



Dave Yost • Auditor of State

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Englewood
Montgomery County
333 West National Road
Englewood, Ohio 45322

To the Mayor and City Council:

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 City of Englewood, Montgomery County, Ohio (the City), as of and for the year ended December 31, 2010, 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 reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons 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 September 1, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Dave Yost
Auditor of State

September 1, 2011

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

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, 2010. 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 2010 are as follows:

- The total net assets of the City increased \$655,671. Net assets of governmental activities increased \$340,342 or 0.66% from 2009 and net assets of business-type activities increased \$315,329 or 1.31% over 2009.
- General revenues accounted for \$8,906,420 or 76.28% of total governmental activities revenue. Program specific revenues accounted for \$2,769,761 or 23.72% of total governmental activities revenue.
- The City had \$11,335,839 in expenses related to governmental activities; \$2,769,761 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$8,566,078 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$8,906,420.
- The general fund had revenues and other financing sources of \$7,955,103 in 2010. This represents an increase of \$291,069, primarily in income taxes, from 2009 revenues. The expenditures and other financing uses of the general fund, which totaled \$6,811,123 in 2010, decreased \$1,814,532 from 2009. A Reduction in Interfund transfers accounted for the majority of this expenditure decrease. Expenditures excluding transfers decreased \$137,032. The net increase in fund balance for the general fund was \$1,143,980 or 39.33%.
- The fire and rescue fund had revenues and other financing sources of \$1,745,598 in 2010. This represents a decrease of \$337,686 from 2009 revenues and other sources. The expenditures of the fire and rescue fund, which totaled \$1,669,380 in 2010, decreased \$222,419 from 2009. The net increase in fund balance for the fire and rescue fund was \$76,218 or 12.95%.
- The police fund had revenues and other financing sources of \$2,336,992 in 2010. This represents a decrease of \$497,135 from 2009 revenues and other sources. The expenditures of the police fund, which totaled \$2,573,230 in 2010, decreased \$16,590 from 2009. The net decrease in fund balance for the police fund was \$236,238 or 70.73%.
- The street fund had revenues and other financing sources of \$1,688,417 in 2010. This represents a decrease of \$378,299 from 2009 revenues and other sources. The expenditures of the street fund, which totaled \$1,624,749 in 2010, decreased \$66,326 from 2009. The net decrease in the fund balance for the street fund, including the decrease in reserve for inventory, was \$87,630 or 8.52%.
- The capital improvement fund had revenues and other financing sources of \$1,904,828 in 2010. The expenditures and other financing uses of the capital improvement fund totaled \$1,548,860 in 2010. The net increase in the fund balance for the capital improvement fund was \$355,968 or 6.47%.
- Net assets for the business-type activities, which are made up of the water, sewer, and solid waste enterprise funds, increased in 2010 by \$315,329. This increase in net assets was due primarily to the increase in charges for services revenue and capital grants and contributions related to business-type activities from 2009.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)
(Continued)**

- In the general fund, the actual revenues and other financing sources came in \$549,493 greater than they were in the final budget and actual expenditures and other financing uses were \$484,507 less than the amount in the final budget. Budgeted revenues decreased \$800,000 from original to the final budget and budgeted expenditures decreased \$296,530 from original to the final budget.

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 2010?" 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 17-19 of this report.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)
(Continued)**

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.

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, street fund, and capital improvement 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 20 - 30 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 31 - 33 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 34 of this report.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)
(Continued)**

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 35 - 63 of this report.

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets for 2010 compared to 2009:

Net Assets						
	2010 Governmental Activities	2009 Governmental Activities	2010 Business- Type Activities	2009 Business- Type Activities	2010 Total	2009 Total
Assets:						
Current and other assets	\$17,387,717	\$15,998,305	\$5,688,772	\$ 5,300,194	\$23,076,489	\$21,298,499
Capital assets, net	<u>37,319,721</u>	<u>37,858,258</u>	<u>19,333,326</u>	<u>19,383,745</u>	<u>56,653,047</u>	<u>57,242,003</u>
Total assets	<u>54,707,438</u>	<u>53,856,563</u>	<u>25,022,098</u>	<u>24,683,939</u>	<u>79,729,536</u>	<u>78,540,502</u>
Liabilities:						
Long-term liabilities	654,256	416,031	355,290	341,604	1,009,546	757,635
Other liabilities	<u>2,106,055</u>	<u>1,833,747</u>	<u>192,960</u>	<u>183,816</u>	<u>2,299,015</u>	<u>2,017,563</u>
Total liabilities	<u>2,760,311</u>	<u>2,249,778</u>	<u>548,250</u>	<u>525,420</u>	<u>3,308,561</u>	<u>2,775,198</u>
Net Assets:						
Invested in capital assets, net of related debt	37,136,159	37,858,258	19,119,219	19,191,353	56,255,378	57,049,611
Restricted	9,285,574	8,860,922			9,285,574	8,860,922
Unrestricted	<u>5,525,394</u>	<u>4,887,605</u>	<u>5,354,629</u>	<u>4,967,166</u>	<u>10,880,023</u>	<u>9,854,771</u>
Total net assets	<u>\$51,947,127</u>	<u>\$51,606,785</u>	<u>\$24,473,848</u>	<u>\$24,158,519</u>	<u>\$76,420,975</u>	<u>\$75,765,304</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2010, the City's assets exceeded liabilities by \$76,420,975. At year-end, net assets were \$51,947,127 and \$24,473,848 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 71.06% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, vehicles, software, and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2010, were \$37,136,159 and \$19,119,219 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, 2010, 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.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)
(Continued)**

A portion of the City's net assets, \$9,285,574 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 \$5,525,394 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for years 2010 and 2009.

Change in Net Assets

	2010 Governmental Activities	2009 Governmental Activities	2010 Business- Type Activities	2009 Business- Type Activities	2010 Total	2009 Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,492,587	\$ 1,897,722	\$ 3,234,739	\$ 3,108,480	\$ 4,727,326	\$ 5,006,202
Operating grants and contributions	728,984	844,073			728,984	844,073
Capital grants and contributions	548,190	448,931	395,104	103,545	943,294	552,476
Total program revenues	<u>2,769,761</u>	<u>3,190,726</u>	<u>3,629,843</u>	<u>3,212,025</u>	<u>6,399,604</u>	<u>6,402,751</u>
General revenues:						
Property taxes	1,540,162	1,445,967			1,540,162	1,445,967
Income taxes	5,888,588	5,371,831			5,888,588	5,371,831
Unrestricted grants and entitlements	936,192	859,091			936,192	859,091
Payment in lieu of taxes	357,317	335,854			357,317	335,854
Investment earnings	153,599	332,605	29,262	67,305	182,861	399,910
Miscellaneous	30,562	88,220	47,813	146,395	78,375	234,615
Total general revenues	<u>8,906,420</u>	<u>8,433,568</u>	<u>77,075</u>	<u>213,700</u>	<u>8,983,495</u>	<u>8,647,268</u>
Total revenues	11,676,181	11,624,294	3,706,918	3,425,725	15,383,099	15,050,019
Expenses:						
General government	1,486,286	1,718,515			1,486,286	1,718,515
Security of persons and property	5,111,373	5,335,584			5,111,373	5,335,584
Public health and welfare	16,953	17,658			16,953	17,658
Transportation	3,619,759	3,847,596			3,619,759	3,847,596
Community environment	622,244	693,563			622,244	693,563
Leisure time activity	479,224	349,709			479,224	349,709
Water			1,329,174	1,172,079	1,329,174	1,172,079
Sewer			1,395,151	1,462,208	1,395,151	1,462,208
Solid waste			667,264	721,728	667,264	721,728
Total expenses	<u>11,335,839</u>	<u>11,962,625</u>	<u>3,391,589</u>	<u>3,356,015</u>	<u>14,727,428</u>	<u>15,318,640</u>
Transfers		(27,562)		27,562		
Change in net assets	340,342	(365,893)	315,329	97,272	655,671	(268,621)
Net assets at beginning of year	51,606,785	51,972,678	24,158,519	24,061,247	75,765,304	76,033,925
Net assets at end of year	<u>\$51,947,127</u>	<u>\$51,606,785</u>	<u>\$24,473,848</u>	<u>\$24,158,519</u>	<u>\$76,420,975</u>	<u>\$75,765,304</u>

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)
(Continued)**

Governmental Activities

Governmental activities net assets increased \$340,342 in 2010. This increase is a result of City revenues being more than expenditures. The City had an increase in income tax revenue attributable to growth in the local economy.

Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$5,111,373 of the total expenses of the City. These expenses were partially funded by \$1,022,138 in direct charges to users of the services. Transportation expenses totaled \$3,619,759. Transportation expenses were partially funded by \$178,889 in direct charges to users of the services, \$713,353 in operating grants and contributions and \$548,190 in capital grants and contributions.

The state and federal government contributed to the City a total of \$728,984 in operating grants and contributions and \$548,190 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total grants and contributions, \$1,261,543 subsidized transportation programs, and \$12,563 subsidized security of persons and property programs.

General revenues totaled \$8,906,420, and amounted to 76.28% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$7,428,750. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government funds, making up \$936,192.

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
MONTGOMERY COUNTY**

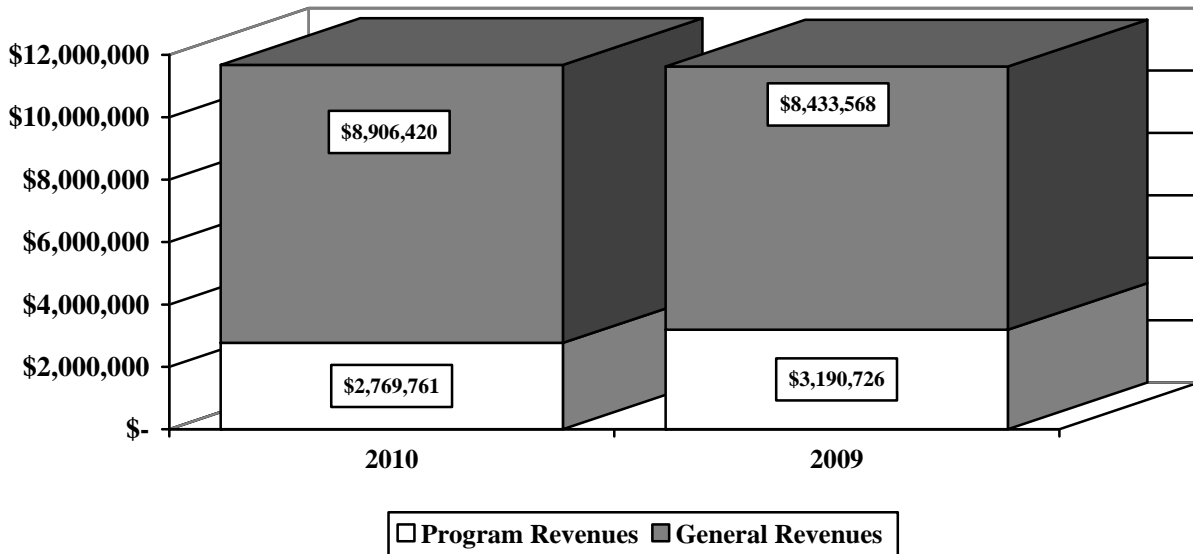
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)
(Continued)**

Governmental Activities

	Total Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2010	Net Cost of Services 2009
Program Expenses:				
General government	\$ 1,486,286	\$ 1,718,515	\$1,306,530	\$1,523,062
Security of persons and property	5,111,373	5,335,584	4,076,672	3,846,960
Public health and welfare	16,953	17,658	16,428	17,132
Transportation	3,619,759	3,847,596	2,179,327	2,449,592
Community environment	622,244	693,563	529,050	607,402
Leisure time activity	479,224	349,709	458,071	327,751
Total Expenses	\$11,335,839	\$11,962,625	\$8,566,078	\$8,771,899

The dependence upon general revenues for governmental activities is apparent, with 75.57% of expenses supported through taxes and other general revenues.

Governmental Activities - General and Program Revenues



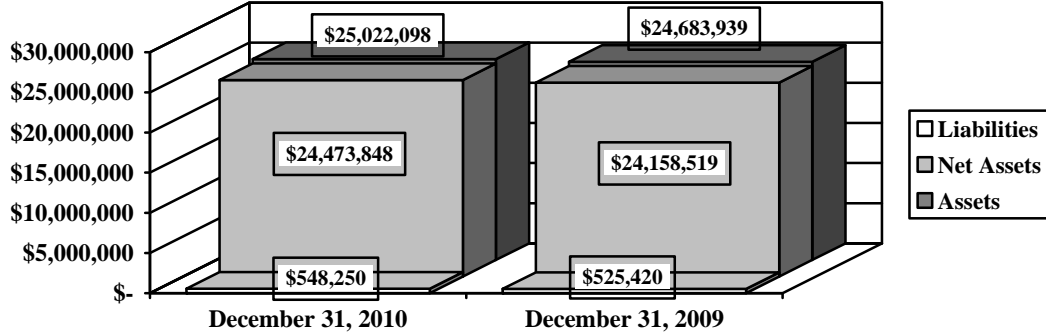
Business-type Activities

Business-type activities include the water, sewer, and solid waste enterprise funds. These programs had program revenues of \$3,629,843, general revenues of \$77,075, and expenses of \$3,391,589 for 2010. The graph below shows the business-type activities assets, liabilities and net assets at year-end 2010 and 2009.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)
(Continued)**

Net Assets in Business - Type Activities



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 21 - 22) reported a combined fund balance of \$12,925,351 which is \$1,418,945 above last year's total of \$11,506,406. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2010 for all major and non-major governmental funds.

	Fund Balances 12/31/10	Fund Balances 12/31/09	Increase (Decrease)
Major Funds:			
General	\$ 4,052,858	\$ 2,908,878	\$1,143,980
Fire and rescue	664,971	588,753	76,218
Police	97,783	334,021	(236,238)
Street	940,937	1,028,567	(87,630)
Capital improvement	5,859,308	5,503,340	355,968
Other non-major governmental funds	1,309,494	1,142,847	166,647
Total	<u>\$12,925,351</u>	<u>\$11,506,406</u>	<u>\$1,418,945</u>

General Fund

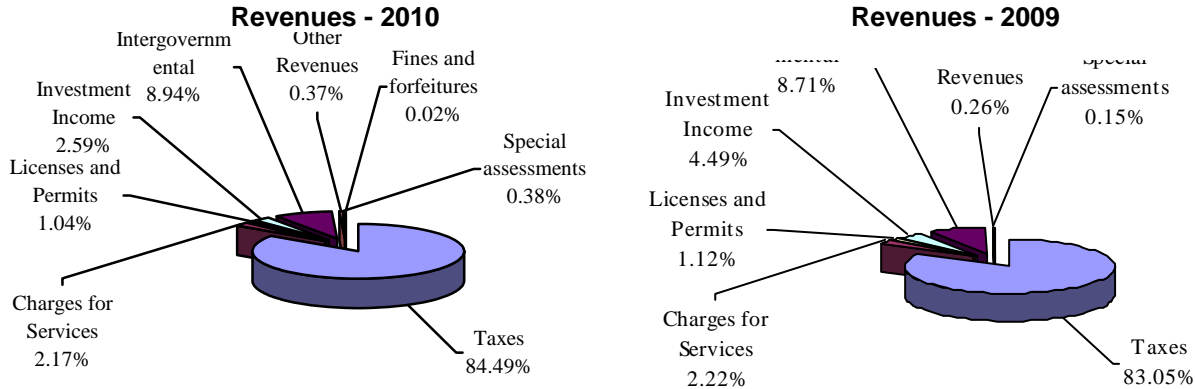
The City's general fund balance increased \$1,143,980 primarily due to an increase in income tax revenue and a decrease in transfers to other funds. The table that follows assists in illustrating the revenues of the general fund.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
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(Continued)**

	2010 Amount	2009 Amount	Percentage Change	
Revenues:				
Taxes	\$6,720,910	\$6,153,224	9.23	%
Charges for services	172,852	164,418	5.13	%
Licenses and permits	83,052	83,207	(0.19)	%
Fines and forfeitures	220		100.00	%
Investment income	206,086	332,569	(38.03)	%
Special assessments	30,075	11,165	169.37	%
Intergovernmental	711,474	645,474	10.23	%
Other	29,764	19,154	55.39	%
Total	\$7,954,433	\$7,409,211	7.36	%

Tax revenue represents 84.49% of all general fund revenue. Tax revenue increased by 9.23% over prior year. The decrease in investment income is a reflection of reduced interest rates on City investments. The increase in special assessments is a result of aggressive enforcement of zoning rules regarding weed removal and nuisance abatement. The increase in other revenue relates to refunds on property taxes paid and forfeited landscaping bonds retained.



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

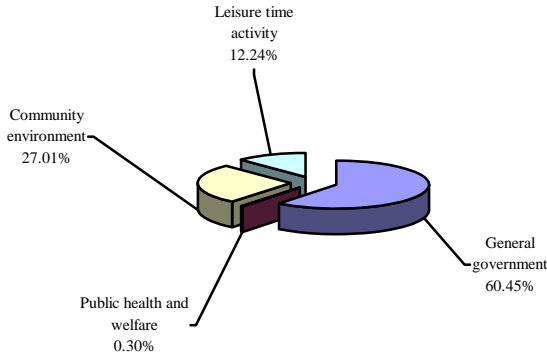
	2010 Amount	2009 Amount	Percentage Change	
Expenditures:				
General government	\$1,059,517	\$1,173,214	(9.69)	%
Public health and welfare	5,328	6,033	(11.69)	%
Community environment	473,301	487,821	(2.98)	%
Leisure time activity	214,477	222,587	(3.64)	%
Total	\$1,752,623	\$1,889,655	(7.25)	%

Total expenditures decreased 7.25% from 2009. The largest expenditure line item, general government, decreased 9.69%. A new program for animal control reduced the expenditures for public health and welfare.

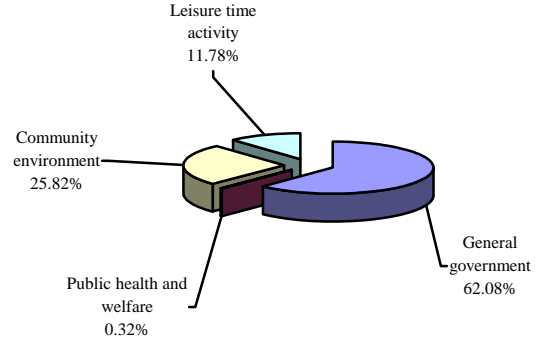
**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)
(Continued)**

Expenditures - 2010



Expenditures - 2009



Fire and Rescue Fund

The fire and rescue fund had revenues and other financing sources of \$1,745,598 in 2010. This represents a decrease of \$337,686 from 2009 revenues and other sources. The expenditures of the fire and rescue fund, which totaled \$1,669,380 in 2010, decreased \$222,419 from 2009. The net increase in fund balance for the fire and rescue fund was \$76,218 or 12.95%.

Police Fund

The police fund had revenues and other financing sources of \$2,336,992 in 2010. This represents a decrease of \$497,135 from 2009 revenues and other sources, primarily due to reduced transfer subsidies from the general fund. The expenditures of the police fund, which totaled \$2,573,230 in 2010, decreased \$16,590 from 2009. The net decrease in fund balance for the police fund was \$236,238 or 70.73%.

Street Fund

The street fund had revenues and other financing sources of \$1,688,417 in 2010. This represents a decrease of \$378,299 from 2009 revenues and other sources. The expenditures of the street fund, which totaled \$1,624,749 in 2010, decreased \$66,326 from 2009. The street fund also had a decrease in the reserve for inventory in the amount of \$151,298. The net decrease in the fund balance for the street fund was \$87,630 or 8.52%.

Capital Improvement Fund

The capital improvement fund had revenues and other financing sources of \$1,904,828 in 2010. The expenditures and other financing uses of the capital improvement fund totaled \$1,548,860 in 2010. The net increase in the fund balance for the capital improvement fund was \$355,968 or 6.47%.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)
(Continued)**

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC), as well as the City of Englewood Charter and Administrative Code. 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 revenues which decreased \$800,000 from \$8,099,690 to \$7,299,690. The other significant change was between the final budgeted revenues and actual revenues. Actual budget revenues and other financing sources of \$7,849,183 exceeded final revenues and other financing sources by \$549,493. Income tax revenue exceeded budgeted revenue by \$462,344. The actual expenditures and other financing uses of \$7,163,757 were less than the final appropriations by \$484,507. An originally budgeted \$350,000 advance to the sewer fund for capital improvements was not required.

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 2010, the City had \$56,653,047 (net of accumulated depreciation) invested in land, buildings and improvements, improvements other than buildings, equipment, vehicles, software, and infrastructure. Of this total, \$37,319,721 was reported in governmental activities and \$19,333,326 was reported in business-type activities. Certain asset categories have been reclassified for the implementation of GASB Statement No. 54. See Note 10 in the basic financial statements for additional capital asset disclosure. The following table shows 2010 balances compared to 2009:

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

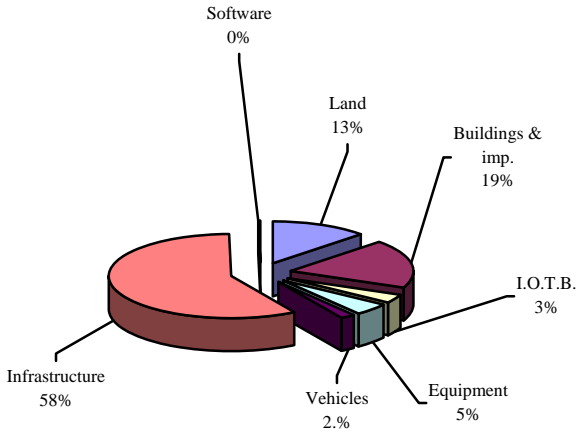
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$4,745,091	\$4,574,466	\$33,510	\$33,510	\$4,778,601	\$4,607,976
Land improvements (I.O.T.B.)	1,273,286	1,406,099	799,086	537,095	2,072,372	1,943,194
Buildings and improvements	6,939,836	7,157,929	3,799,040	3,939,404	10,738,876	11,097,333
Equipment	1,803,828	2,048,882	2,851,489	2,359,330	4,655,317	4,408,212
Vehicles	697,253	708,598	20,260	25,326	717,513	733,924
Infrastructure	21,806,972	21,950,714	11,829,941	11,981,928	33,636,913	33,932,642
Computer software	53,455	11,570				
Construction in progress				507,152		507,152
Totals	\$37,319,721	\$37,858,258	\$19,333,326	\$19,383,745	\$56,599,592	\$57,230,433

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

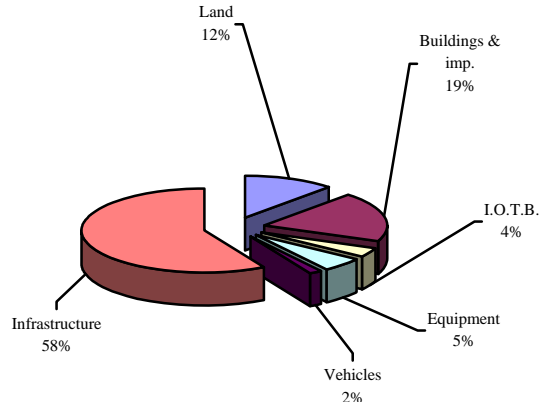
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)
(Continued)**

The following graphs show the breakdown of governmental capital assets by category for 2010 and 2009.

**Capital Assets - Governmental Activities
2010**



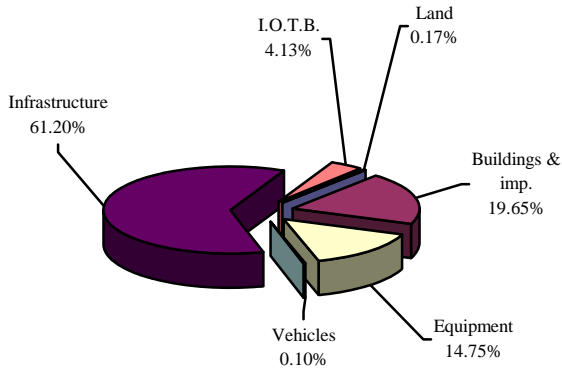
**Capital Assets - Governmental Activities
2009**



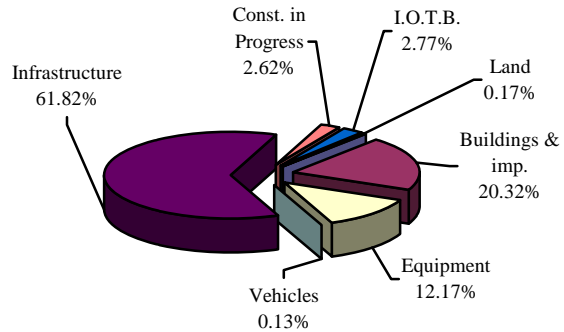
The City's largest capital asset category is infrastructure which includes bridges, thoroughfares, curbs, gutters, sidewalks, storm sewers, traffic signals and street signs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 58% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2010 and 2009.

**Capital Assets - Business-Type Activities
2010**



**Capital Assets - Business-Type Activities
2009**



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 61.20% of the City's total business-type capital assets.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)
(Continued)**

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2010 and 2009:

	Governmental Activities	
	2010	2009
OPWC loans	\$183,562	
Total long-term obligations	\$183,562	\$0
	Business-type Activities	
	2010	2009
OPWC loans	\$214,107	\$192,392
Total long-term obligations	\$214,107	\$192,392

See Note 12 to the basic financial statements for detail on the City's long-term obligations.

Economic Conditions and Outlook

The City of Englewood is an attractive planned community in the northern portion of Montgomery County in SW Ohio. Located along the I-70 corridor, just 11 miles from I-75, it offers ease of access to the larger metropolitan cities of Dayton, Columbus, and Cincinnati, as well as to interstate travel. For those who wish to avoid the congestion of the larger metropolitan areas, Englewood offers many opportunities right within its own borders for first-rate education, health, recreation, and entertainment. These amenities are enjoyed not only by Englewood's diverse population of 13,500, but by the constituents of surrounding communities as well.

A 1.75% local income tax and successful efforts to secure federal, state, and local grants has enabled the City to provide excellent public service to its constituents and to maintain and improve an extensive municipal infrastructure, while continually improving the overall appearance of the community. Englewood takes pride in its pothole-free streets, low crime rates, and beautifully maintained parks system.

Englewood's tax base includes a good mix of health, government, education, commercial, and industrial segments. Although it has not been immune to the overall economic downturn in Ohio, this diversity in tax base has enabled the City to remain fiscally strong. In addition, Englewood is virtually debt-free, enabling it to ride out the financial crisis that has hit many other government entities in Ohio.

The City was very successful in receiving Ohio Public Works Issue II funding for projects in 2010. Capital improvements completed during the year include: Improvements to the drainage channel in the Porter plat; Phase 3 rehabilitation of the sanitary sewer lines; replacement of culverts on Englewood Road and Valleyview Drive; replacement and extension of the water main on East Wenger Road; resurfacing of Taywood Road; and improvements to the intersection of State Route 48 and Wenger Road. Of course, annual sidewalk replacement and general roadway resurfacing programs were completed as well. In all, over 60% of the funding for these projects came from the Ohio Public Works Commission in the form of grants and interest-free loans. Most bids came in under project estimates and the City used this opportunity to forego \$300,000 in budgeted OPWC loans.

The City continues to purchase obsolete and neglected properties along the State Route 48 corridor to increase green space and enhance the visual experience for the many travelers who pass through its borders daily. Major capital projects for 2011 include rehabilitation of the Union Road water tower; the second phase of improvements to the drainage channel system; repair and relining of a 363' culvert under Main Street near the Wenger Road intersection; and pedestrian access and sidewalk ramp improvement projects. Previously approved grants will provide a significant portion of the funding for most of these projects.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)
(Continued)**

Looking forward, the City will continue to monitor and adapt to pending reductions in state revenue streams. Because of a long-standing commitment to fiscal stewardship of public funds, Englewood will continue to thrive without compromising a history of excellence in safety, security and public service to the community.

Community safety and security, numerous parks and other quality recreational opportunities, 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.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2010**

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$12,968,046	\$5,114,400	\$18,082,446
Receivables (net of allowance for uncollectibles):			
Income taxes	1,258,119		1,258,119
Real and other taxes	1,340,072		1,340,072
Payment in lieu of taxes receivable	390,205		390,205
Accounts	431,195	406,539	837,734
Accrued interest	18,449		18,449
Special assessments	218,643	21,546	240,189
Due from other governments	639,981		639,981
Internal balance	19,041	(19,041)	
Prepayments	44,541	12,530	57,071
Materials and supplies inventory	59,425	152,798	212,223
Capital assets:			
Land	4,745,091	33,510	4,778,601
Depreciable capital assets, net	32,574,630	19,299,816	51,874,446
Total capital assets, net	<u>37,319,721</u>	<u>19,333,326</u>	<u>56,653,047</u>
Total assets	<u>54,707,438</u>	<u>25,022,098</u>	<u>79,729,536</u>
Liabilities:			
Accounts payable	92,148	68,393	160,541
Contracts payable	4,297	19,072	23,369
Accrued wages and benefits payable	60,650	9,171	69,821
Due to other governments	273,094	24,934	298,028
Unearned revenue	1,675,866	71,390	1,747,256
Long-term liabilities:			
Due within one year	325,392	114,062	439,454
Due in more than one year	328,864	241,228	570,092
Total liabilities	<u>2,760,311</u>	<u>548,250</u>	<u>3,308,561</u>
Net assets:			
Invested in capital assets, net of related debt	37,136,159	19,119,219	56,255,378
Restricted for:			
Matured bond and interest	6,069		6,069
Capital projects	5,862,570		5,862,570
Street construction and maintenance	1,517,218		1,517,218
Public safety	1,103,551		1,103,551
Other purposes	796,166		796,166
Unrestricted	5,525,394	5,354,629	10,880,023
Total net assets	<u>\$51,947,127</u>	<u>\$24,473,848</u>	<u>\$76,420,975</u>

See accompanying notes to the basic financial statements.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$1,486,286	\$179,756		
Security of persons and property	5,111,373	1,022,138	\$12,563	
Public health and welfare	16,953	525		
Transportation	3,619,759	178,889	713,353	\$548,190
Community environment	622,244	90,126	3,068	
Leisure time activity	479,224	21,153		
Total governmental activities	11,335,839	1,492,587	728,984	548,190
Business-type activities:				
Water	1,329,174	1,169,275		210,000
Sewer	1,395,151	1,296,545		185,104
Solid waste	667,264	768,919		
Total business-type activities	3,391,589	3,234,739		395,104
Total primary government	\$14,727,428	\$4,727,326	\$728,984	\$943,294

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
(\$1,306,530)		(\$1,306,530)
(4,076,672)		(4,076,672)
(16,428)		(16,428)
(2,179,327)		(2,179,327)
(529,050)		(529,050)
(458,071)		(458,071)
<u>(8,566,078)</u>		<u>(8,566,078)</u>
	\$50,101	50,101
	86,498	86,498
	101,655	101,655
	<u>238,254</u>	<u>238,254</u>
<u>(8,566,078)</u>	238,254	<u>(8,327,824)</u>
808,559		808,559
457,708		457,708
203,732		203,732
70,163		70,163
5,888,588		5,888,588
936,192		936,192
357,317		357,317
153,599	29,262	182,861
30,562	47,813	78,375
<u>8,906,420</u>	<u>77,075</u>	<u>8,983,495</u>
340,342	315,329	655,671
<u>51,606,785</u>	<u>24,158,519</u>	<u>75,765,304</u>
<u>\$51,947,127</u>	<u>\$24,473,848</u>	<u>\$76,420,975</u>

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	<u>General</u>	<u>Fire and Rescue</u>	<u>Police</u>	<u>Street</u>
Assets:				
Equity in pooled cash and investments	\$3,245,987	\$687,314	\$237,013	\$930,688
Receivables (net of allowance for uncollectibles):				
Income taxes	1,258,119			
Real and other taxes	619,613	450,678	200,902	
Payment in lieu of taxes receivable				
Accounts	58,233	371,524	1,280	
Accrued interest	18,449			
Special assessments	139,499			
Interfund loans	250,000			
Due from other governments	281,476	36,044	15,695	250,701
Prepayments	1,080		1,798	
Materials and supplies inventory				36,047
Total assets	<u><u>5,872,456</u></u>	<u><u>1,545,560</u></u>	<u><u>456,688</u></u>	<u><u>1,217,436</u></u>
Liabilities:				
Accounts payable	35,705	15,919	5,034	21,675
Contracts payable				
Accrued wages and benefits payable	9,981	14,042	20,445	8,322
Compensated absences payable	10,214	9,042		10,214
Due to other governments	45,306	60,177	117,289	27,872
Interfund loans payable				
Deferred revenue	1,117,746	344,330	21,611	208,416
Unearned revenue	600,646	437,079	194,526	
Total liabilities	<u><u>1,819,598</u></u>	<u><u>880,589</u></u>	<u><u>358,905</u></u>	<u><u>276,499</u></u>
Fund balances:				
Reserved for encumbrances	14,094	35,829	27,572	49,179
Reserved for supplies inventory				36,047
Reserved for matured bonds and interest				
Reserved for prepayments	1,080		1,798	
Unreserved, undesignated, reported in:				
General fund	4,037,684			
Special revenue funds		629,142	68,413	855,711
Capital projects funds				
Total fund balances	<u><u>4,052,858</u></u>	<u><u>664,971</u></u>	<u><u>97,783</u></u>	<u><u>940,937</u></u>
Total liabilities and fund balances	<u><u>\$5,872,456</u></u>	<u><u>\$1,545,560</u></u>	<u><u>\$456,688</u></u>	<u><u>\$1,217,436</u></u>

See accompanying notes to the basic financial statements.

Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$6,103,078	\$1,324,780	\$12,528,860
		1,258,119
	68,879	1,340,072
	390,205	390,205
	158	431,195
		18,449
3,262	75,882	218,643
		250,000
15,116	36,363	635,395
		2,878
		36,047
<u>6,121,456</u>	<u>1,896,267</u>	<u>17,109,863</u>
4,589	9,226	92,148
4,297		4,297
	5,130	57,920
		29,470
	14,937	265,581
250,000		250,000
3,262	113,865	1,809,230
	443,615	1,675,866
<u>262,148</u>	<u>586,773</u>	<u>4,184,512</u>
421,329	15,277	563,280
		36,047
	6,069	6,069
		2,878
		4,037,684
	1,288,148	2,841,414
<u>5,437,979</u>		<u>5,437,979</u>
<u>5,859,308</u>	<u>1,309,494</u>	<u>12,925,351</u>
<u>\$6,121,456</u>	<u>\$1,896,267</u>	<u>\$17,109,863</u>

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010**

Total governmental fund balances		\$12,925,351
 <i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds.		36,004,889
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$41,012	
Income taxes receivable	702,461	
Payments in lieu of taxes receivable	13,399	
Charges for services	333,145	
Special assessments receivable	218,643	
Intergovernmental receivable	482,126	
Accrued interest receivable	18,444	
Total	1,809,230	1,809,230
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 \$19,041, are:		1,797,619
Long-term liabilities, including loans and compensated absences are not due and payable in the current period and therefore are not reported in the funds (exclusive of internal service fund liabilities).		
OPWC loan	(183,562)	
Compensated absences	(406,400)	
Total	(589,962)	(589,962)
 Net assets of governmental activities		 \$51,947,127

See accompanying notes to the basic financial statements.

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**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Fire and Rescue</u>	<u>Police</u>
Revenues:			
Municipal income taxes	\$5,908,774		
Property and other taxes	812,136	\$460,209	\$204,932
Charges for services	172,852	780,711	3,357
Licenses and permits	83,052		
Fines and forfeitures	220		24,066
Intergovernmental	711,474	124,519	91,357
Special assessments	30,075		
Investment income	206,086		
Rental income			
Contributions and donations	100	50	
Payment in lieu of taxes			
Other	29,664	1,684	6,535
Total revenues	<u>7,954,433</u>	<u>1,367,173</u>	<u>330,247</u>
Expenditures:			
Current:			
General government	1,059,517		
Security of persons and property		1,669,380	2,573,230
Public health and welfare	5,328		
Transportation			
Community environment	473,301		
Leisure time activity	214,477		
Capital outlay			
Total expenditures	<u>1,752,623</u>	<u>1,669,380</u>	<u>2,573,230</u>
Excess/deficiency of revenues over/under expenditures	<u>6,201,810</u>	<u>(302,207)</u>	<u>(2,242,983)</u>
Other financing sources (uses):			
Sale of capital assets	670	9,925	6,745
Transfers in		368,500	2,000,000
Transfers (out)	(5,058,500)		
Loan issuance			
Total other financing sources (uses)	<u>(5,057,830)</u>	<u>378,425</u>	<u>2,006,745</u>
Net change in fund balances	1,143,980	76,218	(236,238)
Fund balances at beginning of year	2,908,878	588,753	334,021
Decrease in reserve for inventory			
Fund balances at end of year	<u>\$4,052,858</u>	<u>\$664,971</u>	<u>\$97,783</u>

See accompanying notes to the basic financial statements.

<u>Street</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
			\$5,908,774
		\$70,554	1,547,831
		262,302	1,219,222
	\$585		83,637
		65,072	89,358
\$518,385	695,884	196,253	2,337,872
		136,498	166,573
10,677		1,247	218,010
	4,376	9,461	13,837
			150
		343,918	343,918
1,841	950	3,646	44,320
<u>530,903</u>	<u>701,795</u>	<u>1,088,951</u>	<u>11,973,502</u>
		228,746	1,288,263
		508,543	4,751,153
			5,328
1,624,749		399,789	2,024,538
		137,702	611,003
			214,477
	1,548,860	168,053	1,716,913
<u>1,624,749</u>	<u>1,548,860</u>	<u>1,442,833</u>	<u>10,611,675</u>
<u>(1,093,846)</u>	<u>(847,065)</u>	<u>(353,882)</u>	<u>1,361,827</u>
7,514			24,854
1,150,000	1,019,471	640,000	5,177,971
		(119,471)	(5,177,971)
	183,562		183,562
<u>1,157,514</u>	<u>1,203,033</u>	<u>520,529</u>	<u>208,416</u>
63,668	355,968	166,647	1,570,243
1,028,567	5,503,340	1,142,847	11,506,406
(151,298)			(151,298)
<u>\$940,937</u>	<u>\$5,859,308</u>	<u>\$1,309,494</u>	<u>\$12,925,351</u>

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**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, 2010**

Net change in fund balances - total governmental funds		\$1,570,243
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital asset additions	\$1,634,968	
Current year depreciation	<u>(1,959,931)</u>	
Total		(324,963)
The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.		(140,501)
Issuance of loans are recorded as an other financing source in the funds; however in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.		(183,562)
Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed.		(151,298)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	(20,186)	
Delinquent property taxes	(7,669)	
Payments in lieu of taxes	13,399	
Charges for services	(140,877)	
Intergovernmental	(136,791)	
Special assessments	47,290	
Interest	<u>(52,487)</u>	
Total		(297,321)
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.		(43,842)
Internal service funds are used by management to charge the costs of the government center, service center and health insurance to individual funds are 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.		<u>(88,414)</u>
Change in net assets of governmental activities		<u><u>\$340,342</u></u>

See accompanying notes to the basic financial statements.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:				
Municipal income taxes	\$5,947,422	\$5,360,000	\$5,822,344	\$462,344
Property and other taxes	890,460	802,510	803,612	1,102
Charges for services	191,405	172,500	172,852	352
Licenses and permits	97,367	87,750	82,212	(5,538)
Fines and forfeitures			220	220
Intergovernmental	726,562	654,800	719,748	64,948
Special assessments	16,644	15,000	30,075	15,075
Investment income	224,693	202,500	187,686	(14,814)
Donations	555	500	100	(400)
Other	4,582	4,130	29,664	25,534
Total revenues	<u>8,099,690</u>	<u>7,299,690</u>	<u>7,848,513</u>	<u>548,823</u>
Expenditures:				
Current:				
General government	1,509,017	1,541,948	1,156,591	385,357
Public health and welfare	14,795	15,118	7,461	7,657
Community environment	530,844	542,429	488,669	53,760
Leisure time activity	235,138	240,269	202,536	37,733
Total expenditures	<u>2,289,794</u>	<u>2,339,764</u>	<u>1,855,257</u>	<u>484,507</u>
Excess/deficiency of revenues over/under expenditures	<u>5,809,896</u>	<u>4,959,926</u>	<u>5,993,256</u>	<u>1,033,330</u>
Other financing sources (uses):				
Sale of capital assets			670	670
Advances (out) and not repaid	(600,000)	(250,000)	(250,000)	
Transfers (out)	(5,055,000)	(5,058,500)	(5,058,500)	
Total other financing sources (uses)	<u>(5,655,000)</u>	<u>(5,308,500)</u>	<u>(5,307,830)</u>	<u>670</u>
Net change in fund balances	154,896	(348,574)	685,426	1,034,000
Fund balances at beginning of year	2,446,923	2,446,923	2,446,923	
Prior year encumbrances appropriated	46,224	46,224	46,224	
Fund balance at end of year	<u>\$2,648,043</u>	<u>\$2,144,573</u>	<u>\$3,178,573</u>	<u>\$1,034,000</u>

See accompanying notes to the basic financial statements.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE AND RESCUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and other taxes	\$457,810	\$457,810	\$460,209	\$2,399
Charges for services	658,000	658,000	786,745	128,745
Intergovernmental	112,597	112,597	124,519	11,922
Donations			50	50
Other	877	877	1,684	807
Total revenues	<u>1,229,284</u>	<u>1,229,284</u>	<u>1,373,207</u>	<u>143,923</u>
Expenditures:				
Current:				
Security of persons and property	1,807,965	1,787,965	1,688,291	99,674
Total expenditures	<u>1,807,965</u>	<u>1,787,965</u>	<u>1,688,291</u>	<u>99,674</u>
Excess/deficiency of revenues over/under expenditures	<u>(578,681)</u>	<u>(558,681)</u>	<u>(315,084)</u>	<u>243,597</u>
Other financing sources (uses):				
Sale of capital assets			9,925	9,925
Transfers in	365,000	365,000	368,500	3,500
Total other financing sources (uses)	<u>365,000</u>	<u>365,000</u>	<u>378,425</u>	<u>13,425</u>
Net change in fund balances	(213,681)	(193,681)	63,341	257,022
Fund balances at beginning of year	541,560	541,560	541,560	
Prior year encumbrances appropriated	30,665	30,665	30,665	
Fund balance at end of year	<u>\$358,544</u>	<u>\$378,544</u>	<u>\$635,566</u>	<u>\$257,022</u>

See accompanying notes to the basic financial statements.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
POLICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Property and other taxes	\$202,500	\$202,500	\$204,932	\$2,432
Charges for services			3,357	3,357
Fines and forfeitures	35,000	35,000	24,449	(10,551)
Intergovernmental	86,384	86,384	90,897	4,513
Other	1,376	1,376	6,535	5,159
Total revenues	<u>325,260</u>	<u>325,260</u>	<u>330,170</u>	<u>4,910</u>
Expenditures:				
Current:				
Security of persons and property	<u>2,626,732</u>	<u>2,656,732</u>	<u>2,607,262</u>	<u>49,470</u>
Total expenditures	<u>2,626,732</u>	<u>2,656,732</u>	<u>2,607,262</u>	<u>49,470</u>
Excess/deficiency of revenues over/under expenditures	<u>(2,301,472)</u>	<u>(2,331,472)</u>	<u>(2,277,092)</u>	<u>54,380</u>
Other financing sources:				
Sale of capital assets	500	500	6,745	6,245
Transfers in	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	
Total other financing sources	<u>2,000,500</u>	<u>2,000,500</u>	<u>2,006,745</u>	<u>6,245</u>
Net change in fund balances	(300,972)	(330,972)	(270,347)	60,625
Fund balances at beginning of year	448,221	448,221	448,221	
Prior year encumbrances appropriated	<u>26,472</u>	<u>26,472</u>	<u>26,472</u>	
Fund balance at end of year	<u>\$173,721</u>	<u>\$143,721</u>	<u>\$204,346</u>	<u>\$60,625</u>

See accompanying notes to the basic financial statements.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$515,000	\$515,000	\$518,495	\$3,495
Investment income	13,000	13,000	10,677	(2,323)
Other	3,000	3,000	1,841	(1,159)
Total revenues	531,000	531,000	531,013	13
Expenditures:				
Current:				
Transportation	1,958,440	1,958,440	1,667,610	290,830
Total expenditures	1,958,440	1,958,440	1,667,610	290,830
Excess/deficiency of revenues over/under expenditures	(1,427,440)	(1,427,440)	(1,136,597)	290,843
Other financing sources:				
Sale of capital assets	5,000	5,000	7,514	2,514
Transfers in	1,150,000	1,150,000	1,150,000	
Total other financing sources	1,155,000	1,155,000	1,157,514	2,514
Net change in fund balances	(272,440)	(272,440)	20,917	293,357
Fund balances at beginning of year	800,852	800,852	800,852	
Prior year encumbrances appropriated	38,065	38,065	38,065	
Fund balance at end of year	\$566,477	\$566,477	\$859,834	\$293,357

See accompanying notes to the basic financial statements.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010**

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Funds
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	
Assets:					
Current assets:					
Equity in pooled cash and investments	\$2,565,681	\$1,886,174	\$662,545	\$5,114,400	\$439,186
Receivables (net of allowance for uncollectibles):					
Accounts	192,135	214,404		406,539	
Special assessments	3,203	4,471	13,872	21,546	
Due from other governments					4,586
Prepayments	7,330	5,200		12,530	41,663
Materials and supplies inventory	127,991	24,807		152,798	23,378
Total current assets	<u>2,896,340</u>	<u>2,135,056</u>	<u>676,417</u>	<u>5,707,813</u>	<u>508,813</u>
Non-current assets:					
Capital assets:					
Land	24,486	9,024		33,510	130,849
Depreciable capital assets, net	9,873,711	9,272,855	153,250	19,299,816	1,183,983
Total capital assets, net	<u>9,898,197</u>	<u>9,281,879</u>	<u>153,250</u>	<u>19,333,326</u>	<u>1,314,832</u>
Total non-current assets	<u>9,898,197</u>	<u>9,281,879</u>	<u>153,250</u>	<u>19,333,326</u>	<u>1,314,832</u>
Total assets	<u>12,794,537</u>	<u>11,416,935</u>	<u>829,667</u>	<u>25,041,139</u>	<u>1,823,645</u>
Liabilities:					
Current liabilities:					
Accounts payable	31,710	36,683		68,393	
Contracts payable	19,072			19,072	
Accrued wages and benefits payable	4,588	4,583		9,171	2,730
Due to other governments	11,711	13,223		24,934	7,513
Compensated absences payable - current	21,600	20,029		41,629	11,667
Current portion of OPWC loans	14,160	58,273		72,433	
Unearned revenue			71,390	71,390	
Total current liabilities	<u>102,841</u>	<u>132,791</u>	<u>71,390</u>	<u>307,022</u>	<u>21,910</u>
Long-term liabilities:					
Compensated absences payable	49,938	49,616		99,554	23,157
OPWC loans	70,803	70,871		141,674	
Total long-term liabilities	<u>120,741</u>	<u>120,487</u>		<u>241,228</u>	<u>23,157</u>
Total liabilities	<u>223,582</u>	<u>253,278</u>	<u>71,390</u>	<u>548,250</u>	<u>45,067</u>
Net assets:					
Invested in capital assets, net of related debt	9,813,234	9,152,735	153,250	19,119,219	1,314,832
Unrestricted	2,757,721	2,010,922	605,027	5,373,670	463,746
Total net assets	<u>\$12,570,955</u>	<u>\$11,163,657</u>	<u>\$758,277</u>	<u>24,492,889</u>	<u>\$1,778,578</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				<u>(19,041)</u>	
Net assets of business-type activities				<u>\$24,473,848</u>	

See accompanying notes to the basic financial statements.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Funds
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	
Operating revenues:					
Charges for services	\$1,165,625	\$1,289,861	\$768,919	\$3,224,405	\$739,140
Tap-in fees	3,650	6,684		10,334	
Other operating revenues	8,361	24,094	15,358	47,813	627,480
Total operating revenues	<u>1,177,636</u>	<u>1,320,639</u>	<u>784,277</u>	<u>3,282,552</u>	<u>1,366,620</u>
Operating expenses:					
Personal services	434,654	404,734		839,388	881,676
Contract services	381,913	358,393	658,458	1,398,764	231,766
Materials and supplies	50,831	173,470	39	224,340	289,171
Depreciation	439,158	418,556	8,767	866,481	73,073
Total operating expenses	<u>1,306,556</u>	<u>1,355,153</u>	<u>667,264</u>	<u>3,328,973</u>	<u>1,475,686</u>
Operating income (loss)	<u>(128,920)</u>	<u>(34,514)</u>	<u>117,013</u>	<u>(46,421)</u>	<u>(109,066)</u>
Non-operating revenues (expenses):					
(Loss) on disposal of capital assets	(15,950)	(26,014)		(41,964)	
Interest income	16,906	12,356		29,262	
Total non-operating revenues (expenses)	<u>956</u>	<u>(13,658)</u>		<u>(12,702)</u>	
Income (loss) before contributions	(127,964)	(48,172)	117,013	(59,123)	(109,066)
Transfer in					
Transfer out					
Capital contributions	<u>210,000</u>	<u>185,104</u>		<u>395,104</u>	
Change in net assets	82,036	136,932	117,013	335,981	(109,066)
Net assets at beginning of year	<u>12,488,919</u>	<u>11,026,725</u>	<u>641,264</u>		<u>1,887,644</u>
Net assets at end of year	<u>\$12,570,955</u>	<u>\$11,163,657</u>	<u>\$758,277</u>		<u>\$1,778,578</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				<u>(20,652)</u>	
Change in net assets of business-type activities.				<u>\$315,329</u>	

See accompanying notes to the basic financial statements.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Funds
	Water	Sewer	Solid Waste	Total	
Cash flows from operating activities:					
Cash received from customers	\$1,182,665	\$1,302,548	\$770,547	\$3,255,760	\$1,358,047
Cash received from tap-in fees	3,650	6,684		10,334	
Cash received from other operations	8,361	24,094	15,358	47,813	6,270
Cash payments for personal services	(436,148)	(406,660)		(842,808)	(876,100)
Cash payments for contractual services	(352,671)	(331,616)	(658,458)	(1,342,745)	(231,826)
Cash payments for materials and supplies	(53,673)	(195,126)	(39)	(248,838)	(289,303)
Net cash provided by (used in) operating activities	<u>352,184</u>	<u>399,924</u>	<u>127,408</u>	<u>879,516</u>	<u>(32,912)</u>
Cash flows from non-capital financing activities:					
Cash received from grants and subsidies	210,000	255,574		465,574	
Net cash provided by non-capital financing activities	<u>210,000</u>	<u>255,574</u>		<u>465,574</u>	
Cash flows from capital and related financing activities:					
Gain on sale of capital assets	205			205	
Acquisition of capital assets	(453,872)	(377,362)	(61,500)	(892,734)	
Principal retirement on loans		(138,841)		(138,841)	
Proceeds from loans	84,963	75,593		160,556	
Net cash used in capital and related financing activities	<u>(368,704)</u>	<u>(440,610)</u>	<u>(61,500)</u>	<u>(870,814)</u>	
Cash flows from investing activities:					
Interest received	16,906	12,356		29,262	
Net cash provided by investing activities	<u>16,906</u>	<u>12,356</u>		<u>29,262</u>	
Net increase (decrease) in cash and cash equivalents	210,386	227,244	65,908	503,538	(32,912)
Cash and investments at beginning of year	2,355,295	1,658,930	596,637	4,610,862	472,098
Cash and investments at end of year	<u>2,565,681</u>	<u>1,886,174</u>	<u>662,545</u>	<u>5,114,400</u>	<u>439,186</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	(128,920)	(34,514)	117,013	(46,421)	(109,066)
Adjustments:					
Depreciation	439,158	418,556	8,767	866,481	73,073
Changes in assets and liabilities:					
(Increase) decrease in materials and supplies inventory	(2,184)	1,118		(1,066)	(192)
Decrease in accounts receivable	14,422	10,561		24,983	
(Increase) decrease in special assessments receivable	2,618	2,126	1,430	6,174	(2,303)
(Increase) decrease in prepayments	(1,053)	(5,200)		(6,253)	1,685
Increase in accounts payable	29,637	9,203		38,840	
Increase in accrued wages and benefits	1,145	779		1,924	665
Increase in intergovernmental payable	1,262	1,423		2,685	871
Increase (decrease) in compensated absences payable	(3,901)	(4,128)		(8,029)	2,355
Increase in unearned revenue			198	198	
Net cash provided by (used in) operating activities	<u>\$352,184</u>	<u>\$399,924</u>	<u>\$127,408</u>	<u>\$879,516</u>	<u>(\$32,912)</u>

Non-cash capital transactions:

During 2010, the water fund purchased capital assets on account of \$19,072.

During 2009, the water and sewer funds purchased capital assets on account of \$26,820 and \$26,755,

See accompanying notes to the basic financial statements.

CITY OF ENGLEWOOD
MONTGOMERY COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2010

	<u>Agency</u>
Assets:	
Equity in pooled cash and investments	\$16,606
Total assets	<u>16,606</u>
Liabilities:	
Accounts payable	199
Undistributed monies	16,407
Total liabilities	<u>\$16,606</u>

See accompanying notes to the basic financial statements.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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.

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 public safety services, street maintenance and repair, parks, recreation, water, sewer and refuse services. Council and the City Manager are directly responsible for these activities.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Insurance Purchasing Pool

The Miami Valley Risk Management Association, Inc. (MVRMA) is a risk sharing insurance pool established for the purpose of enabling the subscribing political subdivisions to obtain liability insurance and providing a formalized, jointly administered self-insurance fund for its members. The members formed a not-for-profit corporation known as Miami Valley Risk Management Association, Inc. for the purpose of administering the pool. The subscribing members of the self-insurance pool include the Cities of Beavercreek, Bellbrook, Blue Ash, Centerville, Englewood, Kettering, Madeira, Mason, Miamisburg, Montgomery, Piqua, Sidney, Springdale, Tipp City, Troy, Vandalia, West Carrollton, Wilmington, and Wyoming, and the Village of Indian Hill. The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA.

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.

- 1. 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.

- 2. 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. Non-major 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.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

- 1. 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.

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

Capital improvement - To account for resources used to purchase equipment and construct capital assets.

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; and (b) grants and other resources whose use is restricted to a particular purpose.

- 2. 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 within 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.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 3. 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 funds hold monies for contractor and insurance bond deposits, hydrant meter deposits, and building assessment fees collected on behalf of the State of Ohio.

D. Measurement Focus and Basis of Accounting

- 1. 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.
- 2. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activities and operating expenses for the internal service fund include personnel costs and administrative expenses incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

- 1. Revenues - Exchange and Nonexchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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 year. For the City, available means expected to be received within thirty-one days of year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (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.

- 2. Unearned Revenue and Deferred Revenue** - Unearned revenue and deferred revenue arise 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, 2010, but which were levied to finance year 2011 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes and payments in lieu of taxes due at December 31, 2010, are recorded as deferred revenue.

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

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 3. 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 department level of each fund and within each department personal services. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

- 1. Tax Budget** - During the first Council meeting in July, the City Manager presents the following 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 2010.
- 2. 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 unencumbered 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 2010.
- 3. 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 at the department level of each fund and within each department personal services. 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.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The appropriations at the legal level of control 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.

- 4. 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 ten 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 investments" on the financial statements.

During 2010, investments were limited to certificates of deposit, federal agency securities, a General Electric (GE) Interest Plus account, corporate notes and the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2010.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2010 amounted to \$206,086, which included \$169,691 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
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

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 thoroughfares, street lights, curbs, gutters, sidewalks, storm sewers, bridges, street signs, traffic signals and controls, meters 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:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
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/Street Lights	30 years	30 years
Storm Sewers	25 years	25 years
Traffic Signals and Controls	15 years	15 years
Street Signs	10 years	10 years
Software	5 – 10 years	5 – 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
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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.

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 the 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
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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, matured bond and interest, prepayments, 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. Net assets restricted for other purposes consist primarily of permissive motor vehicle license tax, Englewood Communication Center and the Earl Heck Community Center.

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

S. 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 2010.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2010, the City has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. In accordance with the implementation GASB Statement No. 51, the City has reported intangible assets on a separate line in Note 10 as computer software.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the City.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the City.

4. DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits 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.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

4. DEPOSITS AND INVESTMENTS

Interim monies may 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 items 1 or 2 above 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; and,
3. Obligations of the City.

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

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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 \$500 in undeposited cash on hand which is included on the financial statements of the City as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At December 31, 2010, the carrying amount of all City deposits was \$3,725,784. As of December 31, 2010, \$3,072,189 of the City's bank balance of \$3,897,569 was exposed to custodial risk as discussed below, while \$825,380 was covered by the FDIC.

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, 2010, the City had the following investments and maturities:

Investment type	Fair Value	Investment Maturities					Total
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months	
STAR Ohio	\$1,198	\$1,198					\$1,198
GE Interest Plus Account	8,371,491	8,371,491					8,371,491
FHLB	4,970,390					\$4,970,390	4,970,390
FHLMC	2,049					2,049	2,049
Corporate Notes	1,027,640			\$1,027,640	-		1,027,640
Total	\$14,372,768	\$8,372,689	\$0	\$1,027,640	\$ -	\$4,972,439	\$14,372,768

The weighted average maturity of investments is 1.79 years.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk: 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.

Credit Risk: The City's investments, except for the corporate notes and STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The corporate notes were rated AA+ and Aa2 by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The City limits its investments to those authorized by State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The City's investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by state statute.

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 Finance Director 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, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,198	0.01
GE Interest Plus Account	8,371,491	58.25
FHLB	4,970,390	34.58
FHLMC	2,049	0.01
Corporate Notes	1,027,640	7.15
Total	<u>\$14,372,768</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 note above to cash and investments as reported on the statement of net assets as of December 31, 2010:

<u>Cash and Investments Per Note</u>	
Carrying amount of deposits	\$ 3,725,784
Investments	14,372,768
Cash on hand	500
Total	<u><u>\$18,099,052</u></u>

<u>Cash and Investments Per Statement of Net Assets</u>	
Governmental activities	\$12,968,046
Business type activities	5,114,400
Agency funds	16,606
Total	<u><u>\$18,099,052</u></u>

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

5. INTERFUND TRANSFERS

- A. Interfund transfers for the year ended December 31, 2010, consisted of the following, as reported in the fund financial statements:

		Transfers from:		
Transfers to:		General	Non-major Governmental Funds	Total
		Fire and rescue	\$ 368,500	
	Police	2,000,000		2,000,000
	Street	1,150,000		1,150,000
	Capital improvement	900,000	\$119,471	1,019,471
	Non-major governmental funds	640,000		640,000
	Total	\$5,058,500	\$119,471	\$5,177,971

Transfers are made to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The City also had transfers of \$75,000 from the tax incremental financing fund, a nonmajor governmental fund, and \$44,471 from the permissive road tax fund, a nonmajor governmental fund, to the capital improvement fund for capital expenditures. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

- B. The interfund balance at December 31, 2010 as reported on the fund financial statements consist of the following interfund loan receivable/payable:

Receivable fund	Payable fund	Amount
General fund	Capital improvement	\$250,000

The primary purpose of the interfund loan is to cover capital expenditures in the capital improvement fund. The interfund balance will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances between governmental funds at December 31, 2010 are reported on the statement of net assets.

6. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility 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. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semi-annually, 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 was eliminated in 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 2009-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County collects property taxes on behalf of all taxing districts in the County, including the City of Englewood. The Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2010 was \$10.59 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$206,159,260
Commercial/Industrial/Mineral	64,046,360
Public Utility	
Personal	3,620,750
Total Assessed Value	<u>\$273,826,370</u>

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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 remaining income tax revenue is then initially placed in the general fund. At least twenty-eight and one-half percent of income tax collected must be used for capital improvements. The remaining use of all other income tax proceeds is determined by City Council. Income tax revenue for 2010 was \$5,908,774 as reported in the fund financial statements.

8. TAX INCREMENT FINANCING DISTRICT (TIF)

The City, pursuant to the Ohio Revised Code and City ordinances, has established a TIF. A TIF represents a geographic area wherein property values created after the commencement date of the TIF are exempt, in whole or in part, from property taxes. Owners of such property, however, must pay amounts equal to the property taxes, known as "payments in lieu of taxes (PILOT)", as though the TIF had not been established. These "PILOTS" are then dedicated to the payments for various public improvements within or adjacent to the TIF area. Property values existing before the commencement date of a TIF continue to be subjected to property taxes.

PILOT revenue was \$343,918 in 2010 as reported in the fund financial statements. The TIF has a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT's cease and property taxes then apply to the increased property values.

9. RECEIVABLES

Receivables at December 31, 2010, 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, 2010.

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

<u>Governmental activities:</u>	
Income taxes	\$1,258,119
Real and other taxes	1,340,072
Payments in lieu of taxes	390,205
Accounts	431,195
Accrued interest	18,449
Special assessments	218,643
Due from other governments	639,981
<u>Business-type activities:</u>	
Accounts	406,539
Special assessments	21,546

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

9. RECEIVABLES

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.

10. CAPITAL ASSETS

A. Capital asset activity for the governmental activities for the year ended December 31, 2010, was as follows:

Governmental activities:	Balance 12/31/09	Additions	Disposals	Balance 12/31/10
Capital assets, not being depreciated:				
Land	\$ 4,574,466	\$ 283,575	(\$112,950)	\$ 4,745,091
Total capital assets, not being depreciated	<u>4,574,466</u>	<u>283,575</u>	<u>(112,950)</u>	<u>4,745,091</u>
Capital assets, being depreciated:				
Land improvements	2,984,054		(70,700)	2,913,354
Buildings and improvements	9,730,694			9,730,694
Furniture and equipment	3,740,603	54,033	(198,104)	3,596,532
Vehicles	2,825,416	176,913	(145,034)	2,857,295
Infrastructure	33,240,849	1,064,697		34,305,546
Computer software	57,659	55,750	(24,490)	88,919
Total capital assets, being depreciated	<u>52,579,275</u>	<u>1,351,393</u>	<u>(438,328)</u>	<u>53,492,340</u>
Less: accumulated depreciation:				
Land improvements	(1,577,955)	(132,813)	70,700	(1,640,068)
Buildings	(2,572,765)	(218,093)		(2,790,858)
Furniture and equipment	(1,691,721)	(277,456)	176,473	(1,792,704)
Vehicles	(2,116,818)	(188,258)	145,034	(2,160,042)
Infrastructure	(11,290,135)	(1,208,439)		(12,498,574)
Computer software	(46,089)	(7,945)	18,570	(35,464)
Total accumulated depreciation	<u>(19,295,483)</u>	<u>(2,033,004)</u>	<u>410,777</u>	<u>(20,917,710)</u>
Total capital assets, being depreciated	<u>33,283,792</u>	<u>(681,611)</u>	<u>(27,551)</u>	<u>32,574,630</u>
Governmental activities capital assets, net	<u>\$37,858,258</u>	<u>(\$ 398,036)</u>	<u>(\$140,501)</u>	<u>\$37,319,721</u>

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

Governmental activities:	
General government	\$ 169,684
Security of persons and property	275,063
Public health and welfare	11,625
Transportation	1,352,638
Community environment	7,423
Leisure time activity	143,498
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>73,073</u>
Total depreciation expense - governmental activities	<u>\$2,033,004</u>

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

10. CAPITAL ASSETS (Continued)

B. Capital asset activity for the business-type activities for the year ended December 31, 2010 was as follows:

Business-type activities:	Balance 12/31/09	Additions	Disposals	Balance 12/31/10
Capital assets, not being depreciated:				
Land	\$ 33,510			\$ 33,510
Construction in progress	507,152	\$ 85,771	(\$592,923)	
Total capital assets, not being depreciated	<u>540,662</u>	<u>85,771</u>	<u>(592,923)</u>	<u>33,510</u>
Capital assets, being depreciated:				
Improvements other than buildings	595,901	291,786		887,687
Buildings and improvements	7,481,679	14,245		7,495,924
Equipment	3,629,045	712,804	(89,883)	4,251,966
Vehicles	63,308			63,308
Infrastructure	22,398,671	346,548	(30,449)	22,714,770
Total capital assets, being depreciated	<u>34,168,604</u>	<u>1,365,383</u>	<u>(120,332)</u>	<u>35,413,655</u>
Less: accumulated depreciation:				
Improvements other than buildings	(58,806)	(29,795)		(88,601)
Buildings and improvements	(3,542,275)	(154,609)		(3,696,884)
Equipment	(1,269,715)	(185,253)	54,491	(1,400,477)
Vehicles	(37,982)	(5,066)		(43,048)
Infrastructure	(10,416,743)	(491,758)	23,672	(10,884,829)
Total accumulated depreciation	<u>(15,325,521)</u>	<u>(866,481)</u>	<u>78,163</u>	<u>(16,113,839)</u>
Total capital assets, being depreciated, net	<u>18,843,083</u>	<u>498,902</u>	<u>(42,169)</u>	<u>19,299,816</u>
Business-type activities capital assets, net	<u>\$19,383,745</u>	<u>\$584,673</u>	<u>(\$635,092)</u>	<u>\$19,333,326</u>

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

<u>Business-type activities:</u>	
Water	\$439,158
Sewer	418,556
Solid waste	8,767
Total depreciation expense - business-type activities	<u>\$866,481</u>

11. OTHER EMPLOYEE BENEFITS

A. 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.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

11. OTHER EMPLOYEE BENEFITS

B. Compensated Absences

1. 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 \$292,261 at December 31, 2010. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

2. 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 \$284,032 at December 31, 2010. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

3. 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 \$6,114 at December 31, 2010. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

12. LONG-TERM OBLIGATIONS

A. The changes in the City's governmental activities long-term obligations during the year consist of the following:

	<u>Maturity Date</u>	<u>Balance 12/31/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/10</u>	<u>Amounts Due in One Year</u>
Governmental activities:						
Other long-term obligations:						
Compensated absences	N/A	\$416,031	\$350,179	(\$295,516)	\$470,694	\$264,205
Total other long-term obligations		<u>416,031</u>	<u>350,179</u>	<u>(295,516)</u>	<u>470,694</u>	<u>264,205</u>
OPWC loans:						
0% drainage channel improvements	7/1/2013		90,636		90,636	30,212
0% Taywood Road resurfacing	7/1/2013		92,926		92,926	30,975
Total OPWC loans			<u>183,562</u>		<u>183,562</u>	<u>61,187</u>
Total governmental activities long-term obligations		<u>\$416,031</u>	<u>\$533,741</u>	<u>(\$295,516)</u>	<u>\$654,256</u>	<u>\$325,392</u>

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, the Englewood Communication Center (a nonmajor governmental fund) and Earl Heck community center fund (a nonmajor governmental fund).

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

12. LONG-TERM OBLIGATIONS

During 2010, the City received two loans in the governmental activities from the Ohio Public Works Commission for drainage channel improvements and road resurfacing. Re-payment of the loans are due semi-annually at an interest rate of 0%. Principal requirements at December 31, 2010 were as follows:

<u>Year Ending December 31,</u>	<u>OPWC Loans Principal</u>
2011	\$ 61,187
2012	61,187
2013	61,188
Total	<u>\$183,562</u>

B. The changes in the City's business-type activities long-term obligations during the year consist of the following:

	<u>Maturity Date</u>	<u>Balance 12/31/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/10</u>	<u>Amounts Due in One Year</u>
Business-type activities:						
Other long-term obligations:						
Compensated absences	N/A	\$149,212	\$ 37,909	(\$ 45,938)	\$141,183	\$ 41,629
Total other long-term obligations		<u>149,212</u>	<u>37,909</u>	<u>(45,938)</u>	<u>141,183</u>	<u>41,629</u>
OPWC Loans:						
0% - Sanitary sewer rehab (Phase II)	12/31/2010	93,167		(93,167)		
0% - Sanitary sewer rehab (Phase III)	7/1/2012	99,225		(33,075)	66,150	33,075
0% - Sanitary sewer rehab (Phase I)	1/1/2013		75,593	(12,599)	62,994	25,198
0% - Water main replacement	12/31/2016		84,963		84,963	14,160
Total OPWC Loans		<u>192,392</u>	<u>160,556</u>	<u>(138,841)</u>	<u>214,107</u>	<u>72,433</u>
Total business-type activities long-term obligations		<u>\$341,604</u>	<u>\$198,465</u>	<u>(\$184,779)</u>	<u>\$355,290</u>	<u>\$114,062</u>

During 2007, 2009 and 2010, the City received four loans from the Ohio Public Works Commission for sanitary sewer repairs and replacements and a water main replacement. Repayment of the loans are due semi-annually at an interest rate of 0%.

As of December 31, 2010, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$28,757,838 and the unvoted debt margin was \$15,060,450.

Principal requirements to retire the City's loans outstanding at December 31, 2010 were:

<u>Year Ending December 31,</u>	<u>OPWC Loans Principal</u>
2011	\$ 72,433
2012	72,433
2013	26,759
2014	14,161
2015	14,160
2016	14,161
Total	<u>\$214,107</u>

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

13. 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 twenty 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 self-insured \$500,000/occurrence. MVRMA obtained reinsurance from Government Entities Mutual, Inc. (GEM) for \$1.5 million excess \$500,000 and from General Reinsurance Corporate for \$8 million excess \$2 million.

Police Professional Liability \$10,000,000/occurrence

MVRMA self-insured \$500,000/occurrence. MVRMA obtained reinsurance from Government Entities Mutual, Inc. (GEM) for \$1.5 million excess \$500,000 and from General Reinsurance Corporation for \$8 million excess \$2 million.

Employment Practices Liability and Public Officials Liability, including Employee Benefit Liability

MVRMA self-insured \$500,000/occurrence. MVRMA obtained reinsurance from Government Entities Mutual, Inc. (GEM) for \$1.5 million excess \$500,000 and from General Reinsurance Corporation for \$8 million excess \$2 million - annual aggregate \$10 million per member

Property (effective 7/1/09 - 7/1/11): \$1,000,000,000/occurrence

MVRMA SIR: \$250,000/occurrence

Coverage excess SIR provided by PEPPI USA as follows:

Lexington Insurance Company (Primary \$25 million)

List of carriers for Layers excess of \$25 million provided upon request

Flood (effective 7/1/09 - 7/1/11) \$25 million/occurrence and annual aggregate

Sublimit: (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 (effective 7/1/09 - 7/1/11) \$25 million/occurrence and annual aggregate

MVRMA SIR: \$100,000/occurrence

Boiler & Machinery (effective 7/1/09 - 7/1/11) \$100,000,000/occurrence

MVRMA SIR: \$5,000/occurrence

Coverage excess SIR provided by PEPPI USA as follows:

Lexington Insurance Company - (Primary \$25 million)

List of carriers for Layer excess of \$25 million provided upon request

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

13. RISK MANAGEMENT (Continued)

Cyber Coverage (effective 7/1/10 - 7/1/11)

MVRMA SIR: \$100,000/occurrence

Coverage excess SIR provided by Lloyd's of London-Beazley Syndicate

Third Party Liability:

\$2 million/occurrence and annual aggregate, but submitted to:

\$500,000/occurrence and annual aggregate for Privacy Notification Costs

First Party Computer Liability:

\$2 million/occurrence and annual aggregate subject to policy sublimits

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.

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.

MVRMA issues a stand-alone Comprehensive Annual Financial Report. Interested parties may obtain a copy by making a written request to 4625 Presidential Way, Kettering, OH 45429-5706.

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's rate is discounted by participating in the Ohio Municipal League's group rating pool. The total premium paid in 2010 was \$113,526.43.

The City is a reimbursing employer with the Ohio Department of Job and Family Services. This means that, in lieu of unemployment taxes, the City pays unemployment claims to the State of Ohio as incurred. Claims may be incurred when an employee experiences the loss of employment other than with the City of Englewood. In 2010, the City's contribution to unemployment benefits was immaterial.

In May, 2010, the City joined the Ohio Benefits Cooperative (OBC), a consortium of political subdivisions in the greater Miami Valley area. The purpose of the OBC is to pool risk and collectively purchase health insurance. The cooperative currently has a contract with Anthem Blue Cross and Blue Shield. The City pays a premium to Anthem, which handles all claims and benefit processing and assumes all risks.

The City offers a High Deductible Health Plan combined with a Health Savings Account (HSA Plan). For the plan year effective 5/1/10 - 8/31/11, the City pays 100% of the HSA Plan monthly premium of \$266.95 for single coverage and \$824.08 for family coverage. The City also makes quarterly contributions to the employee health savings accounts equal to one-half of the annual plan deductible. The annual deductibles for the HSA Plan are \$2,500/single and \$5,000/family, and the annual out-of-pocket maximums are \$3,500 and \$7,000 respectively. Employees may contribute to their health savings account via payroll deduction up to the maximum IRS contribution limits per year.

Dental insurance is offered through Superior Dental Care with a deductible of \$50 for single coverage and up to \$150 for family coverage. The City pays the majority of the monthly premium of \$25.50 for single coverage and \$80.05 for family coverage. The City also provides a minimum of \$25,000 life and AD&D insurance at no cost to the employees. The monthly premium paid to the Standard Insurance Company is \$243.60 on a total insured volume of \$1.74M. Employees have the opportunity to purchase additional group rated health and life insurance benefits, with the full cost of the premiums paid by the employee via payroll deduction.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

14. PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which 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 Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the 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, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2010 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively. The City's contribution rate for 2010 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50% from January 1 through February 28, 2010 and 9.00% from March 1 through December 31, 2010. The City's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27% from January 1 through February 28, 2010 and 9.77% from March 1 through December 31, 2010. For those plan members in law enforcement and public safety pension contributions were 12.37% from January 1 through February 28, 2010 and 12.87% from March 1 through December 31, 2010. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$226,822, \$210,787, and \$175,742, respectively; 92.03% has been contributed for 2010 and 100% has been contributed for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$12,969 made by the City and \$9,264 made by the plan members.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

14. PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund

Plan Description - 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2010, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$167,070 and \$79,867 for the year ended December 31, 2010, \$163,817 and \$76,905 for the year ended December 31, 2009, and \$157,700 and \$75,432 for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 71.76% has been contributed for police and 70.62% has been contributed for firefighters for 2010.

15. POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

15. POSTRETIREMENT BENEFIT PLANS (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.00% of covered payroll (17.87% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2010 was 5.50% from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$129,310, \$152,416, and \$175,741, respectively; 92.03% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

15. POSTRETIREMENT BENEFIT PLANS (Continued)

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$88,449 and \$31,252 for the year ended December 31, 2010, \$86,727 and \$30,093 for the year ended December 31, 2009, and \$83,488 and \$29,519 for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 71.76% has been contributed for police and 70.62% has been contributed for firefighters for 2010.

16. 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);

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

16. BUDGETARY BASIS OF ACCOUNTING (Continued)

3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP);
4. Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
5. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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			
	General	Fire and Rescue	Police	Street
Budget basis	\$ 685,426	\$63,341	(\$270,347)	\$20,917
Net adjustment for revenue accruals	105,920	(6,034)	77	(110)
Net adjustment for expenditure accruals	168,479	70,659	66,699	113,715
Net adjustment for other financing sources and (uses)	250,000			
Adjustment for encumbrances	(65,845)	(51,748)	(32,667)	(70,854)
GAAP basis	<u>\$1,143,980</u>	<u>\$76,218</u>	<u>(\$236,238)</u>	<u>\$63,668</u>

17. 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, 2010.

B. Litigation

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

18. CONTRACTUAL COMMITMENTS

As of December 31, 2010, the City had the following contractual commitments outstanding related to various City projects and purchases:

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

18. CONTRACTUAL COMMITMENTS

Vendor	Amount of Contract	Amount Paid as of 12/31/2010	Remaining Commitment 12/31/2010
Taylor Team of Dealerships	\$ 57,473		\$ 57,473
Treehaven Technologies, Inc.	22,205		22,205
Miami Valley International Trucks	146,224		146,224
K.E. Rose Co.	106,610		106,610
Stepp Manufacturing Co.	55,024		55,024
Ohio Department of Public Safety	46,000		46,000
CDA Construction Group	564,210	(\$540,841)	23,369
Total	<u>\$997,746</u>	<u>(\$540,841)</u>	<u>\$456,905</u>

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Dave Yost • Auditor of State

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

City of Englewood
Montgomery County
333 West National Road
Englewood, Ohio 45322

To the Mayor and City Council:

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, Montgomery County, (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 1, 2011. 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 1, 2011.

We intend this report solely for the information and use of management, City Council, and others within the City. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

September 1, 2011



Dave Yost • 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
NOVEMBER 17, 2011**