

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

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

For The Year Ended
December 31, 2004

MR. ROBERT W. FORTMAN, FINANCE DIRECTOR



**Auditor of State
Betty Montgomery**

Members of Council and Mayor
City of Englewood
Englewood, Ohio

We have reviewed the *Independent Auditor's Report* of the City of Englewood, Montgomery County, prepared by Julian & Grube, Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 8, 2005

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CITY OF ENGLEWOOD, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Englewood, Ohio, as of and for the year ended December 31, 2004, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Englewood as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, fire and rescue fund and police fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Letter
City of Englewood
Page Two

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

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

Julian & Grube, Inc.
June 23, 2005

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004 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, 2004. 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 2004 are as follows:

- The total net assets of the City increased \$2,919,541. Net assets of governmental activities increased \$2,315,199 or 5.47% over 2003 and net assets of business-type activities increased \$604,342 or 2.81% over 2003.
- General revenues accounted for \$8,254,503 of total governmental activities revenue. Program specific revenues accounted for \$3,655,341 or 31.15% of total governmental activities revenue.
- The City had \$9,594,645 in expenses related to governmental activities; \$3,655,341 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$5,939,304 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$8,254,503.
- The general fund had revenues of \$7,610,813 in 2004. This represents an increase of \$443,873 from 2003 revenues. The expenditures and other financing uses of the general fund, which totaled \$7,802,216 in 2004, increased \$493,857 from 2003. The net decrease in fund balance for the general fund was \$191,403 or 8.67%.
- The fire and rescue fund had revenues and other financing sources of \$1,725,863 in 2004. This represents an increase of \$576,924 from 2003 revenues. The majority of the increase resulted from a transfer from the General Fund for the purpose of purchasing a new fire engine. The expenditures of the fire and rescue fund, which totaled \$1,418,475 in 2004, increased \$209,051 from 2003. The net increase in fund balance for the fire and rescue fund was \$307,388 or 107.60%.
- The police fund had revenues and other financing sources of \$1,856,740 in 2004. This represents a decrease of \$5,441 from 2003 revenues. The expenditures of the police fund, which totaled \$1,903,932 in 2004, increased \$68,049 from 2003. The net decrease in fund balance for the police fund was \$47,192 or 52.12%.
- The reserve for capital improvement fund had revenues and other financing sources of \$1,538,726 in 2004. This represents a decrease of \$13,969 from 2003 revenues. The expenditures of the reserve for capital improvement fund, which totaled \$4,840,930 in 2004, increased \$3,320,433 from 2003. The net decrease in fund balance for the reserve for capital improvement fund was \$3,302,204 or 120.67%.
- Net assets for the business-type activities, which are made up of the Water, Sewer, and Solid Waste enterprise funds, increased in 2004 by \$604,342. This increase in net assets was due primarily to capital contributions coupled with adequate charges for services revenue to cover operating expenses.
- In the general fund, the actual revenues came in \$184,500 higher than they were in the final budget and actual expenditures were \$194,845 less than the amount in the final budget. These positive variances are the result of the City's conservative budgeting. Budgeted revenues increased \$362,960 from the original to the final budget. Budgeted expenditures increased \$1,500,001 from the original to the final budget due primarily to a modest increase in the cost of general government expenditures and higher than normal transfers out to other funds of the City to fund capital equipment and improvements.

CITY OF ENGLEWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

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 2004?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

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 focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, fire and rescue fund, police fund and reserve for capital improvements fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 22 - 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 - 34 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 35 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 36 - 60 of this report.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Government-Wide Financial Analysis

The table below provides a summary of the City's net assets for 2004 and 2003:

	Net Assets					
	2004	2003	2004	2003	2004	2003
	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Business-type Activities</u>	<u>2004 Total</u>	<u>2003 Total</u>
<u>Assets</u>						
Current and other assets	\$ 13,262,188	\$ 16,746,057	\$ 4,429,819	\$ 4,168,502	\$ 17,692,007	\$ 20,914,559
Capital assets	<u>36,474,448</u>	<u>31,160,930</u>	<u>18,385,276</u>	<u>18,082,577</u>	<u>54,859,724</u>	<u>49,243,507</u>
Total assets	<u>49,736,636</u>	<u>47,906,987</u>	<u>22,815,095</u>	<u>22,251,079</u>	<u>72,551,731</u>	<u>70,158,066</u>
<u>Liabilities</u>						
Long-term liabilities	402,075	433,219	577,272	674,828	979,347	1,108,047
Other liabilities	<u>4,727,645</u>	<u>5,182,051</u>	<u>160,057</u>	<u>102,827</u>	<u>4,887,702</u>	<u>5,284,878</u>
Total liabilities	<u>5,129,720</u>	<u>5,615,270</u>	<u>737,329</u>	<u>777,655</u>	<u>5,867,049</u>	<u>6,392,925</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	35,724,448	31,003,430	17,945,276	17,547,577	53,669,724	48,551,007
Restricted	5,156,130	7,670,099	-	-	5,156,130	7,670,099
Unrestricted	<u>3,726,338</u>	<u>3,618,188</u>	<u>4,132,490</u>	<u>3,925,847</u>	<u>7,858,828</u>	<u>7,544,035</u>
Total net assets	<u>\$ 44,606,916</u>	<u>\$ 42,291,717</u>	<u>\$ 22,077,766</u>	<u>\$ 21,473,424</u>	<u>\$ 66,684,682</u>	<u>\$ 63,765,141</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2004, the City's assets exceeded liabilities by \$66,684,682. At year-end, net assets were \$44,606,916 and \$22,077,766 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 represented 75.61% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2004, were \$35,724,448 and \$17,945,276 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, 2004, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$5,156,130, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$3,726,338 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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The table below shows the changes in net assets for fiscal year 2004 and 2003.

Change in Net Assets

	2004	2003	2004	2003	2004	2003
	<u>Governmental</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Business-Type</u>	<u>2004</u>	<u>2003</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u>
Revenues						
Program revenues:						
Charges for services	\$ 877,017	\$ 1,053,715	\$ 2,955,359	\$ 2,837,517	\$ 3,832,376	\$ 3,891,232
Operating grants and contributions	1,439,840	1,193,836	-	-	1,439,840	1,193,836
Capital grants and contributions	<u>1,338,484</u>	<u>786,733</u>	<u>460,766</u>	<u>619,788</u>	<u>1,799,250</u>	<u>1,406,521</u>
Total program revenues	<u>3,655,341</u>	<u>3,034,284</u>	<u>3,416,125</u>	<u>3,457,305</u>	<u>7,071,466</u>	<u>6,491,589</u>
General revenues:						
Property taxes	1,611,879	1,675,741	-	-	1,611,879	1,675,741
Income taxes	5,084,798	5,634,234	-	-	5,084,798	5,634,234
Unrestricted grants and entitlements	721,765	645,440	-	-	721,765	645,440
Investment earnings	388,965	250,684	79,366	55,170	468,331	305,854
Gain on sale of capital assets	312,944	-	-	-	312,944	-
Miscellaneous	<u>134,152</u>	<u>321,237</u>	<u>73,336</u>	<u>80,386</u>	<u>207,488</u>	<u>401,623</u>
Total general revenues	<u>8,254,503</u>	<u>8,527,336</u>	<u>152,702</u>	<u>135,556</u>	<u>8,407,205</u>	<u>8,662,892</u>
Total revenues	<u>11,909,844</u>	<u>11,561,620</u>	<u>3,568,827</u>	<u>3,592,861</u>	<u>15,478,671</u>	<u>15,154,481</u>
Expenses:						
General government	1,421,675	1,189,597	-	-	1,421,675	1,189,597
Security of persons and property	4,238,396	4,253,255	-	-	4,238,396	4,253,255
Public health and welfare	21,038	23,134	-	-	21,038	23,134
Transportation	2,965,180	2,622,179	-	-	2,965,180	2,622,179
Community environment	583,737	569,745	-	-	583,737	569,745
Leisure time activity	302,167	243,924	-	-	302,167	243,924
Interest and fiscal charges	62,452	2,853	-	-	62,452	2,853
Water	-	-	1,043,693	924,615	1,043,693	924,615
Sewer	-	-	1,336,238	1,229,414	1,336,238	1,229,414
Solid waste	<u>-</u>	<u>-</u>	<u>584,554</u>	<u>571,195</u>	<u>584,554</u>	<u>571,195</u>
Total expenses	<u>9,594,645</u>	<u>8,904,687</u>	<u>2,964,485</u>	<u>2,725,224</u>	<u>12,559,130</u>	<u>11,629,911</u>
Change in net assets	2,315,199	2,656,933	604,342	867,637	2,919,541	3,524,570
Net assets at beginning of year	<u>42,291,717</u>	<u>39,788,028</u>	<u>21,473,424</u>	<u>20,605,787</u>	<u>63,765,141</u>	<u>60,393,815</u>
Net assets at end of year	<u>\$ 44,606,916</u>	<u>\$ 42,444,961</u>	<u>\$ 22,077,766</u>	<u>\$ 21,473,424</u>	<u>\$ 66,684,682</u>	<u>\$ 63,918,385</u>

CITY OF ENGLEWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

Governmental Activities

Governmental activities net assets increased \$2,315,199 in 2004. This increase is a result of revenue growth outpacing the increase in expenses from the prior year.

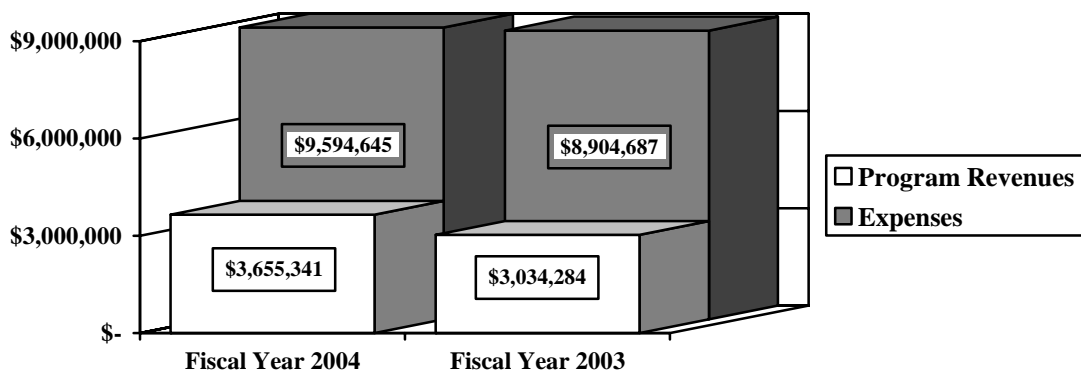
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$4,238,396 of the total expenses of the City. These expenses were partially funded by \$527,001 in direct charges to users of the services. Transportation expenses totaled \$2,965,180. Transportation expenses were partially funded by \$62,795 in direct charges to users of the services, \$744,098 in operating grants and contributions and \$1,183,962 in capital grants and contributions.

The state and federal government contributed to the City a total of \$1,439,840 in operating grants and contributions and \$1,338,484 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total grants and contributions, \$1,928,060 subsidized transportation programs, \$695,742 subsidized security of persons and property programs and \$154,522 subsidized general government activities.

General revenues totaled \$8,254,503, and amounted to 69.31% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$6,696,677. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$721,765.

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

Governmental Activities - Program Revenues vs. Total Expenses



CITY OF ENGLEWOOD, OHIO

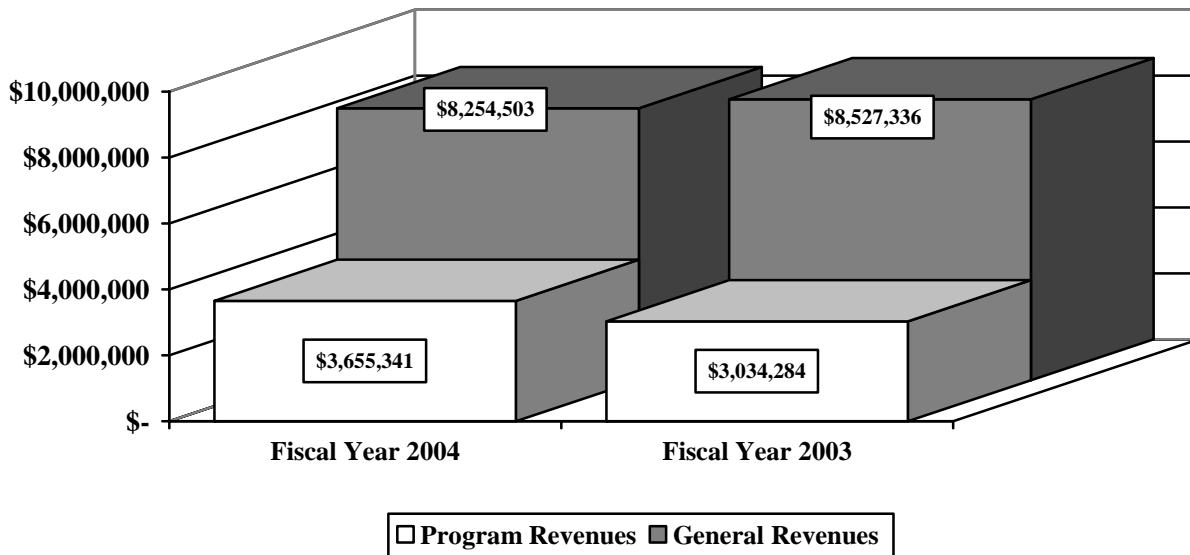
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Governmental Activities

	Total Cost of Services <u>2004</u>	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2004</u>	Net Cost of Services <u>2003</u>
Program Expenses:				
General government	\$ 1,421,675	\$ 1,189,597	\$ 1,029,465	\$ 645,868
Security of persons and property	4,238,396	4,253,255	3,015,653	3,100,686
Public health and welfare	21,038	23,134	21,038	23,134
Transportation	2,965,180	2,622,179	974,325	1,318,274
Community environment	583,737	569,745	552,006	552,516
Leisure time activity	302,167	243,924	284,365	227,072
Interest and fiscal charges	<u>62,452</u>	<u>2,853</u>	<u>62,452</u>	<u>2,853</u>
Total Expenses	<u>\$ 9,594,645</u>	<u>\$ 8,904,687</u>	<u>\$ 5,939,304</u>	<u>\$ 5,870,403</u>

The dependence upon general revenues for governmental activities is apparent, with 62.50% of expenses supported through taxes and other general revenues.

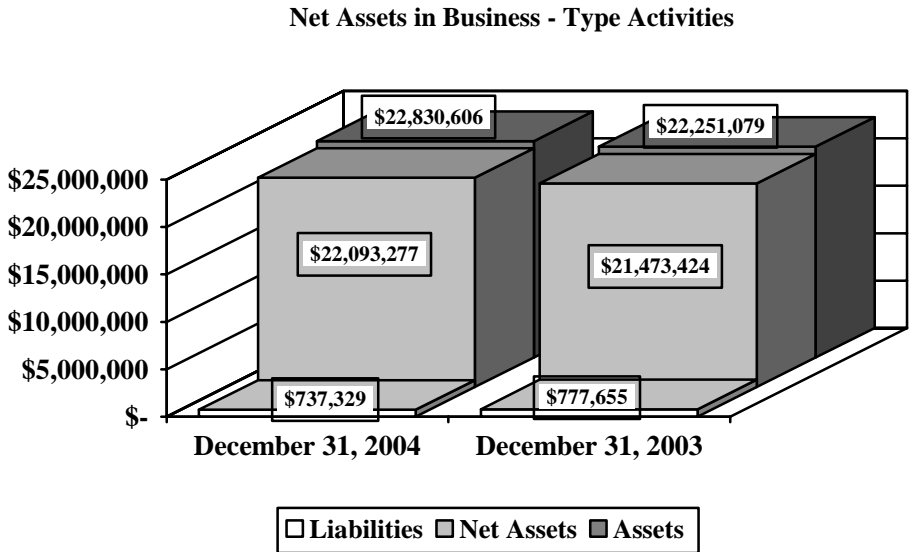
Governmental Activities - General and Program Revenues



CITY OF ENGLEWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

Business-type Activities

Business-type activities include the water, sewer, and solid waste enterprise funds. These programs had program revenues of \$3,416,125, general revenues of \$152,702 and expenses of \$2,964,485 for 2004. The graph below shows the business-type activities assets, liabilities and net assets at year-end 2004 and 2003.



Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 22 - 23) reported a combined fund balance of \$6,398,024 which is \$2,794,640 below last year's total of \$9,192,664. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2004 for all major and nonmajor governmental funds.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

	Fund Balances <u>12/31/04</u>	Fund Balances <u>12/31/03</u>	Increase (Decrease)
Major Funds:			
General	\$ 2,015,212	\$ 2,206,615	\$ (191,403)
Fire and rescue	593,058	285,670	307,388
Police	43,359	90,551	(47,192)
Reserve for capital improvement	(565,591)	2,736,613	(3,302,204)
Other nonmajor governmental funds	<u>4,311,986</u>	<u>3,873,215</u>	<u>438,771</u>
Total	<u>\$ 6,398,024</u>	<u>\$ 9,192,664</u>	<u>\$ (2,794,640)</u>

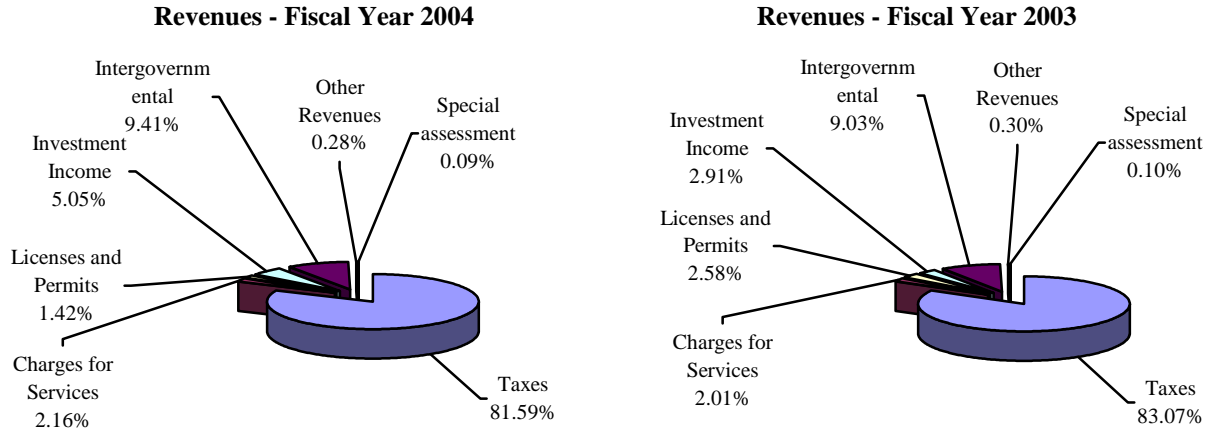
General Fund

The City's general fund balance decreased \$191,403, primarily due to transfers out to other funds in the amount of \$6,123,139. The table that follows assists in illustrating the revenues of the general fund.

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 6,209,264	\$ 5,952,616	4.31 %
Charges for services	164,665	144,227	14.17 %
Licenses and permits	107,748	185,208	(41.82) %
Investment income	384,225	208,520	84.26 %
Special assessments	7,133	7,228	(1.31) %
Intergovernmental	716,104	647,359	10.62 %
Other	<u>21,674</u>	<u>21,782</u>	(0.50) %
Total	<u>\$ 7,610,813</u>	<u>\$ 7,166,940</u>	6.19 %

Tax revenue represents 81.59% of all general fund revenue. Tax revenue increased slightly by 4.31% over prior year. The increase in investment income is due to increasing interest rates. The decrease in licenses and permits revenue resulted from the City's decision to partner with Montgomery County for a more efficient process of issuing certain permits. This change resulted in a net decrease in permit revenues and related expenses for the City. The increase in intergovernmental revenue is due to the City aggressively applying for and securing a significant amount of state and local grants and revenue assistance. All other revenue remained comparable to 2003.

CITY OF ENGLEWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED



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

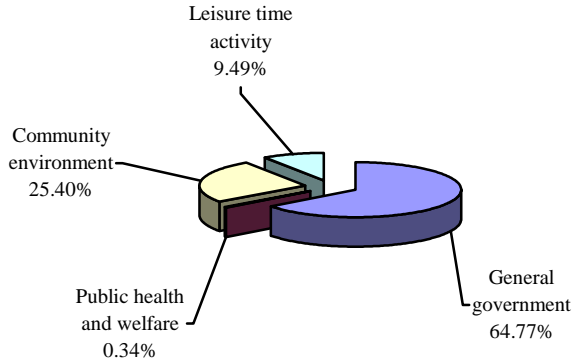
	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,087,394	\$ 1,060,978	2.49 %
Public health and welfare	5,777	11,002	(47.49) %
Community environment	426,533	470,033	(9.25) %
Leisure time activity	<u>159,373</u>	<u>135,204</u>	17.88 %
Total	<u>\$ 1,679,077</u>	<u>\$ 1,677,217</u>	0.11 %

All expenditures remained comparable to 2003. The largest expenditure line item, general government, increased slightly, which is primarily attributed to modest City wage and benefit increases.

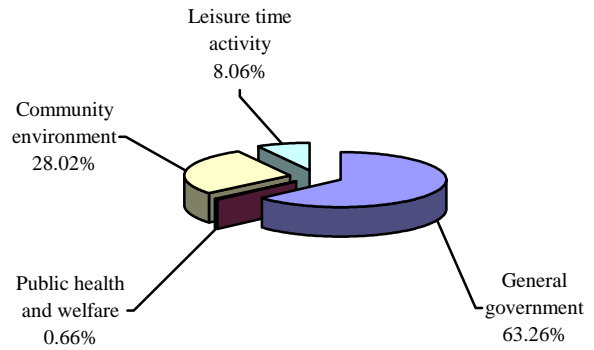
CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

Expenditures - Fiscal Year 2004



Expenditures - Fiscal Year 2003



Fire and Rescue Fund

The fire and rescue fund had revenues and other financing sources of \$1,725,863 in 2004. This represents an increase of \$576,924 from 2003 revenues. The expenditures of the fire and rescue fund, which totaled \$1,418,475 in 2004, increased \$209,051 from 2003. The net increase in fund balance for the fire and rescue fund was \$307,388 or 107.60%.

Police Fund

The police fund had revenues and other financing sources of \$1,856,740 in 2004. This represents a decrease of \$5,441 from 2003 revenues. The expenditures of the police fund, which totaled \$1,903,932 in 2004, increased \$68,049 from 2003. The net decrease in fund balance for the police fund was \$47,192 or 52.12%.

Reserve for Capital Improvement Fund

The reserve for capital improvement fund had revenues and other financing sources of \$1,538,726 in 2004. This represents a decrease of \$13,969 from 2003 revenues. The expenditures of the reserve for capital improvement fund, which totaled \$4,840,930 in 2004, increased \$3,320,433 from 2003. The net decrease in fund balance for the reserve for capital improvement fund was \$3,302,204 or 120.67%.

Budgeting Highlights

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

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Budgetary information is presented for the general fund, fire and rescue fund and police fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of expenditures, which increased \$1,500,001 from \$6,993,360 to \$8,493,361. Actual revenues of \$7,438,452 exceeded final budgeted revenues by \$184,500. The other significant change was between the final budgeted expenditures and actual expenditures. Actual expenditures came in \$194,845 lower than the final budgeted amounts.

Actual revenues for the fire and rescue fund were less than final budgeted revenues by \$7,964 while actual expenditures were \$16,794 higher than final budgeted expenditures. Actual revenues for the police fund were less than final budgeted revenues by \$91,298 while actual expenditures were \$62,971 lower than final budgeted expenditures. There were no significant variances between the original and final budgeted revenue amounts.

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the City had \$54,859,724 (net of accumulated depreciation) invested in land, buildings and improvements, improvements other than buildings, equipment, vehicles, infrastructure and construction in progress. Of this total, \$36,474,448 was reported in governmental activities and \$18,385,276 was reported in business-type activities. The following table shows fiscal 2004 balances compared to 2003:

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

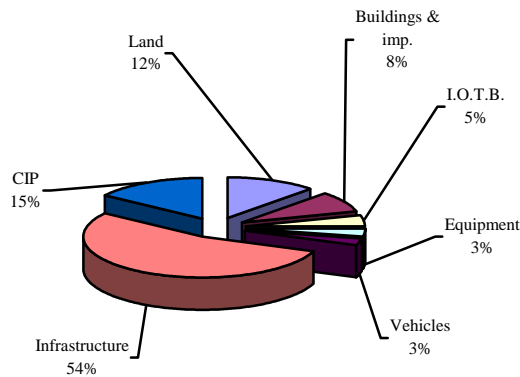
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 4,466,592	\$ 4,475,472	\$ 33,510	\$ 33,510	\$ 4,500,102	\$ 4,508,982
Land improvements (I.O.T.B.)	1,652,703	1,658,323	-	-	1,652,703	1,658,323
Buildings and improvements	3,036,152	2,946,621	4,473,303	4,615,095	7,509,455	7,561,716
Equipment	1,068,448	947,720	950,135	868,209	2,018,583	1,815,929
Vehicles	996,988	1,147,107	24,145	32,088	1,021,133	1,179,195
Infrastructure	19,640,030	18,383,897	12,904,183	12,533,675	32,544,213	30,917,572
Construction in progress	<u>5,613,535</u>	<u>1,601,790</u>	<u>-</u>	<u>-</u>	<u>5,613,535</u>	<u>1,601,790</u>
Totals	<u>\$ 36,474,448</u>	<u>\$ 31,160,930</u>	<u>\$ 18,385,276</u>	<u>\$ 18,082,577</u>	<u>\$ 54,859,724</u>	<u>\$ 49,243,507</u>

CITY OF ENGLEWOOD, OHIO

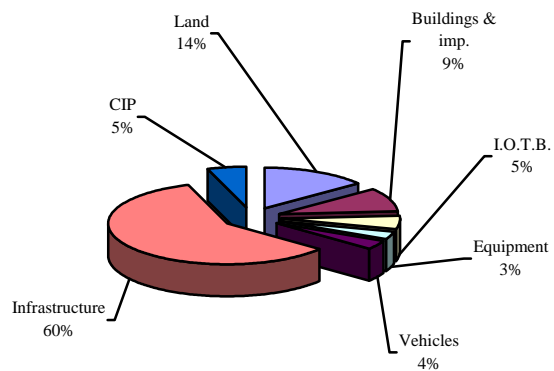
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

The following graphs show the breakdown of governmental capital assets by category for 2004 and 2003.

**Capital Assets - Governmental Activities
2004**



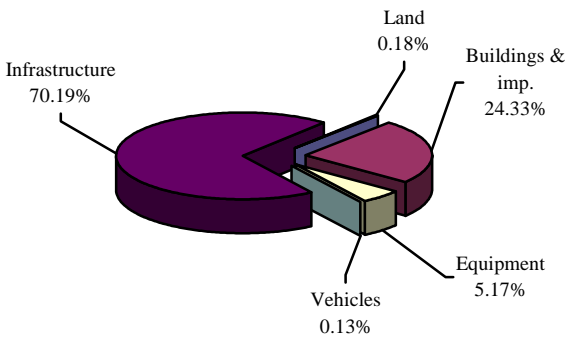
**Capital Assets - Governmental Activities
2003**



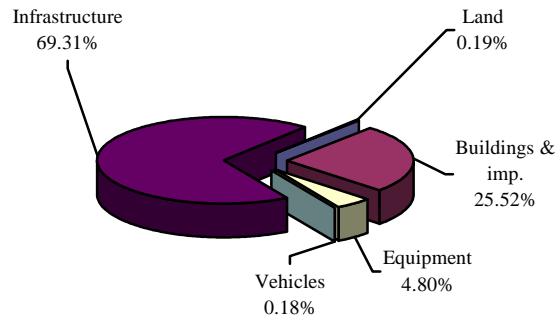
The City's largest capital asset category is infrastructure which includes bridges, thoroughfares, curbs, gutters, sidewalks, storm sewers, traffic signals and street signs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant.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

The following graphs show the breakdown of business-type capital assets by category for 2004 and 2003.

**Capital Assets - Business-Type Activities
2004**



**Capital Assets - Business-Type Activities
2003**



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 70.19% of the City's total business-type capital assets.

CITY OF ENGLEWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
UNAUDITED

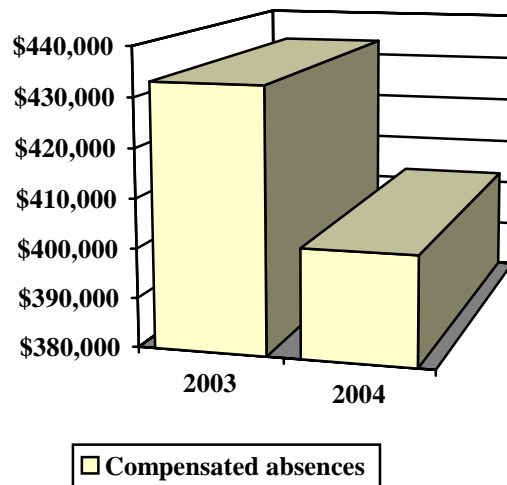
Debt Administration

The City had the following long-term obligations outstanding at December 31, 2004 and 2003:

	Governmental Activities	
	2004	2003
Compensated absences	\$ <u>402,075</u>	\$ <u>433,219</u>
Total long-term obligations	\$ <u><u>402,075</u></u>	\$ <u><u>433,219</u></u>
	Business-Type Activities	
	2004	2003
Revenue bonds	\$ <u>440,000</u>	\$ <u>535,000</u>
Total bonds	\$ <u>440,000</u>	\$ <u>535,000</u>
Compensated absences	\$ <u>137,272</u>	\$ <u>139,828</u>
Total long-term obligations	\$ <u><u>577,272</u></u>	\$ <u><u>674,828</u></u>

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

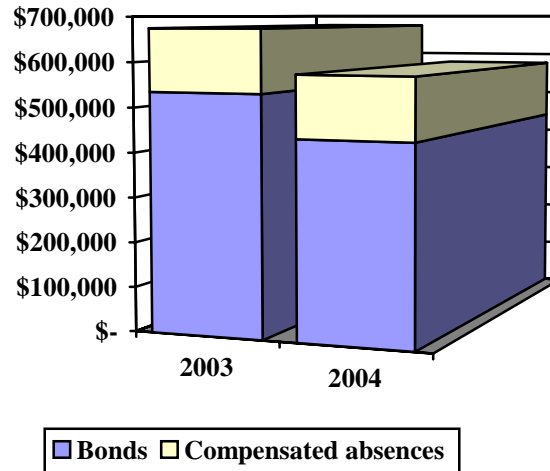
Long-term obligations - Governmental Activities



CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

**Long-term obligations -
Business-Type Activities**



Economic Conditions and Outlook

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

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

In addition to ongoing thoroughfare, park and utility improvements, Englewood in process of implementing a fiber-optic connected traffic signal system, the expansion of police and fire facilities at its central Government Center and utility meter reading via radio signal. The city was also a major contributor in the development of the local YMCA, bringing increased, high quality, recreational facilities to the locale. Future initiatives will include continuing improvement of Englewood streetscapes via beautification of SR 48 (Main Street) and the historical National Road (US 40), as well as ongoing programs to maintain and improve other thoroughfares, parks and recreation amenities and the overall appearance of the city.

With three commerce parks strategically located near two major interstate highway interchanges, the city continues to attract and retain a number of attractive and growing businesses that provide a growing and diversified local tax base. Active interest in these commerce parks continues today. Even during the current economic downturn and without tapping its financial reserves, the city has been able to maintain its revenue base, increase productivity of its workforce, and control operating costs through effective management and the use of technology.

CITY OF ENGLEWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
UNAUDITED

Englewood offers an attractive, and stable residential environment with above average property appreciation rates. Numerous parks, quality recreational facilities, reasonable utility and tax rates, a nationally accredited public safety force, and an aggressive capital improvements program, have all positioned the city well 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 citizen's, 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 financial information contact Mr. Eric A Smith, City Manager or Mr. Robert W. Fortman, Finance Director, City of Englewood, 333 West National Road, Englewood, OH 45322, or visit our website at www.inglewood.oh.us.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF ENGLEWOOD, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 8,944,629	\$ 3,876,453	\$ 12,821,082
Cash and cash equivalents with fiscal agents	6,069	-	6,069
Receivables (net of allowances for uncollectibles):			
Income taxes	1,301,971	-	1,301,971
Real and other taxes	1,573,912	-	1,573,912
Accounts	168,460	313,414	481,874
Accrued interest	91,244	-	91,244
Special assessments	38,607	-	38,607
Internal balances	15,511	(15,511)	-
Due from other governments	1,066,135	-	1,066,135
Materials and supplies inventory.	55,650	255,463	311,113
Capital assets:			
Land and construction in progress.	10,080,127	33,510	10,113,637
Depreciable capital assets, net	26,394,321	18,351,766	44,746,087
Total capital assets.	<u>36,474,448</u>	<u>18,385,276</u>	<u>54,859,724</u>
 Total assets.	 <u>49,736,636</u>	 <u>22,815,095</u>	 <u>72,551,731</u>
Liabilities:			
Accounts payable.	217,834	119,876	337,710
Contracts payable.	473,638	-	473,638
Retainage payable	396,620	-	396,620
Accrued wages and benefits	135,730	32,309	168,039
Due to other governments	156,195	-	156,195
Deferred revenue.	1,566,504	-	1,566,504
Accrued interest payable.	25,055	7,872	32,927
Bond anticipation note payable.	1,750,000	-	1,750,000
Payable from restricted assets:			
Matured general obligation bonds	5,000	-	5,000
Matured general obligation bond interest	1,069	-	1,069
Long-term liabilities:			
Due within one year	186,072	131,970	318,042
Due in more than one year	216,003	445,302	661,305
 Total liabilities	 <u>5,129,720</u>	 <u>737,329</u>	 <u>5,867,049</u>
Net assets:			
Invested in capital assets, net of related debt	35,724,448	17,945,276	53,669,724
Restricted for:			
Capital projects.	2,631,826	-	2,631,826
Other purposes	2,524,304	-	2,524,304
Unrestricted.	3,726,338	4,132,490	7,858,828
 Total net assets	 <u>\$ 44,606,916</u>	 <u>\$ 22,077,766</u>	 <u>\$ 66,684,682</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 1,421,675	\$ 237,688	\$ -	\$ 154,522
Security of persons and property.	4,238,396	527,001	695,742	-
Public health and welfare	21,038	-	-	-
Transportation	2,965,180	62,795	744,098	1,183,962
Community environment.	583,737	31,731	-	-
Leisure time activity.	302,167	17,802	-	-
Interest and fiscal charges.	62,452	-	-	-
Total governmental activities	9,594,645	877,017	1,439,840	1,338,484
Business-type Activities:				
Water	1,043,693	1,131,941	-	197,606
Sewer	1,336,238	1,173,808	-	263,160
Solid waste	584,554	649,610	-	-
Total business-type activities	2,964,485	2,955,359	-	460,766
Total primary government.	\$ 12,559,130	\$ 3,832,376	\$ 1,439,840	\$ 1,799,250

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
- Investment earnings
- Gain on sale of capital assets.
- 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
\$ (1,029,465)	\$ -	\$ (1,029,465)
(3,015,653)	-	(3,015,653)
(21,038)	-	(21,038)
(974,325)	-	(974,325)
(552,006)	-	(552,006)
(284,365)	-	(284,365)
(62,452)	-	(62,452)
<u>(5,939,304)</u>	<u>-</u>	<u>(5,939,304)</u>
-	285,854	285,854
-	100,730	100,730
-	65,056	65,056
<u>-</u>	<u>451,640</u>	<u>451,640</u>
<u>(5,939,304)</u>	<u>451,640</u>	<u>(5,487,664)</u>
816,107	-	816,107
476,506	-	476,506
250,842	-	250,842
68,424	-	68,424
5,084,798	-	5,084,798
721,765	-	721,765
388,965	79,366	468,331
312,944	-	312,944
134,152	73,336	207,488
<u>8,254,503</u>	<u>152,702</u>	<u>8,407,205</u>
2,315,199	604,342	2,919,541
<u>42,291,717</u>	<u>21,473,424</u>	<u>63,765,141</u>
<u>\$ 44,606,916</u>	<u>\$ 22,077,766</u>	<u>\$ 66,684,682</u>

CITY OF ENGLEWOOD, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	<u>General</u>	<u>Fire and Rescue</u>	<u>Police</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,377,884	\$ 740,709	\$ 164,926
Cash and cash equivalents with fiscal agent	-	-	-
Receivables (net of allowance for uncollectibles):			
Income taxes.	1,301,971	-	-
Real and other taxes.	716,789	512,294	271,470
Accounts	200	165,166	1,290
Interfund loans	155,000	-	-
Accrued interest	91,244	-	-
Special assessments.	26,680	-	-
Due from other funds	-	-	-
Due from other governments	322,842	115,013	12,472
Materials and supplies inventory	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 3,992,610</u>	<u>\$ 1,533,182</u>	<u>\$ 450,158</u>
Liabilities:			
Accounts payable	\$ 13,289	\$ 126,469	\$ 1,917
Contracts payable	-	-	-
Retainage payable.	-	-	-
Accrued wages and benefits.	15,531	25,152	47,544
Compensated absences payable.	-	-	8,637
Interfund loan payable.	-	-	-
Due to other funds	340,065	-	-
Due to other governments.	31,944	35,207	64,759
Deferred revenue	1,576,569	753,296	283,942
Accrued interest payable	-	-	-
Bond anticipation note payable	-	-	-
Matured bonds payable	-	-	-
Matured interest payable	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>1,977,398</u>	<u>940,124</u>	<u>406,799</u>
Fund Balances:			
Reserved for encumbrances.	230,791	599,036	21,637
Reserved for materials and supplies inventory	-	-	-
Unreserved, undesignated (deficit), reported in:			
General fund.	1,784,421	-	-
Special revenue funds.	-	(5,978)	21,722
Capital projects funds.	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>2,015,212</u>	<u>593,058</u>	<u>43,359</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances.	<u>\$ 3,992,610</u>	<u>\$ 1,533,182</u>	<u>\$ 450,158</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Reserve for Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 1,535,739	\$ 4,550,519	\$ 8,369,777
-	6,069	6,069
-	-	1,301,971
-	73,359	1,573,912
-	25	166,681
-	-	155,000
-	-	91,244
11,927	-	38,607
340,065	-	340,065
47,921	567,887	1,066,135
-	28,521	28,521
<u>\$ 1,935,652</u>	<u>\$ 5,226,380</u>	<u>\$ 13,137,982</u>
\$ -	\$ 60,662	\$ 202,337
269,720	203,918	473,638
396,620	-	396,620
-	39,339	127,566
-	4,615	13,252
-	155,000	155,000
-	-	340,065
-	24,285	156,195
59,848	420,506	3,094,161
25,055	-	25,055
1,750,000	-	1,750,000
-	5,000	5,000
-	1,069	1,069
<u>2,501,243</u>	<u>914,394</u>	<u>6,739,958</u>
1,026,392	687,100	2,564,956
-	28,521	28,521
-	-	1,784,421
-	1,056,908	1,072,652
<u>(1,591,983)</u>	<u>2,539,457</u>	<u>947,474</u>
<u>(565,591)</u>	<u>4,311,986</u>	<u>6,398,024</u>
<u>\$ 1,935,652</u>	<u>\$ 5,226,380</u>	<u>\$ 13,137,982</u>

CITY OF ENGLEWOOD, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004

Total governmental fund balances	\$	6,398,024
 <i>Amounts reported for governmental activities in 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.		34,707,071
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$	130,329
Income taxes		602,627
Charges for services		136,855
Special assessments		38,607
Intergovernmental revenues		561,105
Accrued interest		<u>58,134</u>
Total		1,527,657
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 \$15,511, are:		2,335,828
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities (excluding amounts reported in the internal service funds) are as follows:		
Compensated absences		<u>(361,664)</u>
 Net assets of governmental activities	 \$	 <u><u>44,606,916</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF ENGLEWOOD, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>General</u>	<u>Fire and Rescue</u>	<u>Police</u>
Revenues:			
Municipal income taxes	\$ 5,398,687	\$ -	\$ -
Property and other taxes	810,577	473,864	247,208
Charges for services	164,665	444,542	1,400
Licenses and permits	107,748	-	-
Fines and forfeitures	6,500	-	40,478
Intergovernmental	716,104	125,908	35,186
Special assessments	7,133	-	-
Investment income	384,225	-	-
Rental income	-	-	-
Other	15,174	17,549	2,468
Total revenues	<u>7,610,813</u>	<u>1,061,863</u>	<u>326,740</u>
Expenditures:			
Current:			
General government	1,087,394	-	-
Security of persons and property	-	1,418,475	1,903,932
Public health and welfare	5,777	-	-
Transportation	-	-	-
Community environment	426,533	-	-
Leisure time activity	159,373	-	-
Capital outlay	-	-	-
Debt service:			
Interest and fiscal charges	-	-	-
Total expenditures	<u>1,679,077</u>	<u>1,418,475</u>	<u>1,903,932</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,931,736</u>	<u>(356,612)</u>	<u>(1,577,192)</u>
Other financing sources (uses):			
Sale of capital assets	-	-	-
Transfers in	-	664,000	1,530,000
Transfers out	<u>(6,123,139)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,123,139)</u>	<u>664,000</u>	<u>1,530,000</u>
Net change in fund balances	(191,403)	307,388	(47,192)
Fund balances at beginning of year	2,206,615	285,670	90,551
Increase in reserve for inventory	-	-	-
Fund balances (deficit) at end of year	<u>\$ 2,015,212</u>	<u>\$ 593,058</u>	<u>\$ 43,359</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Reserve for Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 5,398,687
-	68,114	1,599,763
-	1,260	611,867
-	-	107,748
-	455	47,433
60,956	2,398,581	3,336,735
6,331	62,795	76,259
-	27,481	411,706
-	8,308	8,308
3,700	95,261	134,152
<u>70,987</u>	<u>2,662,255</u>	<u>11,732,658</u>
131,845	99,742	1,318,981
-	631,525	3,953,932
-	-	5,777
-	1,865,060	1,865,060
-	126,989	553,522
-	-	159,373
4,646,633	2,395,482	7,042,115
<u>62,452</u>	<u>-</u>	<u>62,452</u>
<u>4,840,930</u>	<u>5,118,798</u>	<u>14,961,212</u>
<u>(4,769,943)</u>	<u>(2,456,543)</u>	<u>(3,228,554)</u>
-	433,002	433,002
1,467,739	2,461,400	6,123,139
-	-	(6,123,139)
<u>1,467,739</u>	<u>2,894,402</u>	<u>433,002</u>
(3,302,204)	437,859	(2,795,552)
2,736,613	3,873,215	9,192,664
-	912	912
<u>\$ (565,591)</u>	<u>\$ 4,311,986</u>	<u>\$ 6,398,024</u>

CITY OF ENGLEWOOD, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

Net change in fund balances - total governmental funds \$ (2,795,552)

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$6,862,093) exceeded depreciation expense (\$1,443,445) in the current period. Both amounts are exclusive of internal service funds activity. 5,520,144

Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (120,058)

Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed. 912

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (135,758)

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. (11,079)

Internal service funds are used by management to charge the costs of the government center, service center and health insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service funds revenues are eliminated. The net revenue (expense) of the internal service funds, including internal balances is allocated among the governmental activities. (143,410)

Change in net assets of governmental activities \$ 2,315,199

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Postive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 4,891,428	\$ 5,149,067	\$ 5,280,031	\$ 130,964
Property and other taxes	763,363	803,571	824,009	20,438
Charges for services	152,546	160,581	164,665	4,084
Licenses and permits	99,818	105,075	107,748	2,673
Fines and forfeitures	6,022	6,339	6,500	161
Intergovernmental	584,254	615,028	630,671	15,643
Special assessments	6,608	6,956	7,133	177
Investment income	372,896	392,537	402,521	9,984
Other	14,057	14,798	15,174	376
Total revenues.	<u>6,890,992</u>	<u>7,253,952</u>	<u>7,438,452</u>	<u>184,500</u>
Expenditures:				
Current:				
General government	1,152,477	1,140,681	1,241,580	(100,899)
Public health and welfare.	6,078	6,016	6,548	(532)
Community environment	533,075	527,619	574,290	(46,671)
Leisure time activity	167,730	166,013	180,698	(14,685)
Total expenditures	<u>1,859,360</u>	<u>1,840,329</u>	<u>2,003,116</u>	<u>(162,787)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,031,632</u>	<u>5,413,623</u>	<u>5,435,336</u>	<u>21,713</u>
Other financing sources (uses):				
Transfers out	(4,934,000)	(6,498,032)	(6,140,400)	357,632
Advances in.	200,000	200,000	200,000	-
Advances out	<u>(200,000)</u>	<u>(155,000)</u>	<u>(155,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(4,934,000)</u>	<u>(6,453,032)</u>	<u>(6,095,400)</u>	<u>357,632</u>
Net change in fund balance	97,632	(1,039,409)	(660,064)	379,345
Fund balance at beginning of year	<u>1,523,083</u>	<u>1,523,083</u>	<u>1,523,083</u>	<u>-</u>
Prior year encumbrances appropriated	<u>290,306</u>	<u>290,306</u>	<u>290,306</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 1,911,021</u>	<u>\$ 773,980</u>	<u>\$ 1,153,325</u>	<u>\$ 379,345</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FIRE AND RESCUE
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 226,028	\$ 477,368	\$ 473,864	\$ (3,504)
Charges for services	218,762	462,023	458,631	(3,392)
Intergovernmental	60,528	127,834	126,896	(938)
Other.	8,371	17,679	17,549	(130)
Total revenues.	<u>513,689</u>	<u>1,084,904</u>	<u>1,076,940</u>	<u>(7,964)</u>
Expenditures:				
Current:				
Security of persons and property.	<u>1,216,175</u>	<u>2,044,403</u>	<u>2,027,609</u>	<u>16,794</u>
Total expenditures	<u>1,216,175</u>	<u>2,044,403</u>	<u>2,027,609</u>	<u>16,794</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(702,486)</u>	<u>(959,499)</u>	<u>(950,669)</u>	<u>8,830</u>
Other financing sources:				
Transfers in	<u>664,000</u>	<u>664,000</u>	<u>664,000</u>	<u>-</u>
Total other financing sources	<u>664,000</u>	<u>664,000</u>	<u>664,000</u>	<u>-</u>
Net change in fund balance	(38,486)	(295,499)	(286,669)	8,830
Fund balance at beginning of year	268,645	268,645	268,645	-
Prior year encumbrances appropriated	<u>33,228</u>	<u>33,228</u>	<u>33,228</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 263,387</u>	<u>\$ 6,374</u>	<u>\$ 15,204</u>	<u>\$ 8,830</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 POLICE
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 258,961	\$ 259,352	\$ 247,208	\$ (12,144)
Charges for services	1,467	1,469	1,400	(69)
Fines and forfeitures	44,308	44,375	42,297	(2,078)
Intergovernmental	36,859	36,914	35,186	(1,728)
Other	2,585	2,589	2,468	(121)
Total revenues.	<u>344,180</u>	<u>344,699</u>	<u>328,559</u>	<u>(16,140)</u>
Expenditures:				
Current:				
Security of persons and property	1,962,287	1,962,287	1,899,316	62,971
Total expenditures	<u>1,962,287</u>	<u>1,962,287</u>	<u>1,899,316</u>	<u>62,971</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,618,107)</u>	<u>(1,617,588)</u>	<u>(1,570,757)</u>	<u>46,831</u>
Other financing sources (uses):				
Transfers in	1,602,740	1,605,158	1,530,000	(75,158)
Transfers out	(500)	-	-	-
Total other financing sources (uses)	<u>1,602,240</u>	<u>1,605,158</u>	<u>1,530,000</u>	<u>(75,158)</u>
Net change in fund balance	(15,867)	(12,430)	(40,757)	(28,327)
Fund balance at beginning of year	157,107	157,107	157,107	-
Prior year encumbrances appropriated	<u>24,737</u>	<u>24,737</u>	<u>24,737</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 165,977</u>	<u>\$ 169,414</u>	<u>\$ 141,087</u>	<u>\$ (28,327)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2004

	<u>Business-type Activities -Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 1,498,522	\$ 1,797,657	\$ 580,274	\$ 3,876,453	\$ 574,852
Receivables (net of allowance for uncollectibles):					
Accounts	155,787	157,627	-	313,414	1,779
Materials and supplies inventory	197,122	58,341	-	255,463	27,129
Total current assets	<u>1,851,431</u>	<u>2,013,625</u>	<u>580,274</u>	<u>4,445,330</u>	<u>603,760</u>
Noncurrent assets:					
Capital assets:					
Land and construction in progress	24,486	9,024	-	33,510	130,849
Depreciable capital assets, net	<u>10,095,244</u>	<u>8,245,718</u>	<u>10,804</u>	<u>18,351,766</u>	<u>1,636,528</u>
Total capital assets	<u>10,119,730</u>	<u>8,254,742</u>	<u>10,804</u>	<u>18,385,276</u>	<u>1,767,377</u>
Total assets	<u>11,971,161</u>	<u>10,268,367</u>	<u>591,078</u>	<u>22,830,606</u>	<u>2,371,137</u>
Liabilities:					
Current liabilities:					
Accounts payable.	11,906	14,013	93,957	119,876	15,497
Accrued wages and benefits	15,475	16,834	-	32,309	8,164
Compensated absences	18,093	18,877	-	36,970	27,159
Current portion of revenue bonds	60,000	35,000	-	95,000	-
Accrued interest payable.	5,375	2,497	-	7,872	-
Total current liabilities	<u>110,849</u>	<u>87,221</u>	<u>93,957</u>	<u>292,027</u>	<u>50,820</u>
Long-term liabilities:					
Revenue bonds	240,000	105,000	-	345,000	-
Compensated absences	<u>56,501</u>	<u>43,801</u>	<u>-</u>	<u>100,302</u>	<u>-</u>
Total long-term liabilities	<u>296,501</u>	<u>148,801</u>	<u>-</u>	<u>445,302</u>	<u>-</u>
Total liabilities	<u>407,350</u>	<u>236,022</u>	<u>93,957</u>	<u>737,329</u>	<u>50,820</u>
Net assets:					
Invested in capital assets, net of related debt.	9,819,730	8,114,742	10,804	17,945,276	1,767,377
Unrestricted	<u>1,744,081</u>	<u>1,917,603</u>	<u>486,317</u>	<u>4,148,001</u>	<u>552,940</u>
Total net assets	<u>\$ 11,563,811</u>	<u>\$ 10,032,345</u>	<u>\$ 497,121</u>	22,093,277	<u>\$ 2,320,317</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				(15,511)	
Net assets of business-type activities				<u>\$ 22,077,766</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-type Activities - Enterprise Funds				Governmental
	Water	Sewer	Solid Waste	Total	Activities - Internal Service Funds
Operating revenues:					
Charges for services	\$ 1,090,241	\$ 1,088,303	\$ 649,610	\$ 2,828,154	\$ 1,086,708
Tap-in fees	41,700	85,505	-	127,205	-
Other	2,591	70,745	-	73,336	21,067
Total operating revenues	1,134,532	1,244,553	649,610	3,028,695	1,107,775
Operating expenses:					
Personal services	345,232	397,595	-	742,827	725,282
Contract services	280,113	339,057	558,264	1,177,434	141,587
Materials and supplies	79,616	187,702	-	267,318	213,099
Depreciation	337,318	312,893	4,352	654,563	101,496
Claims	-	-	-	-	46,619
Other	1,386	96,972	21,938	120,296	-
Total operating expenses	1,043,665	1,334,219	584,554	2,962,438	1,228,083
Operating income (loss)	90,867	(89,666)	65,056	66,257	(120,308)
Nonoperating revenues (expenses):					
Interest revenue	36,007	43,359	-	79,366	-
Interest expense and fiscal charges	(16,693)	(7,689)	-	(24,382)	-
Loss on disposal of capital assets	(767)	-	-	(767)	-
Total nonoperating revenues (expenses)	18,547	35,670	-	54,217	-
Income (loss) before contributions	109,414	(53,996)	65,056	120,474	(120,308)
Capital contributions	197,606	263,160	-	460,766	-
Changes in net assets	307,020	209,164	65,056	581,240	(120,308)
Net assets at beginning of year	11,256,791	9,823,181	432,065		2,440,625
Net assets at end of year	\$ 11,563,811	\$ 10,032,345	\$ 497,121		\$ 2,320,317
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds				23,102	
Changes in net assets of business-type activities				<u>\$ 604,342</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	Activities - Internal Service Funds
Cash flows from operating activities:					
Cash received from customers	\$ 1,080,714	\$ 1,076,273	\$ 654,112	\$ 2,811,099	\$ 1,088,864
Cash received from tap-in fees.	41,700	85,505	-	127,205	-
Cash received from other operations.	2,591	70,745	-	73,336	21,067
Cash payments for personal services	(345,964)	(394,902)	-	(740,866)	(722,410)
Cash payments for contract services	(281,677)	(342,758)	(509,697)	(1,134,132)	(138,056)
Cash payments for materials and supplies	(79,073)	(187,622)	-	(266,695)	(212,868)
Cash payments for other expenses.	(1,386)	(96,972)	(21,938)	(120,296)	-
Net cash provided by operating activities.	<u>416,905</u>	<u>210,269</u>	<u>122,477</u>	<u>749,651</u>	<u>36,597</u>
Cash flows from capital and related financing activities:					
Capital contributions	197,606	263,160	-	460,766	-
Acquisition of capital assets	(559,797)	(398,245)	-	(958,042)	(14,928)
Principal retirement on revenue bonds	(60,000)	(35,000)	-	(95,000)	-
Proceeds from sale of capital assets	13	-	-	13	-
Interest and fiscal charges.	(17,738)	(8,313)	-	(26,051)	-
Net cash used in capital and related financing activities	<u>(439,916)</u>	<u>(178,398)</u>	<u>-</u>	<u>(618,314)</u>	<u>(14,928)</u>
Cash flows from investing activities:					
Interest received.	<u>36,007</u>	<u>43,359</u>	<u>-</u>	<u>79,366</u>	<u>-</u>
Net cash provided by investing activities.	<u>36,007</u>	<u>43,359</u>	<u>-</u>	<u>79,366</u>	<u>-</u>
Net increase in cash and cash equivalents	12,996	75,230	122,477	210,703	21,669
Cash and cash equivalents at beginning of year . . .	<u>1,485,526</u>	<u>1,722,427</u>	<u>457,797</u>	<u>3,665,750</u>	<u>553,183</u>
Cash and cash equivalents at end of year.	<u>\$ 1,498,522</u>	<u>\$ 1,797,657</u>	<u>\$ 580,274</u>	<u>\$ 3,876,453</u>	<u>\$ 574,852</u>

-- continued

CITY OF ENGLEWOOD, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	Activities - Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 90,867	\$ (89,666)	\$ 65,056	\$ 66,257	\$ (120,308)
Adjustments:					
Depreciation	337,318	312,893	4,352	654,563	101,496
Changes in assets and liabilities:					
(Increase) decrease in materials and supplies inventory.	(9,098)	(1,359)	-	(10,457)	(942)
(Increase) decrease in accounts receivable.	(9,527)	(12,030)	4,502	(17,055)	2,156
Decrease in prepayments	-	-	-	-	46,619
Increase in accounts payable	8,077	4,759	48,567	61,403	4,704
Increase in accrued wages and benefits	8,551	9,830	-	18,381	4,359
(Decrease) in due to other governments	(6,926)	(13,959)	-	(20,885)	(3,623)
Increase (decrease) in compensated absences payable	(2,357)	(199)	-	(2,556)	2,136
Net cash provided by operating activities.	<u>\$ 416,905</u>	<u>\$ 210,269</u>	<u>\$ 122,477</u>	<u>\$ 749,651</u>	<u>\$ 36,597</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2004

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 43,694
Total assets.	<u>\$ 43,694</u>
Liabilities:	
Undistributed monies	\$ 43,694
Total liabilities	<u>\$ 43,694</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 - DESCRIPTION OF THE CITY

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Presentation - Fund Accounting

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

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

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activities of the internal service funds are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

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

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund.

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

Reserve for Capital Improvement - The reserve for capital improvement fund accounts for improvement projects including the bike path, park, Interstate 70 and State Route 48 interchange projects.

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

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

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

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

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

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

Internal Service Funds - The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service funds report on the operations of the government center, service center and health insurance.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds.

D. Measurement Focus and Basis of Accounting

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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

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

E. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (see Note 6). Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 5). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

F. Budgetary Data

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

Tax Budget - During the first Council meeting in July, the Mayor presents the following fiscal year's annual operating budget to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The Montgomery County Budget Commission waived the tax budget filing requirement for 2004.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimates need 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 2004.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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

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

G. Cash and Cash Equivalents

Cash balances of the City's funds, except cash held by a fiscal agent, 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 Cash Equivalents" on the combined balance sheet.

During 2004, investments were limited to federal agency securities which are stated at fair value.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2004 amounted to \$384,225. The \$384,225 included \$330,161 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 3.

H. Inventories of Materials and Supplies

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

I. Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements under the compensation method.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

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

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

K. Compensated Absences

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

In conformity with GASB Statement No. 16, "Accounting for Compensated Absences", vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." On fund financial statements, long-term interfund loans are classified as "advances to/from other funds" on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

N. Interfund Activity

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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

O. Fund Balance Reserves

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

The City reports a reservation of fund balance for amounts representing encumbrances outstanding 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 adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

S. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer and solid waste programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Other revenue includes miscellaneous sales of water and soil.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

NOTE 3 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

Monies of substantially all funds of the City are maintained or invested in a common group of bank accounts and in investments that mature or are redeemable within ten years. This is done in order to maximize the rate of interest that can be earned on invested funds. Interest income is distributed to the funds according to the charter and statutory requirements.

The investment and deposit of City monies are governed by the provisions of the Charter and Codified Ordinances of the City and the Ohio Revised Code. In accordance with these provisions, only financial institutions located in Ohio or primary securities dealers as designated by the Federal Reserve Bank of New York or securities brokers that are registered members of the National Association of Security Dealers are eligible to hold public deposits. The provisions also permit the City to invest its monies in negotiable and nonnegotiable certificates of deposit, bankers acceptances, commercial paper, money market accounts, the State Treasurer's investment pool (STAR OHIO) and obligations of the United States government or certain agencies thereof. The City may also enter into repurchase agreements with any eligible depository.

Public depositories must give security for all public funds on deposit. According to the City's Deposit and Investment Policy, these institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities, the face value of which is at least 110 percent of the total value of public monies on deposit at the institution. State law does not require that security for public deposits be maintained in the name of the City.

Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement.

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 treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 3 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Cash with Fiscal Agent: At December 31, 2004, \$6,069 was on deposit with the City’s fiscal agent for matured bonds and interest and is included in the total amount of deposits; however, this amount is excluded from the internal cash pool reported on the balance sheet as “Cash and cash equivalents with fiscal agent”.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, “Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements”.

Deposits: At year-end, the carrying amount of the City’s deposits was \$1,179,137 and the bank balance was \$1,422,435. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$1,322,435 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments: The City’s investments are required to be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the City’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City’s name.

	Category 2	Fair Value
Federal agency securities	\$11,691,708	\$ 11,691,708

The classification of cash and cash equivalents on the basic financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting”.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 3 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$12,870,845	\$ -
Investments of the cash management pool:		
Federal agency securities	<u>(11,691,708)</u>	<u>11,691,708</u>
GASB Statement No. 3	<u>\$ 1,179,137</u>	<u>\$11,691,708</u>

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2004, consisted of the following, as reported in the fund financial statements:

	<u>Transfers From</u>
Transfers to	<u>General</u>
Fire and Rescue	\$ 664,000
Police	1,530,000
Reserve for Capital Improvement	1,467,739
Nonmajor Special Revenue	1,516,400
Nonmajor Capital Projects	<u>945,000</u>
Total	<u>\$ 6,123,139</u>

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 5 - PROPERTY TAXES

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

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values listed on December 31 of the prior year, and at tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

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 preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Englewood. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2004 was \$10.59 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real property tax	\$ 233,788,160
Public utility tangible personal property	5,753,430
Tangible personal property	<u>17,575,249</u>
Total assessed valuation	<u>\$ 257,116,839</u>

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2004. Although total property tax collections for the next year are measurable, they are generally not collected during the available period. The exception to this is any advances received by the City in the first thirty-one days of the year are credited as property tax revenues with the remainder being credited to deferred revenue.

NOTE 6 - 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.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 6 - LOCAL INCOME TAX - (Continued)

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

Income tax proceeds are to be used to pay the cost of administering the tax. All income tax revenue is initially placed in the general fund. At least twenty eight and one half percent of income tax collected must be transferred to the Capital Improvement capital projects fund to be used for capital improvements. All other income tax proceeds are left in the general fund with the use of these monies being determined by City Council. Income tax revenue for 2004 was \$5,398,687 as reported in the fund financial statements.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2004, 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, 2004, as well as intended to finance fiscal 2004 operations.

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

Governmental Activities:

Income taxes	\$1,301,971
Real and other taxes	1,573,912
Accounts	168,460
Accrued interest	91,244
Special assessments	38,607
Due from other governments	1,066,135

Business-type Activities:

Accounts	313,414
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Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance			Balance
A. <u>Governmental Activities:</u>	<u>12/31/03</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/04</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 4,475,472	\$ 95,154	\$ (104,034)	\$ 4,466,592
Construction in progress	<u>1,601,790</u>	<u>5,772,287</u>	<u>(1,760,542)</u>	<u>5,613,535</u>
Total capital assets, not being depreciated	<u>6,077,262</u>	<u>5,867,441</u>	<u>(1,864,576)</u>	<u>10,080,127</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,514,074	102,116	-	2,616,190
Buildings and improvements	4,428,330	189,312	-	4,617,642
Equipment	1,698,820	249,564	-	1,948,384
Vehicles	2,747,649	121,798	(134,244)	2,735,203
Infrastructure	<u>23,534,169</u>	<u>2,107,332</u>	<u>-</u>	<u>25,641,501</u>
Total capital assets, being depreciated	<u>34,923,042</u>	<u>2,770,122</u>	<u>(134,244)</u>	<u>37,558,920</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(855,751)	(107,736)	-	(963,487)
Buildings and improvements	(1,481,709)	(99,781)	-	(1,581,490)
Equipment	(751,100)	(128,836)	-	(879,936)
Vehicles	(1,600,542)	(255,893)	118,220	(1,738,215)
Infrastructure	<u>(5,150,272)</u>	<u>(851,199)</u>	<u>-</u>	<u>(6,001,471)</u>
Total accumulated depreciation	<u>(9,839,374)</u>	<u>(1,443,445)</u>	<u>118,220</u>	<u>(11,164,599)</u>
Total capital assets, being depreciated, net	<u>25,083,668</u>	<u>1,326,677</u>	<u>(16,024)</u>	<u>26,394,321</u>
Governmental activities capital assets, net	<u>\$ 31,160,930</u>	<u>\$ 7,194,118</u>	<u>\$ (1,880,600)</u>	<u>\$ 36,474,448</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8 - CAPITAL ASSETS - (Continued)

B. <u>Business-type Activities:</u>	<u>Balance</u> 12/31/03	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 12/31/04
<i>Capital assets, not being depreciated:</i>				
Land	\$ 33,510	\$ -	\$ -	\$ 33,510
Total capital assets, not being depreciated	<u>33,510</u>	<u>-</u>	<u>-</u>	<u>33,510</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	7,292,624	-	-	7,292,624
Equipment	1,537,895	151,606	-	1,689,501
Vehicles	112,185	-	-	112,185
Infrastructure	<u>20,331,393</u>	<u>806,436</u>	<u>(2,661)</u>	<u>21,135,168</u>
Total capital assets, being depreciated	<u>29,274,097</u>	<u>958,042</u>	<u>(2,661)</u>	<u>30,229,478</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(2,677,529)	(141,792)	-	(2,819,321)
Equipment	(669,686)	(69,680)	-	(739,366)
Vehicles	(80,097)	(7,943)	-	(88,040)
Infrastructure	<u>(7,797,718)</u>	<u>(435,148)</u>	<u>1,881</u>	<u>(8,230,985)</u>
Total accumulated depreciation	<u>(11,225,030)</u>	<u>(654,563)</u>	<u>1,881</u>	<u>(11,877,712)</u>
Total capital assets, being depreciated, net	<u>18,049,067</u>	<u>303,479</u>	<u>(780)</u>	<u>18,351,766</u>
Business-type activities capital assets, net	<u>\$ 18,082,577</u>	<u>\$ 303,479</u>	<u>\$ (780)</u>	<u>\$ 18,385,276</u>

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

Governmental activities:

General government	\$ 22,149
Security of persons and property	187,524
Public health and welfare	12,132
Transportation	986,430
Community environment	21,357
Leisure time activity	112,357
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>101,496</u>
Total depreciation expense - governmental activities	<u>\$ 1,443,445</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 9 - OTHER EMPLOYEE BENEFITS

Deferred Compensation Plans

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

Compensated Absences

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the City as a whole amounted to \$222,468 at December 31, 2004. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

Accumulated Unpaid Sick Leave

City employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement an employee is paid for one-third of his accumulated sick leave within various limits. The total obligation for sick leave accrual for the City as a whole amounted to \$308,529 at December 31, 2004. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

Overtime Pay

City employees earn overtime pay at varying rates based on when the employee works the overtime. The total obligation for overtime pay for the City as a whole amounted to \$8,350 at December 31, 2004. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

NOTE 10 - LONG-TERM OBLIGATIONS

The City's long term obligations at December 31, 2004 were as follows:

	Balance			Balance	Amounts
<u>Governmental Activities:</u>	<u>12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/04</u>	<u>Due in</u>
					<u>One Year</u>
Compensated absences	\$433,219	\$228,807	\$ (259,951)	\$402,075	\$ 186,072
Total long-term obligations	<u>\$433,219</u>	<u>\$228,807</u>	<u>\$ (259,951)</u>	<u>\$402,075</u>	<u>\$ 186,072</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

<u>Business-type Activities:</u>	<u>Balance</u> <u>12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/04</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>Other long-term obligations</u>					
Compensated absences	\$139,828	\$39,180	\$ (41,736)	\$137,272	\$ 36,970
Total other long-term obligations	<u>139,828</u>	<u>39,180</u>	<u>(41,736)</u>	<u>137,272</u>	<u>36,970</u>
<u>Revenue Bonds</u>					
4.75% - 1993 Sewer System Improvement	175,000	-	(35,000)	140,000	35,000
5.35% - 1994 Water System Improvement	<u>360,000</u>	<u>-</u>	<u>(60,000)</u>	<u>300,000</u>	<u>60,000</u>
Total - revenue bonds	<u>535,000</u>	<u>-</u>	<u>(95,000)</u>	<u>440,000</u>	<u>95,000</u>
Total - enterprise funds	<u>\$674,828</u>	<u>\$39,180</u>	<u>\$(136,736)</u>	<u>\$577,272</u>	<u>\$131,970</u>

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

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

As of December 31, 2004, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$24,807,268. Principal and interest requirements to retire the City's revenue bonds outstanding at December 31, 2004 were:

<u>Year</u>	<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 95,000	\$21,163	\$ 116,163
2006	95,000	16,275	111,275
2007	95,000	11,387	106,387
2008	95,000	6,501	101,501
2009	<u>60,000</u>	<u>1,613</u>	<u>61,613</u>
Total	<u>\$440,000</u>	<u>\$56,939</u>	<u>\$ 496,939</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 11 - BOND ANTICIPATION NOTES

During fiscal year 2004, the City repaid \$3,500,000 and issued \$1,750,000 in bond anticipation notes. The proceeds are reported in the Reserve for Capital Improvements capital projects fund. These proceeds will be used to finance the construction and improvement of the Englewood Government Center. Bond anticipation notes are reported as a liability of the Reserve for Capital Improvements fund. The following is a summary of the bond anticipation note activity during fiscal year 2004.

	<u>Issue</u>	<u>Maturity</u>	<u>Balance</u>			<u>Balance</u>
<u>Reserve for Capital Improvement</u>	<u>Date</u>	<u>Date</u>	<u>12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/04</u>
Englewood Government Center						
Expansion - 1.43%	9/2/03	8/31/04	\$3,500,000	\$ -	\$ (3,500,000)	\$ -
Building Improvement Construction						
Note - 2.15%	8/31/04	8/30/05	-	<u>1,750,000</u>	-	<u>1,750,000</u>
Total			<u>\$3,500,000</u>	<u>\$1,750,000</u>	<u>\$ (3,500,000)</u>	<u>\$1,750,000</u>

NOTE 12 - INTERFUND ASSETS/LIABILITIES

Individual fund interfund asset and liability balances at December 31, 2004, were as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Reserve for Capital Improvement	General	\$ 340,065

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

Interfund receivable/payable

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Traffic Signal Enhancement	\$155,000

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 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 nineteen municipalities who pool risk for property, crime, liability, boiler and machinery and public official liability. The City pays an annual premium for this coverage. The agreement provides that the MVRMA will be self-sustaining through member premiums and the purchase of excess and stoploss insurance. The deductible per occurrence for all types of claims is \$2,500. The type of coverage and deductible for each is as follows:

Type of Coverage

General Liability (including Police Professional Liability)	\$11 million per occurrence
Automobile Liability	\$11 million per occurrence \$1 million per occurrence self insured retention (SIR) \$11 million per occurrence excess SIR – Governmental Entities Mutual (GEM)/Endurance Specialty Insurance Limited
Employment Practice Liability	\$1 million per occurrence SIR \$11 million per occurrence excess SIR – GEM/Endurance Specialty Insurance Limited
Public Officials Liability	\$1 million per occurrence SIR \$11 million per occurrence excess SIR – GEM/Endurance Specialty Insurance Limited
Property	\$100 million per occurrence \$250,000 per occurrence SIR \$100 million per occurrence excess SIR - Chubb/Federal Ins.
Boiler and Machinery (Included in Property Policy)	\$100 million per occurrence \$5,000 per occurrence SIR except all waste water treatment/sewage, water treatment/pumping stations and any electrical substations which would be \$10,000 per occurrence \$100 million per occurrence excess SIR - Chubb/Federal Ins.
Flood (Property)	Specialty Insurance Limited \$25 million per occurrence and annual aggregate (Excludes Zone A) excess property SIR \$1 million per occurrence and annual aggregate (Zone B and Shaded X) excess property SIR
Flood (Property)	\$25 million per occurrence and annual aggregate excess property SIR

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 13 - RISK MANAGEMENT - (Continued)

The City has elected to offer employee medical insurance benefits through a plan provided by Anthem Blue Cross/Blue Shield. The current plan provides a medical plan with no deductible and total out-of-pocket costs of \$500 for single coverage and \$1,000 for family coverage. Employees are required to share in the costs of their medical plan along with the City. Each month the City contributes \$288.18 for single coverage and \$878.49 for family coverage for each employee. In addition, all employees choosing family coverage must pay \$81.10 per month and \$26.60 for single coverage. Dental insurance is provided through Superior Dental with a deductible of \$50 for single coverage and up to \$150 for family coverage. The City pays for the majority of the monthly premium at \$23.60 for single coverage and \$73.10 for family coverage.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The City's contribution rate for pension benefits for 2004 was 9.55%, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$261,145, \$251,454, and \$254,375, respectively; 86.37% has been contributed for 2004 and 100% has been contributed for 2003 and 2002. The City and plan members did not make any contributions to the member-directed plan for 2004.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

Full-time uniformed employees of the City participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. The 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 Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 11.75% and 16.25% for police officers and firefighters, respectively. The City's contributions to OP&F for the years ended December 31, 2004, 2003, and 2002 were \$156,295, \$153,709, and \$142,689, respectively; 51.73% has been contributed for 2004 and 100% for the years 2003 and 2002. \$75,436, representing the unpaid contributions for 2004, is recorded as a liability within the respective funds.

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement Systems (OPERS) provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2004 employer contribution rate for local government employers was 13.55% of covered payroll and 4.00% was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2004 employer rate was 16.70% of covered payroll and 4.00% was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

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

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$122,173. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

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

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

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

B. Ohio Police and Fire Pension Fund

The OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll. The Ohio Revised Code provides the authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2003 and 2004, respectively. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2003 (the latest information available), is 13,662 for police officers and 10,474 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were \$98,884 and \$22,308, respectively. OP&F's total health care expense for the year ending December 31, 2003 (the latest information available), was \$150,853,148, which was net of member contributions of \$17,207,506.

NOTE 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).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

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

Net Change in Fund Balance

	<u>General</u>	<u>Fire and Rescue</u>	<u>Police</u>
Budget basis	\$ (660,064)	\$ (286,669)	\$ (40,757)
Net adjustment for revenue accruals	172,361	(15,077)	(1,819)
Net adjustment for expenditure accruals	59,965	(116,371)	(28,455)
Net adjustment for other sources/uses	(27,739)	-	-
Adjustment for encumbrances	<u>264,074</u>	<u>725,505</u>	<u>23,839</u>
GAAP basis	<u>\$ (191,403)</u>	<u>\$ 307,388</u>	<u>\$ (47,192)</u>

NOTE 17 - CONTRACTUAL COMMITMENTS

As of December 31, 2004, the City had the following contractual commitments outstanding related to various construction projects. A summary of the primary contractual commitments follows:

<u>Project</u>	<u>Vendor</u>	<u>Total Contract Amount</u>	<u>Amount Paid As of 12/31/04</u>	<u>Balance of Contract at 12/31/04</u>
Government Center Expansion	Brumbaugh Construction	\$ 4,317,628	\$ 3,881,365	\$ 436,263
Dispatch Center	P&R Communications	<u>492,460</u>	<u>472,880</u>	<u>19,580</u>
Total contractual commitments		<u>\$ 4,810,088</u>	<u>\$ 4,354,245</u>	<u>\$ 455,843</u>

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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, 2004.

B. Litigation

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

**CITY OF ENGLEWOOD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL DISBURSEMENTS
FEDERAL HIGHWAY ADMINISTRATION PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction	20.205	MOT-IR070-1131	\$ 695,247
Total Federal Financial Assistance			\$ 695,247

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

JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

333 County Line Road West
Westerville, Ohio 43082

Telephone 614.846.1899
Facsimile 614.846.2799

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Englewood as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 24, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

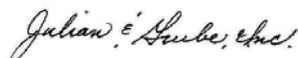
Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

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



Julian & Grube, Inc.
June 23, 2005

JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

333 County Line Rd. West
Westerville, Ohio 43082

Telephone 614.846.1899
Facsimile 614.846.2799

Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With *OMB Circular A-133*

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

Compliance

We have audited the compliance of the City of Englewood with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2004. The City of Englewood’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned cost. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the City of Englewood’s management. Our responsibility is to express an opinion on the City of Englewood’s compliance based on our audit.

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

In our opinion, the City of Englewood complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

Internal Control Over Compliance

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

Members of Council and Mayor
City of Englewood

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Julian & Grube, Inc.
June 23, 2005

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

DECEMBER 31, 2004

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

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

**SCHEDULE OF FINDINGS
*OMB CIRCULAR A-133 § .505***

DECEMBER 31, 2004

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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**CITY OF ENGLEWOOD
MONTGOMERY COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 18, 2005**