

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

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

For The Year Ended
December 31, 2005

MR. ROBERT W. FORTMAN, FINANCE DIRECTOR



**Auditor of State
Betty Montgomery**

City Council
City of Englewood
333 West National Road
Englewood, Ohio 45322

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

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 20, 2006

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CITY OF ENGLEWOOD, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

TABLE OF CONTENTS

Independent Auditors' Report	1
Management's Discussion and Analysis	2 - 17
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	18
Statement of Activities.....	19 - 20
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	21- 22
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	23
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) - Governmental Funds.....	24 - 25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	26
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund.....	27
Fire and Rescue Fund.....	28
Police Fund	29
Street Fund.....	30
Statement of Net Assets - Proprietary Funds	31
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	32
Statement of Cash Flows - Proprietary Funds.....	33 - 34
Statement of Fiduciary Net Assets - Fiduciary Fund	35
Notes to the Basic Financial Statements.....	36 - 62
Supplemental Data	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	63



Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Englewood, Montgomery County, Ohio, (the "City") as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Englewood, Montgomery County, Ohio, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, fire and rescue fund, police fund and street fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2006 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 2 through 17 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.

Julian & Grube, Inc.
June 9, 2006

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2005 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, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the 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 2005 are as follows:

- The total net assets of the City increased \$1,591,944. Net assets of governmental activities increased \$860,678 1.93% over 2004 and net assets of business-type activities increased \$731,266 or 3.31% over 2004.
- General revenues accounted for \$8,293,587 or 73.92% of total governmental activities revenue. Program specific revenues accounted for \$2,925,672 or 26.08% of total governmental activities revenue.
- The City had \$10,358,581 in expenses related to governmental activities; \$2,925,672 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$7,432,909 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$8,293,587.
- The general fund had revenues of \$7,807,661 in 2005. This represents an increase of \$196,848 from 2004 revenues. The expenditures and other financing uses of the general fund, which totaled \$7,901,070 in 2005, increased \$98,854 from 2004. The net decrease in fund balance for the general fund was \$93,409 or 4.64%.
- The fire and rescue fund had revenues and other financing sources of \$1,503,030 in 2005. This represents a decrease of \$222,833 from 2004 revenues. The expenditures and other financing uses of the fire and rescue fund, which totaled \$1,940,104 in 2005, increased \$521,629 from 2004. The net decrease in fund balance for the fire and rescue fund was \$437,074 or 73.70% and resulted primarily from the purchase of a new ladder truck.
- The police fund had revenues and other financing sources of \$2,101,218 in 2005. This represents an increase of \$244,478 from 2004 revenues. The expenditures and other financing sources of the police fund, which totaled \$2,207,511 in 2005, increased \$303,579 from 2004. The net decrease in fund balance for the police fund was \$106,293 or 245.15%. The increased expenditures and reduction of fund balance were primarily the result of the move of the department into new facilities resulting in higher than normal operating and transition costs.
- The street fund had revenues and other financing sources of \$1,618,079 in 2005. This represents an increase of \$177,017 from 2004 revenues. The expenditures of the street fund, which totaled \$1,699,954 in 2005, increased \$263,001 from 2004. The net decrease in the fund balance for the street fund was \$81,875 or 15.07%.
- The reserve for capital improvement fund had revenues and other financing sources of \$2,164,612 in 2005. This represents an increase of \$625,886 from 2004 revenues. The expenditures and other financing uses of the reserve for capital improvement fund, which totaled \$1,330,930 in 2005, decreased \$3,510,000 from 2004 as a result of a major addition to and the refurbishing of the Government Center. The net increase in fund balance for the reserve for capital improvement fund was \$833,682 or 147.40%.
- Net assets for the business-type activities, which are made up of the Water, Sewer, and Solid Waste enterprise funds, increased in 2005 by \$731,266. This increase in net assets was due primarily to capital contributions coupled with adequate charges for services revenue to cover operating expenses.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

- In the general fund, the actual revenues came in \$476,858 higher than they were in the final budget and actual expenditures were \$396,950 less than the amount in the final budget. These positive variances are the result of the City's conservative budgeting. Budgeted revenues decreased \$219,050 from the original to the final budget. Budgeted expenditures increased \$680,000 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.

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 2005?" 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 18 - 20 of this report.

CITY OF ENGLEWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 9.

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, fire and rescue fund, police fund, street fund and 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 21 - 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.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

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 - 62 of this report.

Government-Wide Financial Analysis

The table below provides a summary of the City's net assets for 2005 and 2004:

	Net Assets					
	2005 <u>Governmental Activities</u>	2004 <u>Governmental Activities</u>	2005 <u>Business-type Activities</u>	2004 <u>Business-type Activities</u>	2005 <u>Total</u>	2004 <u>Total</u>
<u>Assets</u>						
Current and other assets	\$ 11,674,921	\$ 13,262,188	\$ 4,936,147	\$ 4,429,819	\$ 16,611,068	\$ 17,692,007
Capital assets	<u>37,391,258</u>	<u>36,474,448</u>	<u>18,497,439</u>	<u>18,385,276</u>	<u>55,888,697</u>	<u>54,859,724</u>
Total assets	<u>49,066,179</u>	<u>49,736,636</u>	<u>23,433,586</u>	<u>22,815,095</u>	<u>72,499,765</u>	<u>72,551,731</u>
<u>Liabilities</u>						
Long-term liabilities	436,954	402,075	489,571	577,272	926,525	979,347
Other liabilities	<u>3,161,631</u>	<u>4,727,645</u>	<u>134,983</u>	<u>160,057</u>	<u>3,296,614</u>	<u>4,887,702</u>
Total liabilities	<u>3,598,585</u>	<u>5,129,720</u>	<u>624,554</u>	<u>737,329</u>	<u>4,223,139</u>	<u>5,867,049</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	36,453,553	35,724,448	18,152,439	17,945,276	54,605,992	53,669,724
Restricted	5,589,787	5,156,130	-	-	5,589,787	5,156,130
Unrestricted	<u>3,424,254</u>	<u>3,726,338</u>	<u>4,656,593</u>	<u>4,132,490</u>	<u>8,080,847</u>	<u>7,858,828</u>
Total net assets	<u>\$ 45,467,594</u>	<u>\$ 44,606,916</u>	<u>\$ 22,809,032</u>	<u>\$ 22,077,766</u>	<u>\$ 68,276,626</u>	<u>\$ 66,684,682</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2005, the City's assets exceeded liabilities by \$68,276,626. At year-end, net assets were \$45,467,594 and \$22,809,032 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 76.21% 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, 2005, were \$36,453,553 and \$18,152,439 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.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

As of December 31, 2005, 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, \$5,589,787, 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 \$3,424,254 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal years 2005 and 2004.

	Change in Net Assets					
	2005 Governmental Activities	2004 Governmental Activities	2005 Business-Type Activities	2004 Business-Type Activities	2005 Total	2004 Total
Revenues						
Program revenues:						
Charges for services	\$ 1,289,861	\$ 877,017	\$ 3,073,245	\$ 2,955,359	\$ 4,363,106	\$ 3,832,376
Operating grants and contributions	1,345,411	1,439,840	17,032	-	1,362,443	1,439,840
Capital grants and contributions	290,400	1,338,484	492,334	460,766	782,734	1,799,250
Total program revenues	2,925,672	3,655,341	3,582,611	3,416,125	6,508,283	7,071,466
General revenues:						
Property taxes	1,642,264	1,611,879	-	-	1,642,264	1,611,879
Income taxes	5,434,040	5,084,798	-	-	5,434,040	5,084,798
Unrestricted grants and entitlements	885,161	721,765	-	-	885,161	721,765
Investment earnings	277,193	388,965	91,421	79,366	368,614	468,331
Gain (loss) on sale of capital assets	-	312,944	-	-	-	312,944
Miscellaneous	54,929	134,152	50,376	73,336	105,305	207,488
Total general revenues	8,293,587	8,254,503	141,797	152,702	8,435,384	8,407,205
Total revenues	11,219,259	11,909,844	3,724,408	3,568,827	14,943,667	15,478,671
Expenses:						
General government	1,155,957	1,421,675	-	-	1,155,957	1,421,675
Security of persons and property	4,898,230	4,238,396	-	-	4,898,230	4,238,396
Public health and welfare	18,337	21,038	-	-	18,337	21,038
Transportation	3,327,030	2,965,180	-	-	3,327,030	2,965,180
Community environment	612,179	583,737	-	-	612,179	583,737
Leisure time activity	297,556	302,167	-	-	297,556	302,167
Interest and fiscal charges	49,292	62,452	-	-	49,292	62,452
Water	-	-	967,984	1,043,693	967,984	1,043,693
Sewer	-	-	1,418,391	1,336,238	1,418,391	1,336,238
Solid waste	-	-	606,767	584,554	606,767	584,554
Total expenses	10,358,581	9,594,645	2,993,142	2,964,485	13,351,723	12,559,130
Change in net assets	860,678	2,315,199	731,266	604,342	1,591,944	2,919,541
Net assets at beginning of year	44,606,916	42,291,717	22,077,766	21,473,424	66,684,682	63,765,141
Net assets at end of year	\$ 45,467,594	\$ 44,606,916	\$ 22,809,032	\$ 22,077,766	\$ 68,276,626	\$ 66,684,682

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Governmental Activities

Governmental activities net assets increased \$860,678 in 2005. This increase is a result of revenue growth outpacing the increase in expenses from the prior year.

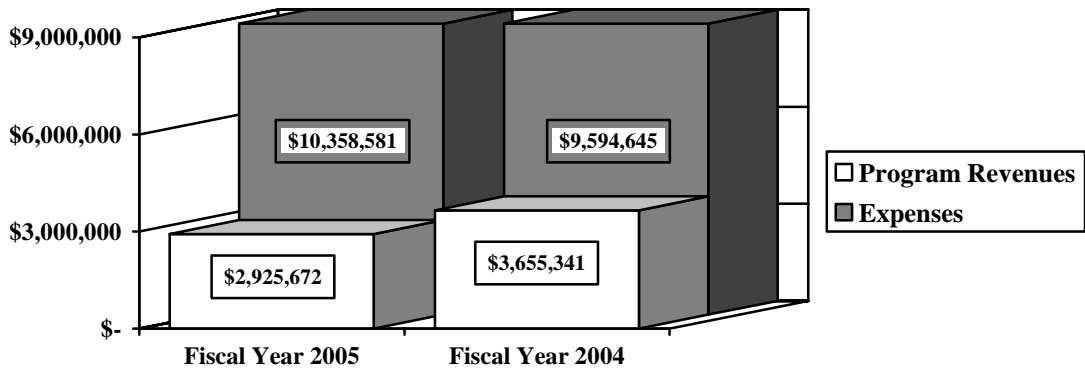
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$4,898,230 of the total expenses of the City. These expenses were partially funded by \$846,550 in direct charges to users of the services. Transportation expenses totaled \$3,327,030. Transportation expenses were partially funded by \$89,809 in direct charges to users of the services, \$905,194 in operating grants and contributions and \$189,983 in capital grants and contributions.

The state and federal government contributed to the City a total of \$1,345,411 in operating grants and contributions and \$290,400 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total grants and contributions, \$1,095,177 subsidized transportation programs, \$440,217 subsidized security of persons and property programs and \$100,417 subsidized general government activities.

General revenues totaled \$8,293,587, and amounted to 73.92% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$7,076,304. 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 \$885,161.

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



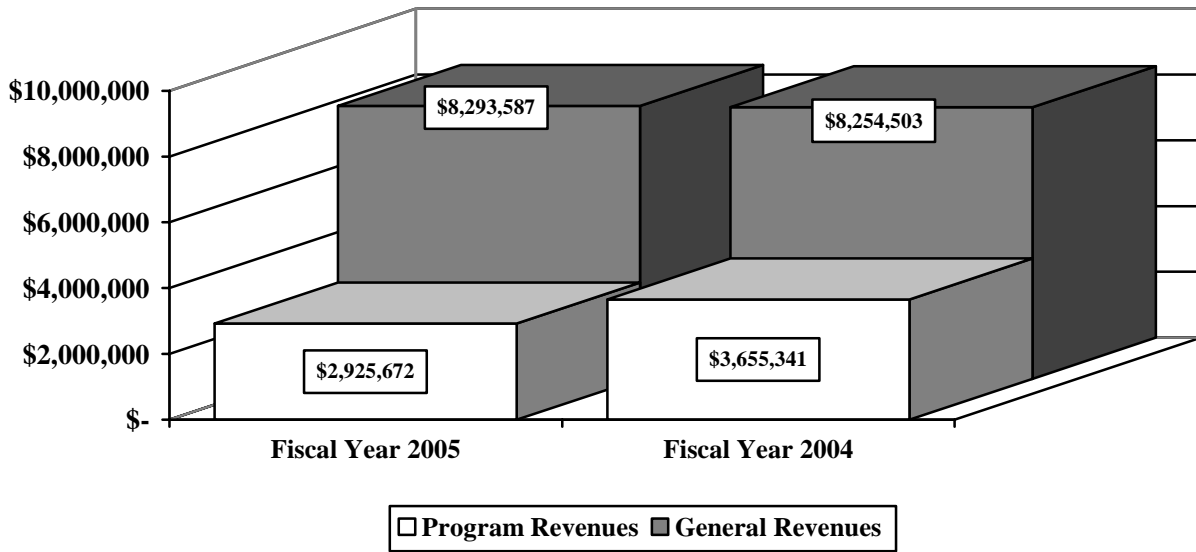
CITY OF ENGLEWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

Governmental Activities

	Total Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2005</u>	Net Cost of Services <u>2004</u>
Program Expenses:				
General government	\$ 1,155,957	\$ 1,421,675	\$ 756,130	\$ 1,029,465
Security of persons and property	4,898,230	4,238,396	3,611,463	3,015,653
Public health and welfare	18,337	21,038	18,337	21,038
Transportation	3,327,030	2,965,180	2,142,044	974,325
Community environment	612,179	583,737	593,644	552,006
Leisure time activity	297,556	302,167	261,999	284,365
Interest and fiscal charges	<u>49,292</u>	<u>62,452</u>	<u>49,292</u>	<u>62,452</u>
Total Expenses	<u>\$ 10,358,581</u>	<u>\$ 9,594,645</u>	<u>\$ 7,432,909</u>	<u>\$ 5,939,304</u>

The dependence upon general revenues for governmental activities is apparent, with 71.76% of expenses supported through taxes and other general revenues.

Governmental Activities - General and Program Revenues

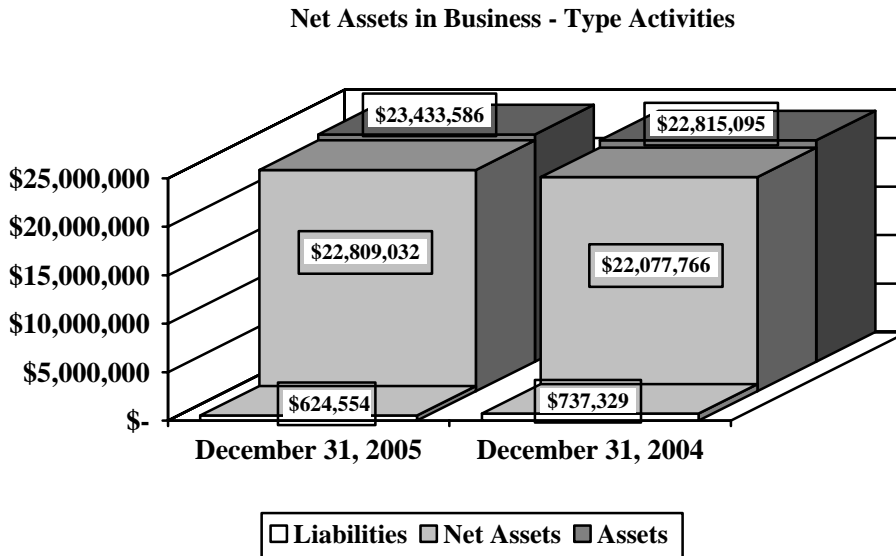


CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

Business-type Activities

Business-type activities include the water, sewer, and solid waste enterprise funds. These programs had program revenues of \$3,582,611, general revenues of \$141,797 and expenses of \$2,993,142 for 2005. The graph below shows the business-type activities assets, liabilities and net assets at year-end 2005 and 2004.



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 21 - 22) reported a combined fund balance of \$6,620,996 which is \$222,972 above last year's total of \$6,398,024. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2005 for all major and nonmajor governmental funds.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

	<u>Fund Balances</u> <u>12/31/05</u>	<u>Fund Balances</u> <u>12/31/04</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 1,921,803	\$ 2,015,212	\$ (93,409)
Fire and rescue	155,984	593,058	(437,074)
Police	(62,934)	43,359	(106,293)
Street	496,213	543,193	(46,980)
Reserve for capital improvement	268,091	(565,591)	833,682
Other Nonmajor Governmental Funds	<u>3,841,839</u>	<u>3,768,793</u>	<u>73,046</u>
Total	<u>\$ 6,620,996</u>	<u>\$ 6,398,024</u>	<u>\$ 222,972</u>

General Fund

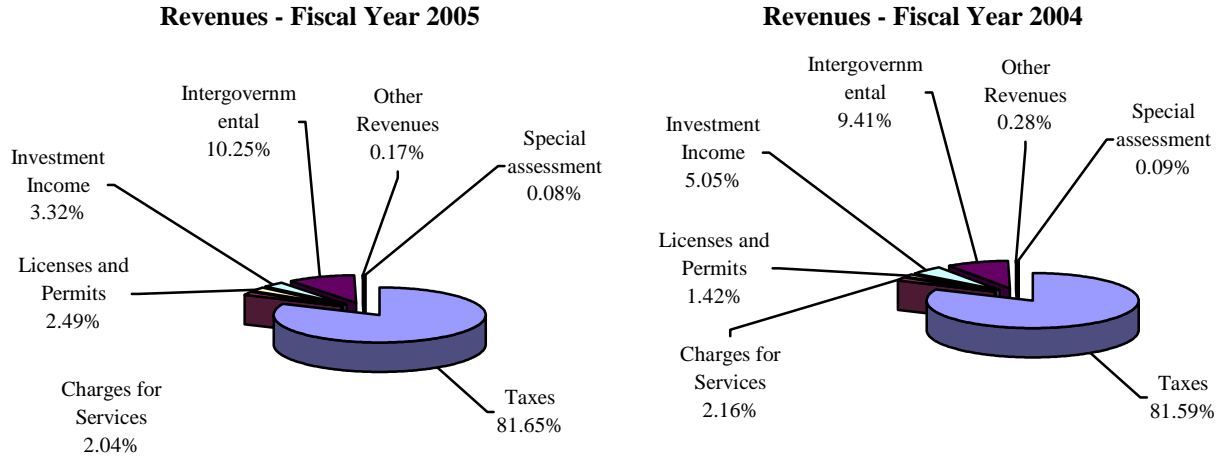
The City's general fund balance decreased \$93,409, primarily due to transfers out to other funds in the amount of \$5,956,176. The table that follows assists in illustrating the revenues of the general fund.

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 6,375,186	\$ 6,209,264	2.67 %
Charges for services	159,077	164,665	(3.39) %
Licenses and permits	194,344	107,748	80.37 %
Investment income	259,188	384,225	(32.54) %
Special assessments	6,405	7,133	(10.21) %
Intergovernmental	800,061	716,104	11.72 %
Other	<u>13,400</u>	<u>21,674</u>	(38.17) %
Total	<u>\$ 7,807,661</u>	<u>\$ 7,610,813</u>	2.59 %

Tax revenue represents 81.65% of all general fund revenue. Tax revenue increased slightly by 2.67% over prior year. The increase in licenses and permits revenue resulted from the City selling more licenses and permits. 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 2004.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**



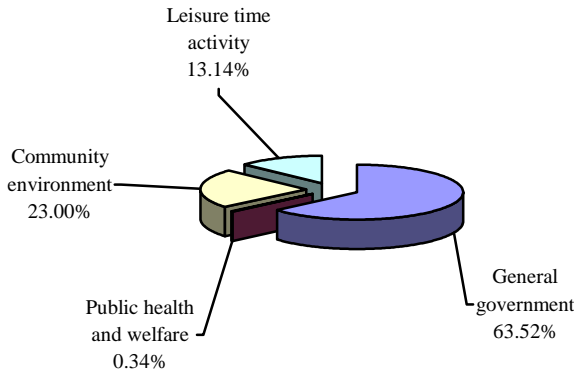
The table that follows assists in illustrating the expenditures of the general fund.

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,235,489	\$ 1,087,394	13.62 %
Public health and welfare	6,545	5,777	13.29 %
Community environment	447,313	426,533	4.87 %
Leisure time activity	<u>255,547</u>	<u>159,373</u>	60.35 %
Total	<u><u>\$ 1,944,894</u></u>	<u><u>\$ 1,679,077</u></u>	15.83 %

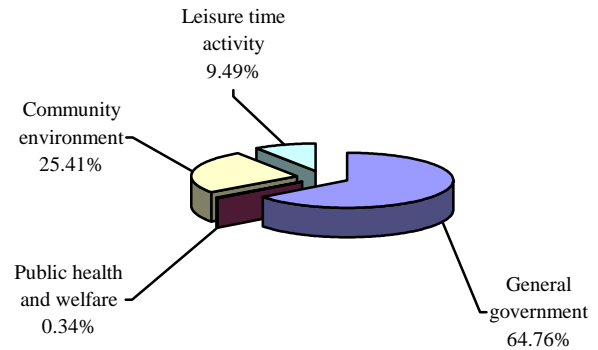
All expenditures remained comparable to 2004. The largest expenditure line item, general government, increased slightly, which is primarily attributed to modest City wage and benefit increases.

CITY OF ENGLEWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

Expenditures - Fiscal Year 2005



Expenditures - Fiscal Year 2004



Fire and Rescue Fund

The fire and rescue fund had revenues and other financing sources of \$1,503,030 in 2005. This represents a decrease of \$222,833 from 2004 revenues. The expenditures and other financing uses of the fire and rescue fund, which totaled \$1,940,104 in 2005, increased \$521,629 from 2004. The net decrease in fund balance for the fire and rescue fund was \$437,074 or 73.70%.

Police Fund

The police fund had revenues and other financing sources of \$2,101,218 in 2005. This represents an increase of \$244,478 from 2004 revenues. The expenditures and other financing sources of the police fund, which totaled \$2,207,511 in 2005, increased \$303,579 from 2004. The net decrease in fund balance for the police fund was \$106,293 or 245.15%.

Street Fund

The street fund had revenues and other financing sources of \$1,618,079 in 2005. This represents an increase of \$177,017 from 2004 revenues. The expenditures of the street fund, which totaled \$1,699,954 in 2005, increased \$263,001 from 2004. The net decrease in the fund balance for the street fund was \$81,875 or 15.07%.

Reserve for Capital Improvement Fund

The reserve for capital improvement fund had revenues and other financing sources of \$2,164,612 in 2005. This represents an increase of \$625,886 from 2004 revenues. The expenditures and other financing uses of the reserve for capital improvement fund, which totaled \$1,330,930 in 2005, decreased \$3,510,000 from 2004. The decrease in expenditures was due to the completion of the Government Center during 2005. The net increase in fund balance for the reserve for capital improvement fund was \$833,682 or 147.40%.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Budgeting Highlights

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

Budgetary information is presented for the general fund, fire and rescue fund, police fund and street fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of expenditures, which increased \$680,000 from \$1,752,514 to \$2,432,514. Actual revenues and other financing sources of \$8,132,683 exceeded final budgeted revenues by \$476,858.

Actual revenues for the fire and rescue fund were greater than final budgeted revenues by \$43,600 while actual expenditures were \$111,975 lower than final budgeted expenditures. Actual revenues for the police fund were greater than final budgeted revenues by \$48,837 while actual expenditures were \$67,517 lower than final budgeted expenditures. Actual revenues for the street fund were \$125,424 greater than final budgeted revenues while actual expenditures were \$93,478 less than final budgeted expenditures. There were no significant variances between the original and final budgeted revenue amounts.

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 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 2005 balances compared to 2004:

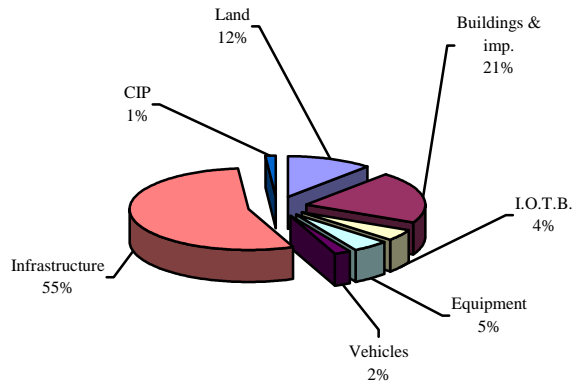
CITY OF ENGLEWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

Capital Assets at December 31
(Net of Depreciation)

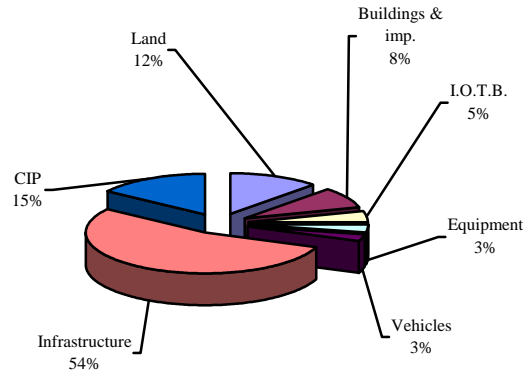
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 4,315,771	\$ 4,466,592	\$ 33,510	\$ 33,510	\$ 4,349,281	\$ 4,500,102
Land improvements (I.O.T.B.)	1,617,979	1,652,703	-	-	1,617,979	1,652,703
Buildings and improvements	7,771,010	3,036,152	4,331,511	4,473,303	12,102,521	7,509,455
Equipment	1,925,890	1,068,448	1,064,315	950,135	2,990,205	2,018,583
Vehicles	802,824	996,988	5,701	24,145	808,525	1,021,133
Infrastructure	20,426,870	19,640,030	12,979,295	12,904,183	33,406,165	32,544,213
Construction in progress	530,914	5,613,535	83,107	-	614,021	5,613,535
Totals	<u>\$ 37,391,258</u>	<u>\$ 36,474,448</u>	<u>\$ 18,497,439</u>	<u>\$ 18,385,276</u>	<u>\$ 55,888,697</u>	<u>\$ 54,859,724</u>

The following graphs show the breakdown of governmental capital assets by category for 2005 and 2004.

Capital Assets - Governmental Activities
2005



Capital Assets - Governmental Activities
2004

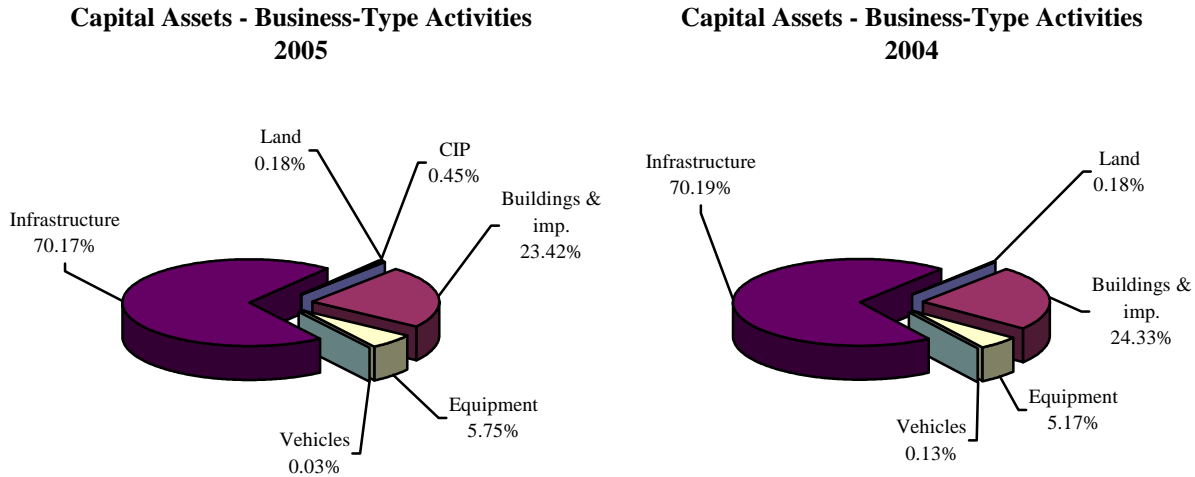


The City's largest capital asset category is infrastructure which includes bridges, thoroughfares, curbs, gutters, sidewalks, storm sewers, traffic signals and street signs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 55% of the City's total governmental capital assets.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

The following graphs show the breakdown of business-type capital assets by category for 2005 and 2004.



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 70.17% of the City's total business-type capital assets.

Debt Administration

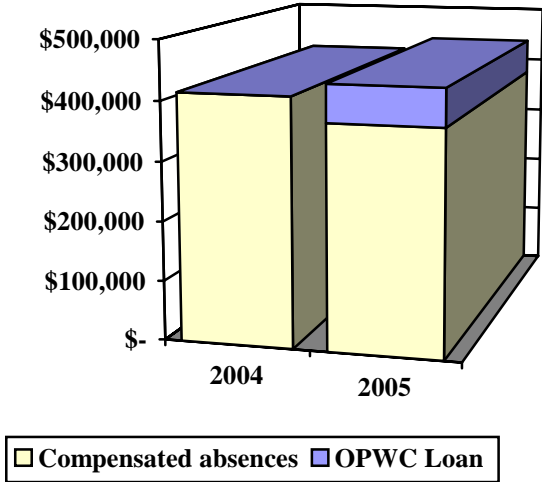
The City had the following long-term obligations outstanding at December 31, 2005 and 2004:

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
OPWC Loan	\$ 62,705	\$ -
Compensated absences	<u>374,249</u>	<u>402,075</u>
Total long-term obligations	<u>\$ 436,954</u>	<u>\$ 402,075</u>
	<u>Business-Type Activities</u>	
	<u>2005</u>	<u>2004</u>
Revenue bonds	<u>\$ 345,000</u>	<u>\$ 440,000</u>
Total bonds	<u>345,000</u>	<u>440,000</u>
Compensated absences	<u>144,571</u>	<u>137,272</u>
Total long-term obligations	<u>\$ 489,571</u>	<u>\$ 577,272</u>

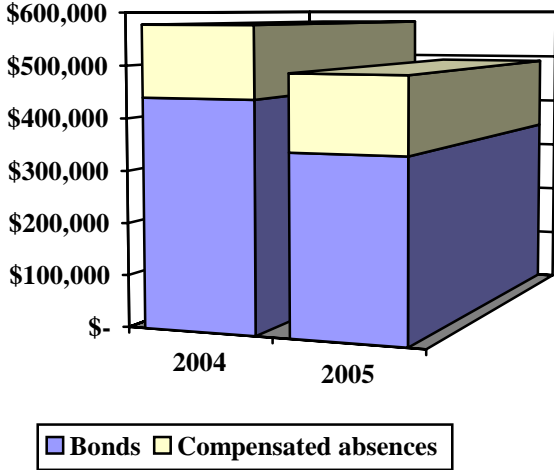
CITY OF ENGLEWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
UNAUDITED

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

Long-term obligations - Governmental Activities



Long-term obligations - Business-Type Activities



CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005 UNAUDITED

Economic Conditions and Outlook

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

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

In addition to continuous road, park and utility improvements, Englewood is in the process of improving the Wastewater Treatment Plant to comply with EPA standards and continuing the beautification of the Main Street corridor. Other recently completed projects include a fiber-optic connected traffic signal system, antique lighting on Union Boulevard, a complete redesign of two City parks which improved facilities for two local youth sports organizations, the Englewood Little League and SAY Soccer, and the purchase of a custom-built, Quint ladder truck for the Fire Department. Future initiatives will include a beautification project at Interstate 70 and Hoke Road and the continuation of the Enhancement project north on Main Street and onto National Road.

With the construction of a Super WalMart at the I-70 and Hoke Road interchange, Englewood has enjoyed a surge of retail success. WalMart sparked the construction of six restaurants, two plazas and a gas station. It is expected that this development trend will continue in that area as well as throughout the City. Supporting this notion is the demolition and reconstruction of a new Kroger Marketplace in the center of the City. This Kroger store will be the largest of its kind in the state of Ohio and will encompass the lot the current Kroger is on as well as an adjacent lot that has deteriorated and is in need of redevelopment. This competitive market is consistently attracting major retail and restaurant development.

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

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

Contacting the City's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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CITY OF ENGLEWOOD, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 7,880,830	\$ 4,360,777	\$ 12,241,607
Cash and cash equivalents with fiscal agents	6,069	-	6,069
Receivables (net of allowances for uncollectibles):			
Income taxes	1,120,758	-	1,120,758
Real and other taxes	1,647,305	-	1,647,305
Accounts	200,295	322,872	523,167
Accrued interest	109,393	-	109,393
Special assessments	17,207	-	17,207
Internal balances	28,221	(28,221)	-
Due from other governments	576,299	17,032	593,331
Materials and supplies inventory.	88,544	263,687	352,231
Capital assets:			
Land and construction in progress.	4,846,685	116,617	4,963,302
Depreciable capital assets, net	<u>32,544,573</u>	<u>18,380,822</u>	<u>50,925,395</u>
Total capital assets.	<u>37,391,258</u>	<u>18,497,439</u>	<u>55,888,697</u>
 Total assets.	 <u>49,066,179</u>	 <u>23,433,586</u>	 <u>72,499,765</u>
Liabilities:			
Accounts payable.	146,330	93,243	239,573
Contracts payable.	298,896	-	298,896
Accrued wages and benefits	143,285	20,339	163,624
Due to other governments	158,663	15,228	173,891
Deferred revenue.	1,496,666	-	1,496,666
Accrued interest payable.	36,722	6,173	42,895
Bond anticipation note payable.	875,000	-	875,000
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	309,960	197,558	507,518
Due in more than one year	<u>126,994</u>	<u>292,013</u>	<u>419,007</u>
 Total liabilities	 <u>3,598,585</u>	 <u>624,554</u>	 <u>4,223,139</u>
Net assets:			
Invested in capital assets, net of related debt	36,453,553	18,152,439	54,605,992
Restricted for:			
Capital projects.	3,741,734	-	3,741,734
Debt service	2,474	-	2,474
Street construction and maintenance	1,153,342	-	1,153,342
Public safety	448,634	-	448,634
Other purposes	243,603	-	243,603
Unrestricted.	<u>3,424,254</u>	<u>4,656,593</u>	<u>8,080,847</u>
 Total net assets	 <u>\$ 45,467,594</u>	 <u>\$ 22,809,032</u>	 <u>\$ 68,276,626</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 1,155,957	\$ 299,410	\$ -	\$ 100,417
Security of persons and property.	4,898,230	846,550	440,217	-
Public health and welfare	18,337	-	-	-
Transportation	3,327,030	89,809	905,194	189,983
Community environment.	612,179	18,535	-	-
Leisure time activity.	297,556	35,557	-	-
Interest and fiscal charges.	49,292	-	-	-
Total governmental activities	<u>10,358,581</u>	<u>1,289,861</u>	<u>1,345,411</u>	<u>290,400</u>
Business-type Activities:				
Water	967,984	1,193,377	-	141,534
Sewer	1,418,391	1,230,693	17,032	350,800
Solid waste	606,767	649,175	-	-
Total business-type activities	<u>2,993,142</u>	<u>3,073,245</u>	<u>17,032</u>	<u>492,334</u>
Total primary government.	<u>\$ 13,351,723</u>	<u>\$ 4,363,106</u>	<u>\$ 1,362,443</u>	<u>\$ 782,734</u>

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
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
\$ (756,130)	\$ -	\$ (756,130)
(3,611,463)	-	(3,611,463)
(18,337)	-	(18,337)
(2,142,044)	-	(2,142,044)
(593,644)	-	(593,644)
(261,999)	-	(261,999)
(49,292)	-	(49,292)
<u>(7,432,909)</u>	<u>-</u>	<u>(7,432,909)</u>
-	366,927	366,927
-	180,134	180,134
<u>-</u>	<u>42,408</u>	<u>42,408</u>
-	589,469	589,469
<u>(7,432,909)</u>	<u>589,469</u>	<u>(6,843,440)</u>
844,241	-	844,241
478,227	-	478,227
250,525	-	250,525
69,271	-	69,271
5,434,040	-	5,434,040
885,161	-	885,161
277,193	91,421	368,614
<u>54,929</u>	<u>50,376</u>	<u>105,305</u>
8,293,587	141,797	8,435,384
860,678	731,266	1,591,944
<u>44,606,916</u>	<u>22,077,766</u>	<u>66,684,682</u>
<u>\$ 45,467,594</u>	<u>\$ 22,809,032</u>	<u>\$ 68,276,626</u>

CITY OF ENGLEWOOD, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	<u>General</u>	<u>Fire and Rescue</u>	<u>Police</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,548,217	\$ 215,102	\$ 102,081
Cash and cash equivalents with fiscal agent	-	-	-
Receivables (net of allowance for uncollectibles):			
Income taxes.	1,120,758	-	-
Real and other taxes.	763,788	527,981	275,223
Accounts	60,603	135,271	2,363
Interfund loans	70,000	-	-
Accrued interest	109,393	-	-
Special assessments.	10,530	-	-
Due from other funds	-	-	-
Due from other governments	234,464	24,093	10,184
Materials and supplies inventory	-	-	-
Total assets	<u>\$ 3,917,753</u>	<u>\$ 902,447</u>	<u>\$ 389,851</u>
Liabilities:			
Accounts payable	\$ 49,698	\$ 18,343	\$ 10,556
Contracts payable	-	-	-
Accrued wages and benefits.	18,067	25,336	61,671
Compensated absences payable.	50,652	11,260	14,832
Interfund loan payable.	-	-	-
Due to other funds	373,241	-	-
Due to other governments.	13,870	34,840	80,319
Deferred revenue	1,490,422	656,684	285,407
Accrued interest payable	-	-	-
Bond anticipation note payable	-	-	-
Matured bonds payable	-	-	-
Matured interest payable	-	-	-
Total liabilities	<u>1,995,950</u>	<u>746,463</u>	<u>452,785</u>
Fund Balances:			
Reserved for encumbrances.	112,575	13,715	9,902
Reserved for materials and supplies inventory	-	-	-
Reserved for debt service.	-	-	-
Unreserved, undesignated (deficit), reported in:			
General fund.	1,809,228	-	-
Special revenue funds.	-	142,269	(72,836)
Capital projects funds.	-	-	-
Total fund balances (deficit)	<u>1,921,803</u>	<u>155,984</u>	<u>(62,934)</u>
Total liabilities and fund balances.	<u>\$ 3,917,753</u>	<u>\$ 902,447</u>	<u>\$ 389,851</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Street</u>	<u>Reserve for Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 439,776	\$ 828,153	\$ 4,245,931	\$ 7,379,260
-	-	6,069	6,069
-	-	-	1,120,758
-	-	80,313	1,647,305
-	-	10	198,247
-	-	-	70,000
-	-	-	109,393
-	6,677	-	17,207
-	373,241	-	373,241
216,703	-	90,855	576,299
63,416	-	-	63,416
<u>\$ 719,895</u>	<u>\$ 1,208,071</u>	<u>\$ 4,423,178</u>	<u>\$ 11,561,195</u>
\$ 12,809	\$ -	\$ 33,927	\$ 125,333
-	21,581	277,315	298,896
18,456	-	14,113	137,643
-	-	15,832	92,576
-	-	70,000	70,000
-	-	-	373,241
14,576	-	11,019	154,624
177,841	6,677	153,064	2,770,095
-	36,722	-	36,722
-	875,000	-	875,000
-	-	5,000	5,000
-	-	1,069	1,069
<u>223,682</u>	<u>939,980</u>	<u>581,339</u>	<u>4,940,199</u>
53,075	98,786	731,713	1,019,766
63,416	-	-	63,416
-	-	2,474	2,474
-	-	-	1,809,228
379,722	-	626,255	1,075,410
-	169,305	2,481,397	2,650,702
<u>496,213</u>	<u>268,091</u>	<u>3,841,839</u>	<u>6,620,996</u>
<u>\$ 719,895</u>	<u>\$ 1,208,071</u>	<u>\$ 4,423,178</u>	<u>\$ 11,561,195</u>

CITY OF ENGLEWOOD, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2005

Total governmental fund balances		\$ 6,620,996
<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.		35,722,320
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 150,639	
Income taxes	494,893	
Charges for services	104,610	
Special assessments	17,207	
Intergovernmental revenues	453,359	
Accrued interest	52,721	
Total		1,273,429
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 \$28,221, are:		2,165,861
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:		
OPWC loan	(62,705)	
Compensated absences	(252,307)	
		(315,012)
Net assets of governmental activities		\$ 45,467,594

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, 2005

	<u>General</u>	<u>Fire and Rescue</u>	<u>Police</u>
Revenues:			
Municipal income taxes	\$ 5,541,774	\$ -	\$ -
Property and other taxes	833,412	475,690	244,339
Charges for services	159,077	541,025	2,500
Licenses and permits	194,344	-	-
Fines and forfeitures	-	-	30,328
Intergovernmental	800,061	212,293	42,784
Special assessments	6,405	-	-
Investment income	259,188	-	-
Rental income	-	-	-
Other	13,400	4,022	6,267
Total revenues	<u>7,807,661</u>	<u>1,233,030</u>	<u>326,218</u>
Expenditures:			
Current:			
General government	1,235,489	-	-
Security of persons and property	-	1,927,809	2,207,511
Public health and welfare	6,545	-	-
Transportation	-	-	-
Community environment	447,313	-	-
Leisure time activity	255,547	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>1,944,894</u>	<u>1,927,809</u>	<u>2,207,511</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,862,767</u>	<u>(694,779)</u>	<u>(1,881,293)</u>
Other financing sources (uses):			
Sale of capital assets	-	-	-
Loans	-	75,000	-
Transfers in	-	195,000	1,775,000
Transfers out	(5,956,176)	(12,295)	-
Total other financing sources (uses)	<u>(5,956,176)</u>	<u>257,705</u>	<u>1,775,000</u>
Net change in fund balances	(93,409)	(437,074)	(106,293)
Fund balances (deficit) at beginning of year	2,015,212	593,058	43,359
Increase in reserve for inventory	-	-	-
Fund balances (deficit) at end of year	<u>\$ 1,921,803</u>	<u>\$ 155,984</u>	<u>\$ (62,934)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Street</u>	<u>Reserve for Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 5,541,774
-	-	68,513	1,621,954
-	-	290,693	993,295
-	-	-	194,344
-	-	840	31,168
643,429	93,357	850,203	2,642,127
-	5,466	89,809	101,680
14,119	-	9,299	282,606
-	-	12,960	12,960
15,531	7,613	4,746	51,579
<u>673,079</u>	<u>106,436</u>	<u>1,327,063</u>	<u>11,473,487</u>
-	17,575	2,715	1,255,779
-	-	641,167	4,776,487
-	-	-	6,545
1,699,954	-	664,025	2,363,979
-	-	149,354	596,667
-	-	-	255,547
-	980,426	1,223,029	2,203,455
-	-	12,295	12,295
-	49,292	-	49,292
<u>1,699,954</u>	<u>1,047,293</u>	<u>2,692,585</u>	<u>11,520,046</u>
<u>(1,026,875)</u>	<u>(940,857)</u>	<u>(1,365,522)</u>	<u>(46,559)</u>
-	-	159,636	159,636
-	-	-	75,000
945,000	2,058,176	1,278,932	6,252,108
-	(283,637)	-	(6,252,108)
<u>945,000</u>	<u>1,774,539</u>	<u>1,438,568</u>	<u>234,636</u>
(81,875)	833,682	73,046	188,077
543,193	(565,591)	3,768,793	6,398,024
34,895	-	-	34,895
<u>\$ 496,213</u>	<u>\$ 268,091</u>	<u>\$ 3,841,839</u>	<u>\$ 6,620,996</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, 2005

Net change in fund balances - total governmental funds	\$	188,077
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital asset additions	\$	2,851,965
Current year depreciation		<u>(1,511,552)</u>
Total		1,340,413
The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.		(325,164)
Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed.		34,895
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	(107,734)	
Property taxes	20,310	
Charges for services	(32,245)	
Intergovernmental	(107,746)	
Special assessments	(21,400)	
Interest	<u>(5,413)</u>	
Total		(254,228)
Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		(75,000)
Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		12,295
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.		109,357
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.		<u>(169,967)</u>
Change in net assets of governmental activities	\$	<u><u>860,678</u></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)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Municipal income taxes	\$ 5,433,789	\$ 5,279,607	\$ 5,615,253	\$ 335,646
Property and other taxes	808,415	785,476	835,412	49,936
Charges for services	153,936	149,568	159,077	9,509
Licenses and permits.	129,613	125,935	133,941	8,006
Intergovernmental	854,068	829,834	882,590	52,756
Investment income	327,087	317,806	338,010	20,204
Other	12,967	12,599	13,400	801
Total revenues.	<u>7,719,875</u>	<u>7,500,825</u>	<u>7,977,683</u>	<u>476,858</u>
Expenditures:				
Current:				
General government	1,109,799	1,540,417	1,321,937	218,480
Public health and welfare.	5,441	7,552	7,842	(290)
Community environment	416,339	577,884	450,171	127,713
Leisure time activity	184,912	256,661	255,614	1,047
Utility services	36,023	50,000	-	50,000
Total expenditures	<u>1,752,514</u>	<u>2,432,514</u>	<u>2,035,564</u>	<u>396,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,967,361</u>	<u>5,068,311</u>	<u>5,942,119</u>	<u>873,808</u>
Other financing sources (uses):				
Transfers out	(5,953,000)	(5,953,000)	(5,923,000)	30,000
Advances in.	155,000	155,000	155,000	-
Advances out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(70,000)</u>	<u>130,000</u>
Total other financing sources (uses)	<u>(5,998,000)</u>	<u>(5,998,000)</u>	<u>(5,838,000)</u>	<u>160,000</u>
Net change in fund balance	(30,639)	(929,689)	104,119	1,033,808
Fund balance at beginning of year	1,153,325	1,153,325	1,153,325	-
Prior year encumbrances appropriated	<u>264,074</u>	<u>264,074</u>	<u>264,074</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 1,386,760</u>	<u>\$ 487,710</u>	<u>\$ 1,521,518</u>	<u>\$ 1,033,808</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 FUND
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 407,179	\$ 459,937	\$ 475,690	\$ 15,753
Charges for services	461,093	520,835	538,675	17,840
Intergovernmental	255,217	288,285	298,159	9,874
Other	3,443	3,889	4,022	133
Total revenues.	<u>1,126,932</u>	<u>1,272,946</u>	<u>1,316,546</u>	<u>43,600</u>
Expenditures:				
Current:				
Security of persons and property.	<u>1,922,655</u>	<u>2,094,955</u>	<u>1,982,980</u>	<u>111,975</u>
Total expenditures	<u>1,922,655</u>	<u>2,094,955</u>	<u>1,982,980</u>	<u>111,975</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(795,723)</u>	<u>(822,009)</u>	<u>(666,434)</u>	<u>155,575</u>
Other financing sources (uses):				
Transfers in	195,000	195,000	195,000	-
Transfer out	<u>(113,700)</u>	<u>(113,700)</u>	<u>(83,941)</u>	<u>29,759</u>
Total other financing sources (uses)	<u>81,300</u>	<u>81,300</u>	<u>111,059</u>	<u>29,759</u>
Net change in fund balance	(714,423)	(740,709)	(555,375)	185,334
Fund balance at beginning of year	15,204	15,204	15,204	-
Prior year encumbrances appropriated	<u>725,505</u>	<u>725,505</u>	<u>725,505</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 26,286</u>	<u>\$ -</u>	<u>\$ 185,334</u>	<u>\$ 185,334</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 FUND
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 139,993	\$ 206,061	\$ 244,339	\$ 38,278
Charges for services	1,432	2,108	2,500	392
Fines and forfeitures	23,937	35,234	41,779	6,545
Intergovernmental	9,659	14,218	16,859	2,641
Other	3,586	5,278	6,259	981
Total revenues.	<u>178,607</u>	<u>262,899</u>	<u>311,736</u>	<u>48,837</u>
Expenditures:				
Current:				
Security of persons and property	1,803,234	2,033,234	1,965,717	67,517
Total expenditures	<u>1,803,234</u>	<u>2,033,234</u>	<u>1,965,717</u>	<u>67,517</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,624,627)</u>	<u>(1,770,335)</u>	<u>(1,653,981)</u>	<u>116,354</u>
Other financing sources (uses):				
Transfers in	1,788,409	1,788,409	1,788,409	-
Transfers out	(183,000)	(183,000)	(217,556)	(34,556)
Total other financing sources (uses)	<u>1,605,409</u>	<u>1,605,409</u>	<u>1,570,853</u>	<u>(34,556)</u>
Net change in fund balance	(19,218)	(164,926)	(83,128)	81,798
Fund balance at beginning of year	141,087	141,087	141,087	-
Prior year encumbrances appropriated	<u>23,839</u>	<u>23,839</u>	<u>23,839</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 145,708</u>	<u>\$ -</u>	<u>\$ 81,798</u>	<u>\$ 81,798</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET FUND
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Postive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 375,000	\$ 375,000	\$ 490,774	\$ 115,774
Investment income	15,000	15,000	14,119	(881)
Other	5,000	5,000	15,531	10,531
Total revenues.	<u>395,000</u>	<u>395,000</u>	<u>520,424</u>	<u>125,424</u>
Expenditures:				
Current:				
Transportation	<u>1,583,247</u>	<u>1,883,247</u>	<u>1,789,769</u>	<u>93,478</u>
Total expenditures	<u>1,583,247</u>	<u>1,883,247</u>	<u>1,789,769</u>	<u>93,478</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,188,247)</u>	<u>(1,488,247)</u>	<u>(1,269,345)</u>	<u>218,902</u>
Other financing sources:				
Transfers in.	<u>1,093,000</u>	<u>1,093,000</u>	<u>1,093,000</u>	<u>-</u>
Total other financing sources	<u>1,093,000</u>	<u>1,093,000</u>	<u>1,093,000</u>	<u>-</u>
Net change in fund balance	(95,247)	(395,247)	(176,345)	218,902
Fund balance at beginning of year	453,685	453,685	453,685	-
Prior year encumbrances appropriated	<u>98,047</u>	<u>98,047</u>	<u>98,047</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 456,485</u>	<u>\$ 156,485</u>	<u>\$ 375,387</u>	<u>\$ 218,902</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2005

	<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	\$ 1,959,516	\$ 1,790,652	\$ 610,609	\$ 4,360,777	\$ 501,570
Receivables (net of allowance for uncollectibles):					
Accounts	161,236	161,636	-	322,872	2,048
Due from other governments	-	17,032	-	17,032	-
Materials and supplies inventory	193,429	70,258	-	263,687	25,128
Total current assets	<u>2,314,181</u>	<u>2,039,578</u>	<u>610,609</u>	<u>4,964,368</u>	<u>528,746</u>
Noncurrent assets:					
Capital assets:					
Land and construction in progress	24,486	92,131	-	116,617	130,849
Depreciable capital assets, net	10,019,675	8,352,052	9,095	18,380,822	1,538,089
Total capital assets	<u>10,044,161</u>	<u>8,444,183</u>	<u>9,095</u>	<u>18,497,439</u>	<u>1,668,938</u>
Total assets	<u>12,358,342</u>	<u>10,483,761</u>	<u>619,704</u>	<u>23,461,807</u>	<u>2,197,684</u>
Liabilities:					
Current liabilities:					
Accounts payable	28,772	14,353	50,118	93,243	20,997
Accrued wages and benefits	9,251	11,088	-	20,339	5,642
Compensated absences	57,184	45,374	-	102,558	29,366
Due to other governments	7,112	8,116	-	15,228	-
Current portion of revenue bonds	60,000	35,000	-	95,000	-
Accrued interest payable	4,300	1,873	-	6,173	4,039
Total current liabilities	<u>166,619</u>	<u>115,804</u>	<u>50,118</u>	<u>332,541</u>	<u>60,044</u>
Long-term liabilities:					
Revenue bonds	180,000	70,000	-	250,000	-
Compensated absences	21,211	20,802	-	42,013	-
Total long-term liabilities	<u>201,211</u>	<u>90,802</u>	<u>-</u>	<u>292,013</u>	<u>-</u>
Total liabilities	<u>367,830</u>	<u>206,606</u>	<u>50,118</u>	<u>624,554</u>	<u>60,044</u>
Net assets:					
Invested in capital assets, net of related debt	9,804,161	8,339,183	9,095	18,152,439	1,668,938
Unrestricted	<u>2,186,351</u>	<u>1,937,972</u>	<u>560,491</u>	<u>4,684,814</u>	<u>468,702</u>
Total net assets	<u>\$ 11,990,512</u>	<u>\$ 10,277,155</u>	<u>\$ 569,586</u>	<u>22,837,253</u>	<u>\$ 2,137,640</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				(28,221)	
Net assets of business-type activities				<u>\$ 22,809,032</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, 2005

	Business-type Activities - Enterprise Funds				Governmental
	Water	Sewer	Solid Waste	Total	Activities - Internal Service Funds
Operating revenues:					
Charges for services	\$ 1,160,930	\$ 1,172,768	\$ 649,175	\$ 2,982,873	\$ 1,145,509
Tap-in fees	32,447	57,925	-	90,372	-
Other	1,846	17,998	22,057	41,901	41,237
Total operating revenues	1,195,223	1,248,691	671,232	3,115,146	1,186,746
Operating expenses:					
Personal services	350,170	406,016	-	756,186	765,395
Contract services	189,558	411,714	584,633	1,185,905	207,984
Materials and supplies	57,945	241,107	-	299,052	291,341
Depreciation	350,711	334,616	1,709	687,036	81,443
Other	734	378	20,425	21,537	269
Total operating expenses	949,118	1,393,831	606,767	2,949,716	1,346,432
Operating income (loss)	246,105	(145,140)	64,465	165,430	(159,686)
Nonoperating revenues (expenses):					
Interest revenue	52,025	39,396	-	91,421	-
Intergovernmental	-	17,032	-	17,032	-
Interest expense and fiscal charges	(13,438)	(6,026)	-	(19,464)	-
Gain (loss) on disposal of capital assets	475	(11,252)	8,000	(2,777)	(22,991)
Total nonoperating revenues (expenses)	39,062	39,150	8,000	86,212	(22,991)
Income (loss) before contributions	285,167	(105,990)	72,465	251,642	(182,677)
Capital contributions	141,534	350,800	-	492,334	-
Changes in net assets	426,701	244,810	72,465	743,976	(182,677)
Net assets at beginning of year	11,563,811	10,032,345	497,121		2,320,317
Net assets at end of year	\$ 11,990,512	\$ 10,277,155	\$ 569,586		\$ 2,137,640
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				(12,710)	
Changes in net assets of business-type activities				\$ 731,266	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<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	\$ 1,155,481	\$ 1,168,759	\$ 649,175	\$ 2,973,415	\$ 1,145,240
Cash received from tap-in fees	32,447	57,925	-	90,372	-
Cash received from other operations.	1,846	17,998	22,057	41,901	41,237
Cash payments for personal services	(345,481)	(400,148)	-	(745,629)	(761,671)
Cash payments for contract services	(188,287)	(406,758)	(628,472)	(1,223,517)	(202,339)
Cash payments for materials and supplies	(38,657)	(257,640)	-	(296,297)	(289,485)
Cash payments for other expenses.	(734)	(378)	(20,425)	(21,537)	(269)
Net cash provided by (used in) operating activities.	<u>616,615</u>	<u>179,758</u>	<u>22,335</u>	<u>818,708</u>	<u>(67,287)</u>
Cash flows from capital and related financing activities:					
Capital contributions	141,534	350,800	-	492,334	-
Acquisition of capital assets	(275,243)	(535,885)	-	(811,128)	(5,995)
Principal retirement on revenue bonds	(60,000)	(35,000)	-	(95,000)	-
Sale of capital assets	576	576	8,000	9,152	-
Interest and fiscal charges.	(14,513)	(6,650)	-	(21,163)	-
Net cash provided by (used in) capital and related financing activities	<u>(207,646)</u>	<u>(226,159)</u>	<u>8,000</u>	<u>(425,805)</u>	<u>(5,995)</u>
Cash flows from investing activities:					
Interest received.	<u>52,025</u>	<u>39,396</u>	<u>-</u>	<u>91,421</u>	<u>-</u>
Net cash provided by investing activities.	<u>52,025</u>	<u>39,396</u>	<u>-</u>	<u>91,421</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	460,994	(7,005)	30,335	484,324	(73,282)
Cash and cash equivalents at beginning 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>
Cash and cash equivalents at end of year.	<u>\$ 1,959,516</u>	<u>\$ 1,790,652</u>	<u>\$ 610,609</u>	<u>\$ 4,360,777</u>	<u>\$ 501,570</u>

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CITY OF ENGLEWOOD, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<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 (used in) operating activities:					
Operating income (loss)	\$ 246,105	\$ (145,140)	\$ 64,465	\$ 165,430	\$ (159,686)
Adjustments:					
Depreciation	350,711	334,616	1,709	687,036	81,443
Changes in assets and liabilities:					
(Increase) decrease in materials and supplies inventory.	3,693	(11,917)	-	(8,224)	2,001
(Increase) in accounts receivable.	(5,449)	(4,009)	-	(9,458)	(269)
Increase in accounts payable	16,866	340	(43,839)	(26,633)	5,500
(Decrease) in accrued wages and benefits	(6,224)	(5,746)	-	(11,970)	(2,522)
Increase in due to other governments	7,112	8,116	-	15,228	4,039
Increase in compensated absences payable	3,801	3,498	-	7,299	2,207
Net cash provided by (used in) operating activities. . .	<u>\$ 616,615</u>	<u>\$ 179,758</u>	<u>\$ 22,335</u>	<u>\$ 818,708</u>	<u>\$ (67,287)</u>

The Water and Sewer funds received \$141,534 and \$350,800, respectively, in capital contributions from other funds.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2005

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 42,711
Total assets.	<u>\$ 42,711</u>
Liabilities:	
Undistributed monies	\$ 42,711
Total liabilities	<u>\$ 42,711</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

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, 2005

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

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

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

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

C. Fund Accounting

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

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

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

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

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:

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

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

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

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

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

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, 2005

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

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

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

E. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (see Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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, 2005, but which were levied to finance year 2006 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

F. Budgetary Data

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

Tax Budget - During the first Council meeting in July, the City Manager presents the following fiscal year's annual operating budget to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The Montgomery County Budget Commission waived the tax budget filing requirement for 2005.

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 2005.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

During 2005, 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 2005 amounted to \$259,188. The \$259,188 included \$213,386 assigned from other funds of the City.

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

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

H. Inventories of Materials and Supplies

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

I. Prepayments

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

J. Capital Assets

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

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

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

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

K. Compensated Absences

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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, 2005

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

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

O. Fund Balance Reserves

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

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

P. Estimates

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

Q. Contributions of Capital

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

R. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation 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 are the primary activity of the fund.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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 2005.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2005, the City has implemented GASB Statement No. 40 "Deposit and Investment Risk Disclosures", and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries".

GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits.

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 40 and GASB Statement No. 42 did not have an effect on the financial statements of the City, however additional note disclosure can be found in Note 4.

B. Deficit Fund Balances

Fund balances at December 31, 2005 included the following individual fund deficits:

<u>Major Fund</u>	<u>Deficit</u>
Police	\$ 62,934
<u>Nonmajor Fund</u>	
Traffic Signal Enhancement	215,708

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Cash with Fiscal Agent

At December 31, 2005, \$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".

B. Deposits with Financial Institutions

At December 31, 2005, the carrying amount of all City deposits was \$1,823,509. As of December 31, 2005, \$1,501,277 of the City's bank balance of \$1,701,277 was exposed to custodial risk as discussed below, while \$200,000 was covered by Federal Deposit Insurance Corporation.

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of December 31, 2005, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 Months</u>
FHLB	\$ 8,385,180	\$ -	\$ 496,720	\$ 7,888,460
FHLMC	4,969	-	-	4,969
FHLM	<u>2,076,729</u>	<u>502,387</u>	<u>-</u>	<u>1,574,342</u>
	<u>\$ 10,466,878</u>	<u>\$ 502,387</u>	<u>\$ 496,720</u>	<u>\$ 9,467,771</u>

The weighted average maturity of investments is 4.59 years.

Interest Rate Risk: The Ohio Revised Code general limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment

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

Concentration of Credit Risk: The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 8,385,180	80.11
FHLMC	4,969	0.05
FHLM	<u>2,076,729</u>	<u>19.84</u>
	<u>\$ 10,466,878</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 1,816,740
Investments	10,466,878
Cash on hand	700
Cash with fiscal agent	<u>6,069</u>
Total	<u>\$ 12,290,387</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 7,886,899
Business type activities	4,360,777
Agency funds	<u>42,711</u>
Total	<u>\$ 12,290,387</u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2005, consisted of the following, as reported in the fund financial statements:

<u>Transfers to</u>	<u>Transfers From</u>			<u>Total</u>
	<u>General</u>	<u>Fire and Rescue</u>	<u>Reserve for Capital Improvement</u>	
Street	\$ 945,000	\$ -	\$ -	\$ 945,000
Fire and Rescue	195,000	-	-	195,000
Police	1,775,000	-	-	1,775,000
Reserve for Capital Improvement	2,058,176	-	-	2,058,176
Nonmajor Special Revenue	433,000	-	-	433,000
Nonmajor Debt Service	-	12,295	-	12,295
Nonmajor Capital Projects	<u>550,000</u>	<u>-</u>	<u>283,637</u>	<u>833,637</u>
Total	<u>\$ 5,956,176</u>	<u>\$ 12,295</u>	<u>\$ 283,637</u>	<u>\$ 6,252,108</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.

NOTE 6 - PROPERTY TAXES

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

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 6 - PROPERTY TAXES - (Continued)

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, 2005 was \$10.59 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

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

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005. 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 7 - LOCAL INCOME TAX

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

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

Income tax proceeds are to be used to pay the cost of administering the tax. All income tax revenue is initially placed in the general fund. At least twenty eight and one half percent of income tax collected must be transferred to the Capital Improvement capital projects fund to be used for capital improvements. All other income tax proceeds are left in the general fund with the use of these monies being determined by City Council. Income tax revenue for 2005 was \$5,541,774 as reported in the fund financial statements.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 8 - RECEIVABLES

Receivables at December 31, 2005, 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, 2005, as well as intended to finance fiscal 2005 operations.

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

Governmental Activities:

Income taxes	\$ 1,120,758
Real and other taxes	1,647,305
Accounts	200,295
Accrued interest	109,393
Special assessments	17,207
Due from other governments	576,299

Business-type Activities:

Accounts	322,872
Due from other governments	17,032

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, 2005

NOTE 9 - CAPITAL ASSETS

- A. Capital asset activity for the governmental activities for the year ended December 31, 2005, was as follows:

	<u>Balance</u> <u>12/31/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/05</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 4,466,592	\$ 43,998	\$ (194,819)	\$ 4,315,771
Construction in progress	<u>5,613,535</u>	<u>2,396,528</u>	<u>(7,479,149)</u>	<u>530,914</u>
Total capital assets, not being depreciated	<u>10,080,127</u>	<u>2,440,526</u>	<u>(7,673,968)</u>	<u>4,846,685</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,616,190	78,584	-	2,694,774
Buildings and improvements	4,617,642	4,905,669	(26,559)	9,496,752
Furniture and equipment	1,948,384	1,087,757	(83,365)	2,952,776
Vehicles	2,735,203	115,790	(145,849)	2,705,144
Infrastructure	<u>25,641,501</u>	<u>1,708,783</u>	<u>-</u>	<u>27,350,284</u>
Total capital assets, being depreciated	<u>37,558,920</u>	<u>7,896,583</u>	<u>(255,773)</u>	<u>45,199,730</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(963,487)	(113,308)	-	(1,076,795)
Buildings	(1,581,490)	(148,332)	4,080	(1,725,742)
Furniture and equipment	(879,936)	(183,694)	36,744	(1,026,886)
Vehicles	(1,738,215)	(225,718)	61,613	(1,902,320)
Infrastructure	<u>(6,001,471)</u>	<u>(921,943)</u>	<u>-</u>	<u>(6,923,414)</u>
Total accumulated depreciation	<u>(11,164,599)</u>	<u>(1,592,995)</u>	<u>102,437</u>	<u>(12,655,157)</u>
Total capital assets, being depreciated	<u>26,394,321</u>	<u>6,303,588</u>	<u>(153,336)</u>	<u>32,544,573</u>
Governmental activities capital assets, net	<u>\$ 36,474,448</u>	<u>\$ 8,744,114</u>	<u>\$ (7,827,304)</u>	<u>\$ 37,391,258</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the business-type activities for the year ended December 31, 2005 was as follows:

	Balance	Additions	Disposals	Balance
<u>Business-type Activities:</u>	<u>12/31/2004</u>	<u>12/31/2004</u>	<u>12/31/2004</u>	<u>12/31/05</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 33,510	\$ -	\$ -	\$ 33,510
Construction in progress	-	83,107	-	83,107
Total capital assets, not being depreciated	<u>33,510</u>	<u>83,107</u>	<u>-</u>	<u>116,617</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	7,292,624	-	-	7,292,624
Equipment	1,689,501	205,947	-	1,895,448
Vehicles	112,185	-	(19,900)	92,285
Infrastructure	<u>21,135,168</u>	<u>522,074</u>	<u>(1,504)</u>	<u>21,655,738</u>
Total capital assets, being depreciated	<u>30,229,478</u>	<u>728,021</u>	<u>(21,404)</u>	<u>30,936,095</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(2,819,321)	(141,792)	-	(2,961,113)
Equipment	(739,366)	(91,767)	-	(831,133)
Vehicles	(88,040)	(6,616)	8,072	(86,584)
Infrastructure	<u>(8,230,985)</u>	<u>(446,861)</u>	<u>1,403</u>	<u>(8,676,443)</u>
Total accumulated depreciation	<u>(11,877,712)</u>	<u>(687,036)</u>	<u>9,475</u>	<u>(12,555,273)</u>
Total capital assets, being depreciated, net	<u>18,351,766</u>	<u>40,985</u>	<u>(11,929)</u>	<u>18,380,822</u>
Business-type activities capital assets, net	<u>\$ 18,385,276</u>	<u>\$ 124,092</u>	<u>\$ (11,929)</u>	<u>\$ 18,497,439</u>

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

Governmental activities:

General government	\$ 84,912
Security of persons and property	221,730
Public health and welfare	11,792
Transportation	1,062,651
Community environment	9,137
Leisure time activity	121,330
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>81,443</u>
Total depreciation expense - governmental activities	<u>\$ 1,592,995</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 10 - OTHER EMPLOYEE BENEFITS

Deferred Compensation Plans

City employees and elected officials may participate in a statewide deferred compensation plan or a plan offered by 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 \$219,419 at December 31, 2005. 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 \$290,579 at December 31, 2005. 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 \$8,822 at December 31, 2005. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

NOTE 11 - LONG-TERM OBLIGATIONS

The City's long term obligations at December 31, 2005 were as follows:

	Balance			Balance	Amounts
<u>Governmental Activities:</u>	<u>12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/05</u>	<u>Due in</u>
					<u>One Year</u>
<u>General Obligation loans:</u>					
OPWC Fire Hydrant Repair	\$ -	\$ 75,000	\$ (12,295)	\$ 62,705	\$ 25,000
<u>Other Debt:</u>					
Compensated absences	402,075	207,544	(235,370)	374,249	284,960
Total governmental activities					
long-term obligations	<u>\$ 402,075</u>	<u>\$ 282,544</u>	<u>\$(247,665)</u>	<u>\$ 436,954</u>	<u>\$ 309,960</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

During 2005, the City received a loan from the Ohio Public Works Commission. The proceeds of the loan were used for fire hydrant repair and replacement. Repayment of the loan is due semi-annually at an interest rate of 0%.

	Balance			Balance	Amounts
	<u>12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/05</u>	<u>Due in</u>
<u>Business-type Activities:</u>					<u>One Year</u>
<u>Other long-term obligations</u>					
Compensated absences	\$137,272	\$46,154	\$ (38,855)	\$144,571	\$102,558
Total other long-term obligations	<u>137,272</u>	<u>46,154</u>	<u>(38,855)</u>	<u>144,571</u>	<u>102,558</u>
<u>Revenue Bonds</u>					
4.75% - 1993 Sewer System Improvement	140,000	-	(35,000)	105,000	35,000
5.35% - 1994 Water System Improvement	<u>300,000</u>	<u>-</u>	<u>(60,000)</u>	<u>240,000</u>	<u>60,000</u>
Total revenue bonds	<u>440,000</u>	<u>-</u>	<u>(95,000)</u>	<u>345,000</u>	<u>95,000</u>
Total business-type activities long-term obligations	<u>\$577,272</u>	<u>\$46,154</u>	<u>\$(133,855)</u>	<u>\$489,571</u>	<u>\$197,558</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, 2005, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$28,009,847 and the unvoted debt margin was \$14,061,013. Principal and interest requirements to retire the City's bonds and loans outstanding at December 31, 2005 were:

Year	<u>OPWC Loan</u>			<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 25,000	\$ -	\$ 25,000	\$ 95,000	\$ 16,275	\$ 111,275
2007	25,000	-	25,000	95,000	11,387	106,387
2008	12,705	-	12,705	95,000	6,501	101,501
2009	-	-	-	<u>60,000</u>	<u>1,613</u>	<u>61,613</u>
Total	<u>\$ 62,705</u>	<u>\$ -</u>	<u>\$ 62,705</u>	<u>\$345,000</u>	<u>\$ 35,776</u>	<u>\$ 380,776</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 12 - BOND ANTICIPATION NOTES

During fiscal year 2005, the City repaid \$1,750,000 and issued \$875,000 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 2005.

	Issue	Maturity	Balance			Balance
<u>Reserve for Capital Improvement</u>	<u>Date</u>	<u>Date</u>	<u>12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/05</u>
Building Improvement Construction						
Note - 2.15%	8/31/04	8/30/05	\$1,750,000	\$ -	\$(1,750,000)	\$ -
Building Improvement Construction						
Note - 4.00%	8/31/05	8/30/06	-	<u>875,000</u>	-	<u>875,000</u>
Total			<u>\$1,750,000</u>	<u>\$ 875,000</u>	<u>\$(1,750,000)</u>	<u>\$ 875,000</u>

NOTE 13 - INTERFUND ASSETS/LIABILITIES

Individual fund interfund asset and liability balances at December 31, 2005, were as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Reserve for Capital Improvement	General	\$ 373,241

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	\$ 70,000

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

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 14 - RISK MANAGEMENT

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

Type of Coverage

General Liability	\$7,000,000/occurrence
Automobile Liability	\$7,000,000/occurrence
MVRMA coverage: \$2 million/occurrence with \$1 million excess \$1 million reinsured by Government Entities Mutual Inc. (GEM)	
Excess insurance: \$5 million/occurrence \$2 million insured by Illinois Union Insurance Co. (ACE) - Annual Aggregate \$15 million per member	
Police Professional Liability	
MVRMA coverage: \$2 million/occurrence with \$1 million excess \$1 million reinsured by GEM.	
Excess insurance: \$5 million/occurrence with \$2 million insured by Illinois Union Insurance Co. (ACE) - Annual aggregate \$10 million per member*	
Employment Practices Liability and Public Officials Liability	
MVRMA coverage: \$2 million/occurrence and annual aggregate per member with \$1 million excess \$1 million reinsured by GEM	
Excess insurance: \$5 million/occurrence excess \$2 million insured by Illinois Union Insurance Co. (ACE) - Annual aggregate \$10 million per member*	
Property (effective 7/1/05):	
\$1 billion/occurrence	
MVRMA SIR: \$200,000/occurrence	
Coverage excess SIR provided by PEPiP USA with carriers as follows:	
Lexington Insurance Company (Primary \$10 million)	
Excess carriers (\$990 million excess \$10 million):	
AXIS Specialty Insurance Corp.	
Lloyds of London	
Great Lakes	
Commonwealth Ins. Co.	
Essex Insurance Corp.	
Arch Insurance	
Insurance Company of the West	

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 14 - RISK MANAGEMENT - (Continued)

The City has elected to offer employee medical insurance benefits through a plan provided by United Healthcare of Ohio, Inc. Employees are required to share in the costs of their medical plan along with the City. Each month the City contributes \$279.52 for single coverage and \$838.56 for family coverage for each employee. In addition, all employees choosing family coverage must pay \$93.17 per month and \$31.06 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 \$24.76 for single coverage and \$77.72 for family coverage.

NOTE 15 - 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, 2005, 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 2005 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, 2005, 2004, and 2003 were \$300,260, \$261,145, and \$251,454, respectively; 91.69% has been contributed for 2005 and 100% has been contributed for 2004 and 2003. The City and plan members did not make any contributions to the member-directed plan for 2005.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 15 - 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 for pension obligations to OP&F for the years ended December 31, 2005, 2004, and 2003 were \$217,722, \$156,295, and \$153,709, respectively; 77.62% has been contributed for 2005 and 100% for the years 2004 and 2003. \$78,679, representing the unpaid contributions for 2005 is recorded as a liability within the respective funds.

NOTE 16 - 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 2005 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 2005 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, 2004, 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, 2005

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$125,763. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

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, 2005

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

The City's actual contributions for 2005 that were used to fund postemployment benefits was \$108,868 for police and \$24,983 for firefighters. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004 (the latest information available), was 13,812 for police and 10,528 for firefighters.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

	Net Change in Fund Balance			
	General	Fire and Rescue	Police	Street
Budget basis	\$ 104,119	\$ (555,375)	\$ (83,128)	\$ (176,345)
Net adjustment for revenue accruals	(170,022)	(83,516)	14,482	152,655
Net adjustment for expenditure accruals	(71,523)	25,403	(262,077)	25,426
Net adjustment for other sources/uses	(118,176)	146,646	204,147	(148,000)
Adjustment for encumbrances	162,193	29,768	20,283	64,389
GAAP basis	\$ (93,409)	\$ (437,074)	\$ (106,293)	\$ (81,875)

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2005.

B. Litigation

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



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Englewood (the "City") as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting 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 is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.

Julian & Grube, Inc.
June 9, 2006



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF 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 1, 2006**