

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2009

JANINE COOPER, FINANCE DIRECTOR

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**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Englewood, Montgomery County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the City of Englewood's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Englewood's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2009, and the respective changes in financial position and cash flows, thereof and the respective budgetary comparisons for the general fund and major special revenue funds: fire and rescue, police and street 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 April 30, 2010 on our consideration of the City of Englewood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of Council and Mayor
City of Englewood
Page Two

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

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

Julian & Grube, Inc.
April 30, 2010

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

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, 2009. 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 2009 are as follows:

- The total net assets of the City decreased \$268,621. Net assets of governmental activities decreased \$365,893 or 0.70% from 2008 and net assets of business-type activities increased \$97,272 or 0.40% over 2008.
- General revenues accounted for \$8,433,568 or 72.55% of total governmental activities revenue. Program specific revenues accounted for \$3,190,726 or 27.45% of total governmental activities revenue.
- The City had \$11,962,625 in expenses related to governmental activities; \$3,190,726 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$8,771,899 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$8,433,568.
- The general fund had revenues and other financing sources of \$7,664,034 in 2009. This represents a decrease of \$669,230, primarily in local taxes and interest on investments, from 2008 revenues. The expenditures and other financing uses of the general fund, which totaled \$8,625,655 in 2009, increased \$1,115,811 from 2008. Interfund transfers, designed to ease the 2010 general fund budget burden, accounted for the majority of this increase. The net decrease in fund balance for the general fund was \$961,621 or 24.84%.
- The fire and rescue fund had revenues and other financing sources of \$2,083,284 in 2009. This represents an increase of \$483,132 from 2008 revenues and other sources. The expenditures of the fire and rescue fund, which totaled \$1,891,799 in 2009, increased \$285,681 from 2008. The net increase in fund balance for the fire and rescue fund was \$191,485 or 48.20%.
- The police fund had revenues and other financing sources of \$2,834,127 in 2009. This represents an increase of \$467,594 from 2008 revenues and other sources. The expenditures of the police fund, which totaled \$2,589,820 in 2009, increased \$94,554 from 2008. The net increase in fund balance for the police fund was \$244,307 or 272.32%.
- The street fund had revenues and other financing sources of \$2,066,716 in 2009. This represents an increase of \$25,464 from 2008 revenues and other sources. The expenditures of the street fund, which totaled \$1,691,075 in 2009, decreased \$275,784 from 2008. The net increase in the fund balance for the street fund was \$375,641 or 72.93%.
- The capital improvement fund had revenues and other financing sources of \$2,166,842 in 2009. The expenditures and other financing uses of the capital improvement fund totaled \$1,081,900 in 2009. The net increase in the fund balance for the capital improvement fund was \$1,084,942 or 24.56%.
- Net assets for the business-type activities, which are made up of the water, sewer, and solid waste enterprise funds, increased in 2009 by \$97,272. This increase in net assets was due primarily to the \$75,219 increase in general revenues related to business-type activities from 2008.

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

- In the general fund, the actual revenues and other financing sources came in \$967,222 lower than they were in the final budget and actual expenditures and other financing uses were \$1,072,779 less than the amount in the final budget. Budgeted revenues increased \$82,531 from original to the final budget and budgeted expenditures increased \$440,500 from original to the final budget.

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" 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, 2009

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, fire and rescue fund, police fund, street fund, and capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 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, 2009

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 - 64 of this report.

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets for 2009 compared to 2008:

	Net Assets					
	2009 Governmental Activities	2008 Governmental Activities	2009 Business-type Activities	2008 Business-type Activities	2009 Total	2008 Total
<u>Assets</u>						
Current and other assets	\$ 15,998,305	\$ 15,043,009	\$ 5,300,194	\$ 5,105,116	\$ 21,298,499	\$ 20,148,125
Capital assets, net	<u>37,858,258</u>	<u>39,349,708</u>	<u>19,383,745</u>	<u>19,354,893</u>	<u>57,242,003</u>	<u>58,704,601</u>
Total assets	<u>53,856,563</u>	<u>54,392,717</u>	<u>24,683,939</u>	<u>24,460,009</u>	<u>78,540,502</u>	<u>78,852,726</u>
<u>Liabilities</u>						
Long-term liabilities	416,031	382,463	341,604	337,620	757,635	720,083
Other liabilities	<u>1,833,747</u>	<u>2,037,576</u>	<u>183,816</u>	<u>61,142</u>	<u>2,017,563</u>	<u>2,098,718</u>
Total liabilities	<u>2,249,778</u>	<u>2,420,039</u>	<u>525,420</u>	<u>398,762</u>	<u>2,775,198</u>	<u>2,818,801</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	37,858,258	39,349,708	19,191,353	19,156,393	57,049,611	58,506,101
Restricted	8,860,922	7,095,770	-	-	8,860,922	7,095,770
Unrestricted	<u>4,887,605</u>	<u>5,527,200</u>	<u>4,967,166</u>	<u>4,904,854</u>	<u>9,854,771</u>	<u>10,432,054</u>
Total net assets	<u>\$ 51,606,785</u>	<u>\$ 51,972,678</u>	<u>\$ 24,158,519</u>	<u>\$ 24,061,247</u>	<u>\$ 75,765,304</u>	<u>\$ 76,033,925</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2009, the City's assets exceeded liabilities by \$75,765,304. At year-end, net assets were \$51,606,785 and \$24,158,519 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets net represented 72.88% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2009, were \$37,858,258 and \$19,191,353 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, 2009**

As of December 31, 2009, 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, \$8,860,922 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 \$4,887,605 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for years 2009 and 2008.

	Change in Net Assets					
	2009 Governmental Activities	2008 Governmental Activities	2009 Business-Type Activities	2008 Business-Type Activities	2009 Total	2008 Total
Revenues						
Program revenues:						
Charges for services	\$ 1,897,722	\$ 1,406,114	\$ 3,108,480	\$ 3,266,011	\$ 5,006,202	\$ 4,672,125
Operating grants and contributions	844,073	834,905	-	-	844,073	834,905
Capital grants and contributions	448,931	480,891	103,545	237,440	552,476	718,331
Total program revenues	<u>3,190,726</u>	<u>2,721,910</u>	<u>3,212,025</u>	<u>3,503,451</u>	<u>6,402,751</u>	<u>6,225,361</u>
General revenues:						
Property taxes	1,445,967	1,624,674	-	-	1,445,967	1,624,674
Income taxes	5,371,831	5,484,543	-	-	5,371,831	5,484,543
Unrestricted grants and entitlements	859,091	1,101,526	-	-	859,091	1,101,526
Payment in lieu of taxes	335,854	368,541	-	-	335,854	368,541
Investment earnings	332,605	540,851	67,305	110,218	399,910	651,069
Miscellaneous	88,220	107,006	146,395	28,263	234,615	135,269
Total general revenues	<u>8,433,568</u>	<u>9,227,141</u>	<u>213,700</u>	<u>138,481</u>	<u>8,647,268</u>	<u>9,365,622</u>
Total revenues	<u>11,624,294</u>	<u>11,949,051</u>	<u>3,425,725</u>	<u>3,641,932</u>	<u>15,050,019</u>	<u>15,590,983</u>
Expenses:						
General government	1,718,515	1,605,945	-	-	1,718,515	1,605,945
Security of persons and property	5,335,584	4,402,200	-	-	5,335,584	4,402,200
Public health and welfare	17,658	18,757	-	-	17,658	18,757
Transportation	3,847,596	3,929,055	-	-	3,847,596	3,929,055
Community environment	693,563	745,402	-	-	693,563	745,402
Leisure time activity	349,709	222,033	-	-	349,709	222,033
Water	-	-	1,172,079	996,266	1,172,079	996,266
Sewer	-	-	1,462,208	1,348,157	1,462,208	1,348,157
Solid waste	-	-	721,728	722,101	721,728	722,101
Total expenses	<u>11,962,625</u>	<u>10,923,392</u>	<u>3,356,015</u>	<u>3,066,524</u>	<u>15,318,640</u>	<u>13,989,916</u>
Transfers	<u>(27,562)</u>	<u>-</u>	<u>27,562</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(365,893)	1,025,659	97,272	575,408	(268,621)	1,601,067
Net assets at beginning of year	<u>51,972,678</u>	<u>50,947,019</u>	<u>24,061,247</u>	<u>23,485,839</u>	<u>76,033,925</u>	<u>74,432,858</u>
Net assets at end of year	<u>\$ 51,606,785</u>	<u>\$ 51,972,678</u>	<u>\$ 24,158,519</u>	<u>\$ 24,061,247</u>	<u>\$ 75,765,304</u>	<u>\$ 76,033,925</u>

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Governmental Activities

Governmental activities net assets decreased \$365,893 in 2009. This decrease is a result of City revenues being less than expenditures. Investment earnings and local tax revenue have been affected by the national economic downturn.

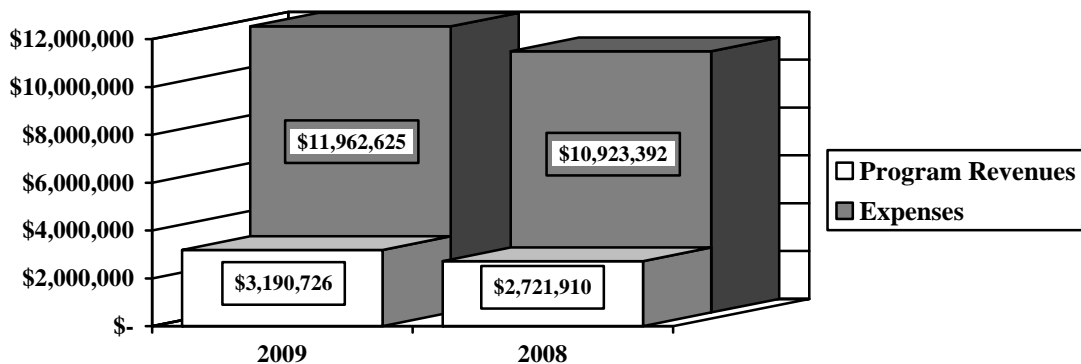
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$5,335,584 of the total expenses of the City. These expenses were partially funded by \$1,365,875 in direct charges to users of the services. Transportation expenses totaled \$3,847,596. Transportation expenses were partially funded by \$227,749 in direct charges to users of the services, \$721,324 in operating grants and contributions and \$448,931 in capital grants and contributions.

The state and federal government contributed to the City a total of \$844,073 in operating grants and contributions and \$448,931 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total grants and contributions, \$1,170,255 subsidized transportation programs, and \$122,749 subsidized security of persons and property programs.

General revenues totaled \$8,433,568, and amounted to 72.55% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$6,817,798. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government funds, making up \$859,091.

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

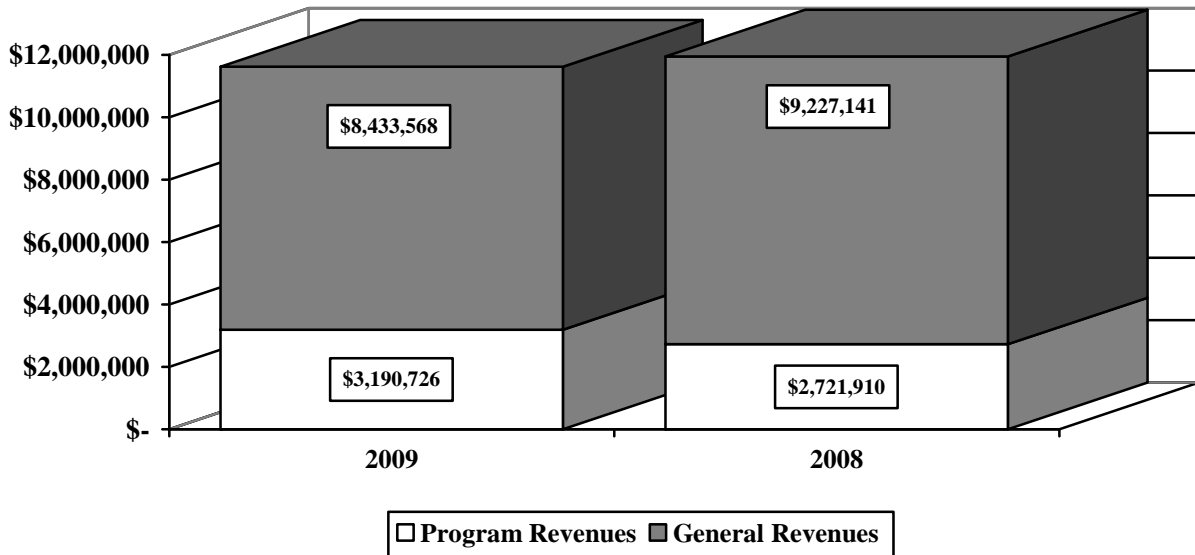
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Governmental Activities

	Total Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2009</u>	Net Cost of Services <u>2008</u>
Program Expenses:				
General government	\$ 1,718,515	\$ 1,605,945	\$ 1,523,062	\$ 1,431,353
Security of persons and property	5,335,584	4,402,200	3,846,960	3,341,111
Public health and welfare	17,658	18,757	17,132	18,032
Transportation	3,847,596	3,929,055	2,449,592	2,549,635
Community environment	693,563	745,402	607,402	655,629
Leisure time activity	<u>349,709</u>	<u>222,033</u>	<u>327,751</u>	<u>205,722</u>
Total Expenses	<u>\$11,962,625</u>	<u>\$10,923,392</u>	<u>\$ 8,771,899</u>	<u>\$ 8,201,482</u>

The dependence upon general revenues for governmental activities is apparent, with 73.33% of expenses supported through taxes and other general revenues.

Governmental Activities - General and Program Revenues

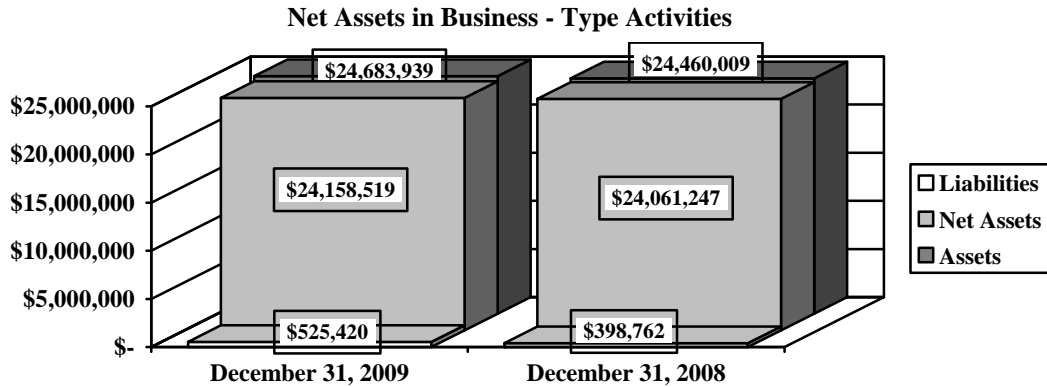


CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Business-type Activities

Business-type activities include the water, sewer, and solid waste enterprise funds. These programs had program revenues of \$3,212,025, general revenues of \$213,700, transfers in of \$27,562 and expenses of \$3,356,015 for 2009. The graph below shows the business-type activities assets, liabilities and net assets at year-end 2009 and 2008.



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 \$11,506,406 which is \$993,910 above last year's total of \$10,512,496. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2009 for all major and nonmajor governmental funds.

	Fund Balances 12/31/09	Fund Balances 12/31/08	Increase (Decrease)
Major Funds:			
General	\$ 2,908,878	\$ 3,870,499	\$ (961,621)
Fire and rescue	588,753	397,268	191,485
Police	334,021	89,714	244,307
Street	1,028,567	515,056	513,511
Capital improvement	5,503,340	4,418,398	1,084,942
Other nonmajor governmental funds	1,142,847	1,221,561	(78,714)
Total	\$ 11,506,406	\$ 10,512,496	\$ 993,910

CITY OF ENGLEWOOD, OHIO

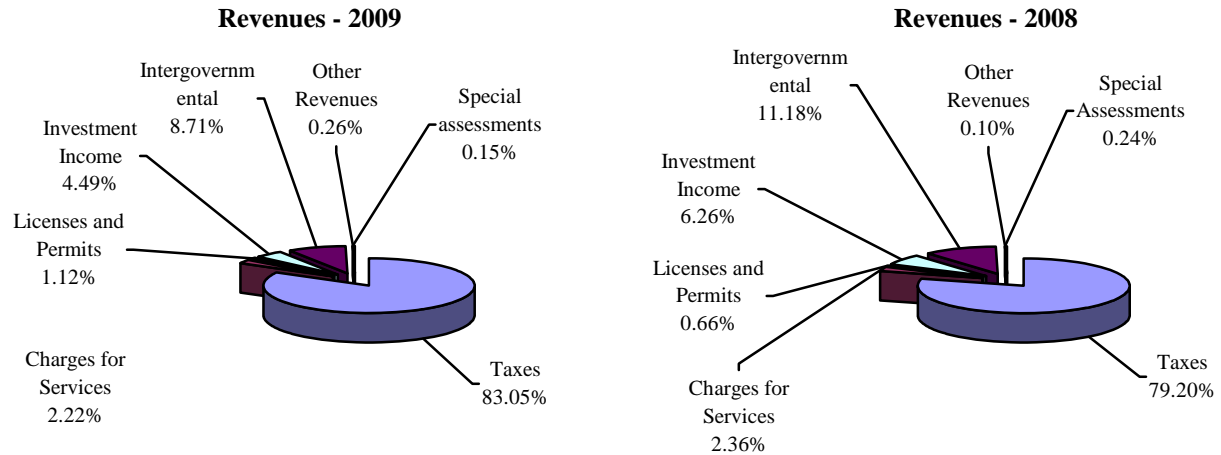
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

General Fund

The City's general fund balance decreased \$961,621 primarily due to transfers to other funds. This is further reflected in the other major fund highlights on pages 12 and 13. The table that follows assists in illustrating the revenues of the general fund.

	<u>2009</u>	<u>2008</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Revenues</u>			
Taxes	\$ 6,153,224	\$ 6,597,585	(6.74) %
Charges for services	164,418	196,944	(16.52) %
Licenses and permits	83,207	54,823	51.77 %
Investment income	332,569	521,351	(36.21) %
Special assessments	11,165	19,615	(43.08) %
Intergovernmental	645,474	931,760	(30.73) %
Other	<u>19,154</u>	<u>8,261</u>	131.86 %
Total	<u>\$ 7,409,211</u>	<u>\$ 8,330,339</u>	(11.06) %

Tax revenue represents 83.05% of all general fund revenue. Tax revenue decreased slightly by 6.74% over prior year. The decrease in investment income is a reflection of decreased interest rates on City investments. The decrease in intergovernmental revenue is due a decrease in estate tax revenue of over \$350,000. Licenses and permit revenue increased in 2009 due to an increase in license and permit applications.



CITY OF ENGLEWOOD, OHIO

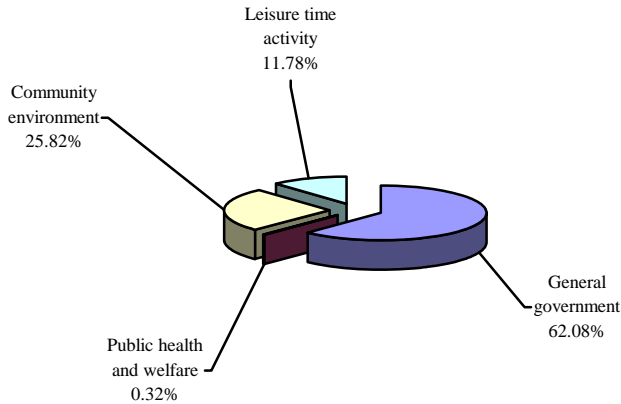
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

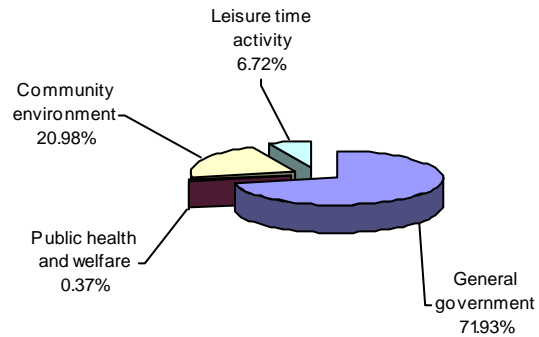
	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,173,214	\$ 1,521,940	(22.91) %
Public health and welfare	6,033	7,790	(22.55) %
Community environment	487,821	443,845	9.91 %
Leisure time activity	<u>222,587</u>	<u>142,164</u>	56.57 %
Total	<u>\$ 1,889,655</u>	<u>\$ 2,115,739</u>	(10.69) %

Total expenditures decreased 10.69% from 2008. The largest expenditure line item, general government, decreased 22.91%, leveling out from a similar increase in 2008 caused by land acquisitions and nuisance abatement activities in the downtown area. Leisure time activity expenditures increased because the Fine Arts Commission was transitioned from community environment to this category in 2009.

Expenditures - 2009



Expenditures - 2008



Fire and Rescue Fund

The fire and rescue fund had revenues and other financing sources of \$2,083,284 in 2009. This represents an increase of \$483,132 from 2008 revenues and other sources. The expenditures of the fire and rescue fund, which totaled \$1,891,799 in 2009, increased \$285,681 from 2008. The net increase in fund balance for the fire and rescue fund was \$191,485 or 48.20%.

Police Fund

The police fund had revenues and other financing sources of \$2,834,127 in 2009. This represents an increase of \$467,594 from 2008 revenues and other sources. The expenditures of the police fund, which totaled \$2,589,820 in 2009, increased \$94,554 from 2008. The net increase in fund balance for the police fund was \$244,307 or 272.32%.

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

Street Fund

The street fund had revenues and other financing sources of \$2,066,716 in 2009. This represents an increase of \$25,464 from 2008 revenues and other sources. The expenditures of the street fund, which totaled \$1,691,075 in 2009, decreased \$275,784 from 2008. The street fund also had an increase in the reserve for inventory in the amount of \$137,870. The net increase in the fund balance for the street fund was \$513,511 or 99.70%.

Capital Improvement Fund

The capital improvement fund had revenues and other financing sources of \$2,166,842 in 2009. The expenditures and other financing uses of the capital improvement fund totaled \$1,081,900 in 2009. The net increase in the fund balance for the capital improvement fund was \$1,084,942 or 24.56%.

Budgeting Highlights

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

Budgetary information is presented for the general fund, fire and rescue fund, police fund and street fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of revenues which increased \$82,531 from \$8,548,251 to \$8,630,782. The other significant change was between the final budgeted revenues and actual revenues. Final budget revenues and other financing sources of \$8,630,782 exceeded actual revenues and other financing sources by \$967,222. The actual expenditures and other financing uses of \$8,637,071 were less than the final appropriations by \$1,072,779.

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.

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Capital Assets and Debt Administration

Capital Assets

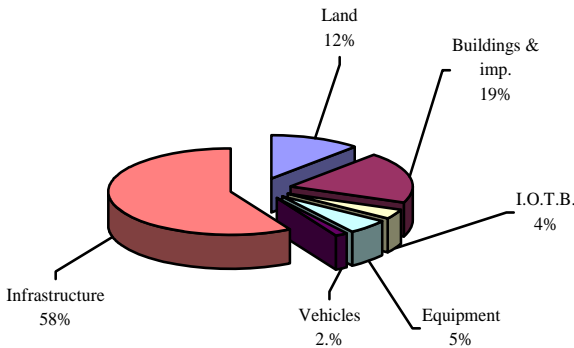
At the end of 2009, the City had \$57,242,003 (net of accumulated depreciation) invested in land, buildings and improvements, improvements other than buildings, equipment, vehicles, infrastructure and construction in progress. Of this total, \$37,858,258 was reported in governmental activities and \$19,383,745 was reported in business-type activities. See Note 10 in the basic financial statements for additional capital asset disclosure. The following table shows 2009 balances compared to 2008:

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

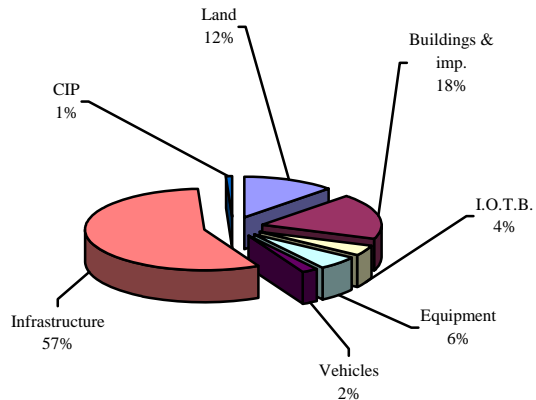
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 4,574,466	\$ 4,867,321	\$ 33,510	\$ 33,510	\$ 4,607,976	\$ 4,900,831
Land improvements (I.O.T.B.)	1,406,099	1,567,930	537,095	390,256	1,943,194	1,958,186
Buildings and improvements	7,157,929	7,184,262	3,939,404	3,926,750	11,097,333	11,111,012
Equipment	2,060,452	2,233,522	2,359,330	2,339,915	4,419,782	4,573,437
Vehicles	708,598	881,486	25,326	31,111	733,924	912,597
Infrastructure	21,950,714	22,331,124	11,981,928	12,454,510	33,932,642	34,785,634
Construction in progress	-	284,063	507,152	178,841	507,152	462,904
Totals	\$ 37,858,258	\$ 39,349,708	\$ 19,383,745	\$ 19,354,893	\$ 57,242,003	\$ 58,704,601

The following graphs show the breakdown of governmental capital assets by category for 2009 and 2008.

**Capital Assets - Governmental Activities
2009**



**Capital Assets - Governmental Activities
2008**

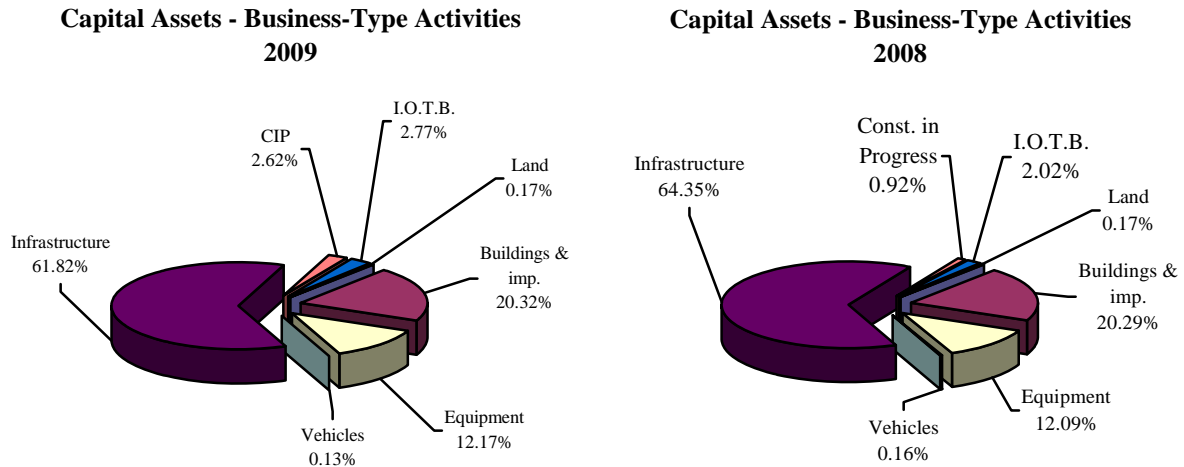


CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

The following graphs show the breakdown of business-type capital assets by category for 2009 and 2008.



The City's largest business-type capital asset category is infrastructure which primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 61.82% of the City's total business-type capital assets.

Debt Administration

The City's only long-term debt outstanding at December 31, 2009 and 2008 were OPWC loans in the business-type activities. Of the \$192,392 balance of OPWC loans outstanding at December 31, 2009 \$79,658 is due in one year and \$112,734 is due in more than one year. Below is the comparison of the OPWC loans outstanding at December 31, 2009 and the loan balance at December 31, 2008.

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

Economic Conditions and Outlook

The City of Englewood continues to prosper, thriving as an attractive planned community of approximately 13,000 residents. A comfortable and secure residential environment, combined with a healthy and expanding business community with easy accessibility to Interstate 70, 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 federal, state and local grants, Englewood 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 of the community.

Major capital improvements completed in 2009 include an upgrade of the filtration system at the water treatment plant, a \$250,000 project that will result in more reliable water supply treatment. A newly installed backup generator will insure storm outage protection. Additionally, a Supervisory Control and Data Acquisition (SCADA) system was installed in 2009. This automated process control system will provide a communication link between various booster stations, lift stations, well houses, and treatment facilities to maximize operational efficiency. The second phase of the sanitary sewer rehabilitation project was completed in 2009, and a 50-year old metal culvert on Arcadia Boulevard was replaced. OPWC funding contributed over \$400,000 to these projects. Finally, the City received \$200,000 in ARRA Stimulus funding to resurface Union Boulevard from I-70 North to National Road.

FEMA grants enabled the fire department to update auto extrication tools and self contained breathing apparatuses for enhanced fire and rescue responses. A second federal grant expanded the current weather siren system into previously underserved areas of the city. A third grant provided funds for mobile data terminals (MDT's) in police vehicles.

The City was very successful in receiving OPWC funding for projects in 2010, as well. Capital improvements on the horizon include: Improvements to the drainage channel in the Porter plat; phase 3 rehabilitation of the sanitary sewer lines; replacement of the Englewood Road culvert; replacement of the water main on East Wenger Road; and improvements to the intersection of State Route 48 and Wenger Road. In all, these projects have an estimated value of \$2M with more than 80% of the funding coming from the Ohio Public Works Commission in the form of grants and interest-free loans.

The City realized a decrease in income tax revenue in 2009, particularly in the manufacturing and service industries. However, a strong presence in the health, education, and governmental sectors - which are typically less subject to economic fluctuations - has tempered what would otherwise be a drastic loss of tax revenue. Looking forward, Cypress Pointe, a new \$12 million Trilogy Health Care Facility, opened in late 2009 and will add 130 new jobs to Englewood.

There have been no reductions to City workforces, enabling Englewood to maintain excellence in safety, security and public service to the community. Englewood is virtually debt-free and City administration is committed to fiscal stewardship of public funds.

Community safety and security, numerous parks and other quality recreational opportunities, reasonable utility and tax rates, wonderful educational opportunities and an aggressive capital improvements program have all positioned the City of Englewood to maintain and improve its image as a progressive and inviting community.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Contacting the City's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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CITY OF ENGLEWOOD, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and investments	\$ 11,619,610	\$ 4,610,862	\$ 16,230,472
Receivables (net of allowances for uncollectibles):			
Income taxes	1,191,875	-	1,191,875
Real and other taxes	1,347,644	-	1,347,644
Accounts	501,636	431,522	933,158
Accrued interest	70,931	-	70,931
Special assessments	171,353	27,720	199,073
Internal balances	(1,611)	1,611	-
Due from other governments	835,744	70,470	906,214
Prepayments	50,592	6,277	56,869
Materials and supplies inventory.	210,531	151,732	362,263
Capital assets:			
Land and construction in progress.	4,574,466	540,662	5,115,128
Depreciable capital assets, net	33,283,792	18,843,083	52,126,875
Total capital assets.	<u>37,858,258</u>	<u>19,383,745</u>	<u>57,242,003</u>
 Total assets.	 <u>53,856,563</u>	 <u>24,683,939</u>	 <u>78,540,502</u>
Liabilities:			
Accounts payable.	170,303	29,553	199,856
Contracts payable.	73,028	53,575	126,603
Accrued wages and benefits	48,699	7,247	55,946
Due to other governments	242,754	22,249	265,003
Unearned revenue.	1,298,963	71,192	1,370,155
Long-term liabilities:			
Due within one year	251,396	116,389	367,785
Due in more than one year	164,635	225,215	389,850
 Total liabilities	 <u>2,249,778</u>	 <u>525,420</u>	 <u>2,775,198</u>
Net assets:			
Invested in capital assets, net of related debt	37,858,258	19,191,353	57,049,611
Restricted for:			
Capital projects.	5,653,308	-	5,653,308
Matured bond and interest	6,069	-	6,069
Street construction and maintenance	1,571,092	-	1,571,092
Public safety	795,188	-	795,188
Other purposes	835,265	-	835,265
Unrestricted.	4,887,605	4,967,166	9,854,771
 Total net assets	 <u>\$ 51,606,785</u>	 <u>\$ 24,158,519</u>	 <u>\$ 75,765,304</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 1,718,515	\$ 195,453	\$ -	\$ -
Security of persons and property.	5,335,584	1,365,875	122,749	-
Public health and welfare	17,658	526	-	-
Transportation	3,847,596	227,749	721,324	448,931
Community environment.	693,563	86,161	-	-
Leisure time activity.	349,709	21,958	-	-
Total governmental activities	11,962,625	1,897,722	844,073	448,931
Business-type Activities:				
Water	1,172,079	1,170,495	-	-
Sewer	1,462,208	1,252,337	-	103,545
Solid waste	721,728	685,648	-	-
Total business-type activities	3,356,015	3,108,480	-	103,545
Total primary government.	\$ 15,318,640	\$ 5,006,202	\$ 844,073	\$ 552,476

General Revenues:

Property taxes levied for:

- General purposes.
 - Fire and rescue.
 - Police
 - Police pension
- Income taxes levied for:
- General purposes.
 - Grants and entitlements not restricted to specific programs
 - Payment in lieu of taxes.
 - Investment earnings
 - Miscellaneous

Total general revenues.

Transfers.

Change in net assets.

Net assets at beginning of year.

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (1,523,062)	\$ -	\$ (1,523,062)
(3,846,960)	-	(3,846,960)
(17,132)	-	(17,132)
(2,449,592)	-	(2,449,592)
(607,402)	-	(607,402)
(327,751)	-	(327,751)
<u>(8,771,899)</u>	<u>-</u>	<u>(8,771,899)</u>
-	(1,584)	(1,584)
-	(106,326)	(106,326)
<u>-</u>	<u>(36,080)</u>	<u>(36,080)</u>
-	(143,990)	(143,990)
<u>(8,771,899)</u>	<u>(143,990)</u>	<u>(8,915,889)</u>
750,094	-	750,094
439,350	-	439,350
188,298	-	188,298
68,225	-	68,225
5,371,831	-	5,371,831
859,091	-	859,091
335,854	-	335,854
332,605	67,305	399,910
88,220	146,395	234,615
<u>8,433,568</u>	<u>213,700</u>	<u>8,647,268</u>
<u>(27,562)</u>	<u>27,562</u>	<u>-</u>
(365,893)	97,272	(268,621)
<u>51,972,678</u>	<u>24,061,247</u>	<u>76,033,925</u>
<u>\$ 51,606,785</u>	<u>\$ 24,158,519</u>	<u>\$ 75,765,304</u>

CITY OF ENGLEWOOD, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	<u>General</u>	<u>Fire and Rescue</u>	<u>Police</u>
Assets:			
Equity in pooled cash and investments	\$ 2,476,321	\$ 572,225	\$ 474,693
Receivables (net of allowance for uncollectibles):			
Income taxes.	1,191,875	-	-
Real and other taxes.	626,148	450,769	201,263
Accounts	56,334	443,639	1,663
Accrued interest	70,931	-	-
Special assessments.	135,588	-	-
Due from other governments	290,868	33,822	15,928
Prepayments.	-	5,499	-
Materials and supplies inventory	-	-	-
 Total assets	 <u>\$ 4,848,065</u>	 <u>\$ 1,505,954</u>	 <u>\$ 693,547</u>
Liabilities:			
Accounts payable	\$ 100,847	\$ 6,504	\$ 10,708
Contracts payable	-	-	-
Accrued wages and benefits.	7,947	10,352	16,835
Compensated absences payable.	-	-	-
Due to other governments.	28,121	54,986	114,792
Deferred revenue	1,198,668	410,690	23,504
Unearned revenue	603,604	434,669	193,687
 Total liabilities	 <u>1,939,187</u>	 <u>917,201</u>	 <u>359,526</u>
Fund Balances:			
Reserved for encumbrances.	2,947	24,161	12,361
Reserved for prepayments	-	5,499	-
Reserved for materials and supplies inventory	-	-	-
Reserved for matured bond and interest.	-	-	-
Unreserved, undesignated, reported in:			
General fund.	2,905,931	-	-
Special revenue funds.	-	559,093	321,660
Capital projects funds.	-	-	-
 Total fund balances.	 <u>2,908,878</u>	 <u>588,753</u>	 <u>334,021</u>
 Total liabilities and fund balances.	 <u>\$ 4,848,065</u>	 <u>\$ 1,505,954</u>	 <u>\$ 693,547</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Street</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 838,917	\$ 5,617,238	\$ 1,168,118	\$ 11,147,512
-	-	-	1,191,875
-	-	69,464	1,347,644
-	-	-	501,636
-	-	-	70,931
-	2,274	33,491	171,353
248,105	147,694	97,044	833,461
-	-	1,745	7,244
187,345	-	-	187,345
<u>\$ 1,274,367</u>	<u>\$ 5,767,206</u>	<u>\$ 1,369,862</u>	<u>\$ 15,459,001</u>
\$ 7,956	\$ 40,870	\$ 3,418	\$ 170,303
-	73,028	-	73,028
7,639	-	3,861	46,634
-	-	21,004	21,004
24,495	-	13,718	236,112
205,710	149,968	118,011	2,106,551
-	-	67,003	1,298,963
<u>245,800</u>	<u>263,866</u>	<u>227,015</u>	<u>3,952,595</u>
30,109	421,809	10,377	501,764
-	-	1,745	7,244
187,345	-	-	187,345
-	-	6,069	6,069
-	-	-	2,905,931
811,113	-	1,124,656	2,816,522
-	5,081,531	-	5,081,531
<u>1,028,567</u>	<u>5,503,340</u>	<u>1,142,847</u>	<u>11,506,406</u>
<u>\$ 1,274,367</u>	<u>\$ 5,767,206</u>	<u>\$ 1,369,862</u>	<u>\$ 15,459,001</u>

CITY OF ENGLEWOOD, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009

Total governmental fund balances		\$ 11,506,406
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds.		36,470,353
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 48,681	
Income taxes receivable	722,647	
Charges for services	474,022	
Special assessments receivable	171,353	
Intergovernmental receivable	618,917	
Accrued interest receivable	70,931	
Total		2,106,551
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 \$1,611, are:		1,886,033
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities (excluding amounts reported in the internal service funds) consisting of compensated absences are as follows:		(362,558)
Net assets of governmental activities		\$ 51,606,785

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
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>General</u>	<u>Fire and Rescue</u>	<u>Police</u>
Revenues:			
Municipal income taxes	\$ 5,366,769	\$ -	\$ -
Property and other taxes	786,455	461,746	207,018
Charges for services	164,418	770,783	3,331
Licenses and permits	83,207	-	-
Fines and forfeitures	-	-	28,807
Intergovernmental	645,474	225,918	91,067
Special assessments	11,165	-	-
Investment income	332,569	-	-
Donations	600	-	-
Rental income	-	-	-
Payment in lieu of taxes	-	-	-
Other	18,554	2,916	2,080
Total revenues	<u>7,409,211</u>	<u>1,461,363</u>	<u>332,303</u>
Expenditures:			
Current:			
General government	1,173,214	-	-
Security of persons and property	-	1,891,799	2,589,820
Public health and welfare	6,033	-	-
Transportation	-	-	-
Community environment	487,821	-	-
Leisure time activity	222,587	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Total expenditures	<u>1,889,655</u>	<u>1,891,799</u>	<u>2,589,820</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,519,556</u>	<u>(430,436)</u>	<u>(2,257,517)</u>
Other financing sources (uses):			
Sale of capital assets	254,823	9,300	808
Loans	-	-	-
Transfers in	-	612,621	2,501,016
Transfers out	(6,736,000)	-	-
Total other financing sources (uses)	<u>(6,481,177)</u>	<u>621,921</u>	<u>2,501,824</u>
Net change in fund balances	(961,621)	191,485	244,307
Fund balances at beginning of year	3,870,499	397,268	89,714
Increase in reserve for inventory	-	-	-
Fund balances at end of year	<u>\$ 2,908,878</u>	<u>\$ 588,753</u>	<u>\$ 334,021</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Street</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 5,366,769
-	-	71,128	1,526,347
-	-	-	938,532
-	25	-	83,232
-	-	2,069	30,876
522,874	300,807	731,847	2,517,987
-	-	194,258	205,423
16,570	-	2,418	351,557
-	-	3,614	4,214
-	4,376	8,990	13,366
-	-	335,854	335,854
2,833	405	9,100	35,888
<u>542,277</u>	<u>305,613</u>	<u>1,359,278</u>	<u>11,410,045</u>
-	-	290,035	1,463,249
-	-	538,177	5,019,796
-	-	-	6,033
1,691,075	-	453,654	2,144,729
-	-	193,140	680,961
-	-	-	222,587
-	988,621	277,260	1,265,881
-	-	93,279	93,279
<u>1,691,075</u>	<u>988,621</u>	<u>1,845,545</u>	<u>10,896,515</u>
<u>(1,148,798)</u>	<u>(683,008)</u>	<u>(486,267)</u>	<u>513,530</u>
3,360	17,950	-	286,241
-	93,279	-	93,279
1,521,079	1,750,000	618,279	7,002,995
-	(93,279)	(210,726)	(7,040,005)
<u>1,524,439</u>	<u>1,767,950</u>	<u>407,553</u>	<u>342,510</u>
375,641	1,084,942	(78,714)	856,040
515,056	4,418,398	1,221,561	10,512,496
137,870	-	-	137,870
<u>\$ 1,028,567</u>	<u>\$ 5,503,340</u>	<u>\$ 1,142,847</u>	<u>\$ 11,506,406</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, 2009

Net change in fund balances - total governmental funds	\$	856,040
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital asset additions	\$ 978,316	
Current year depreciation	<u>(2,017,525)</u>	
Total		(1,039,209)
The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.		
Capital contributions, net of accumulated depreciation	64,961	
Disposals, net	<u>(405,208)</u>	
Total		(340,247)
Repayments of loan principal is an expenditure in the governmental funds, but the repayments reduce long-term liabilities on the statement of net assets.		
		93,279
Issuance of loans are recorded as an other financing source in the funds; however in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.		
		(93,279)
Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed.		
		137,870
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	5,062	
Delinquent property taxes	(80,380)	
Charges for services	162,809	
Intergovernmental	82,099	
Special assessments	44,623	
Interest	<u>36</u>	
Total		214,249
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These expenses are exclusive of internal service funds activity.		
		(43,003)
Internal service funds are used by management to charge the costs of the government center, service center and health insurance to individual funds are not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service funds revenues are eliminated. The net revenue (expense) of the internal service funds, including internal balances is allocated among the governmental activities.		
		<u>(151,593)</u>
Change in net assets of governmental activities	\$	<u><u>(365,893)</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, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Postive (Negative)
Revenues:				
Municipal income taxes	\$ 5,933,910	\$ 5,991,200	\$ 5,319,787	\$ (671,413)
Property and other taxes	882,887	891,411	791,514	(99,897)
Charges for services	184,368	186,148	165,287	(20,861)
Licenses and permits.	92,330	93,221	82,774	(10,447)
Intergovernmental	667,923	674,372	598,797	(75,575)
Special assessments	12,454	12,574	11,165	(1,409)
Investment income	466,320	470,823	418,059	(52,764)
Donations	669	676	600	(76)
Other	23,150	23,373	20,754	(2,619)
Total revenues.	<u>8,264,011</u>	<u>8,343,798</u>	<u>7,408,737</u>	<u>(935,061)</u>
Expenditures:				
Current:				
General government	1,247,734	1,307,029	1,162,624	144,405
Public health and welfare.	7,138	7,477	6,651	826
Community environment	545,979	571,926	508,737	63,189
Leisure time activity	239,388	250,764	223,059	27,705
Total expenditures	<u>2,040,239</u>	<u>2,137,196</u>	<u>1,901,071</u>	<u>236,125</u>
Excess of revenues over expenditures	<u>6,223,772</u>	<u>6,206,602</u>	<u>5,507,666</u>	<u>(698,936)</u>
Other financing sources (uses):				
Sale of capital assets	284,240	286,984	254,823	(32,161)
Transfers out	(7,229,111)	(7,572,654)	(6,736,000)	836,654
Total other financing sources (uses)	<u>(6,944,871)</u>	<u>(7,285,670)</u>	<u>(6,481,177)</u>	<u>804,493</u>
Net change in fund balance	(721,099)	(1,079,068)	(973,511)	105,557
Fund balance at beginning of year	3,373,390	3,373,390	3,373,390	-
Prior year encumbrances appropriated	<u>47,044</u>	<u>47,044</u>	<u>47,044</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 2,699,335</u>	<u>\$ 2,341,366</u>	<u>\$ 2,446,923</u>	<u>\$ 105,557</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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other taxes	\$ 430,975	\$ 435,584	\$ 461,747	\$ 26,163
Charges for services	691,761	699,159	741,153	41,994
Intergovernmental	210,862	213,118	225,918	12,800
Other	2,721	2,750	2,915	165
Total revenues	<u>1,336,319</u>	<u>1,350,611</u>	<u>1,431,733</u>	<u>81,122</u>
Expenditures:				
Current:				
Security of persons and property	<u>2,086,287</u>	<u>2,144,767</u>	<u>1,976,600</u>	<u>168,167</u>
Total expenditures	<u>2,086,287</u>	<u>2,144,767</u>	<u>1,976,600</u>	<u>168,167</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(749,968)</u>	<u>(794,156)</u>	<u>(544,867)</u>	<u>249,289</u>
Other financing sources:				
Sale of capital assets	8,680	8,773	9,300	527
Transfers in	571,795	577,910	612,621	34,711
Total other financing sources	<u>580,475</u>	<u>586,683</u>	<u>621,921</u>	<u>35,238</u>
Net change in fund balance	(169,493)	(207,473)	77,054	284,527
Fund balance at beginning of year	348,889	348,889	348,889	-
Prior year encumbrances appropriated	<u>115,617</u>	<u>115,617</u>	<u>115,617</u>	<u>-</u>
Fund balance at end of year	<u>\$ 295,013</u>	<u>\$ 257,033</u>	<u>\$ 541,560</u>	<u>\$ 284,527</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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 207,205	\$ 207,205	\$ 207,018	\$ (187)
Charges for services	3,334	3,334	3,331	(3)
Fines and forfeitures	29,981	29,981	29,954	(27)
Intergovernmental	91,149	91,149	91,067	(82)
Other	2,082	2,082	2,080	(2)
Total revenues.	<u>333,751</u>	<u>333,751</u>	<u>333,450</u>	<u>(301)</u>
Expenditures:				
Current:				
Security of persons and property	2,894,823	2,952,923	2,669,537	283,386
Total expenditures	<u>2,894,823</u>	<u>2,952,923</u>	<u>2,669,537</u>	<u>283,386</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,561,072)</u>	<u>(2,619,172)</u>	<u>(2,336,087)</u>	<u>283,085</u>
Other financing sources:				
Sale of capital assets	809	809	808	(1)
Transfers in.	2,503,277	2,503,277	2,501,016	(2,261)
Total other financing sources.	<u>2,504,086</u>	<u>2,504,086</u>	<u>2,501,824</u>	<u>(2,262)</u>
Net change in fund balance	(56,986)	(115,086)	165,737	280,823
Fund balance at beginning of year	273,641	273,641	273,641	-
Prior year encumbrances appropriated	<u>8,843</u>	<u>8,843</u>	<u>8,843</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 225,498</u>	<u>\$ 167,398</u>	<u>\$ 448,221</u>	<u>\$ 280,823</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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 562,525	\$ 530,298	\$ 522,777	\$ (7,521)
Investment income	17,830	16,808	16,570	(238)
Other	3,048	2,874	2,833	(41)
Total revenues.	<u>583,403</u>	<u>549,980</u>	<u>542,180</u>	<u>(7,800)</u>
Expenditures:				
Current:				
Transportation	<u>2,362,574</u>	<u>2,327,574</u>	<u>1,757,271</u>	<u>570,303</u>
Total expenditures	<u>2,362,574</u>	<u>2,327,574</u>	<u>1,757,271</u>	<u>570,303</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,779,171)</u>	<u>(1,777,594)</u>	<u>(1,215,091)</u>	<u>562,503</u>
Other financing sources:				
Sale of capital assets	3,616	3,408	3,360	(48)
Transfers in	<u>1,636,731</u>	<u>1,542,962</u>	<u>1,521,079</u>	<u>(21,883)</u>
Total other financing sources	<u>1,640,347</u>	<u>1,546,370</u>	<u>1,524,439</u>	<u>(21,931)</u>
Net change in fund balance	(138,824)	(231,224)	309,348	540,572
Fund balance at beginning of year	338,855	338,855	338,855	-
Prior year encumbrances appropriated	<u>152,649</u>	<u>152,649</u>	<u>152,649</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 352,680</u>	<u>\$ 260,280</u>	<u>\$ 800,852</u>	<u>\$ 540,572</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2009

	Business-type Activities -Enterprise Funds				Governmental
	Water	Sewer	Solid Waste	Total	Activities - Internal Service Funds
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 2,355,295	\$ 1,658,930	\$ 596,637	\$ 4,610,862	\$ 472,098
Receivables (net of allowance for uncollectibles)					
Accounts	206,557	224,965	-	431,522	-
Special assessments	5,821	6,597	15,302	27,720	-
Due from other governments	-	70,470	-	70,470	2,283
Prepayments.	6,277	-	-	6,277	43,348
Materials and supplies inventory	125,807	25,925	-	151,732	23,186
Total current assets	<u>2,699,757</u>	<u>1,986,887</u>	<u>611,939</u>	<u>5,298,583</u>	<u>540,915</u>
Noncurrent assets:					
Capital assets:					
Land and construction in progress	320,880	219,782	-	540,662	130,849
Depreciable capital assets, net	<u>9,586,506</u>	<u>9,156,060</u>	<u>100,517</u>	<u>18,843,083</u>	<u>1,257,056</u>
Total capital assets	<u>9,907,386</u>	<u>9,375,842</u>	<u>100,517</u>	<u>19,383,745</u>	<u>1,387,905</u>
Total noncurrent assets	<u>9,907,386</u>	<u>9,375,842</u>	<u>100,517</u>	<u>19,383,745</u>	<u>1,387,905</u>
Total assets	<u>12,607,143</u>	<u>11,362,729</u>	<u>712,456</u>	<u>24,682,328</u>	<u>1,928,820</u>
Liabilities:					
Current liabilities:					
Accounts payable.	2,073	27,480	-	29,553	-
Contracts payable.	26,820	26,755	-	53,575	-
Accrued wages and benefits	3,443	3,804	-	7,247	2,065
Compensated absences	15,478	21,253	-	36,731	32,469
Due to other governments	10,449	11,800	-	22,249	6,642
Unearned revenue	-	-	71,192	71,192	-
Current portion of OPWC loans.	-	79,658	-	79,658	-
Total current liabilities	<u>58,263</u>	<u>170,750</u>	<u>71,192</u>	<u>300,205</u>	<u>41,176</u>
Long-term liabilities:					
OPWC loans.	-	112,734	-	112,734	-
Compensated absences	<u>59,961</u>	<u>52,520</u>	<u>-</u>	<u>112,481</u>	<u>-</u>
Total long-term liabilities	<u>59,961</u>	<u>165,254</u>	<u>-</u>	<u>225,215</u>	<u>-</u>
Total liabilities	<u>118,224</u>	<u>336,004</u>	<u>71,192</u>	<u>525,420</u>	<u>41,176</u>
Net assets:					
Invested in capital assets, net of related debt.	9,907,386	9,183,450	100,517	19,191,353	1,387,905
Unrestricted	<u>2,581,533</u>	<u>1,843,275</u>	<u>540,747</u>	<u>4,965,555</u>	<u>499,739</u>
Total net assets	<u>\$ 12,488,919</u>	<u>\$ 11,026,725</u>	<u>\$ 641,264</u>	24,156,908	<u>\$ 1,887,644</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				<u>1,611</u>	
Net assets of business-type activities				<u>\$ 24,158,519</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, 2009

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	Activities - Internal Service Funds
Operating revenues:					
Charges for services	\$ 1,160,445	\$ 1,245,987	\$ 685,648	\$ 3,092,080	\$ 1,302,228
Tap-in fees.	10,050	6,350	-	16,400	-
Other.	<u>8,454</u>	<u>117,795</u>	<u>15,913</u>	<u>142,162</u>	<u>4,373</u>
Total operating revenues	<u>1,178,949</u>	<u>1,370,132</u>	<u>701,561</u>	<u>3,250,642</u>	<u>1,306,601</u>
Operating expenses:					
Personal services	421,950	406,907	-	828,857	848,506
Contract services	220,145	437,269	710,344	1,367,758	217,520
Materials and supplies	122,731	220,081	16	342,828	252,788
Depreciation	<u>412,141</u>	<u>394,615</u>	<u>7,400</u>	<u>814,156</u>	<u>72,684</u>
Total operating expenses.	<u>1,176,967</u>	<u>1,458,872</u>	<u>717,760</u>	<u>3,353,599</u>	<u>1,391,498</u>
Operating income (loss)	<u>1,982</u>	<u>(88,740)</u>	<u>(16,199)</u>	<u>(102,957)</u>	<u>(84,897)</u>
Nonoperating revenues (expenses):					
Interest revenue.	37,215	30,090	-	67,305	-
Gain (loss) on disposal of capital assets	<u>4,233</u>	<u>(15,086)</u>	<u>(3,968)</u>	<u>(14,821)</u>	<u>5,455</u>
Total nonoperating revenues (expenses)	<u>41,448</u>	<u>15,004</u>	<u>(3,968)</u>	<u>52,484</u>	<u>5,455</u>
Income (loss) before contributions and transfers.	43,430	(73,736)	(20,167)	(50,473)	(79,442)
Capital contributions	-	103,545	-	103,545	-
Transfers in.	11,864	15,698	-	27,562	9,448
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,961)</u>
Changes in net assets	55,294	45,507	(20,167)	80,634	(134,955)
Net assets at beginning of year.	<u>12,433,625</u>	<u>10,981,218</u>	<u>661,431</u>		<u>2,022,599</u>
Net assets at end of year.	<u>\$ 12,488,919</u>	<u>\$ 11,026,725</u>	<u>\$ 641,264</u>		<u>\$ 1,887,644</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				<u>16,638</u>	
Changes in net assets of business-type activities				<u>\$ 97,272</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Activities - Internal Service Funds</u>
Cash flows from operating activities:					
Cash received from customers	\$ 1,144,074	\$ 1,223,992	\$ 756,455	\$ 3,124,521	\$ 1,302,107
Cash received from tap-in fees.	10,050	6,350	-	16,400	-
Cash received from other operations.	8,454	117,795	15,913	142,162	4,373
Cash payments for personal services	(428,119)	(416,449)	-	(844,568)	(871,143)
Cash payments for contract services	(220,653)	(436,994)	(710,344)	(1,367,991)	(231,724)
Cash payments for materials and supplies	(74,754)	(165,413)	(16)	(240,183)	(256,713)
Net cash provided by (used in) operating activities.	<u>439,052</u>	<u>329,281</u>	<u>62,008</u>	<u>830,341</u>	<u>(53,100)</u>
Cash flows from noncapital financing activities:					
Cash received from transfers in	11,864	15,698	-	27,562	9,448
Cash received from grants and subsidies	-	33,075	-	33,075	-
Net cash provided by noncapital financing activities	<u>11,864</u>	<u>48,773</u>	<u>-</u>	<u>60,637</u>	<u>9,448</u>
Cash flows from capital and related financing activities:					
Sale of capital assets.	8,685	-	-	8,685	5,455
Acquisition of capital assets	(409,453)	(403,486)	-	(812,939)	(25,651)
Principal retirement on loans.	-	(105,333)	-	(105,333)	-
Proceeds from loans.	-	99,225	-	99,225	-
Net cash used in capital and related financing activities	<u>(400,768)</u>	<u>(409,594)</u>	<u>-</u>	<u>(810,362)</u>	<u>(20,196)</u>
Cash flows from investing activities:					
Interest received.	37,215	30,090	-	67,305	-
Net cash provided by investing activities.	<u>37,215</u>	<u>30,090</u>	<u>-</u>	<u>67,305</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	87,363	(1,450)	62,008	147,921	(63,848)
Cash and cash equivalents at beginning of year	<u>2,267,932</u>	<u>1,660,380</u>	<u>534,629</u>	<u>4,462,941</u>	<u>535,946</u>
Cash and cash equivalents at end of year.	<u>\$ 2,355,295</u>	<u>\$ 1,658,930</u>	<u>\$ 596,637</u>	<u>\$ 4,610,862</u>	<u>\$ 472,098</u>

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CITY OF ENGLEWOOD, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<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)	\$ 1,982	\$ (88,740)	\$ (16,199)	\$ (102,957)	\$ (84,897)
Adjustments:					
Depreciation	412,141	394,615	7,400	814,156	72,684
Changes in assets and liabilities:					
(Increase) in accounts receivable.	(17,272)	(22,959)	-	(40,231)	-
Decrease in materials and supplies inventory.	47,571	31,132	-	78,703	6,482
(Increase) Decrease in special assessments.	901	964	(385)	1,480	-
(Increase) in due from other governments.	-	-	-	-	(121)
(Increase) decrease in prepayments.	(1)	-	-	(1)	8,989
Increase in unearned revenue.	-	-	71,192	71,192	-
Increase (decrease) in accounts payable.	(101)	23,811	-	23,710	(24,611)
(Decrease) in accrued wages and benefits.	(8,929)	(11,377)	-	(20,306)	(6,747)
(Decrease) in due to other governments	(1,974)	(3,523)	-	(5,497)	(2,032)
Increase (decrease) in compensated absences payable.	4,734	5,358	-	10,092	(22,847)
Net cash provided by (used in) operating activities. . .	<u>\$ 439,052</u>	<u>\$ 329,281</u>	<u>\$ 62,008</u>	<u>\$ 830,341</u>	<u>\$ (53,100)</u>

Non-cash capital transactions:

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

During 2009, the internal service fund transferred capital assets in the amount of \$104,176, with \$39,215 in related accumulated depreciation, to the governmental activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2009

		<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$	24,148
Total assets.	\$	<u>24,148</u>
 Liabilities:		
Accounts payable	\$	172
Undistributed monies		<u>23,976</u>
Total liabilities	\$	<u>24,148</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, 2009

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

Insurance Purchasing Pool

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

B. Basis of Presentation - Fund Accounting

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

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.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

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

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

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

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

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

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; and (b) grants and other resources whose use is restricted to a particular purpose.

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

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

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

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

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

D. Measurement Focus and Basis of Accounting

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.

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

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

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

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.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2009, are recorded as deferred revenue.

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

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

F. Budgetary Data

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

Tax Budget - During the first Council meeting in July, the City Manager presents the following year's annual operating budget to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The Montgomery County Budget Commission waived the tax budget filing requirement for 2009.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2009.

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

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.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

G. Cash and Cash Equivalents

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

During 2009, investments were limited to certificates of deposit, federal agency securities, corporate notes and STAR Ohio.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2009.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2009 amounted to \$332,569, which included \$254,503 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.

I. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

J. Capital Assets

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

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

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

Depreciation is computed using the straight-line method over the following useful lives:

<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/Street Lights	30 years	30 years
Storm Sewers	25 years	25 years
Traffic Signals and Controls	15 years	15 years
Street Signs	10 years	10 years

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, 2009

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

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “due from other funds” or “due to other funds” on the fund financial statements. There were no due from other funds/due to other funds at December 31, 2009.

These amounts are eliminated in 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.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

N. Interfund Activity

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

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

O. Fund Balance Reserves

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

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

P. Estimates

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

Q. Contributions of Capital

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

R. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes consist primarily of permissive motor vehicle license tax, Englewood Communication Center and the Earl Heck Community Center.

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

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2009.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2009, the City has implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", and GASB Statement No. 57 "Other Postemployment Benefit (OPEB) Measurements by Agent Employers and Agent Multiple-Employers".

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the City.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the City.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the City.

GASB Statement No. 57 establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the City.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Interim monies may be deposited or invested in the following securities:

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

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

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on hand

At year end, the City had \$600 in undeposited cash on hand which is included on the financial statements of the City as part of “equity in pooled cash and investments”.

B. Deposits with Financial Institutions

At December 31, 2009, the carrying amount of all City deposits was \$6,004,342. As of December 31, 2009, \$5,830,352 of the City’s bank balance of \$6,580,270 was exposed to custodial risk as discussed below, while \$749,918 was covered by the FDIC.

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

C. Investments

As of December 31, 2009, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>					<u>Total</u>
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>	
STAR Ohio	\$ 1,197	\$ 1,197	\$ -	\$ -	\$ -	\$ -	\$ 1,197
FFCB	1,050,877	-	-	-	-	1,050,877	1,050,877
FHLB	8,166,208	-	-	-	-	8,166,208	8,166,208
FHLMC	2,156	-	-	-	-	2,156	2,156
Corporate notes	<u>1,029,240</u>	-	-	-	-	<u>1,029,240</u>	<u>1,029,240</u>
Total	<u>\$ 10,249,678</u>	<u>\$ 1,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,248,481</u>	<u>\$ 10,249,678</u>

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City’s investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

Concentration of Credit Risk: The City’s investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,197	0.01
FFCB	1,050,877	10.25
FHLB	8,166,208	79.67
FHLMC	2,156	0.02
Corporate notes	<u>1,029,240</u>	<u>10.05</u>
Total	<u>\$ 10,249,678</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,004,342
Investments	10,249,678
Cash on hand	<u>600</u>
Total	<u>\$ 16,254,620</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 11,619,610
Business type activities	4,610,862
Agency funds	<u>24,148</u>
Total	<u>\$ 16,254,620</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2009, 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>Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	
Fire and rescue	\$ 611,000	\$ -	\$ 1,621	\$ 612,621
Police	2,500,000	-	1,016	2,501,016
Street	1,500,000	-	21,079	1,521,079
Capital improvement	1,600,000	-	150,000	1,750,000
Nonmajor governmental funds	525,000	93,279	-	618,279
Water	-	-	11,864	11,864
Sewer	-	-	15,698	15,698
Internal service funds	-	-	9,448	9,448
Total	<u>\$ 6,736,000</u>	<u>\$ 93,279</u>	<u>\$ 210,726</u>	<u>\$ 7,040,005</u>

Transfers are made to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

The City had several non-routine transfers during the year. The FEMA fund (a nonmajor special revenue fund) transferred \$60,726 to multiple funds for reimbursements of expenditures. The tax incremental financing fund (a nonmajor governmental fund) transferred \$150,000 to the capital improvement fund to fund improvements made in the TIF District (See Note 8). The capital improvement fund transferred \$93,279 to the debt service fund (a nonmajor governmental fund) for payment of the OPWC loan. In addition, \$64,961 in capital assets, net of accumulated depreciation, was transferred from the service center internal service fund to the governmental activities. This amount, which is not included in the schedule above, is shown as a transfer on the statement of revenues, expenses and changes in net assets - proprietary funds.

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

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Beginning in calendar year 2009 tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property tax collections in calendar year 2009 represent delinquent collections.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Englewood. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2009 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2009 was \$10.59 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real property tax	\$ 266,390,110
Public utility tangible personal property	3,470,390
Tangible personal property	<u>125,110</u>
Total Assessed Value	<u>\$ 269,985,610</u>

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.

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 7 - LOCAL INCOME TAX - (Continued)

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

Income tax proceeds are to be used to pay the cost of administering the tax. All remaining income tax revenue is then initially placed in the general fund. At least twenty-eight and one-half percent of income tax collected must be used for capital improvements. The remaining use of all other income tax proceeds is determined by City Council. Income tax revenue for 2009 was \$5,366,769 as reported in the fund financial statements.

NOTE 8 - TAX INCREMENT FINANCING DISTRICT (TIF)

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

PILOT revenue was \$335,854 in 2009. The TIF has a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT’s cease and property taxes then apply to the increased property values.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2009, 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, 2009.

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

Governmental activities:

Income taxes	\$ 1,191,875
Real and other taxes	1,347,644
Accounts	501,636
Accrued interest	70,931
Special assessments	171,353
Due from other governments	835,744

Business-type activities:

Accounts	431,522
Special assessments	27,720
Due from other governments	70,470

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 9 - RECEIVABLES - (Continued)

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

NOTE 10 - CAPITAL ASSETS

A. Capital asset activity for the governmental activities for the year ended December 31, 2009, was as follows:

	Balance <u>12/31/08</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/09</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 4,867,321	\$ 57,803	\$ (350,658)	\$ 4,574,466
Construction in progress	<u>284,063</u>	<u>206,190</u>	<u>(490,253)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>5,151,384</u>	<u>263,993</u>	<u>(840,911)</u>	<u>4,574,466</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,020,869	-	(36,815)	2,984,054
Buildings and improvements	9,537,952	202,992	(10,250)	9,730,694
Furniture and equipment	3,743,324	144,999	(90,061)	3,798,262
Vehicles	2,884,112	37,095	(95,791)	2,825,416
Infrastructure	<u>32,434,923</u>	<u>805,926</u>	<u>-</u>	<u>33,240,849</u>
Total capital assets, being depreciated	<u>51,621,180</u>	<u>1,191,012</u>	<u>(232,917)</u>	<u>52,579,275</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,452,939)	(125,016)	-	(1,577,955)
Buildings	(2,353,690)	(226,079)	7,004	(2,572,765)
Furniture and equipment	(1,509,802)	(303,580)	75,572	(1,737,810)
Vehicles	(2,002,626)	(209,983)	95,791	(2,116,818)
Infrastructure	<u>(10,103,799)</u>	<u>(1,186,336)</u>	<u>-</u>	<u>(11,290,135)</u>
Total accumulated depreciation	<u>(17,422,856)</u>	<u>(2,050,994)</u>	<u>178,367</u>	<u>(19,295,483)</u>
Total capital assets, being depreciated	<u>34,198,324</u>	<u>(859,982)</u>	<u>(54,550)</u>	<u>33,283,792</u>
Governmental activities capital assets, net	<u>\$ 39,349,708</u>	<u>\$ (595,989)</u>	<u>\$ (895,461)</u>	<u>\$ 37,858,258</u>

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 10 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

General government	\$ 165,948
Security of persons and property	273,701
Public health and welfare	11,625
Transportation	1,375,428
Community environment	7,423
Leisure time activity	144,185
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>72,684</u>
Total depreciation expense - governmental activities	<u><u>\$ 2,050,994</u></u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the business-type activities for the year ended December 31, 2009 was as follows:

<u>Business-type activities:</u>	Balance <u>12/31/08</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/09</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 33,510	\$ -	\$ -	\$ 33,510
Construction in progress	<u>178,841</u>	<u>523,049</u>	<u>(194,738)</u>	<u>507,152</u>
Total capital assets, not being depreciated	<u>212,351</u>	<u>523,049</u>	<u>(194,738)</u>	<u>540,662</u>
<i>Capital assets, being depreciated:</i>				
Improvements other than buildings	427,678	168,223	-	595,901
Buildings and improvements	7,314,810	166,869	-	7,481,679
Equipment	3,521,177	189,527	(81,659)	3,629,045
Vehicles	83,877	-	(20,569)	63,308
Infrastructure	<u>22,387,204</u>	<u>13,584</u>	<u>(2,117)</u>	<u>22,398,671</u>
Total capital assets, being depreciated	<u>33,734,746</u>	<u>538,203</u>	<u>(104,345)</u>	<u>34,168,604</u>
<i>Less: accumulated depreciation:</i>				
Improvements other than buildings	(37,422)	(21,384)	-	(58,806)
Buildings and improvements	(3,388,060)	(154,215)	-	(3,542,275)
Equipment	(1,181,262)	(148,052)	59,599	(1,269,715)
Vehicles	(52,766)	(5,785)	20,569	(37,982)
Infrastructure	<u>(9,932,694)</u>	<u>(484,720)</u>	<u>671</u>	<u>(10,416,743)</u>
Total accumulated depreciation	<u>(14,592,204)</u>	<u>(814,156)</u>	<u>80,839</u>	<u>(15,325,521)</u>
Total capital assets, being depreciated, net	<u>19,142,542</u>	<u>(275,953)</u>	<u>(23,506)</u>	<u>18,843,083</u>
Business-type activities capital assets, net	<u>\$ 19,354,893</u>	<u>\$ 247,096</u>	<u>\$ (218,244)</u>	<u>\$ 19,383,745</u>

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

<u>Business-type activities:</u>	
Water	\$ 412,141
Sewer	394,615
Solid waste	<u>7,400</u>
Total depreciation expense - business-type activities	<u>\$ 814,156</u>

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 11 - OTHER EMPLOYEE BENEFITS

Deferred Compensation Plans

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

Compensated Absences

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the City as a whole amounted to \$271,081 at December 31, 2009. 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 \$285,729 at December 31, 2009. 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 \$8,433 at December 31, 2009. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 12 - LONG-TERM OBLIGATIONS

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

	Balance			Balance	Amounts
	<u>12/31/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/09</u>	<u>Due in</u>
<u>Governmental activities:</u>					<u>One Year</u>
<u>Other long-term obligations:</u>					
Compensated absences	\$ 382,463	\$ 322,852	\$ (289,284)	\$ 416,031	\$ 251,396
Total other long-term obligations	<u>382,463</u>	<u>322,852</u>	<u>(289,284)</u>	<u>416,031</u>	<u>251,396</u>
<u>OPWC Loans</u>					
Arcadia Blvd. Bridge Replacement	-	93,279	(93,279)	-	-
Total OPWC Loans	<u>-</u>	<u>93,279</u>	<u>(93,279)</u>	<u>-</u>	<u>-</u>
Total governmental activities long-term obligations	<u>\$ 382,463</u>	<u>\$ 416,131</u>	<u>\$ (382,563)</u>	<u>\$ 416,031</u>	<u>\$ 251,396</u>

Compensated absences consisting of sick leave (severance), vacation benefits and compensatory time will be paid from the fund from which the employee is paid which, for the City are primarily the general, fire and rescue, police, street, the Englewood Communication Center (a nonmajor governmental fund) and Earl Heck community center fund (a nonmajor governmental fund).

In 2009, the City received a \$93,279 loan from the Ohio Public Works Commission for replacement of the Arcadia Boulevard Bridge. This loan was at a 0% interest rate. The City paid the loan in full during 2009.

	Balance			Balance	Amounts
	<u>12/31/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/09</u>	<u>Due in</u>
<u>Business-type activities:</u>					<u>One Year</u>
<u>Other long-term obligations</u>					
Compensated absences	\$ 139,120	\$ 55,916	\$ (45,824)	\$ 149,212	\$ 36,731
Total other long-term obligations	<u>139,120</u>	<u>55,916</u>	<u>(45,824)</u>	<u>149,212</u>	<u>36,731</u>
<u>OPWC Loans</u>					
0% - Sanitary sewer rehab (Phase II)	139,750	-	(46,583)	93,167	46,583
0% - Sanitary sewer rehab (Phase III)	-	99,225	-	99,225	33,075
0% - Sanitary sewer rehab (Phase I)	<u>58,750</u>	<u>-</u>	<u>(58,750)</u>	<u>-</u>	<u>-</u>
Total OPWC Loans	<u>198,500</u>	<u>99,225</u>	<u>(105,333)</u>	<u>192,392</u>	<u>79,658</u>
Total business-type activities long-term obligations	<u>\$ 337,620</u>	<u>\$ 155,141</u>	<u>\$ (151,157)</u>	<u>\$ 341,604</u>	<u>\$ 116,389</u>

During 2007, 2008 and 2009, the City received three loans from the Ohio Public Works Commission for sanitary sewer repairs and replacements. Repayment of the loans are due semi-annually at an interest rate of 0%.

As of December 31, 2009, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$28,341,422 and the unvoted debt margin was \$14,842,328.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the City's loans outstanding at December 31, 2009 were:

Year Ending	<u>OPWC Loans</u>
<u>December 31,</u>	<u>Principal</u>
2010	\$ 79,658
2011	79,659
2012	<u>33,075</u>
Total	<u>\$ 192,392</u>

NOTE 13 - RISK MANAGEMENT

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

Type of Coverage

General Liability \$10,000,000/occurrence

Automobile Liability \$10,000,000/occurrence

MVRMA self-insured \$1 million/occurrence. MVRMA obtained reinsurance from Government Entities Mutual, Inc. (GEM) for \$1 million excess \$1 million and from General Reinsurance Corporate for \$8 million excess \$2 million.

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

MVRMA self-insured \$1 million/occurrence. MVRMA obtained reinsurance from Government Entities Mutual, Inc. (GEM) for \$1 million excess \$1 million and from General Reinsurance Corporation for \$8 million excess \$2 million.

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

MVRMA self-insured \$1 million/occurrence. MVRMA obtained reinsurance from Government Entities Mutual, Inc. (GEM) for \$1 million excess \$1 million and from General Reinsurance Corporation for \$8 million excess \$2 million - annual aggregate \$10 million per member

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 13 - RISK MANAGEMENT - (Continued)

Property (effective 7/1/09 - 7/1/10): \$1,000,000,000/occurrence

MVRMA SIR: \$200,000/occurrence

Coverage excess SIR provided by PEPPIP USA as follows:

Lexington Insurance Company (Primary \$25 million)

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

Flood: \$25 million/occurrence and annual aggregate

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

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

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

Earthquake: \$25 million/occurrence and annual aggregate

MVRMA SIR: \$100,000/occurrence

Boiler & Machinery: \$100,000,000/occurrence

MVRMA SIR: \$5,000/occurrence

Coverage excess SIR provided by PEPPIP USA as follows:

Lexington Insurance Company - (Primary \$25 million)

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

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

The City pays the State Workers' Compensation system a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs. The City's rate is discounted by participating in the Ohio Municipal League's group rating pool.

The City has elected to offer employee medical insurance benefits through a dual-option plan provided by Anthem Blue Cross and Blue Shield. Employees have the option of choosing between a Traditional PPO Plan (Traditional Plan) and a High Deductible Health Plan combined with a Health Savings Account (HSA Plan). Employees are required to share 10% of the medical insurance premium cost, via payroll deduction. For the plan year effective 5/1/09 - 4/30/10, the City paid 100% of the HSA Plan premium and made quarterly contributions to the employee health savings accounts of \$375 for single plans and \$750 for family plans. Monthly premiums for the Traditional plan were \$347.46 for single coverage and \$1,072.64 for family coverage. Monthly premiums for the HSA plan were \$248.04 for single coverage and \$765.70 for family coverage.

Dental insurance is offered through Superior Dental Care with a deductible of \$50 for single coverage and up to \$150 for family coverage. The City pays the majority of the monthly premium of \$25.50 for single coverage and \$80.05 for family coverage. The City also provides a minimum of \$25,000 life and AD&D insurance at no cost to the employees. The monthly premium paid to the Standard Insurance Company is \$274.40 on a total insured volume of \$1.714M. Employees have the opportunity to purchase additional group rated health and life insurance benefits, with the full cost of the premiums paid by the employee via a payroll deduction.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2009 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%. The City's contribution rate for 2009 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63% of covered payroll.

The City's contribution rate for pension benefits for 2009 was 7.00% from January 1 through March 31, 2009 and 8.50% from April 1 through December 31, 2009, except for those plan members in law enforcement and public safety. For those classifications, pension contributions were 10.63% from January 1 through March 31, 2009 and 12.13% from April 1 through December 31, 2009. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008 and 2007 were \$210,787, \$175,742 and \$199,575, respectively; 92.45% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

B. Ohio Police and Fire Pension Fund

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2009, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$163,817 and \$76,905 for the year ended December 31, 2009, \$157,700 and \$75,432 for the year ended December 31, 2008 and \$147,956 and \$70,779 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 71.08% has been contributed for police and firefighters for 2009.

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.00% of covered payroll (17.63% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for 2009 was 7.00% from January 1 through March 31, 2009 and 5.50% from April 1 through December 31, 2009.

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008 and 2007 were \$152,416, \$175,741 and \$133,612, respectively; 92.45% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

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

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$86,727 and \$30,093 for the year ended December 31, 2009, \$83,488 and \$29,517 for the year ended December 31, 2008 and \$78,277 and \$27,662 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 71.08% has been contributed for police and firefighters for 2009.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

	<u>Net Change in Fund Balance</u>			
	<u>General</u>	<u>Fire and Rescue</u>	<u>Police</u>	<u>Street</u>
Budget basis	\$ (973,511)	\$ 77,054	\$ 165,737	\$ 309,348
Net adjustment for revenue accruals	474	29,630	(1,147)	97
Net adjustment for expenditure accruals	(34,808)	54,136	53,245	28,131
Adjustment for encumbrances	<u>46,224</u>	<u>30,665</u>	<u>26,472</u>	<u>38,065</u>
GAAP basis	<u>\$ (961,621)</u>	<u>\$ 191,485</u>	<u>\$ 244,307</u>	<u>\$ 375,641</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 17 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2009.

B. Litigation

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

NOTE 18 - CONTRACTUAL COMMITMENTS

As of December 31, 2009, the City had the following contractual commitments outstanding related to various City projects:

<u>Vendor</u>	<u>Amount of Contract</u>	<u>Amount Paid as of 12/31/2009</u>	<u>Remaining Commitment 12/31/2009</u>
Taylor Team of Dealerships	\$ 38,317	\$ -	\$ 38,317
Horton Emergency Vehicles	138,595	-	138,595
Dayton Power and Light	73,028	-	73,028
Verizon	116,521	-	116,521
Delta Control, Inc.	490,275	(404,504)	85,771
Sanderson CMI	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total	<u>\$ 881,736</u>	<u>\$ (404,504)</u>	<u>\$ 477,232</u>



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 Required by *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, Montgomery County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the City of Englewood's basic financial statements and have issued our report thereon dated April 30, 2010. 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 of Englewood's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City of Englewood's internal control over financial reporting. Accordingly we have not opined on the effectiveness of the City of Englewood's internal control over financial reporting.

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

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

Members of Council and Mayor
City of Englewood

Compliance and Other Matters

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

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

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

Julian & Grube, Inc.
April 30, 2010



Mary Taylor, CPA
Auditor of State

CITY OF ENGLEWOOD

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 10, 2010**