

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

***BASIC
FINANCIAL STATEMENTS
(Audited)***

For The Year Ended
December 31, 2006

MS. JANINE COOPER, FINANCE DIRECTOR



Mary Taylor, CPA
Auditor of State

Members of Council and Mayor
City of Englewood
333 W. National Road
Englewood, Ohio 45322

We have reviewed the *Independent Auditor's Report* of the City of Englewood, Montgomery County, prepared by Julian & Grube, Inc., for the audit period January 1, 2006 through December 31, 2006. 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 Englewood is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 6, 2007

This Page is Intentionally Left Blank.

CITY OF ENGLEWOOD, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 18
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities	20 - 21
Fund Financial Statements:	
Balance Sheet - Governmental Funds	22 - 23
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	24
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	25 - 26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	27
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) -	
General Fund.....	28
Fire and Rescue	29
Police.....	30
Street	31
Statement of Net Assets - Proprietary Funds.....	32
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds.....	33
Statement of Cash Flows - Proprietary Funds	34 - 35
Statement of Fiduciary Net Assets - Fiduciary Fund.....	36
Notes to the Basic Financial Statements.....	37 - 63
Schedule of Expenditures of Federal Awards	64
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	65 - 66
Report on Compliance With Requirements Applicable to the City's Major Federal Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i>	67 - 68
Schedule of Findings <i>OMB Circular A-133 §.505</i>	69

This Page is Intentionally Left Blank.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Members of Council and Mayor
City of Englewood
333 West National Road
Englewood, Ohio 45322

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Englewood, Montgomery County, Ohio, (the "City") as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 the Comptroller General of the United States' *Government Auditing Standards*. 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Englewood, Montgomery County, Ohio, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, fire and rescue fund, police fund and street fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 18 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.

Members of Council and Mayor
City of Englewood
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 12, 2007

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

The management's discussion and analysis of the City of Englewood's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- The total net assets of the City increased \$2,878,813. Net assets of governmental activities increased \$2,116,492 or 4.65% over 2005 and net assets of business-type activities increased \$762,321 or 3.34% over 2005.
- General revenues accounted for \$9,106,920 or 73.19% of total governmental activities revenue. Program specific revenues accounted for \$3,335,135 or 26.09% of total governmental activities revenue.
- The City had \$10,325,563 in expenses related to governmental activities; \$3,335,135 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$6,990,428 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$9,106,920.
- The general fund had revenues of \$8,160,604 in 2006. This represents an increase of \$352,943 from 2005 revenues. The expenditures and other financing uses of the general fund, which totaled \$7,955,749 in 2006, increased \$54,679 from 2005. The net increase in fund balance for the general fund was \$204,855 or 10.66%.
- The fire and rescue fund had revenues and other financing sources of \$1,537,609 in 2006. This represents an increase of \$34,579 from 2005 revenues and other sources. The expenditures and other financing uses of the fire and rescue fund, which totaled \$1,551,587 in 2006, decreased \$388,517 from 2005. The net decrease in fund balance for the fire and rescue fund was \$13,978 or 8.96%.
- The police fund had revenues and other financing sources of \$2,387,335 in 2006. This represents an increase of \$286,117 from 2005 revenues and other sources. The expenditures and other financing sources of the police fund, which totaled \$2,413,749 in 2006, increased \$206,238 from 2005. The net increase in fund deficit for the police fund was \$26,414 or 41.97%.
- The street fund had revenues and other financing sources of \$1,692,661 in 2006. This represents an increase of \$74,582 from 2005 revenues and other sources. The expenditures of the street fund, which totaled \$1,678,371 in 2006, decreased \$21,583 from 2005. The net increase in the fund balance for the street fund was \$14,290 or 2.88%.
- Net assets for the business-type activities, which are made up of the Water, Sewer, and Solid Waste enterprise funds, increased in 2006 by \$762,321. This increase in net assets was due primarily to capital contributions coupled with adequate charges for services revenue to cover operating expenses.
- In the general fund, the actual revenues came in \$349,233 lower than they were in the final budget and actual expenditures were \$109,735 less than the amount in the final budget. Budgeted revenues remained the same from the original to the final budget. Budgeted expenditures increased \$200,000 from the original to the final budget due primarily to a modest increase in the cost of all expenditures.

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. 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 remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net *assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net assets and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, and solid waste operations are reported here.

The City's statement of net assets and statement of activities can be found on pages 19-21 of this report.

Reporting the City's Most Significant Funds

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, 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.

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

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 fund 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 the 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, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, fire and rescue fund, police fund, and street fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 22 - 31 of this report.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and solid waste management functions. All of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 32 - 35 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 36 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 37 - 63 of this report.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Government-Wide Financial Analysis

The table below provides a summary of the City's net assets for 2006 and 2005:

	Net Assets					
	2006	2005	2006	2005	2006	2005
	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Business-type Activities</u>	<u>2006 Total</u>	<u>2005 Total</u>
<u>Assets</u>						
Current and other assets	\$ 11,772,825	\$ 11,674,921	\$ 5,021,426	\$ 4,936,147	\$ 16,794,251	\$ 16,611,068
Capital assets	<u>38,069,721</u>	<u>37,391,258</u>	<u>19,021,539</u>	<u>18,497,439</u>	<u>57,091,260</u>	<u>55,888,697</u>
Total assets	<u>49,842,546</u>	<u>49,066,179</u>	<u>24,042,965</u>	<u>23,433,586</u>	<u>73,885,511</u>	<u>72,499,765</u>
<u>Liabilities</u>						
Long-term liabilities	340,680	436,954	336,723	489,571	677,403	926,525
Other liabilities	<u>1,917,780</u>	<u>3,161,631</u>	<u>134,889</u>	<u>134,983</u>	<u>2,052,669</u>	<u>3,296,614</u>
Total liabilities	<u>2,258,460</u>	<u>3,598,585</u>	<u>471,612</u>	<u>624,554</u>	<u>2,730,072</u>	<u>4,223,139</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	38,069,721	36,453,553	18,792,130	18,152,439	56,861,851	54,605,992
Restricted	5,883,152	5,589,787	-	-	5,883,152	5,589,787
Unrestricted	<u>3,631,213</u>	<u>3,424,254</u>	<u>4,779,223</u>	<u>4,656,593</u>	<u>8,410,436</u>	<u>8,080,847</u>
Total net assets	<u>\$ 47,584,086</u>	<u>\$ 45,467,594</u>	<u>\$ 23,571,353</u>	<u>\$ 22,809,032</u>	<u>\$ 71,155,439</u>	<u>\$ 68,276,626</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2006, the City's assets exceeded liabilities by \$71,155,439. At year-end, net assets were \$47,584,086 and \$23,571,353 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets net represented 76.38% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2006, were \$38,069,721 and \$18,792,130 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2006, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$5,883,152, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$3,631,213 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

The table below shows the changes in net assets for fiscal year 2006 and 2005.

Change in Net Assets

	2006	2005	2006	2005	2006	2005
	<u>Governmental</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Business-Type</u>	<u>2006</u>	<u>2005</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,291,360	\$ 1,289,861	\$ 3,060,543	\$ 3,073,245	\$ 4,351,903	\$ 4,363,106
Operating grants and contributions	1,098,059	1,345,411	309,860	17,032	1,407,919	1,362,443
Capital grants and contributions	945,716	290,400	58,124	492,334	1,003,840	782,734
Total program revenues	<u>3,335,135</u>	<u>2,925,672</u>	<u>3,428,527</u>	<u>3,582,611</u>	<u>6,763,662</u>	<u>6,508,283</u>
General revenues:						
Property taxes	1,774,945	1,642,264	-	-	1,774,945	1,642,264
Income taxes	5,753,968	5,434,040	-	-	5,753,968	5,434,040
Unrestricted grants and entitlements	872,248	885,161	-	-	872,248	885,161
Investment earnings	506,920	277,193	99,458	91,421	606,378	368,614
Payment in lieu of taxes	85,857	-	-	-	85,857	-
Miscellaneous	112,982	54,929	41,456	50,376	154,438	105,305
Total general revenues	<u>9,106,920</u>	<u>8,293,587</u>	<u>140,914</u>	<u>141,797</u>	<u>9,247,834</u>	<u>8,435,384</u>
Total revenues	<u>12,442,055</u>	<u>11,219,259</u>	<u>3,569,441</u>	<u>3,724,408</u>	<u>16,011,496</u>	<u>14,943,667</u>
Expenses:						
General government	1,406,642	1,155,957	-	-	1,406,642	1,155,957
Security of persons and property	4,680,325	4,898,230	-	-	4,680,325	4,898,230
Public health and welfare	34,840	18,337	-	-	34,840	18,337
Transportation	3,280,319	3,327,030	-	-	3,280,319	3,327,030
Community environment	606,868	612,179	-	-	606,868	612,179
Leisure time activity	293,236	297,556	-	-	293,236	297,556
Interest and fiscal charges	23,333	49,292	-	-	23,333	49,292
Water	-	-	1,010,594	967,984	1,010,594	967,984
Sewer	-	-	1,202,016	1,418,391	1,202,016	1,418,391
Solid waste	-	-	594,510	606,767	594,510	606,767
Total expenses	<u>10,325,563</u>	<u>10,358,581</u>	<u>2,807,120</u>	<u>2,993,142</u>	<u>13,132,683</u>	<u>13,351,723</u>
Change in net assets	2,116,492	860,678	762,321	731,266	2,878,813	1,591,944
Net assets at beginning of year	<u>45,467,594</u>	<u>44,606,916</u>	<u>22,809,032</u>	<u>22,077,766</u>	<u>68,276,626</u>	<u>66,684,682</u>
Net assets at end of year	<u>\$ 47,584,086</u>	<u>\$ 45,467,594</u>	<u>\$ 23,571,353</u>	<u>\$ 22,809,032</u>	<u>\$ 71,155,439</u>	<u>\$ 68,276,626</u>

Governmental Activities

Governmental activities net assets increased \$2,116,492 in 2006. This increase is a result of revenue growth outpacing the increase in expenses from the prior year.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

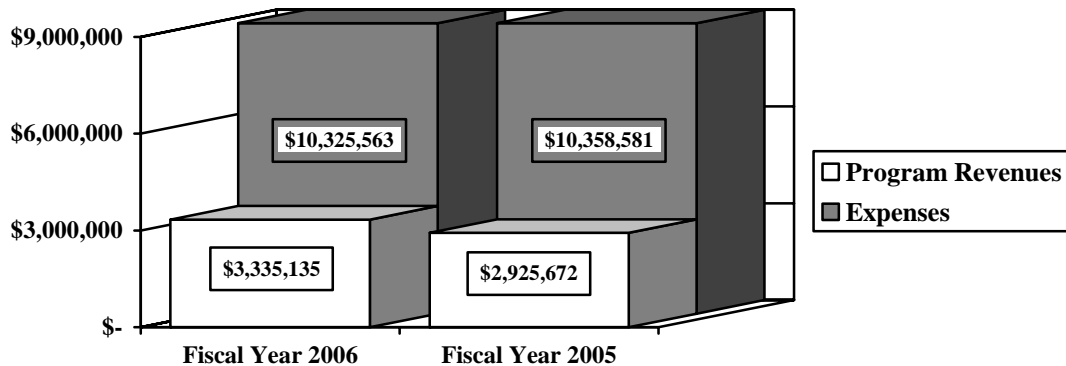
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$4,680,325 of the total expenses of the City. These expenses were partially funded by \$903,957 in direct charges to users of the services. Transportation expenses totaled \$3,280,319. Transportation expenses were partially funded by \$94,513 in direct charges to users of the services, \$875,817 in operating grants and contributions and \$645,716 in capital grants and contributions.

The state and federal government contributed to the City a total of \$1,098,059 in operating grants and contributions and \$945,716 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total grants and contributions, \$1,521,533 subsidized transportation programs, \$222,242 subsidized security of persons and property programs and \$300,000 subsidized general government activities.

General revenues totaled \$9,106,920, and amounted to 73.19% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$7,528,913. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$872,248.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

Governmental Activities - Program Revenues vs. Total Expenses



CITY OF ENGLEWOOD, OHIO

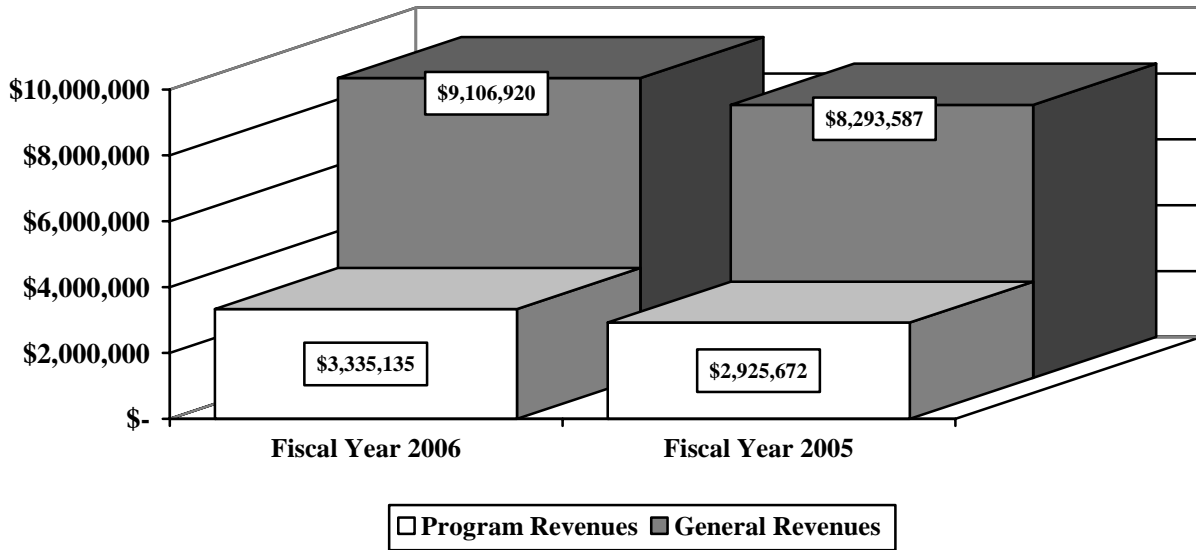
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Governmental Activities

	Total Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2006</u>	Net Cost of Services <u>2005</u>
Program Expenses:				
General government	\$ 1,406,642	\$ 1,155,957	\$ 893,566	\$ 756,130
Security of persons and property	4,680,325	4,898,230	3,554,126	3,611,463
Public health and welfare	34,840	18,337	32,798	18,337
Transportation	3,280,319	3,327,030	1,664,273	2,142,044
Community environment	606,868	612,179	561,465	593,644
Leisure time activity	293,236	297,556	260,867	261,999
Interest and fiscal charges	<u>23,333</u>	<u>49,292</u>	<u>23,333</u>	<u>49,292</u>
Total Expenses	<u>\$10,325,563</u>	<u>\$10,358,581</u>	<u>\$ 6,990,428</u>	<u>\$ 7,432,909</u>

The dependence upon general revenues for governmental activities is apparent, with 67.70% of expenses supported through taxes and other general revenues.

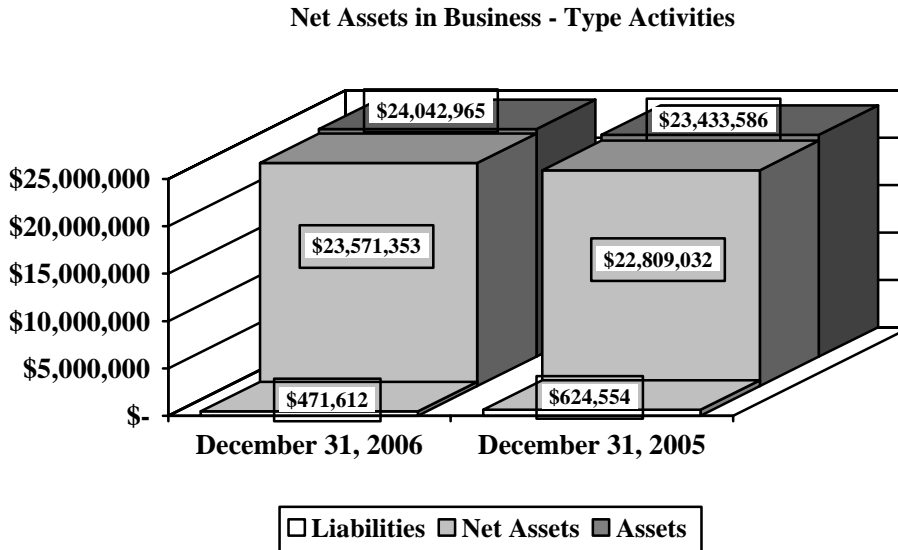
Governmental Activities - General and Program Revenues



CITY OF ENGLEWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Business-type Activities

Business-type activities include the water, sewer, and solid waste enterprise funds. These programs had program revenues of \$3,428,527, general revenues of \$140,914 and expenses of \$2,807,120 for 2006. The graph below shows the business-type activities assets, liabilities and net assets at year-end 2006 and 2005.



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 the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 22 - 23) reported a combined fund balance of \$7,733,515 which is \$1,112,519 above last year's total of \$6,620,996. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2006 for all major and nonmajor governmental funds.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Fund Balances/(Deficits) <u>12/31/06</u>	Fund Balances/(Deficits) <u>12/31/05</u>	Increase (Decrease) <u></u>
Major Funds:			
General	\$ 2,126,658	\$ 1,921,803	\$ 204,855
Fire and rescue	142,006	155,984	(13,978)
Police	(89,348)	(62,934)	(26,414)
Street	525,127	496,213	28,914
Other Nonmajor Governmental Funds	<u>5,029,072</u>	<u>4,109,930</u>	<u>919,142</u>
Total	<u>\$ 7,733,515</u>	<u>\$ 6,620,996</u>	<u>\$ 1,112,519</u>

General Fund

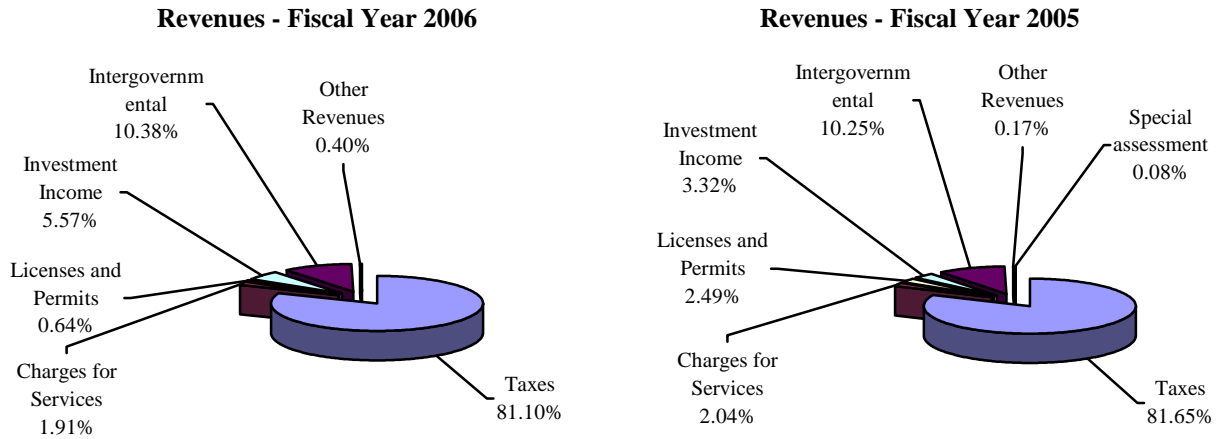
The City's general fund balance increased \$204,855, primarily due to revenues exceeding expenditures. The table that follows assists in illustrating the revenues of the general fund.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 6,618,409	\$ 6,375,186	3.82 %
Charges for services	156,169	159,077	(1.83) %
Licenses and permits	52,632	194,344	(72.92) %
Investment income	454,831	259,188	75.48 %
Special assessments	-	6,405	(100.00) %
Intergovernmental	845,772	800,061	5.71 %
Other	<u>32,791</u>	<u>13,400</u>	144.71 %
Total	<u>\$ 8,160,604</u>	<u>\$ 7,807,661</u>	4.52 %

Tax revenue represents 81.10% of all general fund revenue. Tax revenue increased slightly by 3.82% over prior year. The increase in investment income is due to higher interest rates than in the previous year. The increase in intergovernmental revenue is due to the City aggressively applying for and securing a significant amount of state and local grants and revenue assistance. All other revenue remained comparable to 2005.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**



The table that follows assists in illustrating the expenditures of the general fund.

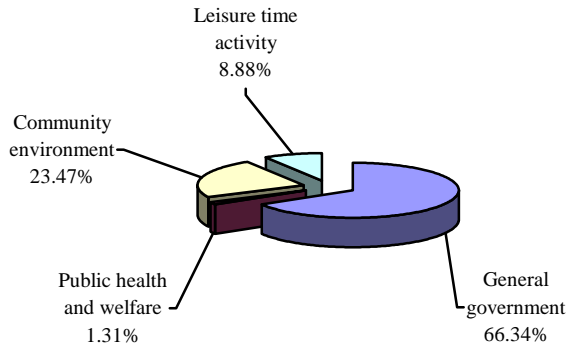
	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,219,901	\$ 1,235,489	(1.26) %
Public health and welfare	24,044	6,545	267.36 %
Community environment	431,575	447,313	(3.52) %
Leisure time activity	<u>163,242</u>	<u>255,547</u>	(36.12) %
Total	<u>\$ 1,838,762</u>	<u>\$ 1,944,894</u>	(5.46) %

All expenditures remained comparable to 2005. The largest expenditure line item, general government, decreased only slightly, and remains comparable to 2005. Leisure time activity decreased due to less money spent by the parks and recreation department. Public health and welfare increased due to more money spent by the cemetery and animal control departments.

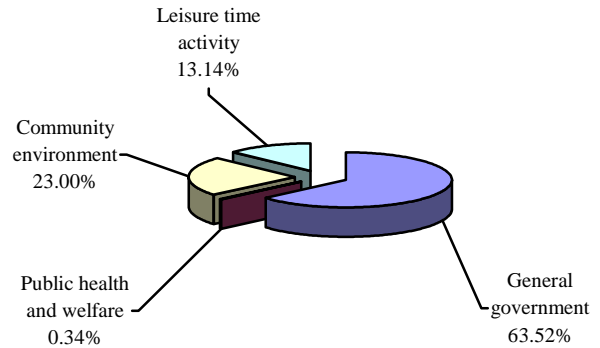
CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Expenditures - Fiscal Year 2006



Expenditures - Fiscal Year 2005



Fire and Rescue Fund

The fire and rescue fund had revenues and other financing sources of \$1,537,609 in 2006. This represents an increase of \$34,579 from 2005 revenues. The expenditures and other financing uses of the fire and rescue fund, which totaled \$1,551,587 in 2006, decreased \$388,517 from 2005. The net decrease in fund balance for the fire and rescue fund was \$13,978 or 8.96%.

Police Fund

The police fund had revenues and other financing sources of \$2,387,335 in 2006. This represents an increase of \$286,117 from 2005 revenues and other sources. The expenditures and other financing sources of the police fund, which totaled \$2,413,749 in 2006, increased \$206,238 from 2005. The net increase in fund deficit for the police fund was \$26,414 or 41.97%.

Street Fund

The street fund had revenues and other financing sources of \$1,692,661 in 2006. This represents an increase of \$74,582 from 2005 revenues. The expenditures of the street fund, which totaled \$1,678,371 in 2006, decreased \$21,583 from 2005. The net increase in the fund balance for the street fund was \$14,290 or 2.88%.

CITY OF ENGLEWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund, fire and rescue fund, police fund and street fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of expenditures, which increased \$200,000 from \$8,905,700 to \$9,105,700. The other significant change was between the final budgeted revenues and actual revenues. Final budget revenues and other financing sources of \$8,619,858 exceeded actual revenues and other financing sources by \$349,233.

Actual revenues for the fire and rescue fund were lower than final budgeted revenues by \$5,642 while actual expenditures were \$153,103 lower than final budgeted expenditures. Actual revenues for the police fund were greater than final budgeted revenues by \$29,850 while actual expenditures were \$32,965 lower than final budgeted expenditures. Actual revenues for the street fund were \$18,976 greater than final budgeted revenues while actual expenditures were \$115,945 less than final budgeted expenditures. There were no significant variances between the original and final budgeted revenue amounts.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The only interfund activity reported in the government wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the City had \$57,091,260 (net of accumulated depreciation) invested in land, buildings and improvements, improvements other than buildings, equipment, vehicles, infrastructure and construction in progress. Of this total, \$38,069,721 was reported in governmental activities and \$19,021,539 was reported in business-type activities. The following table shows fiscal 2006 balances compared to 2005:

CITY OF ENGLEWOOD, OHIO

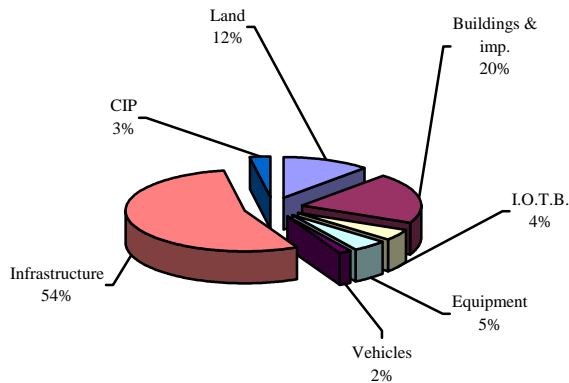
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

**Capital Assets at December 31
(Net of Depreciation)**

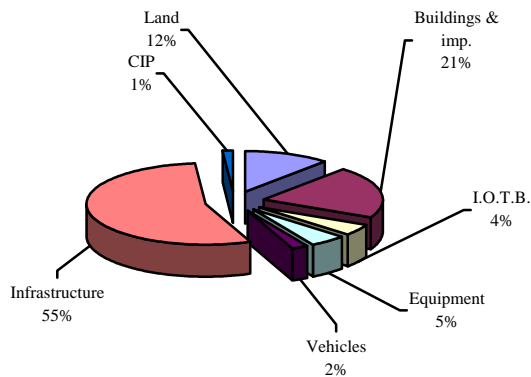
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 4,583,669	\$ 4,315,771	\$ 33,510	\$ 33,510	\$ 4,617,179	\$ 4,349,281
Land improvements (I.O.T.B.)	1,703,208	1,617,979	-	-	1,703,208	1,617,979
Buildings and improvements	7,559,305	7,771,010	4,189,719	4,331,511	11,749,024	12,102,521
Equipment	1,816,235	1,925,890	1,809,456	1,064,315	3,625,691	2,990,205
Vehicles	663,975	802,824	3,402	5,701	667,377	808,525
Infrastructure	20,655,545	20,426,870	12,618,782	12,979,295	33,274,327	33,406,165
Construction in progress	1,087,784	530,914	366,670	83,107	1,454,454	614,021
Totals	\$ 38,069,721	\$ 37,391,258	\$ 19,021,539	\$ 18,497,439	\$ 57,091,260	\$ 55,888,697

The following graphs show the breakdown of governmental capital assets by category for 2006 and 2005.

**Capital Assets - Governmental Activities
2006**



**Capital Assets - Governmental Activities
2005**

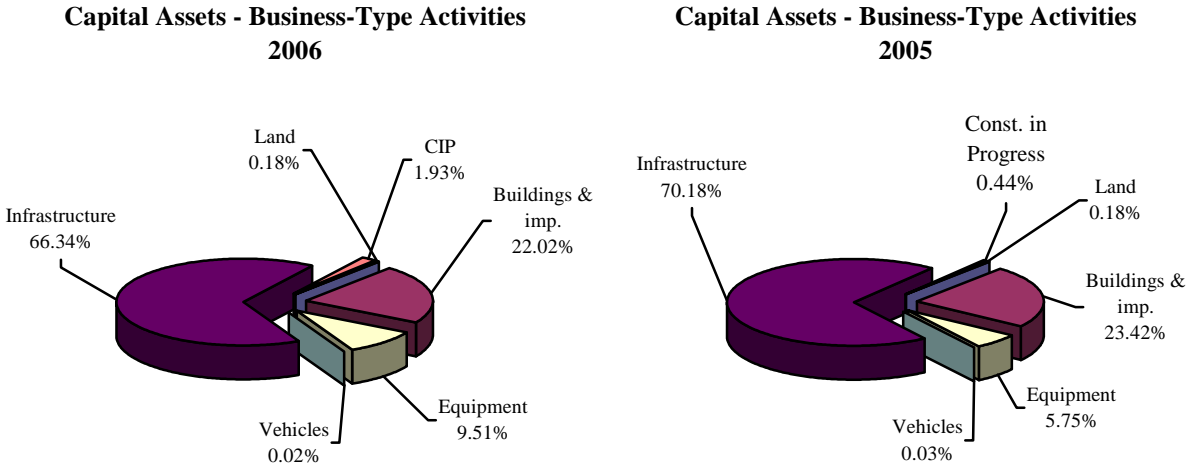


The City's largest capital asset category is infrastructure which includes bridges, thoroughfares, curbs, gutters, sidewalks, storm sewers, traffic signals and street signs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 54% of the City's total governmental capital assets.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

The following graphs show the breakdown of business-type capital assets by category for 2006 and 2005.



The City's largest business-type capital asset category is infrastructure which primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 66.34% of the City's total business-type capital assets.

Debt Administration

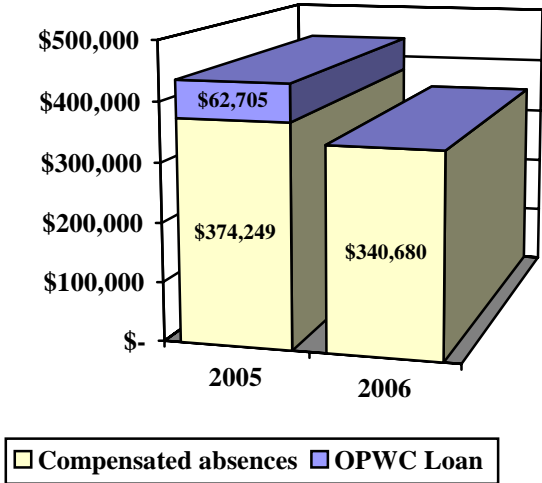
The City had the following long-term obligations outstanding at December 31, 2006 and 2005:

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
OPWC Loan	\$ -	\$ 62,705
Compensated absences	<u>340,680</u>	<u>374,249</u>
Total long-term obligations	<u>\$ 340,680</u>	<u>\$ 436,954</u>
	<u>Business-Type Activities</u>	
	<u>2006</u>	<u>2005</u>
OPWC Loans	\$ 229,409	\$ -
Revenue bonds	<u>-</u>	<u>345,000</u>
Total bonds	<u>229,409</u>	<u>345,000</u>
Compensated absences	<u>107,314</u>	<u>144,571</u>
Total long-term obligations	<u>\$ 336,723</u>	<u>\$ 489,571</u>

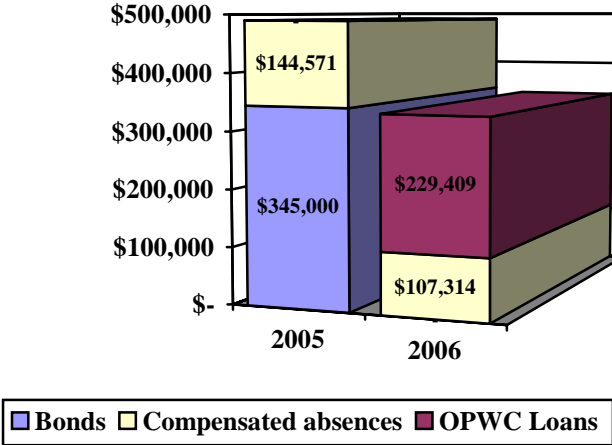
CITY OF ENGLEWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

A comparison of the long-term obligations by category is depicted in the charts below.

Long-term obligations - Governmental Activities



Long-term obligations - Business-Type Activities



CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

Economic Conditions and Outlook

The City of Englewood continues to prosper, thriving as a small and attractive planned community of approximately 13,000 residents. A comfortable and secure residential environment, combined with a healthy and expanding business community, enables the City to retain a strong financial standing with minimal debt.

Using revenues primarily generated from its 1.75% income tax, combined with aggressive and successful efforts to secure state and local grants, the City has been able to fund a capital improvements program ranging from three to five million dollars a year. These funds have been used to maintain and improve an extensive municipal infrastructure, while continually improving the overall appearance and attractiveness of the community.

In addition to continuous road, park and utility improvements, Englewood is in the process of upgrading the water meters to a fixed base radio-read system and expanding the fiber optic network to link all government facilities. Other recently completed projects include Phase II of the Wastewater Treatment Plant upgrade, Phase I of the Sanitary Sewer and Catch Basin Replace/Repair project, Phase II of the Main Street Enhancement project, installation of traffic and security cameras at intersections and government buildings, and purchase of a new medic. Future initiatives will include a beautification project at Interstate 70 and Hoke Road, reconstruction of W. Wenger Road, installation of sanitary sewer lines on E. Wenger Road, installation of additional traffic surveillance cameras, and the continuation of the Main Street Enhancement project north on Main Street and onto National Road.

With the construction of a Super WalMart at the I-70 and Hoke Road interchange, Englewood has enjoyed a surge of retail success. WalMart sparked the construction of six restaurants, two plazas and a gas station. It is expected that this development trend will continue in that area as well as throughout the City. In addition to attracting new retail and restaurant development, several businesses are in the process of expansion projects. Supporting this notion is the demolition and reconstruction of a new Kroger Marketplace in the center of the City. This Kroger store will be the largest of its kind in the state of Ohio and will encompass the lot the current Kroger is on as well as an adjacent lot that has deteriorated and is in need of redevelopment. Other major expansions include Englewood Precision, Innovative Logistics, and Englewood Manor Nursing Home.

Another boon to the City is the recently completed addition to the Englewood YMCA, a branch campus site of Sinclair College called the Englewood Learning Center. This education facility has already seen extraordinary success with nearly 300 students signed up for classes on opening day.

The City has taken an aggressive approach to enforcement of zoning and property maintenance ordinances as well as abolishment of community eyesores. To that end, several neglected and nuisance properties have been secured and derelict structures have been demolished to preserve green space and provide additional opportunities for community development.

Englewood offers an attractive and stable residential environment with above average property appreciation rates. Numerous parks and other quality recreational facilities, reasonable utility and tax rates, wonderful educational opportunities and an aggressive capital improvements program have all positioned the city to maintain and improve its image as a progressive and inviting community.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the city's finances and to show the city's accountability for the money it receives. If you have questions about this report or need additional information, contact Eric A. Smith, City Manager or Janine Cooper, Finance Director, City of Englewood, 333 West National Road, Englewood, OH 45322 or visit our website at www.inglewood.oh.us.

**BASIC
FINANCIAL STATEMENTS**

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF ENGLEWOOD, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 7,720,441	\$ 4,330,000	\$ 12,050,441
Receivables (net of allowances for uncollectibles):			
Income taxes	1,239,115	-	1,239,115
Real and other taxes	1,622,303	-	1,622,303
Accounts	256,082	370,625	626,707
Accrued interest	114,128	-	114,128
Special assessments	17,609	-	17,609
Internal balances	10,362	(10,362)	-
Due from other governments	641,333	97,483	738,816
Prepayments	46,598	-	46,598
Materials and supplies inventory.	104,854	233,680	338,534
Capital assets:			
Land and construction in progress.	5,671,453	400,180	6,071,633
Depreciable capital assets, net	32,398,268	18,621,359	51,019,627
Total capital assets.	<u>38,069,721</u>	<u>19,021,539</u>	<u>57,091,260</u>
Total assets.	<u>49,842,546</u>	<u>24,042,965</u>	<u>73,885,511</u>
Liabilities:			
Accounts payable.	125,848	18,037	143,885
Contracts payable.	-	75,841	75,841
Accrued wages and benefits	145,635	20,773	166,408
Retainage payable	-	3,473	3,473
Due to other governments	177,973	16,765	194,738
Deferred revenue.	1,468,324	-	1,468,324
Long-term liabilities:			
Due within one year	206,489	93,717	300,206
Due in more than one year	134,191	243,006	377,197
Total liabilities	<u>2,258,460</u>	<u>471,612</u>	<u>2,730,072</u>
Net assets:			
Invested in capital assets, net of related debt	38,069,721	18,792,130	56,861,851
Restricted for:			
Capital projects.	4,289,728	-	4,289,728
Debt service	8,542	-	8,542
Street construction and maintenance	1,226,698	-	1,226,698
Public safety	148,261	-	148,261
Other purposes	209,923	-	209,923
Unrestricted.	3,631,213	4,779,223	8,410,436
Total net assets	<u>\$ 47,584,086</u>	<u>\$ 23,571,353</u>	<u>\$ 71,155,439</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 1,406,642	\$ 213,076	\$ -	\$ 300,000
Security of persons and property.	4,680,325	903,957	222,242	-
Public health and welfare	34,840	2,042	-	-
Transportation	3,280,319	94,513	875,817	645,716
Community environment.	606,868	45,403	-	-
Leisure time activity.	293,236	32,369	-	-
Interest and fiscal charges.	23,333	-	-	-
Total governmental activities	10,325,563	1,291,360	1,098,059	945,716
Business-type Activities:				
Water	1,010,594	1,185,655	-	28,224
Sewer	1,202,016	1,213,476	309,860	29,900
Solid waste	594,510	661,412	-	-
Total business-type activities	2,807,120	3,060,543	309,860	58,124
Total primary government.	\$ 13,132,683	\$ 4,351,903	\$ 1,407,919	\$ 1,003,840

General Revenues:

Property taxes levied for:
General purposes.
Fire and rescue.
Police
Police pension
Income taxes levied for:
General purposes.
Grants and entitlements not restricted to specific programs
Payment in lieu of taxes.
Investment earnings
Miscellaneous
Total general revenues.
Change in net assets.
Net assets at beginning of year.
Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (893,566)	\$ -	\$ (893,566)
(3,554,126)	-	(3,554,126)
(32,798)	-	(32,798)
(1,664,273)	-	(1,664,273)
(561,465)	-	(561,465)
(260,867)	-	(260,867)
(23,333)	-	(23,333)
<u>(6,990,428)</u>	<u>-</u>	<u>(6,990,428)</u>
-	203,285	203,285
-	351,220	351,220
-	66,902	66,902
<u>-</u>	<u>621,407</u>	<u>621,407</u>
<u>(6,990,428)</u>	<u>621,407</u>	<u>(6,369,021)</u>
922,891	-	922,891
513,057	-	513,057
261,428	-	261,428
77,569	-	77,569
5,753,968	-	5,753,968
872,248	-	872,248
85,857	-	85,857
506,920	99,458	606,378
112,982	41,456	154,438
9,106,920	140,914	9,247,834
2,116,492	762,321	2,878,813
<u>45,467,594</u>	<u>22,809,032</u>	<u>68,276,626</u>
<u>\$ 47,584,086</u>	<u>\$ 23,571,353</u>	<u>\$ 71,155,439</u>

CITY OF ENGLEWOOD, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	<u>General</u>	<u>Fire and Rescue</u>	<u>Police</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,682,824	\$ 169,879	\$ 90,586
Receivables (net of allowance for uncollectibles):			
Income taxes.	1,239,115	-	-
Real and other taxes.	751,971	527,251	262,646
Accounts	67,052	186,437	1,515
Interfund loans	70,000	-	-
Accrued interest	114,128	-	-
Special assessments.	11,644	-	-
Due from other funds	-	-	-
Due from other governments	278,162	24,927	18,583
Materials and supplies inventory	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 4,214,896</u>	<u>\$ 908,494</u>	<u>\$ 373,330</u>
Liabilities:			
Accounts payable	\$ 33,399	\$ 5,317	\$ 6,424
Accrued wages and benefits.	21,556	27,308	54,419
Compensated absences payable.	-	-	32,991
Interfund loan payable.	-	-	-
Due to other funds	353,148	-	-
Due to other governments.	16,709	39,643	87,615
Deferred revenue	1,663,426	694,220	281,229
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>2,088,238</u>	<u>766,488</u>	<u>462,678</u>
Fund Balances:			
Reserved for encumbrances.	27,181	17,100	21,009
Reserved for materials and supplies inventory	-	-	-
Reserved for debt service.	-	-	-
Unreserved, undesignated (deficit), reported in:			
General fund.	2,099,477	-	-
Special revenue funds.	-	124,906	(110,357)
Capital projects funds.	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances (deficit)	<u>2,126,658</u>	<u>142,006</u>	<u>(89,348)</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances.	<u>\$ 4,214,896</u>	<u>\$ 908,494</u>	<u>\$ 373,330</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 455,742	\$ 4,818,059	\$ 7,217,090
-	-	1,239,115
-	80,435	1,622,303
-	150	255,154
-	-	70,000
-	-	114,128
-	5,965	17,609
-	353,148	353,148
245,085	71,323	638,080
78,040	-	78,040
<u>\$ 778,867</u>	<u>\$ 5,329,080</u>	<u>\$ 11,604,667</u>
\$ 8,594	\$ 64,295	\$ 118,029
22,647	13,437	139,367
-	79	33,070
-	70,000	70,000
-	-	353,148
17,961	11,068	172,996
204,538	141,129	2,984,542
<u>253,740</u>	<u>300,008</u>	<u>3,871,152</u>
114,840	252,888	433,018
78,040	-	78,040
-	8,542	8,542
-	-	2,099,477
332,247	749,542	1,096,338
-	4,018,100	4,018,100
<u>525,127</u>	<u>5,029,072</u>	<u>7,733,515</u>
<u>\$ 778,867</u>	<u>\$ 5,329,080</u>	<u>\$ 11,604,667</u>

CITY OF ENGLEWOOD, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006

Total governmental fund balances	\$	7,733,515
---	----	-----------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds.		36,472,720
---	--	------------

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Property taxes	\$	153,979	
Income taxes		553,185	
Charges for services		209,094	
Special assessments		17,609	
Intergovernmental revenues		496,407	
Accrued interest		85,944	
 Total			1,516,218

Internal service funds are used by management to charge the costs of the government center, service center and health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net assets of the internal service funds, including internal balances of \$10,362, are:		2,134,954
---	--	-----------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities (excluding amounts reported in the internal service funds) consisting of compensated absences are as follows:		(273,321)
--	--	-----------

Net assets of governmental activities	\$	47,584,086
--	----	------------

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF ENGLEWOOD, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	General	Fire and Rescue	Police
Revenues:			
Municipal income taxes	\$ 5,695,676	\$ -	\$ -
Property and other taxes	922,733	508,046	263,653
Charges for services	156,169	471,476	-
Licenses and permits	52,632	-	-
Fines and forfeitures	-	-	29,372
Intergovernmental	845,772	61,087	26,469
Special assessments	-	-	-
Investment income	454,831	-	-
Rental income	-	-	-
Payment in lieu of taxes.	-	-	-
Other	32,791	1,000	17,841
Total revenues	8,160,604	1,041,609	337,335
Expenditures:			
Current:			
General government	1,219,901	-	-
Security of persons and property	-	1,490,112	2,413,749
Public health and welfare	24,044	-	-
Transportation.	-	-	-
Community environment	431,575	-	-
Leisure time activity	163,242	-	-
Capital outlay.	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	1,838,762	1,490,112	2,413,749
Excess (deficiency) of revenues over (under) expenditures	6,321,842	(448,503)	(2,076,414)
Other financing sources (uses):			
Sale of capital assets.	-	-	-
Transfers in	-	496,000	2,050,000
Transfers out	(6,116,987)	(61,475)	-
Total other financing sources (uses)	(6,116,987)	434,525	2,050,000
Net change in fund balances	204,855	(13,978)	(26,414)
Fund balances (deficit) at beginning of year	1,921,803	155,984	(62,934)
Increase in reserve for inventory	-	-	-
Fund balances (deficit) at end of year	\$ 2,126,658	\$ 142,006	\$ (89,348)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 5,695,676
-	77,173	1,771,605
-	364,889	992,534
-	-	52,632
-	788	30,160
654,430	1,285,217	2,872,975
-	99,763	99,763
15,892	2,974	473,697
-	11,385	11,385
-	85,857	85,857
22,339	39,011	112,982
<u>692,661</u>	<u>1,967,057</u>	<u>12,199,266</u>
-	54,532	1,274,433
-	531,757	4,435,618
-	-	24,044
1,678,371	404,401	2,082,772
-	-	431,575
-	154,885	318,127
-	2,491,972	2,491,972
-	62,705	62,705
-	23,333	23,333
<u>1,678,371</u>	<u>3,723,585</u>	<u>11,144,579</u>
<u>(985,710)</u>	<u>(1,756,528)</u>	<u>1,054,687</u>
-	43,208	43,208
1,000,000	4,096,369	7,642,369
-	(1,463,907)	(7,642,369)
<u>1,000,000</u>	<u>2,675,670</u>	<u>43,208</u>
14,290	919,142	1,097,895
496,213	4,109,930	6,620,996
14,624	-	14,624
<u>\$ 525,127</u>	<u>\$ 5,029,072</u>	<u>\$ 7,733,515</u>

CITY OF ENGLEWOOD, 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, 2006

Net change in fund balances - total governmental funds \$ 1,097,895

Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital asset additions	\$ 2,416,215	
Current year depreciation	<u>(1,639,343)</u>	
Total		776,872

The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets. (26,472)

Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed. 14,624

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Income taxes	58,292	
Delinquent property taxes	3,340	
Charges for services	104,484	
Intergovernmental	43,048	
Special assessments	402	
Interest	<u>33,223</u>	
Total		242,789

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 62,705

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. These expenses are exclusive of internal service funds activity. (21,014)

Internal service funds are used by management to charge the costs of the government center, service center and health insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service funds revenues are eliminated. The net revenue (expense) of the internal service funds, including internal balances is allocated among the governmental activities. (30,907)

Change in net assets of governmental activities \$ 2,116,492

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 5,878,573	\$ 5,878,573	\$ 5,635,611	\$ (242,962)
Property and other taxes	922,157	922,157	884,044	(38,113)
Charges for services	158,729	158,729	152,169	(6,560)
Licenses and permits.	117,908	117,908	113,035	(4,873)
Intergovernmental	906,123	906,123	868,673	(37,450)
Investment income	431,955	431,955	414,102	(17,853)
Other	34,413	34,413	32,991	(1,422)
Total revenues.	<u>8,449,858</u>	<u>8,449,858</u>	<u>8,100,625</u>	<u>(349,233)</u>
Expenditures:				
Current:				
General government	1,250,759	1,384,552	1,317,450	67,102
Public health and welfare.	7,006	7,755	24,094	(16,339)
Community environment	405,460	448,832	445,783	3,049
Leisure time activity	170,340	188,561	172,638	15,923
Utility services	36,135	40,000	-	40,000
Total expenditures	<u>1,869,700</u>	<u>2,069,700</u>	<u>1,959,965</u>	<u>109,735</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,580,158</u>	<u>6,380,158</u>	<u>6,140,660</u>	<u>(239,498)</u>
Other financing sources (uses):				
Transfers out	(6,836,000)	(6,836,000)	(6,135,850)	700,150
Advances in.	170,000	170,000	170,000	-
Advances out	(200,000)	(200,000)	(170,000)	30,000
Total other financing sources (uses)	<u>(6,866,000)</u>	<u>(6,866,000)</u>	<u>(6,135,850)</u>	<u>730,150</u>
Net change in fund balance	(285,842)	(485,842)	4,810	490,652
Fund balance at beginning of year	<u>1,521,518</u>	<u>1,521,518</u>	<u>1,521,518</u>	<u>-</u>
Prior year encumbrances appropriated	<u>162,193</u>	<u>162,193</u>	<u>162,193</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 1,397,869</u>	<u>\$ 1,197,869</u>	<u>\$ 1,688,521</u>	<u>\$ 490,652</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FIRE AND RESCUE
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other taxes	\$ 447,777	\$ 510,836	\$ 508,046	\$ (2,790)
Charges for services	403,411	460,221	457,709	(2,512)
Intergovernmental	53,840	61,422	61,087	(335)
Other	881	1,005	1,000	(5)
Total revenues.	<u>905,909</u>	<u>1,033,484</u>	<u>1,027,842</u>	<u>(5,642)</u>
Expenditures:				
Current:				
Security of persons and property.	<u>1,483,118</u>	<u>1,683,118</u>	<u>1,530,040</u>	<u>153,078</u>
Total expenditures	<u>1,483,118</u>	<u>1,683,118</u>	<u>1,530,040</u>	<u>153,078</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(577,209)</u>	<u>(649,634)</u>	<u>(502,198)</u>	<u>147,436</u>
Other financing sources (uses):				
Sale of capital assets	33	33	33	-
Transfers in	496,000	496,000	496,000	-
Transfer out	<u>(61,500)</u>	<u>(61,500)</u>	<u>(61,475)</u>	<u>25</u>
Total other financing sources (uses)	<u>434,533</u>	<u>434,533</u>	<u>434,558</u>	<u>25</u>
Net change in fund balance	(142,676)	(215,101)	(67,640)	147,461
Fund balance at beginning of year	<u>185,334</u>	<u>185,334</u>	<u>185,334</u>	<u>-</u>
Prior year encumbrances appropriated	<u>29,768</u>	<u>29,768</u>	<u>29,768</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 72,426</u>	<u>\$ 1</u>	<u>\$ 147,462</u>	<u>\$ 147,461</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 POLICE
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 239,554	\$ 239,554	\$ 263,653	\$ 24,099
Fines and forfeitures	27,451	27,451	30,212	2,761
Intergovernmental	24,050	24,050	26,469	2,419
Other	5,676	5,676	6,247	571
Total revenues.	<u>296,731</u>	<u>296,731</u>	<u>326,581</u>	<u>29,850</u>
Expenditures:				
Current:				
Security of persons and property	<u>2,401,076</u>	<u>2,460,076</u>	<u>2,427,111</u>	<u>32,965</u>
Total expenditures	<u>2,401,076</u>	<u>2,460,076</u>	<u>2,427,111</u>	<u>32,965</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,104,345)</u>	<u>(2,163,345)</u>	<u>(2,100,530)</u>	<u>62,815</u>
Other financing sources (uses):				
Sale of capital assets	11,602	11,602	11,602	-
Transfers in	<u>2,050,000</u>	<u>2,050,000</u>	<u>2,050,000</u>	-
Total other financing sources (uses)	<u>2,061,602</u>	<u>2,061,602</u>	<u>2,061,602</u>	-
Net change in fund balance	(42,743)	(101,743)	(38,928)	62,815
Fund balance at beginning of year	81,798	81,798	81,798	-
Prior year encumbrances appropriated	<u>20,283</u>	<u>20,283</u>	<u>20,283</u>	-
Fund balance at end of year.	<u>\$ 59,338</u>	<u>\$ 338</u>	<u>\$ 63,153</u>	<u>\$ 62,815</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 488,000	\$ 488,000	\$ 502,745	\$ 14,745
Investment income	18,000	18,000	15,892	(2,108)
Other	16,000	16,000	22,339	6,339
Total revenues.	<u>522,000</u>	<u>522,000</u>	<u>540,976</u>	<u>18,976</u>
Expenditures:				
Current:				
Transportation	<u>1,714,389</u>	<u>1,914,389</u>	<u>1,798,444</u>	<u>115,945</u>
Total expenditures	<u>1,714,389</u>	<u>1,914,389</u>	<u>1,798,444</u>	<u>115,945</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,192,389)</u>	<u>(1,392,389)</u>	<u>(1,257,468)</u>	<u>134,921</u>
Other financing sources:				
Transfers in.	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,150,000</u>	<u>-</u>
Total other financing sources	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,150,000</u>	<u>-</u>
Net change in fund balance	(42,389)	(242,389)	(107,468)	134,921
Fund balance at beginning of year	375,387	375,387	375,387	-
Prior year encumbrances appropriated	<u>64,389</u>	<u>64,389</u>	<u>64,389</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 397,387</u>	<u>\$ 197,387</u>	<u>\$ 332,308</u>	<u>\$ 134,921</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2006

	<u>Business-type Activities -Enterprise Funds</u>				Governmental
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	Activities - Internal Service Funds
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 2,207,127	\$ 1,468,762	\$ 654,111	\$ 4,330,000	\$ 503,351
Receivables (net of allowance for uncollectibles):					
Accounts	183,800	186,825	-	370,625	928
Due from other governments	-	97,483	-	97,483	3,253
Prepayments.	-	-	-	-	46,598
Materials and supplies inventory	172,688	60,992	-	233,680	26,814
Total current assets	<u>2,563,615</u>	<u>1,814,062</u>	<u>654,111</u>	<u>5,031,788</u>	<u>580,944</u>
Noncurrent assets:					
Capital assets:					
Land and construction in progress	24,486	375,694	-	400,180	130,849
Depreciable capital assets, net	9,742,234	8,871,739	7,386	18,621,359	1,466,152
Total capital assets	<u>9,766,720</u>	<u>9,247,433</u>	<u>7,386</u>	<u>19,021,539</u>	<u>1,597,001</u>
Total assets	<u>12,330,335</u>	<u>11,061,495</u>	<u>661,497</u>	<u>24,053,327</u>	<u>2,177,945</u>
Liabilities:					
Current liabilities:					
Accounts payable.	6,063	11,779	195	18,037	7,819
Contracts payable.	-	75,841	-	75,841	-
Accrued wages and benefits	8,882	11,891	-	20,773	6,268
Compensated absences	16,032	18,935	-	34,967	13,298
Due to other governments	7,482	9,283	-	16,765	4,977
Retainage payable.	-	3,473	-	3,473	-
Current portion of OPWC loans.	-	58,750	-	58,750	-
Total current liabilities	<u>38,459</u>	<u>189,952</u>	<u>195</u>	<u>228,606</u>	<u>32,362</u>
Long-term liabilities:					
OPWC loans.	-	170,659	-	170,659	-
Compensated absences	38,317	34,030	-	72,347	20,991
Total long-term liabilities	<u>38,317</u>	<u>204,689</u>	<u>-</u>	<u>243,006</u>	<u>20,991</u>
Total liabilities	<u>76,776</u>	<u>394,641</u>	<u>195</u>	<u>471,612</u>	<u>53,353</u>
Net assets:					
Invested in capital assets, net of related debt.	9,766,720	9,018,024	7,386	18,792,130	1,597,001
Unrestricted	2,486,839	1,648,830	653,916	4,789,585	527,591
Total net assets	<u>\$ 12,253,559</u>	<u>\$ 10,666,854</u>	<u>\$ 661,302</u>	<u>23,581,715</u>	<u>\$ 2,124,592</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				(10,362)	
Net assets of business-type activities				<u>\$ 23,571,353</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	Activities - Internal Service Funds
Operating revenues:					
Charges for services	\$ 1,160,955	\$ 1,161,746	\$ 661,412	\$ 2,984,113	\$ 1,327,212
Tap-in fees.	24,700	51,730	-	76,430	-
Other.	1,081	15,561	24,814	41,456	17,486
Total operating revenues	<u>1,186,736</u>	<u>1,229,037</u>	<u>686,226</u>	<u>3,101,999</u>	<u>1,344,698</u>
Operating expenses:					
Personal services	338,728	396,716	-	735,444	785,182
Contract services	249,521	379,852	566,791	1,196,164	229,935
Materials and supplies	60,541	97,846	174	158,561	260,201
Depreciation	356,412	333,957	1,709	692,078	82,428
Other	2,608	-	25,836	28,444	-
Total operating expenses.	<u>1,007,810</u>	<u>1,208,371</u>	<u>594,510</u>	<u>2,810,691</u>	<u>1,357,746</u>
Operating income (loss)	<u>178,926</u>	<u>20,666</u>	<u>91,716</u>	<u>291,308</u>	<u>(13,048)</u>
Nonoperating revenues (expenses):					
Interest revenue.	67,070	32,388	-	99,458	-
Intergovernmental.	-	309,860	-	309,860	-
Interest expense and fiscal charges	(6,987)	(3,115)	-	(10,102)	-
Loss on disposal of capital assets	(4,186)	-	-	(4,186)	-
Total nonoperating revenues (expenses)	<u>55,897</u>	<u>339,133</u>	<u>-</u>	<u>395,030</u>	<u>-</u>
Income (loss) before contributions.	234,823	359,799	91,716	686,338	(13,048)
Capital contributions	28,224	29,900	-	58,124	-
Changes in net assets	263,047	389,699	91,716	744,462	(13,048)
Net assets at beginning of year.	<u>11,990,512</u>	<u>10,277,155</u>	<u>569,586</u>		<u>2,137,640</u>
Net assets at end of year.	<u>\$ 12,253,559</u>	<u>\$ 10,666,854</u>	<u>\$ 661,302</u>		<u>\$ 2,124,592</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				17,859	
Changes in net assets of business-type activities				<u>\$ 762,321</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	Activities - Internal Service Funds
Cash flows from operating activities:					
Cash received from customers	\$ 1,138,391	\$ 1,136,557	\$ 661,412	\$ 2,936,360	\$ 1,325,079
Cash received from tap-in fees.	24,700	51,730	24,814	101,244	-
Cash received from other operations.	1,081	15,561	-	16,642	17,486
Cash payments for personal services	(362,773)	(407,957)	-	(770,730)	(825,281)
Cash payments for contract services	(246,332)	(383,251)	(616,714)	(1,246,297)	(243,047)
Cash payments for materials and supplies	(65,698)	(8,441)	(174)	(74,313)	(261,965)
Cash payments for other expenses.	(2,608)	-	(25,836)	(28,444)	-
Net cash provided by operating activities.	<u>486,761</u>	<u>404,199</u>	<u>43,502</u>	<u>934,462</u>	<u>12,272</u>
Cash flows from noncapital financing activities:					
Cash received from grants and subsidies	-	229,409	-	229,409	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>229,409</u>	<u>-</u>	<u>229,409</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(54,933)	(1,107,307)	-	(1,162,240)	(10,491)
Principal retirement on revenue bonds	(240,000)	(105,000)	-	(345,000)	-
Proceeds from loans.	-	229,409	-	229,409	-
Interest and fiscal charges.	(11,287)	(4,988)	-	(16,275)	-
Net cash used in capital and related financing activities	<u>(306,220)</u>	<u>(987,886)</u>	<u>-</u>	<u>(1,294,106)</u>	<u>(10,491)</u>
Cash flows from investing activities:					
Interest received.	67,070	32,388	-	99,458	-
Net cash provided by investing activities.	<u>67,070</u>	<u>32,388</u>	<u>-</u>	<u>99,458</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	247,611	(321,890)	43,502	(30,777)	1,781
Cash and cash equivalents at beginning of year	<u>1,959,516</u>	<u>1,790,652</u>	<u>610,609</u>	<u>4,360,777</u>	<u>501,570</u>
Cash and cash equivalents at end of year.	<u>\$ 2,207,127</u>	<u>\$ 1,468,762</u>	<u>\$ 654,111</u>	<u>\$ 4,330,000</u>	<u>\$ 503,351</u>

- - continued

CITY OF ENGLEWOOD, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	Activities - Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 178,926	\$ 20,666	\$ 91,716	\$ 291,308	\$ (13,048)
Adjustments:					
Depreciation	356,412	333,957	1,709	692,078	82,428
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable.	(22,564)	(25,189)	-	(47,753)	1,120
(Increase) decrease in materials and supplies inventory	20,741	9,266	-	30,007	(1,686)
(Increase) in prepayments	-	-	-	-	(46,598)
(Increase) in due from other governments.	-	-	-	-	(3,253)
(Decrease) in accounts payable	(22,709)	(2,574)	(49,923)	(75,206)	(13,178)
Increase in contracts payable.	-	75,841	-	75,841	-
Increase (decrease) in accrued wages and benefits	(369)	803	-	434	626
Increase in retainage payable	-	3,473	-	3,473	-
Increase in due to other governments	370	1,167	-	1,537	938
Increase (decrease) in compensated absences payable	(24,046)	(13,211)	-	(37,257)	4,923
Net cash provided by operating activities.	<u>\$ 486,761</u>	<u>\$ 404,199</u>	<u>\$ 43,502</u>	<u>\$ 934,462</u>	<u>\$ 12,272</u>

Non-cash transactions:

The Water and Sewer funds received \$28,224 and \$29,900, respectively, in capital contributions from developers.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2006

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 47,632
Total assets.	\$ 47,632
 Liabilities:	
Undistributed monies	\$ 47,632
Total liabilities	\$ 47,632

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - DESCRIPTION OF THE CITY

The City of Englewood (the "City") is a charter municipal corporation operating under the laws of the State of Ohio. The City was incorporated as a village in 1914 and became a City on February 12, 1971, after adopting the charter on November 3, 1970.

The municipal government provided by the charter is known as a Council-Manager form of government. Legislative power is vested in a seven-member council, each elected to four-year terms. One of the members shall be known as the Mayor and the remaining six members as Councilmen. The Council appoints the City Manager and the Clerk of Council. The City Manager is the chief executive officer and the head of the administrative agencies of the City. He appoints all department heads and employees, except as otherwise provided in the charter.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (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 principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. The most significant of the City's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the City's BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete.

The primary government consists of all funds and departments which provide various services including police protection, street maintenance and repair, parks, recreation, water, sewer and refuse services. Council and the City Manager are directly responsible for these activities.

B. Basis of Presentation - Fund Accounting

The City's (BFS) 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 ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 activities of the internal service funds are eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type 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 and for the business-type activities of the City. 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are 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 business segment or governmental functions are self-financing or draw 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 and enterprise 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 funds are presented in a single column on the face of the proprietary fund financial 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. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically 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 - The general fund accounts for all financial resources except those required to be accounted for in another fund.

Fire and Rescue - The fire and rescue fund accounts for all transactions relating to fire and emergency services.

Police - The police fund accounts for all transactions relating to the police department.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Street - The street fund accounts for all transactions relating to street maintenance and construction.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

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

Enterprise Funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Sewer - This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Solid Waste - This fund accounts for the operations providing solid waste removal to the residents and commercial users located with the City.

Internal Service Funds - The 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 funds report on the operations of the government center, service center and health insurance.

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds. The Agency fund holds monies for contractor bond deposits and hydrant meter deposits.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 financial statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and agency funds also use the 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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty-one days of year-end.

Nonexchange 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 (see Note 7). 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 a modified accrual basis, revenue from nonexchange 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, state-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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, 2006, but which were levied to finance year 2007 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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.

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The legal level of budgetary control is at the transfers, advances and total of all other expenditures for all funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

Tax Budget - During the first Council meeting in July, the City Manager presents the following fiscal year's annual operating budget to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The Montgomery County Budget Commission waived the tax budget filing requirement for 2006.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2006.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority and the transfers, advances and total of all other expenditures for all funds. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The appropriations for a fund may only be modified during the year by an ordinance of Council. The amounts on the budgetary statement reflect the final appropriation amounts, including all amendments and modifications legally enacted by Council.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

G. Cash and Cash Equivalents

Cash balances of the City's funds are pooled and invested in investments maturing within five years in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the balance sheet as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During 2006, investments were limited to federal agency securities which are stated at fair value.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2006 amounted to \$454,831. The \$454,831 included \$374,798 assigned from other funds of the City.

For purposes of the statement of cash flows and for presentation on the statement of net assets, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

An analysis of the City's investment account at year-end is provided in Note 4.

H. Inventories of Materials and Supplies

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements. The City records prepayments in the Internal Service fund type and uses the consumption method.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These 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. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

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 bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. 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. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Improvements to land	15 - 20 years	15 - 20 years
Buildings	20 - 45 years	20 - 45 years
Equipment	5 - 30 years	5 - 30 years
Vehicles	3 - 10 years	3 - 10 years
Infrastructure:		
Bridges	40 years	40 years
Thoroughfares/Curbs/Gutters/Sidewalks	30 years	30 years
Storm Sewers	25 years	25 years
Traffic Signals	15 years	15 years
Street Signs	10 years	10 years

K. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In conformity with GASB Statement No. 16, "Accounting for 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. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences, and that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Contractual required pension obligations are recorded as a fund liability for all contributions required on earned wages but not paid as of year end.

M. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

N. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the BFS.

O. Fund Balance Reserves

Reserved fund balances indicate the portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports a reservation of fund balance for amounts representing encumbrances outstanding, debt service, and materials and supplies inventory in the governmental fund financial statements.

P. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

Q. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements.

R. 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 the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

S. 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 services for water, sewer and solid waste programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

T. 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 that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2006.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2006, the City has implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the City as previously reported at December 31, 2005.

B. Deficit Fund Balances

Fund balances at December 31, 2006 included the following individual fund deficits:

<u>Major Fund</u>	<u>Deficit</u>
Police	\$ 89,348
 <u>Nonmajor Fund</u>	
Traffic Signal Enhancement	5,873

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments in accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits in 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. Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the City's interim monies available for investment; and
8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the City's interim monies available for investment.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons;
3. Obligations of the City.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on hand

At year-end, the City had \$700 in undeposited cash on hand which is included on the financial statements of the City as part of "Equity in pooled cash and cash equivalents and investments".

B. Deposits with Financial Institutions

At December 31, 2006, the carrying amount of all City deposits was \$1,613,182. As of December 31, 2006, \$1,628,303 of the City's bank balance of \$1,828,303 was exposed to custodial risk as discussed below, while \$200,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. As permitted by Ohio Revised Code, the City's deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

C. Investments

As of December 31, 2006, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLB	\$ 8,394,375	\$ -	\$ 498,905	\$ 997,190	-	6,898,280
FHLMC	4,095	-	-	-	-	4,095
FHLM	2,085,721	502,806	-	-	-	1,582,915
	<u>\$ 10,484,191</u>	<u>\$ 502,806</u>	<u>\$ 498,905</u>	<u>\$ 997,190</u>	<u>\$ -</u>	<u>\$ 8,485,290</u>

The weighted average maturity of investments is 3.72 years.

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. 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 the consideration of market conditions and cash flow requirements in determining the term of an investment.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: The City's investments carry a rating of AAA by Standard & Poor's and Aaa by Moody's.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 8,394,375	80.07
FHLMC	4,095	0.04
FHLM	<u>2,085,721</u>	<u>19.89</u>
	<u>\$ 10,484,191</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 1,613,182
Investments	10,484,191
Cash on hand	<u>700</u>
Total	<u>\$ 12,098,073</u>

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 7,720,441
Business type activities	4,330,000
Agency funds	<u>47,632</u>
Total	<u>\$ 12,098,073</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2006, consisted of the following, as reported in the fund financial statements:

<u>Transfers to</u>	<u>Transfers From</u>			<u>Total</u>
	<u>General</u>	<u>Fire and Rescue</u>	<u>Nonmajor Capital Projects</u>	
Street	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Fire and Rescue	496,000	-	-	496,000
Police	2,050,000	-	-	2,050,000
Nonmajor Special Revenue	440,000	-	-	440,000
Nonmajor Debt Service	1,230	61,475	-	62,705
Nonmajor Capital Projects	<u>2,129,757</u>	<u>-</u>	<u>1,463,907</u>	<u>3,593,664</u>
Total	<u>\$ 6,116,987</u>	<u>\$ 61,475</u>	<u>\$ 1,463,907</u>	<u>\$ 7,642,369</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

The transfers out of the nonmajor capital projects funds into the Reserve for Capital Improvements fund (a nonmajor capital projects fund) represents residual equity transfers for projects that were completed and closed during the year. These residual equity transfers totaled \$663,907. Transfers from the Reserve for Capital Improvements fund (a nonmajor capital projects fund) to other nonmajor capital projects funds totaled \$800,000 to provide financing for various projects undertaken by the City.

The transfer from the Fire and Rescue fund to the nonmajor debt service fund was made for principal payments related to the fire hydrant repair (OPWC) note.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by July 20.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year proceeding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of January 1, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 18.75% for 2006. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Englewood. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2006 was \$10.59 per \$1,000 of assessed value.

The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real property tax	\$ 261,260,180
Public utility tangible personal property	5,186,830
Tangible personal property	<u>12,529,678</u>
Total assessed valuation	<u>\$ 278,976,688</u>

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2006. Although total property tax collections for the next year are measurable, they are generally not collected during the available period. The exception to this is any advances received by the City in the first thirty-one days of the year are credited as property tax revenues with the remainder being credited to deferred revenue.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 7 - LOCAL INCOME TAX

The City levies a municipal income tax of one and three-quarters percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100% of the City's current tax rate.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are to be used to pay the cost of administering the tax. All income tax revenue is initially placed in the general fund. At least twenty eight and one half percent of income tax collected must be transferred to the Capital Improvement capital projects fund to be used for capital improvements. All other income tax proceeds are left in the general fund with the use of these monies being determined by City Council. Income tax revenue for 2006 was \$5,695,676 as reported in the fund financial statements.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2006, consisted of taxes, accounts (billings for user charged services), special assessments, accrued interest, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2006, as well as intended to finance fiscal 2006 operations.

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Income taxes	\$ 1,239,115
Real and other taxes	1,622,303
Accounts	256,082
Accrued interest	114,128
Special assessments	17,609
Due from other governments	641,333

Business-type Activities:

Accounts	370,625
Due from other governments	97,483

Receivables have been disaggregated on the face of the BFS. The only receivables not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 9 - CAPITAL ASSETS

- A. Capital asset activity for the governmental activities for the year ended December 31, 2006, was as follows:

	<u>Balance</u> <u>12/31/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/06</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 4,315,771	\$ 281,898	\$ (14,000)	\$ 4,583,669
Construction in progress	530,914	1,718,293	(1,161,423)	1,087,784
Total capital assets, not being depreciated	<u>4,846,685</u>	<u>2,000,191</u>	<u>(1,175,423)</u>	<u>5,671,453</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,694,774	204,293	-	2,899,067
Buildings and improvements	9,496,752	-	-	9,496,752
Furniture and equipment	2,952,776	132,425	(19,056)	3,066,145
Vehicles	2,705,144	50,452	(64,436)	2,691,160
Infrastructure	27,350,284	1,200,768	-	28,551,052
Total capital assets, being depreciated	<u>45,199,730</u>	<u>1,587,938</u>	<u>(83,492)</u>	<u>46,704,176</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,076,795)	(119,064)	-	(1,195,859)
Buildings	(1,725,742)	(211,705)	-	(1,937,447)
Furniture and equipment	(1,026,886)	(241,921)	18,897	(1,249,910)
Vehicles	(1,902,320)	(176,988)	52,123	(2,027,185)
Infrastructure	(6,923,414)	(972,093)	-	(7,895,507)
Total accumulated depreciation	<u>(12,655,157)</u>	<u>(1,721,771)</u>	<u>71,020</u>	<u>(14,305,908)</u>
Total capital assets, being depreciated	<u>32,544,573</u>	<u>(133,833)</u>	<u>(12,472)</u>	<u>32,398,268</u>
Governmental activities capital assets, net	<u>\$ 37,391,258</u>	<u>\$ 1,866,358</u>	<u>\$ (1,187,895)</u>	<u>\$ 38,069,721</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$ 164,040
Security of persons and property	211,416
Public health and welfare	10,796
Transportation	1,116,440
Community environment	9,906
Leisure time activity	126,745

Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets

	<u>82,428</u>
Total depreciation expense - governmental activities	<u>\$ 1,721,771</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the business-type activities for the year ended December 31, 2006 was as follows:

	Balance			Balance
<u>Business-type Activities:</u>	<u>12/31/05</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/06</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 33,510	\$ -	\$ -	\$ 33,510
Construction in progress	<u>83,107</u>	<u>1,107,307</u>	<u>(823,744)</u>	<u>366,670</u>
Total capital assets, not being depreciated	<u>116,617</u>	<u>1,107,307</u>	<u>(823,744)</u>	<u>400,180</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	7,292,624	-	-	7,292,624
Equipment	1,895,448	843,739	-	2,739,187
Vehicles	92,285	-	(25,900)	66,385
Infrastructure	<u>21,655,738</u>	<u>93,062</u>	<u>(14,607)</u>	<u>21,734,193</u>
Total capital assets, being depreciated	<u>30,936,095</u>	<u>936,801</u>	<u>(40,507)</u>	<u>31,832,389</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(2,961,113)	(141,792)	-	(3,102,905)
Equipment	(831,133)	(98,598)	-	(929,731)
Vehicles	(86,584)	(2,299)	25,900	(62,983)
Infrastructure	<u>(8,676,443)</u>	<u>(449,389)</u>	<u>10,421</u>	<u>(9,115,411)</u>
Total accumulated depreciation	<u>(12,555,273)</u>	<u>(692,078)</u>	<u>36,321</u>	<u>(13,211,030)</u>
Total capital assets, being depreciated, net	<u>18,380,822</u>	<u>244,723</u>	<u>(4,186)</u>	<u>18,621,359</u>
Business-type activities capital assets, net	<u>\$ 18,497,439</u>	<u>\$ 1,352,030</u>	<u>\$ (827,930)</u>	<u>\$ 19,021,539</u>

Depreciation expense was charged to business-type activities as follows:

<u>Business-type activities:</u>	
Water	\$356,412
Sewer	333,957
Solid Waste Management	<u>1,709</u>
Total depreciation expense - business-type activities	<u>\$692,078</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 10 - OTHER EMPLOYEE BENEFITS

Deferred Compensation Plans

City employees and elected officials may participate in a statewide deferred compensation plan or a plan offered by ING and sponsored by the Ohio Municipal League. Both plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Compensated Absences

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the City as a whole amounted to \$240,266 at December 31, 2006. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

Accumulated Unpaid Sick Leave

City employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement an employee is paid for one-third of his accumulated sick leave within various limits. The total obligation for sick leave accrual for the City as a whole amounted to \$202,208 at December 31, 2006. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

Overtime Pay

City employees earn overtime pay at varying rates based on when the employee works the overtime. The total obligation for overtime pay for the City as a whole amounted to \$5,520 at December 31, 2006. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

NOTE 11 - LONG-TERM OBLIGATIONS

The City's long term obligations at December 31, 2006 were as follows:

	Balance			Balance	Amounts
<u>Governmental Activities:</u>	<u>12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/06</u>	<u>Due in</u>
					<u>One Year</u>
<u>OPWC loans:</u>					
OPWC Fire Hydrant Repair	\$ 62,705	\$ -	\$ (62,705)	\$ -	\$ -
<u>Other long-term obligations:</u>					
Compensated absences	374,249	337,546	(371,115)	340,680	206,489
Total governmental activities					
long-term obligations	\$ 436,954	\$ 337,546	\$ (433,820)	\$ 340,680	\$ 206,489

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

In 2005, the City received a loan from the Ohio Public Works Commission. The proceeds of the loan were used for fire hydrant repair and replacement. The City repaid this loan during 2006.

Compensated absences consisting of sick leave (severance), vacation benefits and compensatory time will be paid from the fund from which the employee is paid which, for the City are primarily the general, Fire and Rescue, Police, Street and Earl Heck Community Center funds.

	Balance			Balance	Amounts
<u>Business-type Activities:</u>	<u>12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/06</u>	<u>Due in</u>
<u>Other long-term obligations</u>					<u>One Year</u>
Compensated absences	\$144,571	\$ 16,926	\$ (54,183)	\$107,314	\$ 34,967
Total other long-term obligations	<u>144,571</u>	<u>16,926</u>	<u>(54,183)</u>	<u>107,314</u>	<u>34,967</u>
<u>OPWC Loans</u>					
0% - Sanitary sewer rehab	-	53,159	-	53,159	-
0% - Waste water treatment	-	176,250	-	176,250	58,750
Total OPWC Loans	<u>-</u>	<u>229,409</u>	<u>-</u>	<u>229,409</u>	<u>58,750</u>
<u>Revenue Bonds</u>					
4.75% - 1993 Sewer					
System Improvement	105,000	-	(105,000)	-	-
5.35% - 1994 Water					
System Improvement	<u>240,000</u>	<u>-</u>	<u>(240,000)</u>	<u>-</u>	<u>-</u>
Total revenue bonds	<u>345,000</u>	<u>-</u>	<u>(345,000)</u>	<u>-</u>	<u>-</u>
Total business-type activities					
long-term obligations	<u>\$489,571</u>	<u>\$246,335</u>	<u>\$ (399,183)</u>	<u>\$336,723</u>	<u>\$ 93,717</u>

During 1993, the City issued Sewer System Improvement Revenue Bonds. The proceeds were used to finance the City's sewer system. These bonds are general obligations of the City for which the full faith and credit of the City are pledged for repayment. Interest on these bonds is payable semi-annually at a rate of 4.75%. The principal and interest are paid from the sewer fund. The City repaid these bonds during 2006.

During 1994, the City issued Water System Improvement Revenue Bonds. The proceeds were used to finance the City's water system improvement system. These bonds are general obligations of the City for which the full faith and credit of the City are pledged for repayment. Interest on these bonds is payable semi-annually at a rate of 5.35%. The principal and interest are paid from the water fund. The City repaid these bonds during 2006.

During 2006, the City received two loans from the Ohio Public Works Commission. The proceeds of the loans were used for the sanitary sewer repair and replacements. Repayment of the loans are due semi-annually at an interest rate of 0%.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

As of December 31, 2006, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$29,530,503 and the unvoted debt margin was \$15,573,127. Principal and interest requirements to retire the City's bonds and loans outstanding at December 31, 2006 were:

<u>Year</u>	<u>OPWC Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 58,750	\$ -	\$ 58,750
2008	111,909	-	111,909
2009	<u>58,750</u>	<u>-</u>	<u>58,750</u>
Total	<u>\$ 229,409</u>	<u>\$ -</u>	<u>\$ 229,409</u>

NOTE 12 - BOND ANTICIPATION NOTES

During fiscal year 2006, the City repaid \$875,000 in bond anticipation notes. These notes were used to finance the construction and improvement of the Englewood Government Center. The following is a summary of the bond anticipation note activity during fiscal year 2006.

<u>Reserve for Capital Improvement</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/06</u>
Building Improvement Construction						
Note - 4.00%	8/31/05	8/30/06	\$ 875,000	\$ -	\$ (875,000)	\$ -
Total			<u>\$ 875,000</u>	<u>\$ -</u>	<u>\$ (875,000)</u>	<u>\$ -</u>

NOTE 13 - INTERFUND ASSETS/LIABILITIES

Individual fund interfund asset and liability balances at December 31, 2006, were as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Reserve for Capital Improvement	General	\$ 353,148

Income taxes are collected in the general fund. Due to/from other funds is recorded for the amounts attributed to the Reserve for Capital Improvement capital projects fund.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

Interfund receivable/payable

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Traffic Signal Enhancement	\$ 70,000

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 13 - INTERFUND ASSETS/LIABILITIES - (Continued)

The interfund receivable/payable is attributable to an advance (subject to repayment) made from the general fund in the current year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City is a member of the Miami Valley Risk Management Association, Inc. (MVRMA), a joint insurance pool. The pool consists of nineteen municipalities who pool risk for property, crime, liability, boiler and machinery and public official liability. The City pays an annual premium for this coverage. The agreement provides that the MVRMA will be self-sustaining through member premiums and the purchase of excess and stoploss insurance. The deductible per occurrence for all types of claims is \$2,500. The type of coverage and deductible for each is as follows:

Type of Coverage

General Liability	\$10,000,000/occurrence
Automobile Liability	10,000,000/occurrence
MVRMA coverage: self-insured retention \$1 million/occurrence with \$9 million excess \$1 million reinsured by Government Entities Mutual Inc. (GEM)	
Excess insurance: \$5 million/occurrence \$2 million insured by Illinois Union Insurance Co. (ACE) - Annual Aggregate \$15 million per member	
Police Professional Liability	\$10,000,000/occurrence
MVRMA coverage: self-insured retention \$1 million/occurrence with \$9 million excess \$1 million reinsured by GEM.	
Excess insurance: \$5 million/occurrence with \$2 million insured by Illinois Union Insurance Co. (ACE) - Annual aggregate \$10 million per member*	
Employment Practices Liability and Public Officials Liability	
MVRMA coverage: \$1 million/occurrence and annual aggregate per member with \$9 million excess \$1 million reinsured by GEM	
Excess insurance: \$5 million/occurrence excess \$2 million insured by Illinois Union Insurance Co. (ACE) - Annual aggregate \$10 million per member*	

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 14 - RISK MANAGEMENT - (Continued)

Type of Coverage

Property (effective 7/1/06):

\$350 million/occurrence

MVRMA SIR: \$200,000/occurrence

Coverage excess SIR provided by PEPiP USA with carriers as follows:

Lexington Insurance Company (Primary \$10 million)

Excess carriers (\$340 million excess \$10 million):

AXIS Specialty Insurance Corp.

Lloyds of London

Great Lakes

Commonwealth Ins. Co.

Essex Insurance Corp.

RSVI/Landmark Insurance Company

Insurance Company of the West

RLI/Mt. Hawley

Flood (included in property policy effective 7/1/06):

\$20 million/occurrence and annual aggregate (Flood Zone A & V - \$5 million/occurrence and annual aggregate)

MVRMA SIR: \$100,000/occurrence excluding Flood Zones A & V

MVRMA SIR: \$250,000/occurrence Flood Zones A & V

Earthquake (included in property policy effective 7/1/06)

\$25 million/occurrence and annual aggregate

MVRMA SIR: \$100,000 occurrence

Boiler & Machinery (included in PEPiP Program effective 7/1/06)

\$100,000,000/occurrence

MVRMA SIR: \$5,000/occurrence

Coverage excess SIR provided by Continental Casualty

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in insurance coverage from the prior year.

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

The City has elected to offer employee medical insurance benefits through a plan provided by Medical Mutual. Employees are required to share in the costs of their medical plan along with the City. Each month the City contributes \$363.38 for single coverage and \$1,090.12 for family coverage for each employee. The City is responsible for 90% of the premium while the employee is responsible for the remaining 10%. Dental insurance is provided through Superior Dental with a deductible of \$50 for single coverage and up to \$150 for family coverage. The City pays for the majority of the monthly premium at \$24.76 for single coverage and \$77.72 for family coverage.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 15 - PENSION PLANS

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement under the traditional plan, were required to contribute 9.0% of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 10.1% of their annual covered salary. The City's contribution rate for pension benefits for 2006 was 9.20%, except for those plan members in law enforcement and public safety. For those classifications, the City's pension contributions were 12.43% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$225,659, \$300,260, and \$261,145, respectively; 89.09% has been contributed for 2006 and 100% for 2005 and 2004. The unpaid contribution to fund pension obligations for 2006, in the amount of \$24,629, is recorded as a liability.

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 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 statements 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% of their annual covered salary, while the City is required to contribute 19.50% and 24.0% for police officers and firefighters, respectively. The portion of the City's contributions to fund pension obligations was 11.75% for police officers and 16.25% for firefighters. The City's contributions for pension obligations to OP&F for the years ended December 31, 2006, 2005, and 2004 were \$204,853, \$217,722, and \$156,295, respectively; 72.53% has been contributed for 2006 and 100% for 2005 and 2004. The unpaid contribution to fund pension obligations for 2006, in the amount of \$90,866, is recorded as a liability.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70% of covered payroll (16.93% for public safety and law enforcement); 4.50% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus an additional factor ranging from .50% to 6.00% for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the traditional and combined plans was 369,214 as of December 31, 2006. The City's actual employer contributions for 2006 which were used to fund postemployment benefits were \$110,377. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. At December 31, 2005 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides 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 2/3 basis.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F 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% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2005 and 2006. In addition, since July 1, 1992, most retirees 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 2006 that were used to fund postemployment benefits were \$102,433 for police and \$23,506 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005 (the latest information available) was \$108.039 million, which was net of member contributions of \$55.272 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005 (the latest information available), was 13,922 for police and 10,537 for firefighters.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses and other financing uses 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. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented.

	Net Change in Fund Balance			
	<u>General</u>	<u>Fire and Rescue</u>	<u>Police</u>	<u>Street</u>
Budget basis	\$ 4,810	\$ (67,640)	\$ (38,928)	\$ (107,468)
Net adjustment for revenue accruals	59,979	13,767	10,754	151,685
Net adjustment for expenditure accruals	60,623	17,511	(14,071)	(3,361)
Net adjustment for other sources/uses	18,863	(33)	(11,602)	(150,000)
Adjustment for encumbrances	<u>60,580</u>	<u>22,417</u>	<u>27,433</u>	<u>123,434</u>
GAAP basis	<u>\$ 204,855</u>	<u>\$ (13,978)</u>	<u>\$ (26,414)</u>	<u>\$ 14,290</u>

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2006.

B. Litigation

The City is currently involved in litigation that the City's legal counsel can not reasonably predict the outcome.

SUPPLEMENTAL DATA

**CITY OF ENGLEWOOD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENT			
Community Development Block Grant	14.228	B-04-UC-39-0004	\$ 58,858
Total U.S. Department of Housing and Urban Development			<u>58,858</u>
FEDERAL HIGHWAY ADMINISTRATION PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction	20.205	24967	54,457
Highway Planning and Construction	20.205	75960	265,882
Highway Planning and Construction	20.205	77843	645,715
Total Federal Highway Administration			<u>966,054</u>
Total Federal Financial Assistance			<u>\$ 1,024,912</u>

(A) This schedule was prepared on a cash basis.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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***

Members of Council and Mayor
City of Englewood
333 West National Road
Englewood, Ohio 45322

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Englewood, as of and for the year ended December 31, 2006, which collectively comprise the City of Englewood's basic financial statements and have issued our report thereon dated June 12, 2007. 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 of Englewood's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Englewood's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City of Englewood's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Englewood's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Englewood's financial statements that is more than inconsequential will not be prevented or detected by the City of Englewood's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Englewood's internal control.

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

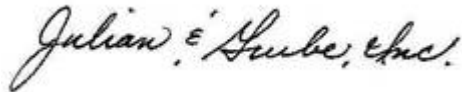
Members of Council and Mayor
City of Englewood

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Englewood'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*.

We noted a certain matter that we reported to management of the City of Englewood in a separate letter dated June 12, 2007.

This report is intended solely for the information and use of the management, City Council of Englewood federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 12, 2007



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Report on Compliance With Requirements Applicable to the City's Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Members of Council and Mayor
City of Englewood
333 West National Road
Englewood, Ohio 45322

Compliance

We have audited the compliance of City of Englewood, Montgomery County, Ohio (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2006. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006.

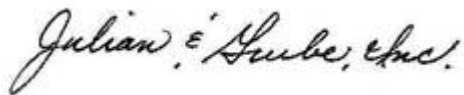
Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Members of Council and Mayor
City of Englewood

Our consideration of the internal control over compliance 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to its major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management, the Council of the City of Englewood, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
June 12, 2007

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for the major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Program:	Highway Planning and Construction, CFDA #20.205
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS

None



Mary Taylor, CPA
Auditor of State

CITY OF ENGLEWOOD

MONTGOMERY 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
AUGUST 16, 2007**