

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2012

JANINE COOPER, FINANCE DIRECTOR



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Englewood, Montgomery County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

June 11, 2013

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**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

City of Englewood
333 West National Road
Englewood, Ohio 45322

To the Members of Council and Mayor:

Report on the Financial Statements

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, 2012 and the related notes to the financial statements, which collectively comprise the City of Englewood's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City of Englewood's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City of Englewood's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Fire and Rescue Fund, Police Fund, and Street Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2012, the City of Englewood adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2013, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Englewood's internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 15, 2013

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012. 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 2012 are as follows:

- The total net position of the City increased \$1,021,592. Net position of governmental activities increased \$626,764 or 1.20% from 2011 and net position of business-type activities increased \$394,828 or 1.63% from 2011.
- General revenues accounted for \$9,408,098 or 78.72% of total governmental activities revenue. Program specific revenues accounted for \$2,543,845 or 21.28% of total governmental activities revenue.
- The City had \$11,325,179 in expenses related to governmental activities; \$2,543,845 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$8,781,334 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$9,408,098.
- The general fund had revenues and other financing sources of \$8,579,968 in 2012. This represents an increase of \$512,344, primarily in municipal income taxes, from 2011 revenues. The expenditures and other financing uses of the general fund, which totaled \$6,983,004 in 2012, decreased \$581,264 from 2011. A decrease in interfund transfers accounted for the majority of this expenditure decrease. Expenditures excluding transfers decreased \$145,912. The net increase in fund balance for the general fund was \$1,596,964 or 31.50% over the 2011 balance.
- The fire and rescue fund had revenues and other financing sources of \$1,642,096 in 2012. This represents a decrease of \$216,341 from 2011 revenues and other sources. The expenditures of the fire and rescue fund, which totaled \$1,678,271 in 2012, decreased \$207,789 from 2011. The net decrease in fund balance for the fire and rescue fund was \$36,175 or 5.68%.
- The police fund had revenues and other financing sources of \$2,767,454 in 2012. This represents an increase of \$42,170 from 2011 revenues and other sources. The expenditures of the police fund, which totaled \$2,833,894 in 2012, increased \$137,209 from 2011. The net decrease in fund balance for the police fund was \$66,440 or 52.57%.
- The street fund had revenues and other financing sources of \$1,794,588 in 2012. This represents an increase of \$255,816 from 2011 revenues and other sources. The expenditures of the street fund, which totaled \$1,508,025 in 2012, decreased \$106,512 from 2011. The net increase in the fund balance for the street fund, including the increase in reserve for inventory, was \$293,479 or 32.57%.
- The capital improvement fund had revenues and other financing sources of \$913,768 in 2012. The expenditures of the capital improvement fund totaled \$951,096 in 2012. The net decrease in the fund balance for the capital improvement fund was \$37,328 or 0.63%.
- Net position for the business-type activities, which are made up of the water, sewer, and solid waste enterprise funds, increased in 2012 by \$394,828. This increase in net position was due primarily to the increase in capital grants and contributions related to business-type activities from 2011.

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

- In the general fund, the actual revenues and other financing sources came in \$826,549 greater than they were in the final budget and actual expenditures and other financing uses were \$369,537 less than the amount in the final budget. Budgeted revenues increased \$42,032 from the original to the final budget and budgeted expenditures increased \$180,000 from the 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 position 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 Position 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 2012?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, 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 *position* and changes in net position. This change in net position 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 position 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 position and statement of activities can be found on pages 19-21 of this report.

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

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 11.

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 22 - 31 of this report.

Proprietary Funds

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

Fiduciary Funds

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

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 37 - 70 of this report.

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position for 2012 compared to 2011:

	Net Position					
	2012	2011	2012	2011	2012	2011
	<u>Governmental</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Business-type</u>	<u>Total</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u>
<u>Assets</u>						
Current and other assets	\$ 19,336,758	\$ 17,472,341	\$ 5,891,064	\$ 5,563,320	\$ 25,227,822	\$ 23,035,661
Capital assets, net	<u>36,085,171</u>	<u>37,175,066</u>	<u>19,082,240</u>	<u>19,037,784</u>	<u>55,167,411</u>	<u>56,212,850</u>
Total assets	<u>55,421,929</u>	<u>54,647,407</u>	<u>24,973,304</u>	<u>24,601,104</u>	<u>80,395,233</u>	<u>79,248,511</u>
<u>Liabilities</u>						
Long-term liabilities	475,507	427,076	127,462	135,081	602,969	562,157
Other liabilities	<u>522,987</u>	<u>450,008</u>	<u>202,120</u>	<u>217,129</u>	<u>725,107</u>	<u>667,137</u>
Total liabilities	<u>998,494</u>	<u>877,084</u>	<u>329,582</u>	<u>352,210</u>	<u>1,328,076</u>	<u>1,229,294</u>
<u>Deferred inflows</u>	<u>1,435,594</u>	<u>1,409,246</u>	-	-	-	-
<u>Net Position</u>						
Net investment in capital assets	36,085,171	37,175,066	19,082,240	19,037,784	55,167,411	56,212,850
Restricted	3,122,656	2,780,003	-	-	3,122,656	2,780,003
Unrestricted	<u>13,780,014</u>	<u>12,406,008</u>	<u>5,561,482</u>	<u>5,211,110</u>	<u>19,341,496</u>	<u>17,617,118</u>
Total net position	<u>\$ 52,987,841</u>	<u>\$ 52,361,077</u>	<u>\$ 24,643,722</u>	<u>\$ 24,248,894</u>	<u>\$ 77,631,563</u>	<u>\$ 76,609,971</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2012, the City's assets exceeded liabilities and deferred inflows by \$77,631,563. At year-end, net position was \$52,987,841 and \$24,643,722 for the governmental activities and the business-type activities, respectively.

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets net represented 68.62% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles, software, and infrastructure. The City's net investment in capital assets at December 31, 2012, were \$36,085,171 and \$19,082,240 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.

As of December 31, 2012, the City is able to report positive balances in all three categories of net position, 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 position, \$3,122,656 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$13,780,014 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The table below shows the changes in net position for years 2012 and 2011.

Change in Net Position

	2012	2011	2012	2011	2012	2011
	<u>Governmental</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Business-Type</u>	<u>2012</u>	<u>2011</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,747,856	\$ 1,572,117	\$ 3,527,430	\$ 3,244,016	\$ 5,275,286	\$ 4,816,133
Operating grants and contributions	759,248	894,159	-	-	759,248	894,159
Capital grants and contributions	36,741	377,761	350,350	-	387,091	377,761
Total program revenues	<u>2,543,845</u>	<u>2,844,037</u>	<u>3,877,780</u>	<u>3,244,016</u>	<u>6,421,625</u>	<u>6,088,053</u>
General revenues:						
Property taxes	1,564,747	1,591,848	-	-	1,564,747	1,591,848
Income taxes	6,479,047	5,765,227	-	-	6,479,047	5,765,227
Unrestricted grants and entitlements	783,707	806,904	-	-	783,707	806,904
Payment in lieu of taxes	396,046	376,806	-	-	396,046	376,806
Investment earnings	119,601	185,679	21,002	24,718	140,603	210,397
Miscellaneous	64,950	48,649	51,976	48,077	116,926	96,726
Total general revenues	<u>9,408,098</u>	<u>8,775,113</u>	<u>72,978</u>	<u>72,795</u>	<u>9,481,076</u>	<u>8,847,908</u>
Total revenues	<u>11,951,943</u>	<u>11,619,150</u>	<u>3,950,758</u>	<u>3,316,811</u>	<u>15,902,701</u>	<u>14,935,961</u>
Expenses:						
General government	1,820,417	1,761,900	-	-	1,820,417	1,761,900
Security of persons and property	5,296,595	5,440,448	-	-	5,296,595	5,440,448
Public health and welfare	5,738	14,133	-	-	5,738	14,133
Transportation	3,220,743	3,145,562	-	-	3,220,743	3,145,562
Community environment	465,318	416,109	-	-	465,318	416,109
Leisure time activity	516,368	427,048	-	-	516,368	427,048
Water	-	-	1,308,319	1,331,252	1,308,319	1,331,252
Sewer	-	-	1,428,586	1,399,986	1,428,586	1,399,986
Solid waste	-	-	819,025	810,527	819,025	810,527
Total expenses	<u>11,325,179</u>	<u>11,205,200</u>	<u>3,555,930</u>	<u>3,541,765</u>	<u>14,881,109</u>	<u>14,746,965</u>
Change in net position	626,764	413,950	394,828	(224,954)	1,021,592	188,996
Net position at beginning of year	<u>52,361,077</u>	<u>51,947,127</u>	<u>24,248,894</u>	<u>24,473,848</u>	<u>76,609,971</u>	<u>76,420,975</u>
Net position at end of year	<u>\$ 52,987,841</u>	<u>\$ 52,361,077</u>	<u>\$ 24,643,722</u>	<u>\$ 24,248,894</u>	<u>\$ 77,631,563</u>	<u>\$ 76,609,971</u>

Governmental Activities

Governmental activities net position increased \$626,764 in 2012. This increase is a result of City revenues being more than expenditures. The City had an increase in income tax revenue attributable to growth in the local economy.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

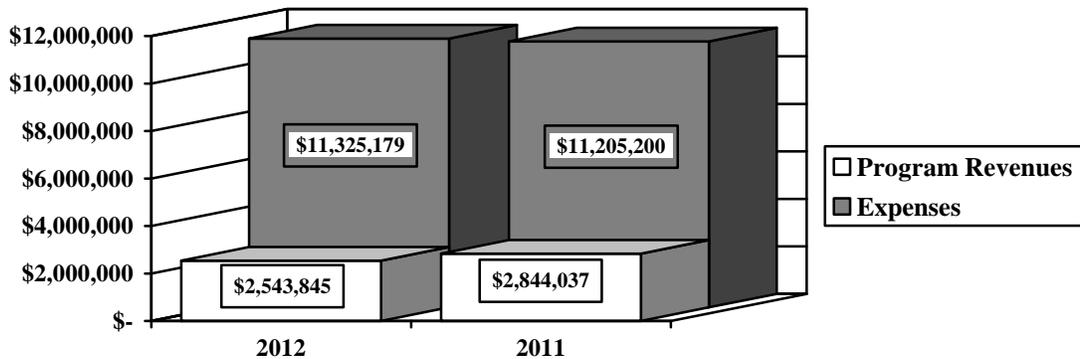
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$5,296,595 of the total expenses of the City. These expenses were partially funded by \$1,237,085 in direct charges to users of the services. Transportation expenses totaled \$3,220,743. Transportation expenses were partially funded by \$709,454 in operating grants and contributions and \$36,741 in capital grants and contributions.

The state and federal government contributed to the City a total of \$759,248 in operating grants and contributions and \$36,741 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total grants and contributions, \$746,195 subsidized transportation programs, and \$7,294 subsidized security of persons and property programs.

General revenues totaled \$9,408,098, and amounted to 78.72% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$8,043,794. Unrestricted grants and entitlements of \$783,707, which includes local government funds, is the other primary source of general revenues.

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

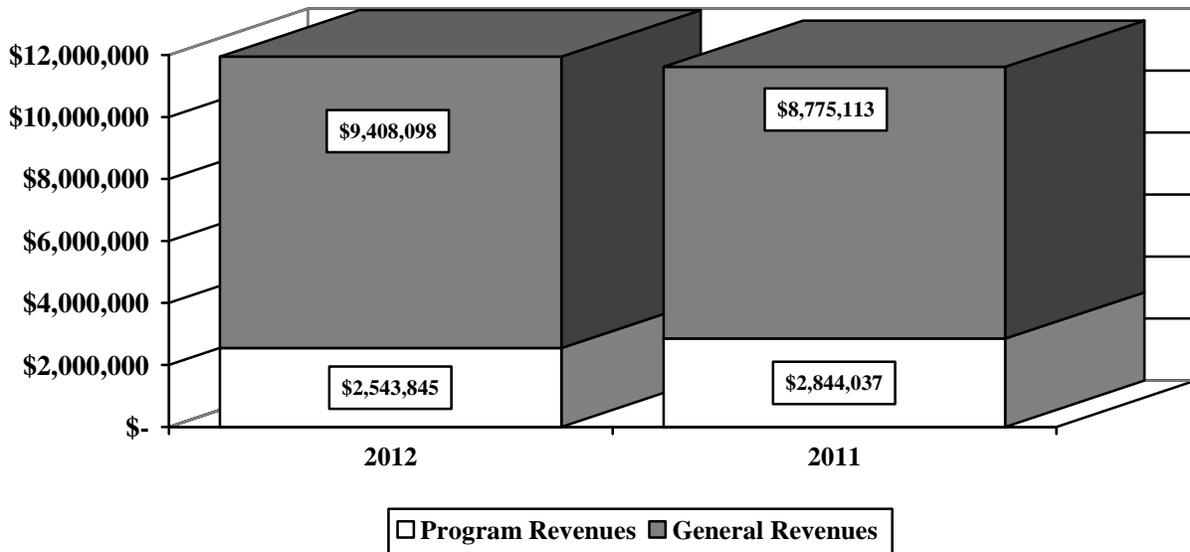
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Governmental Activities

	Total Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2012</u>	Net Cost of Services <u>2011</u>
Program Expenses:				
General government	\$ 1,820,417	\$ 1,761,900	\$ 1,404,520	\$ 1,348,170
Security of persons and property	5,296,595	5,440,448	4,052,216	4,193,757
Public health and welfare	5,738	14,133	5,144	13,909
Transportation	3,220,743	3,145,562	2,474,548	2,062,395
Community environment	465,318	416,109	383,353	344,714
Leisure time activity	<u>516,368</u>	<u>427,048</u>	<u>461,553</u>	<u>398,218</u>
 Total Expenses	 <u>\$11,325,179</u>	 <u>\$11,205,200</u>	 <u>\$ 8,781,334</u>	 <u>\$ 8,361,163</u>

The dependence upon general revenues for governmental activities is apparent, with 77.54% of expenses supported through taxes and other general revenues.

Governmental Activities - General and Program Revenues

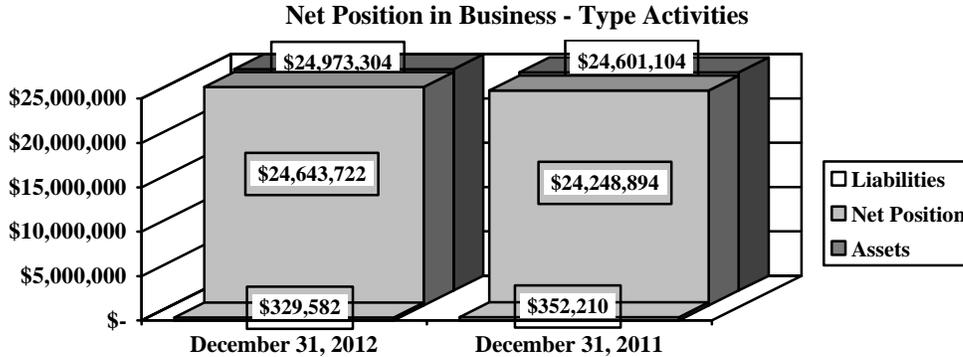


CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Business-type Activities

Business-type activities include the water, sewer, and solid waste enterprise funds. These programs had program revenues of \$3,877,780, general revenues of \$72,978, and expenses of \$3,555,930 for 2012. The graph below shows the business-type activities assets, liabilities, and net position at year-end 2012 and 2011.



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 22 - 23) reported a combined fund balance of \$15,211,427 which is \$1,825,831 above last year's balance of \$13,385,596. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2012 for all major and nonmajor governmental funds.

	Fund Balances 12/31/12	Fund Balances 12/31/11	Increase (Decrease)
Major Funds:			
General	\$ 6,666,002	\$ 5,069,038	\$ 1,596,964
Fire and rescue	601,173	637,348	(36,175)
Police	59,942	126,382	(66,440)
Street	1,194,508	901,029	293,479
Capital improvement	5,902,171	5,939,499	(37,328)
Other nonmajor governmental funds	787,631	712,300	75,331
Total	\$ 15,211,427	\$ 13,385,596	\$ 1,825,831

CITY OF ENGLEWOOD, OHIO

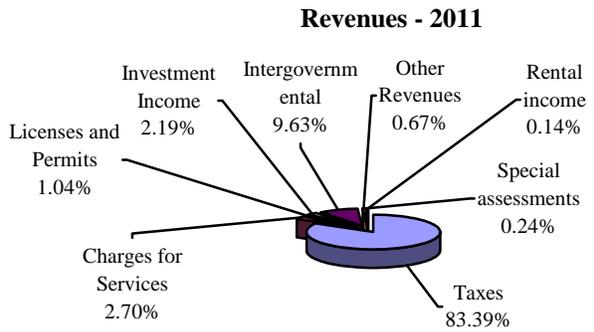
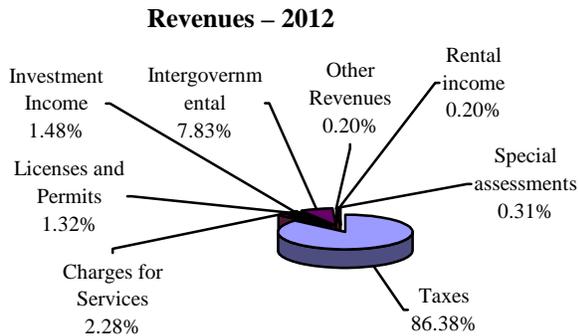
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

General Fund

The City's general fund balance increased \$1,593,964. The table that follows assists in illustrating the revenues of the general fund.

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 7,376,356	\$ 6,472,584	13.96 %
Charges for services	194,533	209,851	(7.30) %
Licenses and permits	112,509	79,801	40.99 %
Fines and forfeitures	-	25,146	(100.00) %
Investment income	126,125	170,157	(25.88) %
Rental income	16,804	10,636	57.99 %
Special assessments	26,512	18,616	42.42 %
Intergovernmental	670,288	748,415	(10.44) %
Other	<u>16,779</u>	<u>26,691</u>	(37.14) %
Total	<u>\$ 8,539,906</u>	<u>\$ 7,761,897</u>	10.02 %

Tax revenue represents 86.38% of all general fund revenue. Special assessment revenue increased due to an increase in weed/mowing assessments in 2012. The decrease in investment income is a reflection of reduced interest rates on City investments. The decrease in fines and forfeitures was due to a one-time court settlement received in 2011. The decrease in other revenue relates to the decrease in unclaimed monies.



CITY OF ENGLEWOOD, OHIO

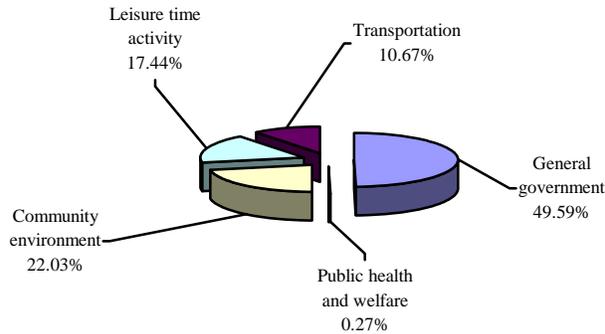
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

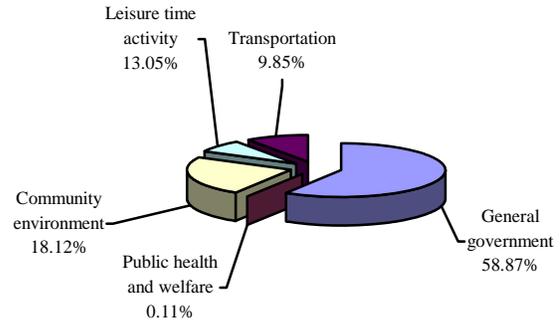
	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,044,274	\$ 1,325,477	(21.22) %
Public health and welfare	5,738	2,508	128.79 %
Transportation	224,717	221,738	1.34 %
Community environment	463,851	408,023	13.68 %
Leisure time activity	<u>367,076</u>	<u>293,822</u>	24.93 %
Total	<u>\$ 2,105,656</u>	<u>\$ 2,251,568</u>	(6.48) %

Total expenditures decreased 6.48% from 2011. The largest expenditure line item, general government, decreased 21.22% due to a decrease in land acquisitions.

Expenditures - 2012



Expenditures - 2011



Fire and Rescue Fund

The fire and rescue fund had revenues and other financing sources of \$1,642,096 in 2012. This represents a decrease of \$216,341 from 2011 revenues and other sources. The expenditures of the fire and rescue fund, which totaled \$1,678,271 in 2012, decreased \$207,789 from 2011. Both the decrease in revenues and decrease in expenditures were due to a capital grant received in 2011 that was used to fund capital acquisitions. The net decrease in fund balance for the fire and rescue fund was \$36,175 or 5.68%.

Police Fund

The police fund had revenues and other financing sources of \$2,767,454 in 2012. This represents an increase of \$42,170 from 2011 revenues and other sources. The expenditures of the police fund, which totaled \$2,833,894 in 2012, increased \$137,209 from 2011. The net decrease in fund balance for the police fund was \$66,440 or 52.57%.

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

Street Fund

The street fund had revenues and other financing sources of \$1,794,588 in 2012. This represents an increase of \$255,816 from 2011 revenues and other sources. The expenditures of the street fund, which totaled \$1,508,025 in 2012, decreased \$106,512 from 2011. The net increase in the fund balance for the street fund, including the increase in reserve for inventory, was \$293,479 or 32.57%. The increase in fund balance was the result of transfers from the general fund of \$1,250,000.

Capital Improvement Fund

The capital improvement fund had revenues and other financing sources of \$913,768 in 2012. The expenditures of the capital improvement fund totaled \$951,096 in 2012. The net decrease in the fund balance for the capital improvement fund was \$37,328 or 0.63%.

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, budgeted revenues were \$42,032 higher from the original to the final budget. One of the most significant changes was between the final budgeted revenues and actual revenues. Actual budget revenues and other financing sources of \$8,463,542 exceeded final revenues and other financing sources by \$826,549. Income tax revenue exceeded budgeted revenue by \$631,047. The actual expenditures and other financing uses of \$7,157,732 were less than the final appropriations by \$369,537.

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, 2012**

Capital Assets and Debt Administration

Capital Assets

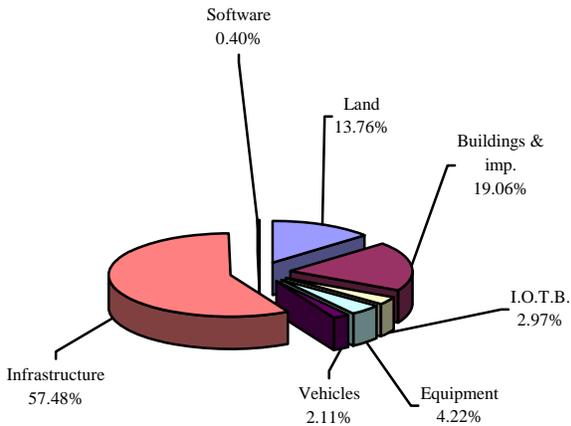
At the end of 2012, the City had \$55,167,411 (net of accumulated depreciation) invested in land, buildings and improvements, improvements other than buildings, equipment, vehicles, software, and infrastructure. Of this total, \$36,085,171 was reported in governmental activities and \$19,082,240 was reported in business-type activities. See Note 10 in the basic financial statements for additional capital asset disclosure. The following table shows 2012 balances compared to 2011:

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

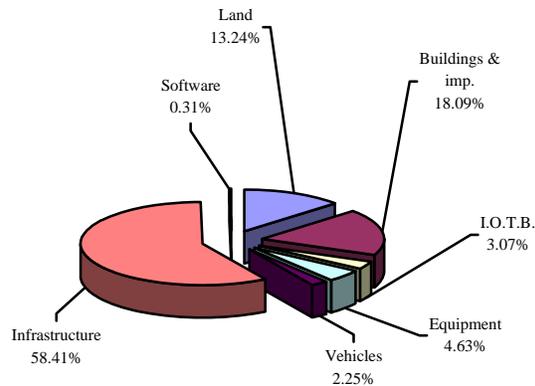
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 4,960,605	\$ 4,920,875	\$ 33,510	\$ 33,510	\$ 4,994,115	\$ 4,954,385
Land improvements (I.O.T.B.)	1,071,610	1,140,470	944,300	754,702	2,015,910	1,895,172
Buildings and improvements	6,878,084	6,726,147	3,942,643	4,056,880	10,820,727	10,783,027
Equipment	1,524,563	1,722,527	2,617,794	2,651,120	4,142,357	4,373,647
Vehicles	762,940	835,860	184,531	199,196	947,471	1,035,056
Infrastructure	20,743,058	21,714,973	11,359,462	11,342,376	32,102,520	33,057,349
Computer software	144,311	114,214	-	-	144,311	114,214
Totals	\$ 36,085,171	\$ 37,175,066	\$ 19,082,240	\$ 19,037,784	\$ 55,167,411	\$ 56,212,850

The following graphs show the breakdown of governmental capital assets by category for 2012 and 2011.

**Capital Assets - Governmental Activities
2012**



**Capital Assets - Governmental Activities
2011**

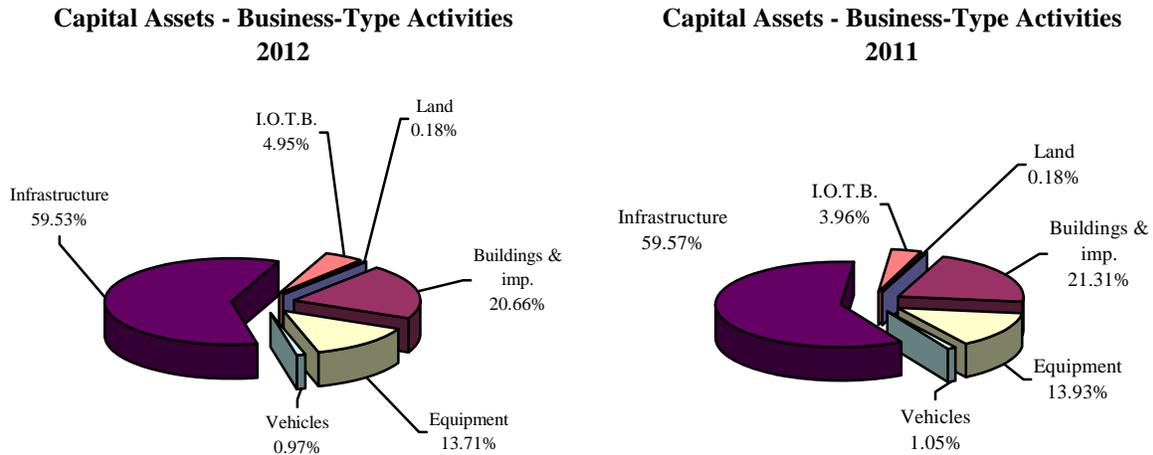


CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

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 57.48% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2012 and 2011.



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 59.53% of the City's total business-type capital assets.

Debt Administration

The City has had no outstanding loans or long-term debt since 2011.

Economic Conditions and Outlook

The City of Englewood is an attractive planned community in the northern portion of Montgomery County in southwest Ohio. Located along the I-70 corridor, just 5 miles from Dayton International Airport, it offers ease of access to the larger metropolitan cities of Dayton, Columbus, and Cincinnati, as well as interstate travel. For those who wish to avoid the congestion of the larger metropolitan areas, Englewood offers many opportunities right within its own borders for first-rate education, health, recreation, and entertainment. These amenities are enjoyed not only by Englewood's diverse population of 13,600, but also by the constituents of surrounding communities.

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

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

Englewood's tax base includes a good mix of health, government, education, entertainment, retail, commercial, and industrial segments. Although state budget cuts and economic recession have had a negative impact on certain general fund revenue streams, this diversity in tax base has enabled the City to remain fiscally strong.

Looking Back

Englewood's population growth exploded over the past decade. According to census data, the City experienced a 10% population increase between 2000 and 2010. Although the population increased, the crime rate fell dramatically over the past five years. The total number of reported crimes in Englewood for 2012 was nearly 40% lower than 2008, according to The National Incident Based Reporting System (NIBRS).

In 2012 the City of Englewood experienced growth in both residential and commercial developments. A total of 20 residential units were constructed with an estimated value of \$2,469,000. The retail market remains strong with several new businesses moving into vacant spaces in existing shopping centers. New buildings were completed by Dollar General and Chipotle Mexican Grill. Major industrial developments in 2012 include the completion of a 30,000 square foot expansion by SK Tech, an automotive parts supplier in the Otterbein Commerce Park.

Capital projects accomplished during 2012 include: Replacement of several aging water mains; the fourth and final phase of sanitary sewer manhole rehabilitation; pedestrian access and handicapped sidewalk ramp improvement projects; installation of a water booster station at the water tower on Union Boulevard; roof replacement projects at the government center and other public facilities; and replacement of underground fuel storage tanks at the service center. Of course, annual sidewalk replacement and general roadway resurfacing programs were completed as well. State and federal grant funding subsidized nearly \$430,000 of these capital projects. The remaining cost was paid by reserves set aside for such purposes.

Looking Forward

At present time, the City has over eighty shovel-ready acres available for development within its industrial parks, ample acreage available for residential growth and all of the necessary resources to provide excellent service to our existing and future residents. A 45,000 square foot expansion of Value Added Packaging, in the Otterbein Commerce Park, has a completion date of June 2013. Additionally, ground has broken on the installation of a new Northmont City Schools 103,000 square foot elementary campus, with an anticipated completion date of August 2014.

Major capital projects for 2013 include replacing water mains on Magnolia Avenue and Albert Street; replacement of a storm sewer between Main and Albert Streets; and infrastructure relocations in preparation of an Ohio Department of Transportation bridge widening project at I-70 and State Route 48. Previously approved OPWC grants will provide 50% of the funding for the water main and storm sewer replacement projects. Once again, loan assistance will not be necessary, as funds have been prudently set aside in reserve for such improvements.

The City's first year of administrative control over local income tax collection was a huge success. City administration and the staff of the finance department are very excited to provide personal service in a convenient location for our citizens and businesses. Income tax revenue increased more than 12% and the cost of collection decreased over 20%.

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

The City has remained debt free in 2012. This strong commitment to live within its financial means will enable Englewood to ride out the fiscal crisis that has hit many other government entities in Ohio. Administration will continue to monitor and adapt to ongoing reductions in state revenue streams. Because of a long-standing commitment to fiscal stewardship of public funds, Englewood will continue to thrive without compromising a history of excellence in safety, security and public service to the community.

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

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 City Manager Eric A. Smith or Finance Director Janine Cooper, City of Englewood, 333 West National Road, Englewood, OH 45322 or visit our website at www.inglewood.oh.us.

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments.	\$ 15,116,161	\$ 5,325,150	\$ 20,441,311
Receivables:			
Income taxes.	1,341,600	-	1,341,600
Real and other taxes	1,329,737	-	1,329,737
Payments in lieu of taxes	139,660	-	139,660
Accounts.	416,713	381,094	797,807
Special assessments	249,714	25,108	274,822
Accrued interest	27,446	-	27,446
Due from other governments.	576,669	4,000	580,669
Materials and supplies inventory.	102,732	123,070	225,802
Prepayments	49,069	19,899	68,968
Internal balance	(12,743)	12,743	-
Capital assets:			
Land.	4,960,605	33,510	4,994,115
Depreciable capital assets, net.	31,124,566	19,048,730	50,173,296
Total capital assets, net.	<u>36,085,171</u>	<u>19,082,240</u>	<u>55,167,411</u>
Total assets	<u>55,421,929</u>	<u>24,973,304</u>	<u>80,395,233</u>
Liabilities:			
Accounts payable.	161,832	96,524	258,356
Accrued wages and benefits payable	109,555	15,420	124,975
Due to other governments	241,609	23,832	265,441
Claims payable.	9,991	-	9,991
Unearned revenue	-	66,344	66,344
Long-term liabilities:			
Due within one year	282,430	33,304	315,734
Due in more than one year.	193,077	94,158	287,235
Total liabilities	<u>998,494</u>	<u>329,582</u>	<u>1,328,076</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	1,295,934	-	1,295,934
Payments in lieu of taxes levied for the next fiscal year.	139,660	-	139,660
Total deferred inflows of resources	<u>1,435,594</u>	<u>-</u>	<u>1,435,594</u>
Net position:			
Net investment in capital assets.	36,085,171	19,082,240	55,167,411
Restricted for:			
Matured bond and interest.	6,069	-	6,069
Street construction and maintenance.	1,794,037	-	1,794,037
Public safety.	1,136,621	-	1,136,621
Other purposes.	185,929	-	185,929
Unrestricted.	<u>13,780,014</u>	<u>5,561,482</u>	<u>19,341,496</u>
Total net position	<u>\$ 52,987,841</u>	<u>\$ 24,643,722</u>	<u>\$ 77,631,563</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government.	\$ 1,820,417	\$ 373,397	\$ 42,500	\$ -
Security of persons and property . . .	5,296,595	1,237,085	7,294	-
Public health and welfare	5,738	594	-	-
Transportation.	3,220,743	-	709,454	36,741
Community environment	465,318	81,965	-	-
Leisure time activity.	516,368	54,815	-	-
Total governmental activities	<u>11,325,179</u>	<u>1,747,856</u>	<u>759,248</u>	<u>36,741</u>
Business-type activities:				
Water.	1,308,319	1,309,544	-	250,350
Sewer.	1,428,586	1,443,550	-	100,000
Solid waste.	819,025	774,336	-	-
Total business-type activities	<u>3,555,930</u>	<u>3,527,430</u>	<u>-</u>	<u>350,350</u>
Total primary government	<u>\$ 14,881,109</u>	<u>\$ 5,275,286</u>	<u>\$ 759,248</u>	<u>\$ 387,091</u>

General revenues:

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

Total general revenues

Change in net position

Net position at beginning of year

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (1,404,520)	\$ -	\$ (1,404,520)
(4,052,216)	-	(4,052,216)
(5,144)	-	(5,144)
(2,474,548)	-	(2,474,548)
(383,353)	-	(383,353)
(461,553)	-	(461,553)
<u>(8,781,334)</u>	<u>-</u>	<u>(8,781,334)</u>
-	251,575	251,575
-	114,964	114,964
-	(44,689)	(44,689)
-	<u>321,850</u>	<u>321,850</u>
<u>(8,781,334)</u>	<u>321,850</u>	<u>(8,459,484)</u>
834,072	-	834,072
459,704	-	459,704
204,340	-	204,340
66,631	-	66,631
6,479,047	-	6,479,047
396,046	-	396,046
783,707	-	783,707
119,601	21,002	140,603
64,950	51,976	116,926
<u>9,408,098</u>	<u>72,978</u>	<u>9,481,076</u>
626,764	394,828	1,021,592
<u>52,361,077</u>	<u>24,248,894</u>	<u>76,609,971</u>
<u>\$ 52,987,841</u>	<u>\$ 24,643,722</u>	<u>\$ 77,631,563</u>

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	<u>General</u>	<u>Fire & Rescue</u>	<u>Police</u>	<u>Street</u>
Assets:				
Equity in pooled cash and investments.	\$ 6,066,868	\$ 632,695	\$ 195,567	\$ 1,136,028
Receivables:				
Income taxes.	1,341,600	-	-	-
Real and other taxes.	603,953	456,176	197,771	-
Payments in lieu of taxes.	-	-	-	-
Accounts.	53,661	350,282	7,420	5,276
Special assessments.	163,331	-	-	-
Interfund loans.	42,032	-	-	-
Accrued interest.	27,446	-	-	-
Due from other governments.	203,068	34,686	14,663	246,800
Materials and supplies inventory.	-	-	-	78,820
Prepayments.	9,446	7,383	16,601	9,907
Total assets.	<u>\$ 8,511,405</u>	<u>\$ 1,481,222</u>	<u>\$ 432,022</u>	<u>\$ 1,476,831</u>
Liabilities:				
Accounts payable.	\$ 66,112	\$ 10,498	\$ 3,752	\$ 34,814
Accrued wages and benefits payable.	21,588	21,751	37,768	16,763
Compensated absences payable.	-	16,082	-	-
Interfund loans payable.	-	-	-	-
Due to other governments.	31,432	54,178	114,546	22,453
Claims payable.	9,991	-	-	-
Total liabilities.	<u>129,123</u>	<u>102,509</u>	<u>156,066</u>	<u>74,030</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	588,625	444,583	192,556	-
Delinquent property tax revenue not available.	15,328	11,593	5,215	-
Payments in lieu of taxes levied for the next fiscal year.	-	-	-	-
Accrued interest not available.	27,442	-	-	-
Special assessments revenue not available.	163,331	-	-	-
Miscellaneous revenue not available.	19,455	286,678	3,580	3,244
Income tax revenue not available.	785,026	-	-	-
Intergovernmental revenue not available.	117,073	34,686	14,663	205,049
Total deferred inflows of resources.	<u>1,716,280</u>	<u>777,540</u>	<u>216,014</u>	<u>208,293</u>
Fund balances:				
Nonspendable.	9,446	7,383	16,601	88,727
Restricted.	-	593,790	43,341	1,105,781
Committed.	-	-	-	-
Assigned.	770,074	-	-	-
Unassigned.	5,886,482	-	-	-
Total fund balances.	<u>6,666,002</u>	<u>601,173</u>	<u>59,942</u>	<u>1,194,508</u>
Total liabilities, deferred inflows of resources and fund balances.	<u>\$ 8,511,405</u>	<u>\$ 1,481,222</u>	<u>\$ 432,022</u>	<u>\$ 1,476,831</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 5,914,120	\$ 795,887	\$ 14,741,165
-	-	1,341,600
-	71,837	1,329,737
-	139,660	139,660
-	74	416,713
3,132	83,251	249,714
-	-	42,032
-	-	27,446
36,741	38,382	574,340
-	-	78,820
-	3,287	46,624
<u>\$ 5,953,993</u>	<u>\$ 1,132,378</u>	<u>\$ 18,987,851</u>
\$ 6,658	\$ 11,724	\$ 133,558
-	7,044	104,914
-	-	16,082
42,032	-	42,032
-	11,416	234,025
-	-	9,991
<u>48,690</u>	<u>30,184</u>	<u>540,602</u>
-	70,170	1,295,934
-	1,667	33,803
-	139,660	139,660
-	-	27,442
3,132	81,250	247,713
-	-	312,957
-	-	785,026
-	21,816	393,287
<u>3,132</u>	<u>314,563</u>	<u>3,235,822</u>
-	3,287	125,444
-	784,344	2,527,256
2,222,544	-	2,222,544
3,679,627	-	4,449,701
-	-	5,886,482
<u>5,902,171</u>	<u>787,631</u>	<u>15,211,427</u>
<u>\$ 5,953,993</u>	<u>\$ 1,132,378</u>	<u>\$ 18,987,851</u>

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**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012

Total governmental fund balances	\$	15,211,427
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds.		34,651,108
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Income taxes receivable	\$	785,026
Real and other taxes receivable		33,803
Accounts receivable		312,957
Intergovernmental receivable		393,287
Special assessments receivable		247,713
Accrued interest receivable		27,442
Total		1,800,228
An internal service fund is used by management to charge the costs of the government center and service center to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. The net position of the internal service funds, including internal balances of \$12,743, are:		1,743,120
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(418,042)
Net position of governmental activities	\$	52,987,841

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>General</u>	<u>Fire & Rescue</u>	<u>Police</u>	<u>Street</u>
Revenues:				
Municipal income taxes	\$ 6,535,293	\$ -	\$ -	\$ -
Property and other taxes.	841,063	464,244	206,685	-
Charges for services.	194,533	837,778	-	-
Licenses and permits	112,509	-	-	-
Fines and forfeitures	-	-	21,543	-
Intergovernmental.	670,288	75,128	29,869	514,372
Special assessments	26,512	-	-	-
Investment income.	126,125	-	-	7,993
Rental income	16,804	-	-	-
Contributions and donations.	2,890	-	-	-
Payment in lieu of taxes.	-	-	-	-
Other	13,889	2,946	8,874	22,223
Total revenues	<u>8,539,906</u>	<u>1,380,096</u>	<u>266,971</u>	<u>544,588</u>
Expenditures:				
Current:				
General government	1,044,274	-	-	-
Security of persons and property	-	1,678,271	2,833,894	-
Public health and welfare.	5,738	-	-	-
Transportation	224,717	-	-	1,508,025
Community environment	463,851	-	-	-
Leisure time activity	367,076	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>2,105,656</u>	<u>1,678,271</u>	<u>2,833,894</u>	<u>1,508,025</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>6,434,250</u>	<u>(298,175)</u>	<u>(2,566,923)</u>	<u>(963,437)</u>
Other financing sources (uses):				
Sale of capital assets.	40,062	-	483	-
Transfers in	-	262,000	2,500,000	1,250,000
Transfers (out).	(4,877,348)	-	-	-
Total other financing sources (uses)	<u>(4,837,286)</u>	<u>262,000</u>	<u>2,500,483</u>	<u>1,250,000</u>
Net change in fund balances	1,596,964	(36,175)	(66,440)	286,563
Fund balances at beginning of year	5,069,038	637,348	126,382	901,029
Increase in reserve for inventory	-	-	-	6,916
Fund balances at end of year	<u>\$ 6,666,002</u>	<u>\$ 601,173</u>	<u>\$ 59,942</u>	<u>\$ 1,194,508</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 6,535,293
-	67,392	1,579,384
-	258,582	1,290,893
-	200	112,709
-	998	22,541
36,741	311,956	1,638,354
-	54,945	81,457
-	945	135,063
4,376	-	21,180
-	-	2,890
-	396,046	396,046
55,000	39,739	142,671
<u>96,117</u>	<u>1,130,803</u>	<u>11,958,481</u>
-	232,800	1,277,074
-	572,369	5,084,534
-	-	5,738
-	122,320	1,855,062
-	-	463,851
-	-	367,076
951,096	302,275	1,253,371
<u>951,096</u>	<u>1,229,764</u>	<u>10,306,706</u>
<u>(854,979)</u>	<u>(98,961)</u>	<u>1,651,775</u>
151,595	-	192,140
666,056	325,000	5,003,056
-	(150,708)	(5,028,056)
<u>817,651</u>	<u>174,292</u>	<u>167,140</u>
(37,328)	75,331	1,818,915
5,939,499	712,300	13,385,596
-	-	6,916
<u>\$ 5,902,171</u>	<u>\$ 787,631</u>	<u>\$ 15,211,427</u>

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, 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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Municipal income taxes	\$ 5,798,533	\$ 5,830,624	\$ 6,461,671	\$ 631,047
Property and other taxes.	755,411	759,591	841,802	82,211
Charges for services.	173,571	174,532	193,421	18,889
Licenses and permits	100,963	101,521	112,509	10,988
Intergovernmental.	567,156	570,294	632,017	61,723
Special assessments	23,791	23,923	26,512	2,589
Investment income.	127,121	127,825	141,659	13,834
Other	12,464	12,533	13,889	1,356
Total revenues	<u>7,559,010</u>	<u>7,600,843</u>	<u>8,423,480</u>	<u>822,637</u>
Expenditures:				
Current:				
General government	1,379,495	1,379,495	1,079,479	300,016
Public health and welfare.	20,884	20,884	7,219	13,665
Community environment	479,311	519,311	479,882	39,429
Leisure time activity	215,579	215,579	206,772	8,807
Total expenditures	<u>2,095,269</u>	<u>2,135,269</u>	<u>1,773,352</u>	<u>361,917</u>
Excess of revenues over expenditures.	<u>5,463,741</u>	<u>5,465,574</u>	<u>6,650,128</u>	<u>1,184,554</u>
Other financing sources (uses):				
Sale of capital assets.	35,951	36,150	40,062	3,912
Advances out.	-	(42,032)	(42,032)	-
Transfers out.	(5,252,000)	(5,349,968)	(5,342,348)	7,620
Total other financing sources (uses)	<u>(5,216,049)</u>	<u>(5,355,850)</u>	<u>(5,344,318)</u>	<u>11,532</u>
Net change in fund balances	247,692	109,724	1,305,810	1,196,086
Fund balances at beginning of year	2,767,962	2,767,962	2,767,962	-
Prior year encumbrances appropriated	89,524	89,524	89,524	-
Fund balance at end of year	<u>\$ 3,105,178</u>	<u>\$ 2,967,210</u>	<u>\$ 4,163,296</u>	<u>\$ 1,196,086</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, 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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes.	\$ 454,005	\$ 454,005	\$ 464,244	\$ 10,239
Charges for services.	815,282	815,282	833,669	18,387
Intergovernmental.	73,471	73,471	75,128	1,657
Other	2,665	2,665	2,725	60
Total revenues	<u>1,345,423</u>	<u>1,345,423</u>	<u>1,375,766</u>	<u>30,343</u>
Expenditures:				
Current:				
Security of persons and property	1,853,961	1,853,961	1,707,668	146,293
Total expenditures	<u>1,853,961</u>	<u>1,853,961</u>	<u>1,707,668</u>	<u>146,293</u>
Excess of expenditures over revenues.	<u>(508,538)</u>	<u>(508,538)</u>	<u>(331,902)</u>	<u>176,636</u>
Other financing sources:				
Transfers in	256,222	256,222	262,000	5,778
Total other financing sources.	<u>256,222</u>	<u>256,222</u>	<u>262,000</u>	<u>5,778</u>
Net change in fund balances	(252,316)	(252,316)	(69,902)	182,414
Fund balances at beginning of year	643,226	643,226	643,226	-
Prior year encumbrances appropriated	23,611	23,611	23,611	-
Fund balance at end of year	<u>\$ 414,521</u>	<u>\$ 414,521</u>	<u>\$ 596,935</u>	<u>\$ 182,414</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, 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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 206,346	\$ 206,346	\$ 206,685	\$ 339
Fines and forfeitures	21,711	21,711	21,747	36
Intergovernmental.	29,820	29,820	29,869	49
Other	5,786	5,786	5,795	9
Total revenues	<u>263,663</u>	<u>263,663</u>	<u>264,096</u>	<u>433</u>
Expenditures:				
Current:				
Security of persons and property	2,829,098	2,877,298	2,851,595	25,703
Total expenditures	<u>2,829,098</u>	<u>2,877,298</u>	<u>2,851,595</u>	<u>25,703</u>
Excess of expenditures over revenues.	<u>(2,565,435)</u>	<u>(2,613,635)</u>	<u>(2,587,499)</u>	<u>26,136</u>
Other financing sources:				
Sale of capital assets.	482	482	483	1
Transfers in	2,495,900	2,495,900	2,500,000	4,100
Total other financing sources.	<u>2,496,382</u>	<u>2,496,382</u>	<u>2,500,483</u>	<u>4,101</u>
Net change in fund balances	(69,053)	(117,253)	(87,016)	30,237
Fund balances at beginning of year	234,499	234,499	234,499	-
Prior year encumbrances appropriated . . .	25,448	25,448	25,448	-
Fund balance at end of year	<u>\$ 190,894</u>	<u>\$ 142,694</u>	<u>\$ 172,931</u>	<u>\$ 30,237</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, 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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 508,891	\$ 508,891	\$ 513,440	\$ 4,549
Investment income	7,922	7,922	7,993	71
Other	24,863	24,863	25,085	222
Total revenues	<u>541,676</u>	<u>541,676</u>	<u>546,518</u>	<u>4,842</u>
Expenditures:				
Current:				
Transportation	1,952,658	1,952,658	1,602,158	350,500
Total expenditures	<u>1,952,658</u>	<u>1,952,658</u>	<u>1,602,158</u>	<u>350,500</u>
Excess of expenditures over revenues	<u>(1,410,982)</u>	<u>(1,410,982)</u>	<u>(1,055,640)</u>	<u>355,342</u>
Other financing sources:				
Transfers in	1,238,924	1,238,924	1,250,000	11,076
Total other financing sources	<u>1,238,924</u>	<u>1,238,924</u>	<u>1,250,000</u>	<u>11,076</u>
Net change in fund balances	(172,058)	(172,058)	194,360	366,418
Fund balances at beginning of year	775,265	775,265	775,265	-
Prior year encumbrances appropriated	39,158	39,158	39,158	-
Fund balance at end of year	<u>\$ 642,365</u>	<u>\$ 642,365</u>	<u>\$ 1,008,783</u>	<u>\$ 366,418</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Funds
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	
Assets:					
Current assets:					
Equity in pooled cash and investments. . . .	\$ 2,360,278	\$ 2,258,799	\$ 706,073	\$ 5,325,150	\$ 374,996
Receivables:					
Accounts.	179,181	201,913	-	381,094	-
Special assessments	1,041	1,256	22,811	25,108	-
Due from other governments.	-	4,000	-	4,000	2,329
Materials and supplies inventory.	98,795	24,275	-	123,070	23,912
Prepayments	11,514	7,923	462	19,899	2,445
Total current assets	<u>2,650,809</u>	<u>2,498,166</u>	<u>729,346</u>	<u>5,878,321</u>	<u>403,682</u>
Noncurrent assets:					
Capital assets:					
Land.	24,486	9,024	-	33,510	130,849
Depreciable capital assets, net.	10,121,147	8,797,333	130,250	19,048,730	1,303,214
Total capital assets, net.	<u>10,145,633</u>	<u>8,806,357</u>	<u>130,250</u>	<u>19,082,240</u>	<u>1,434,063</u>
Total noncurrent assets	<u>10,145,633</u>	<u>8,806,357</u>	<u>130,250</u>	<u>19,082,240</u>	<u>1,434,063</u>
Total assets	<u>12,796,442</u>	<u>11,304,523</u>	<u>859,596</u>	<u>24,960,561</u>	<u>1,837,745</u>
Liabilities:					
Current liabilities:					
Accounts payable.	17,825	19,383	59,316	96,524	28,274
Accrued wages and benefits payable	7,765	6,562	1,093	15,420	4,641
Due to other governments	11,591	10,487	1,754	23,832	7,584
Compensated absences payable - current. . .	16,033	13,963	3,308	33,304	14,747
Unearned revenue.	-	-	66,344	66,344	-
Total current liabilities	<u>53,214</u>	<u>50,395</u>	<u>131,815</u>	<u>235,424</u>	<u>55,246</u>
Long-term liabilities:					
Compensated absences payable	45,949	45,523	2,686	94,158	26,636
Total long-term liabilities	<u>45,949</u>	<u>45,523</u>	<u>2,686</u>	<u>94,158</u>	<u>26,636</u>
Total liabilities	<u>99,163</u>	<u>95,918</u>	<u>134,501</u>	<u>329,582</u>	<u>81,882</u>
Net position:					
Net investment in capital assets.	10,145,633	8,806,357	130,250	19,082,240	1,434,063
Unrestricted	2,551,646	2,402,248	594,845	5,548,739	321,800
Total net position.	<u>\$ 12,697,279</u>	<u>\$ 11,208,605</u>	<u>\$ 725,095</u>	<u>24,630,979</u>	<u>\$ 1,755,863</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				<u>12,743</u>	
Net position of business-type activities:				<u>\$ 24,643,722</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Funds
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	
Operating revenues:					
Charges for services	\$ 1,274,451	\$ 1,397,724	\$ 774,336	\$ 3,446,511	\$ 840,881
Tap-in fees	35,093	45,826	-	80,919	-
Other operating revenues	1,979	1,259	20,309	23,547	775
Total operating revenues.	<u>1,311,523</u>	<u>1,444,809</u>	<u>794,645</u>	<u>3,550,977</u>	<u>841,656</u>
Operating expenses:					
Personal services	428,857	381,557	64,411	874,825	283,938
Contract services	350,593	247,591	733,486	1,331,670	200,128
Materials and supplies	43,111	272,508	8,319	323,938	133,694
Depreciation	484,740	426,505	11,500	922,745	78,917
Other	53	121,088	253	121,394	-
Total operating expenses.	<u>1,307,354</u>	<u>1,449,249</u>	<u>817,969</u>	<u>3,574,572</u>	<u>696,677</u>
Operating income (loss)	4,169	(4,440)	(23,324)	(23,595)	144,979
Nonoperating revenues (expenses):					
Gain (loss) on sale of capital assets	(2,370)	28,429	-	26,059	-
Interest income	11,892	9,110	-	21,002	-
Total nonoperating revenues (expenses).	<u>9,522</u>	<u>37,539</u>	<u>-</u>	<u>47,061</u>	<u>-</u>
Income (loss) before transfers and contributions.	13,691	33,099	(23,324)	23,466	144,979
Transfer in	-	-	-	-	25,000
Capital contributions	<u>250,350</u>	<u>100,000</u>	<u>-</u>	<u>350,350</u>	<u>-</u>
Change in net position	264,041	133,099	(23,324)	373,816	169,979
Net position at beginning of year	<u>12,433,238</u>	<u>11,075,506</u>	<u>748,419</u>		<u>1,585,884</u>
Net position at end of year	<u>\$ 12,697,279</u>	<u>\$ 11,208,605</u>	<u>\$ 725,095</u>		<u>\$ 1,755,863</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.				<u>21,012</u>	
Change in net position of business-type activities				<u>\$ 394,828</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Solid Waste	Total	
Cash flows from operating activities:					
Cash received from customers.	\$ 1,254,905	\$ 1,357,966	\$ 776,233	\$ 3,389,104	\$ 841,101
Cash received from tap-in fees.	35,093	45,826	-	80,919	-
Cash received from other operations	1,979	1,259	20,309	23,547	775
Cash payments for personal services.	(428,838)	(385,438)	(62,414)	(876,690)	(279,482)
Cash payments for contractual services	(349,938)	(262,827)	(733,483)	(1,346,248)	(193,473)
Cash payments for materials and supplies	(46,051)	(270,576)	(8,319)	(324,946)	(131,612)
Cash payments for other expenses	-	(121,035)	-	(121,035)	-
Net cash provided by (used in) operating activities	<u>467,150</u>	<u>365,175</u>	<u>(7,674)</u>	<u>824,651</u>	<u>237,309</u>
Cash flows from noncapital financing activities:					
Cash received from transfers in	-	-	-	-	25,000
Net cash provided by noncapital financing activities.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Cash flows from capital and related financing activities:					
Sale of capital assets.	-	33,294	-	33,294	-
Acquisition of capital assets	(706,699)	(279,117)	-	(985,816)	(246,537)
Capital contributions.	250,350	100,000	-	350,350	-
Net cash used in capital and related financing activities.	<u>(456,349)</u>	<u>(145,823)</u>	<u>-</u>	<u>(602,172)</u>	<u>(246,537)</u>
Cash flows from investing activities:					
Interest received	11,892	9,110	-	21,002	-
Net cash provided by investing activities	<u>11,892</u>	<u>9,110</u>	<u>-</u>	<u>21,002</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	22,693	228,462	(7,674)	243,481	15,772
Cash and cash equivalents at beginning of year . . .	<u>2,337,585</u>	<u>2,030,337</u>	<u>713,747</u>	<u>5,081,669</u>	<u>359,224</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,360,278</u></u>	<u><u>\$ 2,258,799</u></u>	<u><u>\$ 706,073</u></u>	<u><u>\$ 5,325,150</u></u>	<u><u>\$ 374,996</u></u>

Non-cash capital transactions:
During 2011, the water fund purchased capital assets on account of \$11,380.

-- Continued

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 4,169	\$ (4,440)	\$ (23,324)	\$ (23,595)	\$ 144,979
Adjustments:					
Depreciation.	484,740	426,505	11,500	922,745	78,917
Changes in assets and liabilities:					
Increase in materials and supplies inventory.	(954)	(350)	-	(1,304)	(30)
Increase in accounts receivable.	(19,951)	(36,045)	-	(55,996)	-
Decrease (increase) in special assessments receivable	405	287	(1,245)	(553)	-
Decrease (increase) in intergovernmental receivable.	-	(4,000)	-	(4,000)	220
Decrease (increase) in prepayments	(984)	48	(462)	(1,398)	(190)
Increase (decrease) in accounts payable	(301)	(12,901)	256	(12,946)	8,767
Increase in accrued wages and benefits.	2,210	993	1,093	4,296	1,294
Increase (decrease) in intergovernmental payable.	1,303	(1,178)	1,754	1,879	802
Increase (decrease) in compensated absences payable.	(3,487)	(3,744)	(388)	(7,619)	2,550
Increase in unearned revenue.	-	-	3,142	3,142	-
Net cash provided by (used in) operating activities	<u>\$ 467,150</u>	<u>\$ 365,175</u>	<u>\$ (7,674)</u>	<u>\$ 824,651</u>	<u>\$ 237,309</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2012

	Agency
Assets:	
Current assets:	
Equity in pooled cash and investments.	\$ 4,450
Total assets	\$ 4,450
Liabilities:	
Undistributed monies.	\$ 4,360
Intergovernmental payable.	90
Total liabilities	\$ 4,450

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, 2012

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 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 City has no component units.

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, 2012

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. See Note 13 for additional information.

B. Basis of Presentation

The City's (BFS) consist of government-wide statements, including a statement of net position 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 position 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 position 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.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

C. Fund Accounting

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

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 plus deferred outflows and liabilities plus deferred inflows is reported as fund balance. The following are the City's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (b) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds - Proprietary fund reporting focuses on changes in net position, 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.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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 and the service center.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. 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, all deferred outflows, all liabilities and all deferred inflows associated with the operation of the City are included on the statement of net position.

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 position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

E. Basis of Accounting

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

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.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net assets by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net assets by the City that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2012, are recorded as deferred inflows on the governmental fund financial statements.

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

F. Budgetary Data

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

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 2012.

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 2012.

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, 2012

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 2012, investments were limited to certificates of deposit, federal agency securities, a General Electric (GE) Capital Invest Direct, municipal bonds and the State Treasury Asset Reserve of Ohio (STAR Ohio).

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2012.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2012 amounted to \$126,125, which included \$89,280 assigned from other funds of the City.

For purposes of the statement of cash flows and for presentation on the statement of net position, 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, 2012, 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, 2012

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 position, 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 position 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 easements with an indefinite useful life. 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:		
Water and Sewer Lines	50 years	50 years
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 and Meters	15 years	15 years
Street Signs	10 years	10 years
Software	5 - 10 years	5 - 10 years

K. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payments 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, 2012

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 Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the 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, 2012

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

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets 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 position 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 position restricted for other purposes consist primarily of the tax increment financing fund.

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

R. 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 2012.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2012, the City has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the City.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the City.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the City's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 has changed the presentation of the City's financial statements to reclassify certain items previously reported as assets and liabilities to deferred outflows of resources and deferred inflows of resources.

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 ten year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies may be deposited or invested in the following securities in accordance with the City's investment policy:

- A. Bonds, notes or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest thereon;
- B. Bonds, notes, debentures or any other obligations or securities issued by any Federal Government agency, instrumentality, or Government Sponsored Enterprise;

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

- C. Deposits in eligible financial institutions;
- D. Bankers' acceptances issued by banks ranked within the top 100 banks, based upon asset size, or issued by banks within the State of Ohio with at least two billion dollars (\$2,000,000,000) in assets;
- E. Commercial paper which, when purchased, is rated at least P-1 by Moody's Investor Services and A-1 by Standard and Poor's, and corporate notes and other debt which, when purchased, is rated AA or better by Moody's Investor Services and/or Standard and Poor's;
- F. Bonds, notes or other obligations of the State of Ohio and its political subdivisions;
- G. The State Treasury Assets Reserve of Ohio (STAR Ohio);
- H. No-load money market mutual funds consisting exclusively of obligations described in paragraphs A. and B. hereof; and,
- I. Repurchase agreements with institutions which have executed a master repurchase agreement, entered into between the City and that particular institution. Each master repurchase agreement will provide for:
 - 1. Collateralization of each repurchase agreement consisting exclusively of obligations described in paragraphs A. and B. hereof, the market value of which shall not be less than 102 percent of the principal amount of each repurchase agreement plus accrued interest;
 - 2. Safekeeping of the collateral by the City's third-party safekeeping agent; and
 - 3. Settlement of each repurchase agreement on a delivery-versus-payment basis. Master repurchase agreements may provide for substitution of collateral by the broker/dealer with the agreement of the City.

Securities which are specifically prohibited for investment include interest-only, mortgage-backed securities or other securities for which there exists a hypothetical mathematical possibility of a negative yield, excluding default risk, if the security is held to maturity.

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, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2012, the carrying amount of all City deposits was \$5,462,639. As of December 31, 2012, \$4,577,837 of the City’s bank balance of \$5,633,836 was exposed to custodial risk as discussed below, while \$1,055,999 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, 2012, the City had the following investments and maturities:

Investment type	Fair Value	Investment Maturities					Total
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months	
STAR Ohio	\$ 1,200	\$ 1,200	\$ -	\$ -	\$ -	\$ -	\$ 1,200
GE Capital Invest Direct	5,000,450	5,000,450	-	-	-	-	5,000,450
FFCB	3,011,130	-	-	-	-	3,011,130	3,011,130
FHLB	6,317,427	-	-	-	-	6,317,427	6,317,427
FHLMC REMIC	1,301	-	-	-	-	1,301	1,301
Municipal bonds	651,014	651,014	-	-	-	-	651,014
Total	\$ 14,982,522	\$ 5,652,664	\$ -	\$ -	\$ -	\$ 9,329,858	\$ 14,982,522

The weighted average maturity of investments is 3.59 years.

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. Unless matched to a specific cash flow requirement, the City will not directly invest in securities maturing more than ten years from the month of settlement.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: The City’s investments, except for the municipal bonds and STAR Ohio, were rated AA+ 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. The municipal bonds were not rated. Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. The City’s investment policy limits its investments to those authorized by Englewood Codified Ordinance 236.07. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City’s investment policy requires commercial paper, when purchase, to be rated at least P-1 by Moody’s Investor Services and A-1 by Standard & Poor’s and corporate notes and other debt which, when purchased, is rated AA or better by Moody’s Investor Services and/or Standard & Poor’s.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty’s trust department or agent, but not in the City’s name. The City’s investment policy requires government securities, commercial paper, bankers’ acceptances and money market securities to be settled in a delivery-versus-payment method. Book entry or physical securities shall be safekept by a third-party safekeeping agent, in the agent’s Federal Reserve customer account, correspondent money center bank customer custody account or Depository Trust Corporation (DTC) customer custody account. Each delivery and safekeeping shall be evidenced by a safekeeping receipt.

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, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,200	0.01
GE Captal Invest Direct	5,000,450	33.37
FFCB	3,011,130	20.10
FHLB	6,317,427	42.17
FHLMC REMIC	1,301	0.01
Municipal bonds	651,014	4.34
Total	<u>\$ 14,982,522</u>	<u>100.00</u>

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

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 position as of December 31, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,462,639
Investments	14,982,522
Cash on hand	600
Total	<u>\$ 20,445,761</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 15,116,161
Business type activities	5,325,150
Agency funds	4,450
Total	<u>\$ 20,445,761</u>

NOTE 5 - INTERFUND TRANSFERS

- A. Interfund transfers for the year ended December 31, 2012, consisted of the following, as reported in the fund financial statements:

<u>Transfers to</u>	<u>Transfers from</u>		
	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fire and rescue	\$ 262,000	\$ -	\$ 262,000
Police	2,500,000	-	2,500,000
Street	1,250,000	-	1,250,000
Capital improvement	515,348	150,708	666,056
Nonmajor governmental funds	325,000	-	325,000
Internal service funds	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total	<u>\$ 4,877,348</u>	<u>\$ 150,708</u>	<u>\$ 5,028,056</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. The tax incremental financing fund (a nonmajor governmental fund) transferred \$150,708 to the capital improvement fund to fund improvements made in the TIF District (See Note 8). All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

- B. The interfund balance at December 31, 2012 as reported on the fund financial statements consist of the following interfund loan receivable/payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Capital improvement	\$ 42,032

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

Interfund balances between governmental funds and internal service funds are eliminated on the government-wide financial statements; therefore, no internal balances between governmental funds and internal service funds at December 31, 2012 are reported on the statement of net position.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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.

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. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County 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, 2012 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred inflow of resources since the current taxes were not levied to finance 2012 operations and the collection of delinquent taxes has been offset by deferred inflow of resources 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 a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2012 was \$10.59 per \$1,000 of assessed value. The assessed values of real property and public utility personal property upon which 2012 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 198,913,570
Commercial/industrial/mineral	57,972,750

Public utility

Personal	<u>3,709,460</u>
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Total assessed value	<u>\$ 260,595,780</u>
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CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 7 - LOCAL INCOME TAX

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

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

Income tax proceeds are to be used to pay the cost of administering the tax. All remaining income tax revenue is then initially placed in the general fund. The use of all income tax proceeds is determined by City Council. Income tax revenue for 2012 was \$6,535,293 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 \$396,046 in 2012 as reported in the fund financial statements. The TIF has a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT's cease and property taxes then apply to the increased property values.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2012, 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, 2012.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 9 - RECEIVABLES - (Continued)

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

Governmental activities:

Income taxes	\$ 1,341,600
Real and other taxes	1,329,737
Payments in lieu of taxes	139,660
Accounts	416,713
Accrued interest	27,446
Special assessments	249,714
Due from other governments	576,669

Business-type activities:

Accounts	381,094
Special assessments	25,108
Due from other governments	4,000

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 10 - CAPITAL ASSETS

A. Capital asset activity for the governmental activities for the year ended December 31, 2012, was as follows:

	<u>Balance</u> <u>12/31/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/12</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 4,920,875	\$ 58,650	\$ (18,920)	\$ 4,960,605
Total capital assets, not being depreciated	<u>4,920,875</u>	<u>58,650</u>	<u>(18,920)</u>	<u>4,960,605</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,913,354	65,595	-	2,978,949
Buildings and improvements	9,736,083	379,078	(5,522)	10,109,639
Furniture and equipment	3,546,987	69,144	(90,291)	3,525,840
Vehicles	2,917,258	124,362	(69,510)	2,972,110
Infrastructure	35,478,579	400,288	(155,725)	35,723,142
Computer software	132,576	45,205	-	177,781
Total capital assets, being depreciated	<u>54,724,837</u>	<u>1,083,672</u>	<u>(321,048)</u>	<u>55,487,461</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,772,884)	(134,455)	-	(1,907,339)
Buildings	(3,009,936)	(223,357)	1,738	(3,231,555)
Furniture and equipment	(1,824,460)	(246,141)	69,324	(2,001,277)
Vehicles	(2,081,398)	(178,734)	50,962	(2,209,170)
Infrastructure	(13,763,606)	(1,290,453)	73,975	(14,980,084)
Computer software	(18,362)	(15,108)	-	(33,470)
Total accumulated depreciation	<u>(22,470,646)</u>	<u>(2,088,248)</u>	<u>195,999</u>	<u>(24,362,895)</u>
Total capital assets, being depreciated	<u>32,254,191</u>	<u>(1,004,576)</u>	<u>(125,049)</u>	<u>31,124,566</u>
Governmental activities capital assets, net	<u>\$ 37,175,066</u>	<u>\$ (945,926)</u>	<u>\$ (143,969)</u>	<u>\$ 36,085,171</u>

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

Governmental activities:

General government	\$ 164,857
Security of persons and property	257,502
Transportation	1,433,592
Community environment	4,137
Leisure time activity	149,243

Capital assets held by the government's internal service funds are

charged to the various functions based on their usage of the assets 78,917

Total depreciation expense - governmental activities \$ 2,088,248

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 10 - CAPITAL ASSETS - (Continued)

- B.** Capital asset activity for the business-type activities for the year ended December 31, 2012 was as follows:

<u>Business-type activities:</u>	<u>Balance</u>			<u>Balance</u>
	<u>12/31/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/12</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 33,510	\$ -	\$ -	\$ 33,510
Total capital assets, not being depreciated	<u>33,510</u>	<u>-</u>	<u>-</u>	<u>33,510</u>
<i>Capital assets, being depreciated:</i>				
Improvements other than buildings	887,687	234,961	-	1,122,648
Buildings and improvements	7,829,451	70,220	(11,541)	7,888,130
Equipment	4,257,833	164,144	-	4,421,977
Vehicles	255,308	-	-	255,308
Infrastructure	<u>22,718,098</u>	<u>505,111</u>	<u>(602)</u>	<u>23,222,607</u>
Total capital assets, being depreciated	<u>35,948,377</u>	<u>974,436</u>	<u>(12,143)</u>	<u>36,910,670</u>
<i>Less: accumulated depreciation:</i>				
Improvements other than buildings	(132,985)	(45,363)	-	(178,348)
Buildings and improvements	(3,772,571)	(177,508)	4,592	(3,945,487)
Equipment	(1,606,713)	(197,470)	-	(1,804,183)
Vehicles	(56,112)	(14,665)	-	(70,777)
Infrastructure	<u>(11,375,722)</u>	<u>(487,739)</u>	<u>316</u>	<u>(11,863,145)</u>
Total accumulated depreciation	<u>(16,944,103)</u>	<u>(922,745)</u>	<u>4,908</u>	<u>(17,861,940)</u>
Total capital assets, being depreciated, net	<u>19,004,274</u>	<u>51,691</u>	<u>(7,235)</u>	<u>19,048,730</u>
Business-type activities capital assets, net	<u>\$ 19,037,784</u>	<u>\$ 51,691</u>	<u>\$ (7,235)</u>	<u>\$ 19,082,240</u>

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

Business-type activities

Water	\$ 484,740
Sewer	426,505
Solid Waste	<u>11,500</u>
Total depreciation expense - business-type activities	<u>\$ 922,745</u>

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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 \$307,774 at December 31, 2012. 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 \$283,974 at December 31, 2012. 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 \$11,221 at December 31, 2012. 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, 2012

NOTE 12 - LONG-TERM OBLIGATIONS

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

	Balance			Balance	Amounts
	<u>12/31/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/12</u>	<u>Due in</u>
<u>Governmental activities:</u>					<u>One Year</u>
<u>Other long-term obligations:</u>					
Compensated absences	\$ 427,076	\$ 339,326	\$ (290,895)	\$ 475,507	\$ 282,430
Total other long-term obligations	<u>\$ 427,076</u>	<u>\$ 339,326</u>	<u>\$ (290,895)</u>	<u>\$ 475,507</u>	<u>\$ 282,430</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 and street funds.

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

	Balance			Balance	Amounts
	<u>12/31/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/12</u>	<u>Due in</u>
<u>Business-type activities:</u>					<u>One Year</u>
<u>Other long-term obligations</u>					
Compensated absences	\$ 135,081	\$ 57,677	\$ (65,296)	\$ 127,462	\$ 33,304
Total other long-term obligations	<u>\$ 135,081</u>	<u>\$ 57,677</u>	<u>\$ (65,296)</u>	<u>\$ 127,462</u>	<u>\$ 33,304</u>

As of December 31, 2012, the City's overall legal debt margin (the ability to issue general obligation bonded debt) was \$27,368,626 and the unvoted debt margin was \$14,332,768.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

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

Type of Coverage

General Liability	\$10,000,000/occurrence
Automobile Liability	\$10,000,000/occurrence

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

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

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

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

Property (effective 7/1/09 - 7/1/13):	\$1,000,000,000/occurrence
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MVRMA SIR: \$250,000/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 (effective 7/1/09 - 7/1/13)	\$25million/occurrence and annual aggregate
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Sublimit: (Flood Zone A & V - \$5 million/occurrence and annual aggregate)
MVRMA SIR: \$100,000/occurrence excluding Flood Zones A & V
MVRMA SIR: \$250,000/occurrence Flood Zones A & V

Earthquake (effective 7/1/09 - 7/1/13)	\$25 million/occurrence and annual aggregate
MVRMA SIR: \$100,000/occurrence	

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - RISK MANAGEMENT - (Continued)

Boiler & Machinery (effective 7/1/09 - 7/1/13) \$100,000,000/occurrence
MVRMA SIR: \$5,000/occurrence
Coverage excess SIR provided by PEPiP USA as follows:
Lexington Insurance Company - (Primary \$25 million)
List of carriers for Layer excess of \$25 million provided upon request

Boiler & Machinery (effective 7/1/12 - 7/1/13)
\$100,000,000/occurrence
MVRMA SIR: \$10,000 - \$350,000/occurrence
Power generating turbines at Piqua have an SIR of
\$500,000/occurrence
Coverage excess SIR provided by PEPiP USA as follows:
Lexington Insurance Company (Primary \$25 million)
List of carriers for layers excess of \$25 million provided upon
request.

Cyber Coverage (effective 7/1/10 - 7/1/13)
MVRMA SIR: \$100,000/occurrence
Coverage excess SIR provided by Lloyd's of London-Beazley Syndicate
Third Party Liability:
\$2 million/occurrence and annual aggregate, but sublimited to:
\$500,000/occurrence and annual aggregate for Privacy Notification Costs
First Party Computer Liability:
\$2 million/occurrence and annual aggregate subject to policy sublimits

Pollution Liability (effective 7/1/11 - 7/1/13)
\$1 million/pollution condition and aggregate with a \$200,000 sublimit for Fungi and Legionella
MVRMA SIR: \$100,000/pollution condition; \$750,000 underground storage tank specific

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

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

B. Workers' Compensation

In 2012, the City participated in the Ohio Bureau of Workers' Compensation (Bureau) Group Rating Plan. The city pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries.

In 2012, the City participated in the Ohio Bureau of Workers' Compensation (Bureau) Group Retrospective Rating Plan through the Ohio Municipal League. The alternative rating program requires the City to pay Group administrative charges to the Bureau, and in turn the City assumes the responsibility of paying all claims incurred during the policy period for up to ten years. After the tenth year, the Bureau will assume any existing claim for its duration. The City will be charged an actuarial amount for the claims transferred to the Bureau. The City's stop-loss coverage through the plan is limited to \$100,000 per claim stop-loss coverage with an annual aggregate.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - RISK MANAGEMENT - (Continued)

The City's Workers' Compensation program is accounted for in the general fund which pays for all premiums and administrative costs of the program. The general fund generates revenues by charging each fund a percentage rate determined by the Bureau for the payroll during the reporting period.

The claims liability is recorded based on an actuarial determination of future claims, review of five years of claim liabilities and claim payment trends including the settlement to the Bureau after the tenth year. Changes in claims activity for 2012 (for participation during 2011 in the retrospective rating plan) is as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2012	\$ 10,913	\$ 9,991	\$ (10,913)	\$ 9,991
2011	-	10,913	-	10,913

C. Unemployment

The City is a reimbursing employer with the Ohio Department of Job and Family Services. This means that, in lieu of unemployment taxes, the City pays unemployment claims to the State of Ohio as incurred. Claims may be incurred when an employee experiences the loss of employment other than with the City of Englewood. In 2012, the City's contribution to unemployment benefits was immaterial.

D. Health, Dental and Life Insurance

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

The City offers a High Deductible Health Plan combined with a Health Savings Account (HSA Plan). For the plan year effective 9/1/11 - 8/31/12, the City pays 100% of the HSA Plan monthly premium of \$342.83 for single coverage and \$1,058.31 for family coverage. The City also makes quarterly contributions to the employee health savings accounts equal to 30% of the annual plan deductible. The annual deductibles in-network for the HSA Plan are \$2,500/single and \$5,000/family, and the annual out-of-pocket maximums in-network are \$3,500 and \$7,000 respectively. Employees may contribute to their health savings account via payroll deduction up to the maximum IRS contribution limits per year.

Dental insurance is offered through Superior Dental Care with a deductible of \$50 for single coverage and up to \$150 for family coverage. The City pays the majority of the monthly premium of \$26.52 for single coverage and \$83.25 for family coverage. The City also provides a minimum of \$25,000 life and AD&D insurance at no cost to the employees. The monthly premium paid to the Standard Insurance Company is \$243.60 on a total insured volume of \$1.74 million. Employees have the opportunity to purchase additional group rated health and life insurance benefits, with the full cost of the premiums paid by the employee via payroll deduction.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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.

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 which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, 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 2012, member and contribution rates were consistent across all three plans. The 2012 member contribution rates were 10.00% for members. The City's contribution rate for 2012 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2012 was 7.95%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$278,238, \$259,157, and \$226,822, respectively; 92.43% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the member-directed plan for 2012 were \$12,543 made by the City and \$8,960 made by the plan members.

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 or by visiting the website at www.op-f.org.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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 2012, 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 \$179,155 and \$77,284 for the year ended December 31, 2012, \$172,795 and \$79,663 for the year ended December 31, 2011, and \$167,070 and \$79,867, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 74.93% has been contributed for police and 74.20% has been contributed for firefighters for 2012. The remaining 2012 pension liability has been reported as due to other governments on the basic financial statements.

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 does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, 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 administered in accordance with, Internal Revenue Code Section 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 2012, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2012 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 was 6.05%.

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, 2012

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$111,295, \$103,663, and \$129,310, respectively; 92.43% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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 or by visiting the website at www.op-f.org.

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 account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 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.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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, 2012, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$94,847 and \$30,241 for the year ended December 31, 2012, \$91,479 and \$31,173 for the year ended December 31, 2011, and \$88,449 and \$31,252, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 74.93% has been contributed for police and 74.20% has been contributed for firefighters for 2012. The remaining 2012 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund, fire and rescue fund, police fund and street fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>	<u>Fire and Rescue</u>	<u>Police</u>	<u>Street fund</u>
Budget basis	\$ 1,305,810	\$ (69,902)	\$ (87,016)	\$ 194,360
Net adjustment for revenue accruals	86,283	4,330	2,875	(1,930)
Net adjustment for expenditure accruals	(464,783)	(6,363)	(4,935)	(33,112)
Net adjustment for other sources/uses	507,032	-	-	-
Funds budgeted elsewhere	124,365	-	-	-
Adjustment for encumbrances	<u>38,257</u>	<u>35,760</u>	<u>22,636</u>	<u>127,245</u>
GAAP basis	<u>\$ 1,596,964</u>	<u>\$ (36,175)</u>	<u>\$ (66,440)</u>	<u>\$ 286,563</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the Earl Heck Community Center fund, the street lighting fund and the debt service investment trust fund.

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 17 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Fire and Rescue Fund	Police Fund	Street Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:							
Materials and supplies inventory	\$ -	\$ -	\$ -	\$ 78,820	\$ -	\$ -	\$ 78,820
Prepays	9,446	7,383	16,601	9,907	-	3,287	46,624
Total nonspendable	9,446	7,383	16,601	88,727	-	3,287	125,444
Restricted:							
Street construction and maintenance	-	-	-	1,105,781	-	354,014	1,459,795
Public safety	-	593,790	43,341	-	-	238,332	875,463
Other purposes	-	-	-	-	-	191,998	191,998
Total restricted	-	593,790	43,341	1,105,781	-	784,344	2,527,256
Committed:							
Capital improvements	-	-	-	-	2,222,544	-	2,222,544
Total committed	-	-	-	-	2,222,544	-	2,222,544
Assigned:							
Street lighting	600,921	-	-	-	-	-	600,921
Earl Heck Community Center	148,012	-	-	-	-	-	148,012
General government	14,808	-	-	-	-	-	14,808
Public health	1,481	-	-	-	-	-	1,481
Community environment	1,973	-	-	-	-	-	1,973
Leisure time activities	2,879	-	-	-	-	-	2,879
Capital projects	-	-	-	-	3,679,627	-	3,679,627
Total assigned	770,074	-	-	-	3,679,627	-	4,449,701
Unassigned	5,886,482	-	-	-	-	-	5,886,482
Total fund balances	\$ 6,666,002	\$ 601,173	\$ 59,942	\$ 1,194,508	\$ 5,902,171	\$ 787,631	\$ 15,211,427

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 18 - COMMITMENTS

A. Contractual Commitments

As of December 31, 2012, the City had the following contractual commitments outstanding related to various City projects and purchases:

<u>Vendor</u>	<u>Amount of Contract</u>	<u>Amount Paid as of 12/31/2012</u>	<u>Remaining Commitment 12/31/2012</u>
Pro Oncall Technologies	\$ 61,189	\$ (56,708)	\$ 4,481
Creative Microsystems	39,876	(17,440)	22,436
Jack Doheny Supplies	171,202	-	171,202
Envisionworks	5,000	-	5,000
Miles Ahead Technology, LLC	49,999	-	49,999
Taylor Team of Dealerships	20,780	-	20,780
Germain Ford	24,809	-	24,809
P&R Communications	24,445	-	24,445
Doll-Layman, LTD	25,000	(2,892)	22,108
Germain Ford	49,748	-	49,748
Coate Construction	24,000	(3,281)	20,719
Hanson Pipe	5,380	(1,740)	3,640
DeZurik	23,025	-	23,025
Dell	26,326	-	26,326
Worldwide Industries Corp	7,090	-	7,090
Total	<u>\$ 557,869</u>	<u>\$ (82,061)</u>	<u>\$ 475,808</u>

B. Other Commitments

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 30,563
Fire and rescue	26,379
Police	19,144
Street	93,320
Capital improvement	209,125
Nonmajor governmental	28,236
Total	<u>\$ 406,767</u>

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 19 - 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, 2012.

B. Litigation

The City is currently involved in no litigation for which there is a risk of financial liability.



Julian & Grube, Inc.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

City of Englewood
333 West National Road
Englewood, Ohio 45322

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2012, and the related notes to the financial statements, which collectively comprise the City of Englewood's basic financial statements and have issued our report thereon dated May 15, 2013 wherein we noted as discussed in Note 3, the City of Englewood adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows and Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City of Englewood's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City of Englewood's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City of Englewood's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City of Englewood's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City of Englewood's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
May 15, 2013



Dave Yost • Auditor of State

CITY OF ENGLEWOOD

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 25, 2013**