0	0	221	0	14,414
Fines, Licenses and Permits	0	0	0	0	16,937
Charges for Services	0	3,200	0	0	8,067
Other	0	0	415	0	5,415
<i>Total Revenues</i>	<u>162,698</u>	<u>3,200</u>	<u>636</u>	<u>210,245</u>	<u>1,396,510</u>
Expenditures					
Current:					
Security of Persons and Property:					
Police	0	0	0	0	165,517
Fire	165,110	0	0	0	241,940
Public Health and Welfare	0	0	0	210,245	210,245
Streets and Highways	0	0	0	0	1,758,966
General Government	0	4,932	285	0	22,851
Capital Outlay	0	0	0	0	77,973
<i>Total Expenditures</i>	<u>165,110</u>	<u>4,932</u>	<u>285</u>	<u>210,245</u>	<u>2,477,492</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenditures</i>	(2,412)	(1,732)	351	0	(1,080,982)
Other Financing Sources					
Transfers In	0	0	0	0	850,000
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>850,000</u>
<i>Net Change in Fund Balances</i>	(2,412)	(1,732)	351	0	(230,982)
<i>Fund Balances Beginning of Year</i>	<u>3,750</u>	<u>5,304</u>	<u>6,435</u>	<u>0</u>	<u>1,166,802</u>
<i>Fund Balances End of Year</i>	<u>\$1,338</u>	<u>\$3,572</u>	<u>\$6,786</u>	<u>\$0</u>	<u>\$935,820</u>

City of Middleburg Heights, Ohio
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2005

	Community Center	Service Center	City Hall/ Fire Station Expansion	Total Nonmajor Capital Projects Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,546	\$22,258	\$4,911	\$30,715
<i>Total Assets</i>	<u>\$3,546</u>	<u>\$22,258</u>	<u>\$4,911</u>	<u>\$30,715</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$0	\$0	\$0	\$0
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances				
Reserved for Encumbrances	0	0	0	0
Unreserved, Undesignated	3,546	22,258	4,911	30,715
<i>Total Fund Balances</i>	<u>3,546</u>	<u>22,258</u>	<u>4,911</u>	<u>30,715</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,546</u>	<u>\$22,258</u>	<u>\$4,911</u>	<u>\$30,715</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, 2005

	Community Center	Service Center	City Hall/Fire Station Expansion	Total Nonmajor Capital Projects Funds
Revenues				
Interest	\$679	\$725	\$160	\$1,564
<i>Total Revenues</i>	679	725	160	1,564
Expenditures				
Current:				
Capital Outlay	44,412	0	0	44,412
<i>Total Expenditures</i>	44,412	0	0	44,412
<i>Net Change in Fund Balances</i>	(43,733)	725	160	(42,848)
<i>Fund Balances Beginning of Year</i>	47,279	21,533	4,751	73,563
<i>Fund Balances End of Year</i>	\$3,546	\$22,258	\$4,911	\$30,715

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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, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,455,942	\$1,414,781	\$1,414,781	\$0
Income Taxes	8,135,468	8,500,000	8,627,452	127,452
Other Local Taxes	535,000	539,500	540,702	1,202
Intergovernmental	918,185	1,168,362	1,160,313	(8,049)
Interest	130,000	235,000	250,833	15,833
Fines, Licenses and Permits	1,018,750	1,082,010	1,118,432	36,422
Charges for Services	439,000	379,000	377,687	(1,313)
Other	175,450	173,893	175,278	1,385
<i>Total Revenues</i>	<u>12,807,795</u>	<u>13,492,546</u>	<u>13,665,478</u>	<u>172,932</u>
Expenditures				
Current:				
Public Safety:				
Police:				
Personal Services	3,754,264	3,843,948	3,690,216	153,732
Other	377,983	394,983	346,257	48,726
Total Police	<u>4,132,247</u>	<u>4,238,931</u>	<u>4,036,473</u>	<u>202,458</u>
Fire:				
Personal Services	2,540,260	2,603,716	2,471,152	132,564
Other	296,135	296,135	251,522	44,613
Total Fire	<u>2,836,395</u>	<u>2,899,851</u>	<u>2,722,674</u>	<u>177,177</u>
Safety Director:				
Personal Services	48,522	49,323	49,323	0
Other	725	725	38	687
Total Safety Director	<u>49,247</u>	<u>50,048</u>	<u>49,361</u>	<u>687</u>
Total Public Safety	<u>7,017,889</u>	<u>7,188,830</u>	<u>6,808,508</u>	<u>380,322</u>
Public Health and Welfare:				
Senior Bus:				
Personal Services	30,265	30,958	27,661	3,297
Other	9,300	9,300	4,101	5,199
Total Public Health and Welfare	<u>39,565</u>	<u>40,258</u>	<u>31,762</u>	<u>8,496</u>

(continued)

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Community Development:				
Planning and Zoning:				
Personal Services	\$66,973	\$67,850	\$60,877	\$6,973
Other	3,500	3,500	2,461	1,039
Total Planning and Zoning	70,473	71,350	63,338	8,012
Building:				
Personal Services	441,897	450,534	432,094	18,440
Other	28,000	28,000	21,609	6,391
Total Building	469,897	478,534	453,703	24,831
Engineer:				
Personal Services	103,556	105,768	105,768	0
Other	16,600	16,600	15,200	1,400
Total Engineer	120,156	122,368	120,968	1,400
Total Community Development	660,526	672,252	638,009	34,243
Sanitation:				
Refuse Removal:				
Other	758,550	767,050	761,630	5,420
General Government:				
Mayor's Court:				
Personal Services	140,686	143,140	139,689	3,451
Other	57,312	57,312	50,946	6,366
Total Mayor's Court	197,998	200,452	190,635	9,817
Mayor:				
Personal Services	417,605	433,157	400,621	32,536
Other	18,983	18,983	16,939	2,044
Total Mayor	436,588	452,140	417,560	34,580

(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, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Finance:				
Personal Services	\$441,130	\$453,732	\$445,834	\$7,898
Other	70,454	70,454	51,863	18,591
Total Finance	511,584	524,186	497,697	26,489
Law:				
Personal Services	229,462	234,075	229,472	4,603
Other	89,368	100,868	82,031	18,837
Total Law	318,830	334,943	311,503	23,440
Service:				
Personal Services	2,284,343	2,346,221	2,331,203	15,018
Other	340,038	345,038	301,812	43,226
Total Service	2,624,381	2,691,259	2,633,015	58,244
Facilities Maintenance:				
Personal Services	294,699	300,840	295,087	5,753
Other	215,326	196,826	157,508	39,318
Total Facilities Maintenance	510,025	497,666	452,595	45,071
Council:				
Personal Services	279,547	285,992	280,479	5,513
Other	30,450	30,450	13,017	17,433
Total Council	309,997	316,442	293,496	22,946
Boards and Commissions:				
Personal Services	10,154	10,246	4,730	5,516
Other	8,890	8,890	6,265	2,625
Total Boards and Commissions	19,044	19,136	10,995	8,141
City Hall:				
Other	677,962	804,512	615,012	189,500
Statutory Accounts:				
Other	509,726	509,726	505,268	4,458
Total General Government	6,116,135	6,350,462	5,927,776	422,686
<i>Total Expenditures</i>	14,592,665	15,018,852	14,167,685	851,167

(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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<i>Excess of Revenues Under Expenditures</i>	<u>(\$1,784,870)</u>	<u>(\$1,526,306)</u>	<u>(\$502,207)</u>	<u>\$1,024,099</u>
Other Financing Sources (Uses)				
Advances In	72,000	72,000	72,000	0
Transfers Out	<u>(940,000)</u>	<u>(911,655)</u>	<u>(895,854)</u>	<u>15,801</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(868,000)</u>	<u>(839,655)</u>	<u>(823,854)</u>	<u>15,801</u>
<i>Net Change in Fund Balance</i>	(2,652,870)	(2,365,961)	(1,326,061)	1,039,900
<i>Fund Balance Beginning of Year</i>	3,263,269	3,263,269	3,263,269	0
Prior Year Encumbrances Appropriated	<u>174,393</u>	<u>174,393</u>	<u>174,393</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$784,792</u>	<u>\$1,071,701</u>	<u>\$2,111,601</u>	<u>\$1,039,900</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Income Taxes	\$1,648,000	\$1,465,000	\$1,443,084	(\$21,916)
Charges for Services	963,600	1,030,900	1,045,503	14,603
Other	15,050	13,105	12,908	(197)
<i>Total Revenues</i>	<u>2,626,650</u>	<u>2,509,005</u>	<u>2,501,495</u>	<u>(7,510)</u>
Expenditures				
Current:				
Culture and Recreation:				
Personal Services	1,984,481	1,999,993	1,886,478	113,515
Other	845,365	847,365	775,570	71,795
<i>Total Expenditures</i>	<u>2,829,846</u>	<u>2,847,358</u>	<u>2,662,048</u>	<u>185,310</u>
<i>Net Change in Fund Balance</i>	(203,196)	(338,353)	(160,553)	177,800
<i>Fund Balance Beginning of Year</i>	358,499	358,499	358,499	0
Prior Year Encumbrances Appropriated	<u>52,055</u>	<u>52,055</u>	<u>52,055</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$207,358</u>	<u>\$72,201</u>	<u>\$250,001</u>	<u>\$177,800</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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$444,185	\$431,628	\$431,628	\$0
Income Taxes	2,097,395	2,097,395	2,097,395	0
Intergovernmental	57,422	57,052	57,052	0
Interest	2,754	2,754	2,754	0
Other	13,240	11,933	11,933	0
<i>Total Revenues</i>	<u>2,614,996</u>	<u>2,600,762</u>	<u>2,600,762</u>	<u>0</u>
Expenditures				
General Government	10,450	10,450	332	10,118
Debt Service:				
Principal Retirement	1,658,515	1,658,515	1,658,514	1
Interest and Fiscal Charges	888,750	888,750	888,746	4
<i>Total Expenditures</i>	<u>2,557,715</u>	<u>2,557,715</u>	<u>2,547,592</u>	<u>10,123</u>
<i>Net Change in Fund Balance</i>	57,281	43,047	53,170	10,123
<i>Fund Balance Beginning of Year</i>	<u>1,050,190</u>	<u>1,050,190</u>	<u>1,050,190</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,107,471</u></u>	<u><u>\$1,093,237</u></u>	<u><u>\$1,103,360</u></u>	<u><u>\$10,123</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Special Assessment Bond Retirement Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Special Assessments	\$215,498	\$220,498	\$220,757	\$259
Interest	11,181	11,181	11,181	0
Other	2,000	3,500	3,520	20
<i>Total Revenues</i>	<u>228,679</u>	<u>235,179</u>	<u>235,458</u>	<u>279</u>
Expenditures				
General Government	10,000	11,113	6,273	4,840
Debt Service:				
Principal Retirement	124,595	124,595	124,592	3
Interest and Fiscal Charges	89,245	89,245	89,242	3
<i>Total Expenditures</i>	<u>223,840</u>	<u>224,953</u>	<u>220,107</u>	<u>4,846</u>
<i>Net Change in Fund Balance</i>	4,839	10,226	15,351	5,125
<i>Fund Balance Beginning of Year</i>	<u>683,379</u>	<u>683,379</u>	<u>683,379</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$688,218</u>	<u>\$693,605</u>	<u>\$698,730</u>	<u>\$5,125</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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Income Taxes	\$696,812	\$711,000	\$713,603	\$2,603
Intergovernmental	175,666	175,666	175,666	0
Charges for Services	11,485	11,485	10,546	(939)
Other	5,710	25,824	25,824	0
<i>Total Revenues</i>	<u>889,673</u>	<u>923,975</u>	<u>925,639</u>	<u>1,664</u>
Expenditures				
Capital Outlay	241,211	1,061,071	995,873	65,198
<i>Excess of Revenues Under Expenditures</i>	<u>648,462</u>	<u>(137,096)</u>	<u>(70,234)</u>	<u>66,862</u>
Other Financing Sources				
Advances Out	0	(72,000)	(72,000)	0
<i>Net Change in Fund Balance</i>	648,462	(209,096)	(142,234)	66,862
<i>Fund Balance Beginning of Year</i>	1,383	1,383	1,383	0
Prior Year Encumbrances Appropriated	<u>212,177</u>	<u>212,177</u>	<u>212,177</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$862,022</u></u>	<u><u>\$4,464</u></u>	<u><u>\$71,326</u></u>	<u><u>\$66,862</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Constuction Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$704,875	\$729,875	\$733,895	\$4,020
Interest	2,500	6,000	6,622	622
Charges for Services	0	4,800	4,867	67
Other	0	5,000	5,000	0
<i>Total Revenues</i>	<u>707,375</u>	<u>745,675</u>	<u>750,384</u>	<u>4,709</u>
Expenditures				
Current:				
Transportation:				
Streets and Highways:				
Personal Services	792,212	803,227	787,171	16,056
Other	965,257	1,040,735	1,003,156	37,579
<i>Total Expenditures</i>	<u>1,757,469</u>	<u>1,843,962</u>	<u>1,790,327</u>	<u>53,635</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,050,094)</u>	<u>(1,098,287)</u>	<u>(1,039,943)</u>	<u>58,344</u>
Other Financing Sources				
Transfers In	880,000	865,800	850,000	(15,800)
<i>Net Change in Fund Balance</i>	(170,094)	(232,487)	(189,943)	42,544
<i>Fund Balance Beginning of Year</i>	53,595	53,595	53,595	0
Prior Year Encumbrances Appropriated	189,257	189,257	189,257	0
<i>Fund Balance End of Year</i>	<u>\$72,758</u>	<u>\$10,365</u>	<u>\$52,909</u>	<u>\$42,544</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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$57,070	\$59,070	\$59,505	\$435
Interest	500	2,000	2,798	798
<i>Total Revenues</i>	<u>57,570</u>	<u>61,070</u>	<u>62,303</u>	<u>1,233</u>
Expenditures				
Current:				
Transportation:				
Streets and Highways:				
Other	86,846	132,175	123,777	8,398
<i>Net Change in Fund Balance</i>	(29,276)	(71,105)	(61,474)	9,631
<i>Fund Balance Beginning of Year</i>	51,150	51,150	51,150	0
Prior Year Encumbrances Appropriated	26,845	26,845	26,845	0
<i>Fund Balance End of Year</i>	<u>\$48,719</u>	<u>\$6,890</u>	<u>\$16,521</u>	<u>\$9,631</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines, Licenses and Permits	\$15,000	\$11,600	\$11,665	\$65
Expenditures				
Current:				
General Government:				
Other	30,700	45,700	21,234	24,466
<i>Net Change in Fund Balance</i>	(15,700)	(34,100)	(9,569)	24,531
<i>Fund Balance Beginning of Year</i>	55,995	55,995	55,995	0
Prior Year Encumbrances Appropriated	15,000	15,000	15,000	0
<i>Fund Balance End of Year</i>	<u>\$55,295</u>	<u>\$36,895</u>	<u>\$61,426</u>	<u>\$24,531</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$1,585	\$4,285	\$4,773	\$488
Fines, Licenses and Permits	2,750	4,950	5,197	247
<i>Total Revenues</i>	<u>4,335</u>	<u>9,235</u>	<u>9,970</u>	<u>735</u>
Expenditures				
Current:				
Public Safety:				
Other	6,742	21,742	18,874	2,868
<i>Net Change in Fund Balance</i>	(2,407)	(12,507)	(8,904)	3,603
<i>Fund Balance Beginning of Year</i>	140,246	140,246	140,246	0
Prior Year Encumbrances Appropriated	6,742	6,742	6,742	0
<i>Fund Balance End of Year</i>	<u>\$144,581</u>	<u>\$134,481</u>	<u>\$138,084</u>	<u>\$3,603</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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$0	\$25,972	\$1,000	(\$24,972)
Expenditures				
Current:				
Transportation:				
Public Safety:				
Personal Services	26,489	27,071	27,040	31
Other	126,371	155,721	154,864	857
<i>Total Expenditures</i>	<u>152,860</u>	<u>182,792</u>	<u>181,904</u>	<u>888</u>
<i>Net Change in Fund Balance</i>	(152,860)	(156,820)	(180,904)	(24,084)
<i>Fund Balance Beginning of Year</i>	494,188	494,188	494,188	0
Prior Year Encumbrances Appropriated	<u>7,681</u>	<u>7,681</u>	<u>7,681</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$349,009</u>	<u>\$345,049</u>	<u>\$320,965</u>	<u>(\$24,084)</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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$148,061	\$143,876	\$143,876	\$0
Intergovernmental	18,945	18,822	18,822	0
<i>Total Revenues</i>	<u>167,006</u>	<u>162,698</u>	<u>162,698</u>	<u>0</u>
Expenditures				
Current:				
Public Safety:				
Personal Services	165,000	165,000	165,000	0
Other	150	150	110	40
<i>Total Expenditures</i>	<u>165,150</u>	<u>165,150</u>	<u>165,110</u>	<u>40</u>
<i>Net Change in Fund Balance</i>	1,856	(2,452)	(2,412)	40
<i>Fund Balance Beginning of Year</i>	<u>3,750</u>	<u>3,750</u>	<u>3,750</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$5,606</u>	<u>\$1,298</u>	<u>\$1,338</u>	<u>\$40</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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$148,061	\$143,876	\$143,876	\$0
Intergovernmental	18,945	18,822	18,822	0
<i>Total Revenues</i>	<u>167,006</u>	<u>162,698</u>	<u>162,698</u>	<u>0</u>
Expenditures				
Current:				
Public Safety:				
Personal Services	165,000	165,000	165,000	0
Other	150	150	110	40
<i>Total Expenditures</i>	<u>165,150</u>	<u>165,150</u>	<u>165,110</u>	<u>40</u>
<i>Net Change in Fund Balance</i>	1,856	(2,452)	(2,412)	40
<i>Fund Balance Beginning of Year</i>	<u>3,750</u>	<u>3,750</u>	<u>3,750</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$5,606</u>	<u>\$1,298</u>	<u>\$1,338</u>	<u>\$40</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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for Services	\$1,000	\$3,200	\$3,200	\$0
Expenditures				
Current:				
General Government:				
Other	2,668	5,668	4,932	736
<i>Net Change in Fund Balance</i>	(1,668)	(2,468)	(1,732)	736
<i>Fund Balance Beginning of Year</i>	5,304	5,304	5,304	0
<i>Fund Balance End of Year</i>	<u>\$3,636</u>	<u>\$2,836</u>	<u>\$3,572</u>	<u>\$736</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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$65	\$205	\$221	\$16
Other	1,000	400	415	15
<i>Total Revenues</i>	<u>1,065</u>	<u>605</u>	<u>636</u>	<u>31</u>
Expenditures				
Current:				
General Government:				
Other	6,019	6,019	285	5,734
<i>Net Change in Fund Balance</i>	(4,954)	(5,414)	351	5,765
<i>Fund Balance Beginning of Year</i>	<u>6,435</u>	<u>6,435</u>	<u>6,435</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,481</u></u>	<u><u>\$1,021</u></u>	<u><u>\$6,786</u></u>	<u><u>\$5,765</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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$193,583	\$187,622	\$187,622	\$0
Intergovernmental	23,083	22,623	22,623	0
<i>Total Revenues</i>	<u>216,666</u>	<u>210,245</u>	<u>210,245</u>	<u>0</u>
Expenditures				
Current:				
Public Health and Welfare:				
Other	214,743	210,245	210,245	0
<i>Net Change in Fund Balance</i>	1,923	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,923</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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$600	\$665	\$680	\$15
Expenditures				
Capital Outlay:	<u>0</u>	<u>47,252</u>	<u>44,412</u>	<u>2,840</u>
<i>Net Change in Fund Balance</i>	600	(46,587)	(43,732)	2,855
<i>Fund Balance Beginning of Year</i>	5,624	5,624	5,624	0
Prior Year Encumbrances Appropriated	<u>41,654</u>	<u>41,654</u>	<u>41,654</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$47,878</u></u>	<u><u>\$691</u></u>	<u><u>\$3,546</u></u>	<u><u>\$2,855</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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$200	\$650	\$725	\$75
Expenditures				
Capital Outlay	<u>0</u>	<u>5,000</u>	<u>0</u>	<u>5,000</u>
<i>Net Change in Fund Balance</i>	200	(4,350)	725	5,075
<i>Fund Balance Beginning of Year</i>	<u>21,533</u>	<u>21,533</u>	<u>21,533</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$21,733</u></u>	<u><u>\$17,183</u></u>	<u><u>\$22,258</u></u>	<u><u>\$5,075</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
City Hall/Fire Station Expansion Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$45	\$145	\$160	\$15
Expenditures				
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	45	145	160	15
<i>Fund Balance Beginning of Year</i>	<u>4,751</u>	<u>4,751</u>	<u>4,751</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4,796</u></u>	<u><u>\$4,896</u></u>	<u><u>\$4,911</u></u>	<u><u>\$15</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Road Improvements Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Expenditures				
Capital Outlay	<u>\$314,444</u>	<u>\$360,299</u>	<u>\$360,299</u>	<u>\$0</u>
Other Financing Sources				
Transfers In	<u>60,000</u>	<u>45,855</u>	<u>45,855</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(254,444)	(314,444)	(314,444)	0
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	<u>314,444</u>	<u>314,444</u>	<u>314,444</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$60,000</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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for Service	<u>\$1,626,126</u>	<u>\$1,623,822</u>	<u>\$1,623,822</u>	<u>\$0</u>
Expenditures				
General Government:				
Other	<u>1,772,480</u>	<u>1,622,480</u>	<u>1,479,197</u>	<u>143,283</u>
<i>Net Change in Fund Balance</i>	(146,354)	1,342	144,625	143,283
<i>Fund Balance Beginning of Year</i>	<u>641,158</u>	<u>641,158</u>	<u>641,158</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$494,804</u></u>	<u><u>\$642,500</u></u>	<u><u>\$785,783</u></u>	<u><u>\$143,283</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.

Patrolman Ryan Nagy Fund To account for donations received and disbursed by the City to benefit Patrolman Nagy and his family following the on-duty traffic accident in which Patrolman Nagy was severely injured.

City of Middleburg Heights, Ohio
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended December 31, 2005

	Beginning Balance 12/31/04	Additions	Deductions	Ending Balance 12/31/05
<i>Flexible Spending Account</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,231	\$21,871	\$21,362	\$1,740
Liabilities				
Deposits Held and Due to Others	\$1,231	\$21,871	\$21,362	\$1,740
<i>Board of Buildings Standards Fee</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$67	\$5,428	\$5,316	\$179
Liabilities				
Deposits Held and Due to Others	\$67	\$5,428	\$5,316	\$179
<i>Mayor's Court</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$46,026	\$812,604	\$810,600	\$48,030
Liabilities				
Deposits Held and Due to Others	\$46,026	\$812,604	\$810,600	\$48,030
<i>Deposits</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$273,119	\$133,112	\$153,081	\$253,150
Liabilities				
Deposits Held and Due to Others	\$273,119	\$133,112	\$153,081	\$253,150
<i>Patrolman Ryan Nagy Fund</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$0	\$19,794	\$19,794	\$0
Liabilities				
Deposits Held and Due to Others	\$0	\$19,794	\$19,794	\$0
<i>Total - All Agency Funds</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$320,443	\$992,809	\$1,010,153	\$303,099
Liabilities				
Deposits Held and Due to Others	\$320,443	\$992,809	\$1,010,153	\$303,099

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 Four Years

(accrual basis of accounting)

	2005	2004	2003	2002
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	\$31,196,151	\$29,822,417	\$28,782,469	\$26,448,543
Restricted for:				
Capital Projects	551,559	442,211	1,131,259	1,779,854
Debt Service	3,939,645	4,128,272	4,673,180	5,576,849
Other Purposes	398,548	418,588	404,227	1,631,319
Unrestricted	4,085,445	5,270,879	7,330,254	6,489,076
Total Net Assets	<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 Four Years
(accrual basis of accounting)

	2005	2004	2003	2002
Program Revenues				
Governmental Activities:				
Charges for Services:				
Security of Persons and Property:				
Police	\$679,012	\$766,507	\$743,258	\$385,002
Fire	355,800	357,415	424,981	244,939
Safety Director	0	0	0	0
Public Health and Welfare	0	0	0	0
Culture and Recreation	1,054,775	992,986	921,023	777,934
Community Development	329,658	198,759	217,690	255,325
Streets and Highways	4,867	0	0	17,270
Sanitation	0	0	0	0
General Government	174,977	214,146	153,359	99,619
Interest and Fiscal Charges	0	0	0	0
Operating Grants and Contributions	761,102	756,071	689,679	633,117
Capital Grants and Contributions	1,153,013	539,301	1,362,161	1,231,366
<i>Total Governmental Activities Program Revenues</i>	<u>4,513,204</u>	<u>3,825,185</u>	<u>4,512,151</u>	<u>3,644,572</u>
Expenses				
Governmental Activities:				
Security of Persons and Property:				
Police	4,341,528	4,343,435	3,998,227	3,604,024
Fire	3,208,411	3,026,842	2,851,306	2,934,924
Safety Director	48,360	45,650	42,266	31,107
Public Health and Welfare	246,274	258,754	253,092	249,733
Culture and Recreation	3,080,371	3,152,424	2,924,858	2,800,419
Community Development	632,819	631,527	605,855	537,174
Streets and Highways	2,642,158	3,345,946	2,901,524	2,675,763
Sanitation	767,324	729,743	716,221	692,434
General Government	6,308,086	6,295,289	5,912,798	5,621,897
Interest and Fiscal Charges	974,678	1,045,256	1,127,571	1,210,872
<i>Total Governmental Activities Expenses</i>	<u>22,250,009</u>	<u>22,874,866</u>	<u>21,333,718</u>	<u>20,358,347</u>

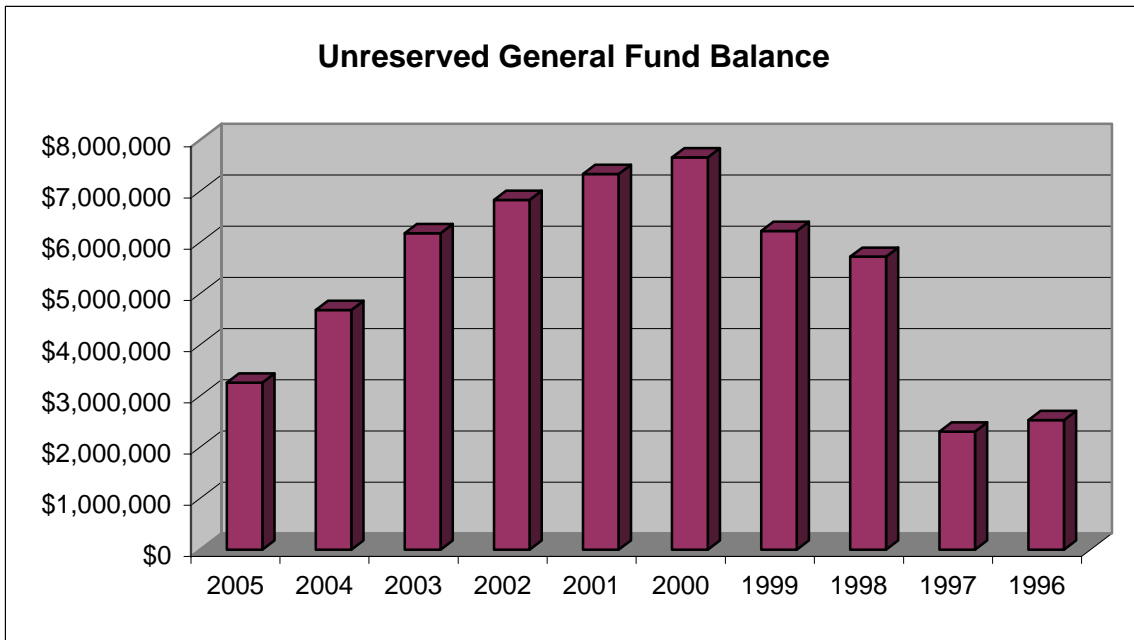
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City of Middleburg Heights, Ohio
Changes in Net Assets (continued)
Last Four Years
(accrual basis of accounting)

	2005	2004	2003	2002
Net (Expense)/Revenue				
Governmental Activities:				
Security of Persons and Property:				
Police	(\$3,647,516)	(\$3,576,928)	(\$3,254,969)	(\$3,219,022)
Fire	(2,851,611)	(2,669,427)	(2,426,325)	(2,685,481)
Safety Director	(48,360)	(45,650)	(42,266)	(31,107)
Public Health and Welfare	(246,274)	(258,754)	(253,092)	(249,733)
Culture and Recreation	(2,025,596)	(2,159,438)	(2,003,835)	(2,022,485)
Community Development	(303,161)	(432,768)	(388,165)	(281,849)
Streets and Highways	(739,176)	(2,050,574)	(849,684)	(798,514)
Sanitation	(767,324)	(729,743)	(716,221)	(692,434)
General Government	(6,133,109)	(6,081,143)	(5,759,439)	(5,522,278)
Interest and Fiscal Charges	(974,678)	(1,045,256)	(1,127,571)	(1,210,872)
<i>Total Net Expense</i>	<u>(17,736,805)</u>	<u>(19,049,681)</u>	<u>(16,821,567)</u>	<u>(16,713,775)</u>
General Revenues				
Property and Other Local Taxes Levied for:				
General Purposes	1,927,455	1,947,370	1,871,807	1,939,239
Debt Service	422,528	491,408	453,296	533,931
Police and Fire Pension	281,686	297,148	271,698	281,718
Public Health and Welfare	183,855	198,408	187,195	196,787
Income Tax Levied for:				
General Purposes	8,990,441	8,507,278	8,682,559	7,070,761
Debt Service	1,974,159	1,681,241	1,746,570	1,917,477
Recreation	1,454,103	1,432,876	1,656,965	1,654,043
Capital Outlay	728,306	681,137	710,614	1,373,349
Grants and Entitlements not Restricted to				
Specific Programs	1,187,184	1,053,794	1,129,313	1,139,198
Investment Earnings	287,866	164,962	236,156	424,299
Miscellaneous	388,203	355,037	271,142	767,857
<i>Total General Revenues</i>	<u>17,825,786</u>	<u>16,810,659</u>	<u>17,217,315</u>	<u>17,298,659</u>
Change in Net Assets	<u>\$88,981</u>	<u>(\$2,239,022)</u>	<u>\$395,748</u>	<u>\$584,884</u>

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

	2005	2004	2003	2002
General Fund				
Reserved	\$327,660	\$120,798	\$174,103	\$263,148
Unreserved	3,258,029	4,435,260	6,177,201	6,826,747
<i>Total General Fund</i>	<u>3,585,689</u>	<u>4,556,058</u>	<u>6,351,304</u>	<u>7,089,895</u>
All Other Governmental Funds				
Reserved	501,387	382,321	655,210	1,059,121
Unreserved, undesignated, reported in:				
Special Revenue Funds	970,785	1,328,350	1,369,563	1,102,511
Debt Service Funds	2,031,226	2,077,031	2,494,452	3,299,397
Capital Project Funds	210,352	241,389	871,104	978,663
<i>Total All Other Governmental Funds</i>	<u>3,713,750</u>	<u>4,029,091</u>	<u>5,390,329</u>	<u>6,439,692</u>
<i>Total Governmental Funds</i>	<u><u>\$7,299,439</u></u>	<u><u>\$8,585,149</u></u>	<u><u>\$11,741,633</u></u>	<u><u>\$13,529,587</u></u>



2001	2000	1999	1998	1997	1996
\$198,069	\$139,629	\$129,262	\$54,654	\$95,414	\$124,844
7,335,563	7,659,445	6,221,129	5,718,045	2,301,721	2,529,368
7,533,632	7,799,074	6,350,391	5,772,699	2,397,135	2,654,212
1,618,797	1,650,361	7,629,199	6,649,881	1,075,926	530,796
638,624	764,510	972,446	888,246	549,531	426,121
2,885,400	2,704,882	2,444,514	2,299,815	1,563,905	1,473,758
885,471	1,315,279	2,310,711	16,711,599	(1,763,785)	(1,081,464)
6,028,292	6,435,032	13,356,870	26,549,541	1,425,577	1,349,211
\$13,561,924	\$14,234,106	\$19,707,261	\$32,322,240	\$3,822,712	\$4,003,423

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

	2005	2004	2003	2002
Revenues				
Property Taxes	\$2,321,783	\$2,368,704	\$2,245,912	\$2,288,560
Income Taxes	12,914,040	12,554,485	12,555,322	12,303,925
Other Local Taxes	542,499	532,080	581,244	601,078
Intergovernmental	2,101,960	2,405,486	3,033,358	1,945,744
Special Assessments	220,757	257,223	212,521	386,563
Interest	287,866	153,393	225,762	393,370
Fines, Licenses and Permits	1,138,066	1,139,530	1,071,550	708,045
Charges for Services	1,450,352	1,422,075	1,419,832	991,998
Other	286,986	246,698	271,142	494,481
Total Revenues	<u>21,264,309</u>	<u>21,079,674</u>	<u>21,616,643</u>	<u>20,113,764</u>
Expenditures				
Current:				
General Government:				
Security of Persons and Property	7,220,518	7,187,492	6,356,082	5,918,175
Public Health and Welfare	242,167	251,187	244,428	240,355
Culture and Recreation	2,631,011	2,648,981	2,485,636	2,328,033
Community Development	638,449	623,163	598,079	522,904
Streets and Highways	1,758,966	1,618,920	1,529,623	1,328,920
Sanitation	767,324	729,743	716,221	692,434
General Government	5,814,271	5,866,851	5,373,213	4,966,300
Capital Outlay	745,997	2,503,769	3,273,070	2,717,128
Debt Service:				
Principal Retirement	1,783,106	1,757,653	1,697,225	1,696,822
Interest and Fiscal Charges	977,988	1,048,399	1,131,020	1,252,987
Total Expenditures	<u>22,579,797</u>	<u>24,236,158</u>	<u>23,404,597</u>	<u>21,664,058</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,315,488)</u>	<u>(3,156,484)</u>	<u>(1,787,954)</u>	<u>(1,550,294)</u>
Other Financing Sources (Uses)				
General Obligation Bonds Issued	0	0	0	905,000
Payments to Refund Bonds	0	0	0	0
Sale of Capital Assets	29,778	0	0	0
Transfers In	850,000	797,018	1,227,083	1,111,466
Transfers Out	(850,000)	(797,018)	(1,227,083)	(1,111,466)
Total Other Financing Sources (Uses)	<u>29,778</u>	<u>0</u>	<u>0</u>	<u>905,000</u>
Net Change in Fund Balances	<u>(\$1,285,710)</u>	<u>(\$3,156,484)</u>	<u>(\$1,787,954)</u>	<u>(\$645,294)</u>
Debt Service as a percentage of noncapital expenditures	12.65%	12.91%	14.05%	15.57%

2001	2000	1999	1998	1997	1996
\$2,095,127	\$1,866,997	\$1,846,314	\$1,814,822	\$1,412,584	\$1,482,556
12,720,629	12,834,407	12,331,122	11,360,703	6,541,704	6,313,742
684,553	718,032	679,142	647,313	618,064	538,752
6,215,508	2,296,007	6,677,949	2,478,101	1,788,820	1,607,100
141,037	129,693	120,116	81,013	86,765	205,328
817,361	1,212,912	1,490,742	1,034,247	325,304	323,180
680,870	775,737	817,432	1,046,276	701,695	703,896
874,296	811,018	199,220	169,839	161,160	136,057
196,619	306,831	270,118	460,024	244,397	286,098
<u>24,426,000</u>	<u>20,951,634</u>	<u>24,432,155</u>	<u>19,092,338</u>	<u>11,880,493</u>	<u>11,596,709</u>
5,962,994	4,905,637	4,877,775	4,454,615	4,053,357	3,658,179
20,524	20,879	19,522	23,912	18,043	18,014
2,202,176	1,608,700	435,125	389,703	363,988	335,867
486,411	405,971	389,869	365,493	357,071	324,649
995,240	860,832	914,634	754,094	833,967	909,676
670,964	641,825	612,634	601,783	585,524	561,377
4,726,051	4,560,407	3,857,675	3,184,734	3,012,537	3,024,956
7,292,919	10,473,147	22,946,586	6,196,780	2,242,049	1,804,143
1,716,441	1,657,007	1,435,100	295,100	299,100	293,100
1,291,137	1,342,311	1,775,295	337,521	408,911	406,033
<u>25,364,857</u>	<u>26,476,716</u>	<u>37,264,215</u>	<u>16,603,735</u>	<u>12,174,547</u>	<u>11,335,994</u>
<u>(938,857)</u>	<u>(5,525,082)</u>	<u>(12,832,060)</u>	<u>2,488,603</u>	<u>(294,054)</u>	<u>260,715</u>
0	0	216000	29,715,682	0	0
0	0	0	(3,815,682)	0	0
0	0	0	0	0	0
765,067	206,599	772,834	846,171	2,402,629	1,718,455
<u>(702,338)</u>	<u>(206,599)</u>	<u>(771,891)</u>	<u>(816,940)</u>	<u>(2,376,566)</u>	<u>(1,685,778)</u>
<u>62,729</u>	<u>0</u>	<u>216,943</u>	<u>25,929,231</u>	<u>26,063</u>	<u>32,677</u>
<u>(\$876,128)</u>	<u>(\$5,525,082)</u>	<u>(\$12,615,117)</u>	<u>\$28,417,834</u>	<u>(\$267,991)</u>	<u>\$293,392</u>
16.64%	18.74%	22.42%	6.08%	7.13%	7.33%

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
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
1997	1,412,584	6,541,704	618,064	8,572,352
1996	1,482,466	6,313,742	538,752	8,334,960

* Beginning in 1998 the citizens approved an income tax rate increase from 1.00% to 1.75% for the construction of facilities and city operations.

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
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%
1997	1.00%	6,344,926	4,969,888	78.3%	804,095	12.7%	570,943	9.0%
1996	1.00%	6,292,879	4,938,242	78.5%	869,211	13.8%	485,426	7.7%

* Beginning in 1998 a change in the income tax rate from 1.00% to 1.75% for Recreation Center construction and operations 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:

2005

Rank	Taxpayer
1	Southwest General Hospital
2	United Parcel Service
3	Advanstar Communications Incorporated
4	Transamerica Holdings LLC
5	Berea City School District
6	Codonics, Inc.
7	City of Middleburg Heights
8	Polaris Joint Vocational School
9	Sunnyside Automotive Incorporated
10	USDA - National Finance Center

1996

2005 Rank	Rank	Taxpayer
1	1	Southwest General Hospital
2	2	United Parcel Service
3	3	Advanstar Communications Incorporated
15	4	Sears Roebuck and Company
5	5	Berea City School District
9	6	Sunnyside Automotive Incorporated
-	7	Ken-Mac Metals Incorporated
8	8	Polaris Joint Vocational School
13	9	Brewer Garrett Company
-	10	Airborne Freight Corporation

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	Recreation	Southwest Community Hospital	Total	School District	Cuyahoga County (1)		
1996/1997	2.95	1.09	0.30	0.30	0.26	1.00	5.90	60.90	16.60	83.40	
1997/1998	2.85	1.15	0.30	0.30		1.00	5.60	61.70	16.60	83.90	
1998/1999	2.85	1.15	0.30	0.30		1.00	5.60	60.40	16.70	82.70	
1999/2000	2.85	1.15	0.30	0.30		1.00	5.60	66.30	16.70	88.60	
2000/2001	2.85	1.15	0.30	0.30		1.00	5.60	66.20	17.60	89.40	
2001/2002	2.85	1.15	0.30	0.30		1.00	5.60	66.20	17.60	89.40	
2002/2003	2.85	1.00	0.30	0.30		1.00	5.45	72.20	17.60	95.25	
2003/2004	2.85	1.00	0.30	0.30		1.00	5.45	72.20	19.40	97.05	
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	

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

Source: Cuyahoga County Auditor

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

Tax Year/ Collection Year	Real Property (1)		Personal Property (1)		Public Utility Property (1)		Total		Ratio of Total Assessed Value To Total Estimated Actual Value	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Estimated Value	Actual Value
1996/1997	\$334,514,330	\$955,755,200	\$42,717,032	\$170,868,128	\$22,085,910	\$25,097,630	\$399,317,272	\$1,151,720,958	34.7%	
1997/1998	369,990,240	1,057,114,971	46,497,314	185,989,256	21,361,400	24,274,318	437,848,954	1,267,378,545	34.5%	
1998/1999	374,433,000	1,069,808,571	48,791,605	195,166,420	20,858,100	23,702,386	444,082,705	1,288,677,377	34.5%	
1999/2000	388,560,540	1,110,172,971	47,131,859	188,527,436	19,100,640	21,705,273	454,793,039	1,320,405,680	34.4%	
2000/2001	452,686,520	1,293,390,057	48,858,969	195,435,876	18,908,480	21,486,909	520,453,969	1,510,312,842	34.5%	
2001/2002	456,826,300	1,305,218,000	47,573,331	190,293,324	14,925,620	16,960,932	519,325,251	1,512,472,256	34.3%	
2002/2003	464,168,000	1,326,194,286	46,222,909	184,891,636	13,550,990	15,398,852	523,941,899	1,526,484,774	34.3%	
2003/2004	491,230,770	1,403,516,486	44,252,676	177,010,704	13,459,950	15,295,398	548,943,396	1,595,822,588	34.4%	
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%	

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

Source: Cuyahoga County Auditor

City of Middleburg Heights, Ohio
Property Tax 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
1995/1996	\$1,808,124	\$1,777,935	98.3%	\$1,801,722	99.6%	\$44,574
1996/1997	1,791,132	1,736,891	97.0	1,752,232	97.8	59,637
1997/1998	1,959,435	1,878,618	95.9	1,934,025	98.7	75,024
1998/1999	1,980,787	1,935,119	97.7	1,962,836	99.1	71,546
1999/2000	2,042,289	1,973,594	96.6	2,017,915	98.8	94,684
2000/2001	2,297,430	2,191,586	95.4	2,285,460	99.5	105,464
2001/2002	2,340,255	2,216,737	94.7	2,291,772	97.9	163,897
2002/2003	2,294,350	2,196,677	95.7	2,256,797	98.4	115,621
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

(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

	2005	2004	2003
General Obligation Bonds	\$18,110,804	\$19,769,318	\$21,408,718
Percent of estimated actual property value	1.11%	1.21%	1.34%
Per Capita	\$1,165.28	\$1,271.99	\$1,377.48
Special Assessment Bonds	1,763,243	1,887,835	2,006,087
Bond Anticipation Notes	0	0	500,000
Total Gross Indebtedness	<u>19,874,047</u>	<u>21,657,153</u>	<u>23,914,805</u>
Percentage of Personal Income	5.07%	5.53%	6.11%
Per Capita	\$1,278.73	\$1,393.46	\$1,538.72
Less:			
Special Assessment Bonds	(1,763,243)	(1,887,835)	(2,006,087)
Community Center Bonds	(10,703,500)	(11,613,500)	(12,513,500)
Service Center Bonds	(5,128,500)	(5,538,500)	(5,948,500)
General Obligation Bond Retirement Fund Balance	<u>(1,331,605)</u>	<u>(1,392,721)</u>	<u>(1,694,483)</u>
Total Net Debt Applicable to Debt Limit	<u>947,199</u>	<u>1,224,597</u>	<u>1,752,235</u>
Overall Legal Debt Limit			
10 1/2% of Assessed Valuation	<u>57,996,343</u>	<u>58,484,227</u>	<u>57,639,057</u>
Legal Debt Margin Within 10 1/2% Limitations	<u>\$57,049,144</u>	<u>\$57,259,630</u>	<u>\$55,886,822</u>
Legal Debt Margin as a Percentage of the Debt Limit	98.37%	97.91%	96.96%
Unvoted Debt Limitation			
5 1/2% of Assessed Valuation	\$30,379,037	\$30,634,595	\$30,191,887
Net Unvoted Indebtedness Authorized by Council	19,874,047	21,657,153	23,914,805
Less:			
Special Assessment Bonds	(1,763,243)	(1,887,835)	(2,006,087)
Community Center Bonds	(10,703,500)	(11,613,500)	(12,513,500)
Service Center Bonds	(5,128,500)	(5,538,500)	(5,948,500)
General Obligation Bond Retirement Fund Balance	<u>(1,331,605)</u>	<u>(1,392,721)</u>	<u>(1,694,483)</u>
Net Debt Within 5 1/2% Limitations	<u>947,199</u>	<u>1,224,597</u>	<u>1,752,235</u>
Unvoted Legal Debt Margin Within 5 1/2% Limitations	<u>\$29,431,838</u>	<u>\$29,409,998</u>	<u>\$28,439,652</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation	96.88%	96.00%	94.20%

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

2002	2001	2000	1999	1998	1997	1996
\$22,989,008	\$24,621,629	\$26,264,138	\$27,858,536	\$29,239,153	\$3,793,688	\$4,047,516
1.51%	1.63%	1.74%	2.11%	2.27%	0.30%	0.35%
\$1,479.15	\$1,584.20	\$1,689.88	\$1,894.88	\$1,988.79	\$258.04	\$275.30
2,123,022	1,282,223	1,356,155	1,418,764	1,257,247	637,812	683,084
600,000	2,215,000	920,000	1,600,000	5,500,000	1,870,000	1,910,000
<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>	<u>6,301,500</u>	<u>6,640,600</u>
6.56%	7.18%	7.29%	11.57%	13.48%	2.36%	2.49%
\$1,654.36	\$1,809.22	\$1,836.33	\$2,100.21	\$2,448.40	\$428.62	\$451.68
(2,123,022)	(1,282,223)	(1,356,155)	(1,418,764)	(1,257,247)	(637,812)	(683,084)
(13,383,500)	(14,218,500)	(15,023,500)	(15,797,500)	(16,467,500)		
(6,348,500)	(6,738,500)	(7,188,500)	(7,632,500)	(7,997,500)		
<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>(804,890)</u>	<u>(747,561)</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>4,858,798</u>	<u>5,209,955</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>45,974,140</u>	<u>41,928,314</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>	<u>\$41,115,342</u>	<u>\$36,718,359</u>
96.62%	92.77%	94.19%	90.72%	81.14%	89.43%	87.57%
\$28,816,804	\$28,562,889	\$28,624,968	\$25,013,617	\$24,424,549	\$24,081,692	\$21,962,450
25,712,030	28,118,852	28,540,293	30,877,300	35,996,400	6,301,500	6,640,600
(2,123,022)	(1,282,223)	(1,356,155)	(1,418,764)	(1,257,247)	(637,812)	(683,084)
(13,383,500)	(14,218,500)	(15,023,500)	(15,797,500)	(16,467,500)		
(6,348,500)	(6,738,500)	(7,188,500)	(7,632,500)	(7,997,500)		
<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>(804,890)</u>	<u>(747,561)</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>4,858,798</u>	<u>5,209,955</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>	<u>\$19,222,894</u>	<u>\$16,752,495</u>
93.54%	86.20%	88.92%	82.29%	64.00%	79.82%	76.28%

City of Middleburg Heights, Ohio
Computation of Direct and Overlapping Debt
December 31, 2005

Jurisdiction	Debt Outstanding	Percentage Applicable To City of Middleburg Heights	Amount Applicable To City of Middleburg Heights
Direct:			
City of Middleburg Heights	\$ 19,874,047 (a)	100.00%	\$ 19,874,047
Overlapping:			
Berea School District	10,990,000 (b)	35.38%	3,888,262
Cuyahoga County	231,365,971 (b)	1.80%	4,164,587
Greater Cleveland Regional Transit	139,790,000 (b)	1.80%	2,516,220
Total Overlapping	<u>382,145,971</u>		<u>10,569,069</u>
Total Direct and Overlapping	<u>\$ 402,020,018</u>		<u>\$ 30,443,116</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)	
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%
1997	14,702	b	266,958,916	18,158	b	37,298	b	4.8%
1996	14,702	b	266,958,916	18,158	b	37,298	b	5.2%

(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 PMSA

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

2005		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Southwest General Hospital	2,915	15.51%
United Parcel Service	2,472	13.15%
Sears Roebuck & Company	605	3.22%
City of Middleburg Heights	438	2.33%
Transamerica Holdings	395	2.10%
Polaris Joint Vocational	384	2.04%
Berea City School District	295	1.57%
Codonics, Inc.	231	1.23%
Advanstar Communications	125	0.67%
Cardiovascular Medicine Associates	33	0.18%
Total	7,893	41.99%
Total City Employment	18,796	

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>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</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	3	3
Public Service	33	33	33	32	32	31	23	21	21	21
Community Development:										
Planning & Zoning	1	1	1	1	1	1	1	1	1	1
Building	5	5	5	5	5	5	4	4	4	4
Public Safety:										
Police	39	41	41	40	40	39	39	36	36	35
Fire	26	26	27	27	28	25	25	25	24	24
Culture and Recreation:										
Programs	2	2	2	2	2	2	6	3	3	3
Recreation Center	11	12	12	13	12	12				
Streets and Highways:										
Street Department	12	12	12	12	12	12	11	8	8	8
Totals:	<u>144</u>	<u>147</u>	<u>148</u>	<u>147</u>	<u>147</u>	<u>142</u>	<u>124</u>	<u>113</u>	<u>111</u>	<u>110</u>

Source: City of Middleburg Heights, Finance Department

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

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Operating Indicators by Function/Program										
Fire										
Emergency Responses	2,471	2,355	2,424	2,163	2,063	1,968	1,982	1,693	1,790	1,661
Ambulance runs	1,755	1,738	1,866	1,709	1,475	1,354	1,372	1,187	1,255	N/A
Fire Runs	716	617	558	454	588	614	610	506	535	N/A
Fire Safety Inspections/Re-Inspections	267	231	283	387	802	667	412	520	434	453
Fire Protection Systems Inspected	208	355	380	195	178	260	215	193	256	185
Building/Fire Protection Plan Review	261	173	15	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of Community Program Hours	220	125	94	80	124	64	32	N/A	N/A	N/A
Hydrants Tested	1,100	1,078	1,078	1,078	1,078	1,058	1,055	1,055	1,020	1,020
Public Service										
Snowfall in inches ¹	108.4	95.8	98.6	69.8	49.8	81.2	67.3	21.7	46.8	N/A
Tons of salt used	7,500	5,080	6,999	5,000	4,480	6,400	4,800	4,400	2,000	3,000
Asphalt used in road maintenance (tons)	160.5	213.5	164.5	156.5	170.5	216.0	N/A	N/A	N/A	N/A
Concrete used in road maintenance (yards)	389.5	203.0	162.0	123.5	140.5	132.0	N/A	N/A	N/A	N/A
Number of Trees removed	88	148	84	114	90	87	95	153	35	25
Number of Trees planted	102	177	191	200	93	214	221	201	265	288
Senior citizen driveway plowing participants	1,071	1,129	1,073	1,024	938	930	906	878	839	825
Building										
Number of Permits issued by type:										
Building Permits	273	279	261	293	243	303	343	372	255	284
Electrical Permits	244	248	243	239	216	270	270	323	247	200
Plumbing Permits	139	179	161	185	180	235	213	292	170	170
HVAC Permits	188	199	224	217	169	239	243	296	198	195
Miscellaneous Permits	673	715	699	575	551	525	513	480	540	507
Inspections performed	3,285	3,445	3,288	2,920	2,653	2,676	3,720	3,107	2,029	1,736
Estimated value of construction	\$24,200,342	\$15,857,695	\$14,233,591	\$22,350,722	\$17,761,608	\$27,066,342	\$44,995,386	\$44,874,260	N/A	N/A
Number of Plans examined	59	21	24	23	24	57	63	N/A	N/A	N/A
Court										
Number of court cases	7,980	10,251	9,015	5,405	4,515	4,168	5,107	6,393	N/A	N/A
Number of tickets	6,430	8,917	7,524	4,530	3,723	3,349	4,207	5,265	N/A	N/A
Number of Transferred Cases	530	631	467	362	284	559	270	281	N/A	N/A
Number of Waivers taken at Violations Bureau (Estimated)	2,322	2,600	2,000	1,000	900	800	1,000	1,200	N/A	N/A
Number of Court Appearances (Estimated prior to 2005)	1,786	2,000	1,800	1,500	1,200	1,000	1,400	1,600	N/A	N/A
Number of Waivers received by Mail (Estimated)	2,322	4,300	3,700	2,000	1,600	1,500	1,800	2,400	N/A	N/A

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

Operating Indicators by Function/Program	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Council										
Number of Ordinances & resolutions	133	104	92	108	127	128	147	141	148	108
Finance										
Number of checks processed (excluding payroll)	3,474	3,826	3,741	4,135	4,142	3,648	3,066	3,002	2,653	2,890
Number of Purchase orders issued	3,504	3,755	3,711	4,189	4,104	3,604	2,917	2,686	2,412	2,586
Number of W-2 forms issued	438	477	484	485	471	457	299	282	296	310
City W-2 Wages (in Millions) ²	\$10.22	\$10.20	\$9.42	\$8.90	\$8.19	\$7.00	\$6.03	\$5.47	\$5.14	\$4.80
Mayor's Office										
Newsletters mailed (Winter and Summer issues)	16,110	14,746	13,846	12,944	12,944	N/A	N/A	N/A	N/A	N/A
Recreation										
Number of Memberships	7,239	7,360	6,686	6,419	6,040	7,358	N/A	N/A	N/A	N/A
Learn to Swim enrollment	1,418	1,367	1,252	1,152	808	N/A	N/A	N/A	N/A	N/A
Enrollment in athletics programs	2,029	2,081	2,045	1,919	1,847	1,790	N/A	N/A	N/A	N/A
Number of Rental Events	1,429	1,301	1,220	1,185	1,139	506	N/A	N/A	N/A	N/A
Enrollment in classes, programs, and special events	5,213	5,344	4,592	4,786	3,899	1,877	N/A	N/A	N/A	N/A
Law										
Number of new litigations filed (traffic & criminal cases)	1,266	1,100	914	742	618	627	588	612	502	488
Number of Municipal Court cases heard and disposed	1,151	1,140	961	783	575	622	631	620	543	494
Planning & Zoning										
Number of Planning commission agenda items	72	87	78	92	81	85	114	128	150	149
Civil Service										
Number of Exams given	123	59	144	25	98	37	82	36	65	50

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.

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

Function/Program	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
General Government:										
Other Departmental Vehicles	6	6	6	4	4	4	3	3	2	2
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	21	22	22	21	19	19	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	3	3	3	2	2	2	2	2	1	1
Recreation Center Square Footage	83,768	83,768	83,768	83,768	83,768	83,768	83,768	83,768	83,768	83,768
Public Service:										
Number of Vehicles	44	43	42	44	42	41	35	34	33	34
Service Center Square Footage	62,445	62,445	62,445	62,445	62,445	62,445	62,445	62,445	62,445	62,445
Streets (miles)	65	65	65	65	65	65	65	65	65	64
Senior Transportation:										
Number of Vehicles	2	2	2	2	2	1	1	1	1	1

Source: City of Middleburg Heights, Finance Department

City of Middleburg Heights, Ohio

December 31, 2005

City Of Middleburg Heights, Ohio

For The Year Ended December 31, 2005

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**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
*Government Auditing Standards***

City of Middleburg Heights
Middleburg Heights, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Middleburg Heights (the "City"), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 29, 2006, wherein we noted that the City adopted *Government Accounting Standards Board Statement No. 40, Government Accounting Standards Board Statement No. 42 and Government Accounting Standards Board Technical Bulletin 2004-02*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

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

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

Cuni & Panichi, Inc.

Cleveland, Ohio
March 29, 2006

City Of Middleburg Heights, Ohio

Schedule of Findings

December 31, 2005

1. Summary of Auditors' Results

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

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

None.

3. Other Findings

None.

City Of Middleburg Heights, Ohio

Schedule of Prior Audit Findings

December 31, 2005

None.

City Of Middleburg Heights, Ohio

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

**Response To Findings Associated With Audit Conducted
In Accordance With *Government Auditing Standards*
For The Year Ended December 31, 2005**

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



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**CITY OF MIDDLEBURG HEIGHTS
CUYAHOGA COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 6, 2006**