

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

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

For The Year Ended
December 31, 2003

MR. ROBERT W. FORTMAN, FINANCE DIRECTOR



**Auditor of State
Betty Montgomery**

Members of Council and Mayor
City of Englewood
Englewood, Ohio

We have reviewed the Independent Auditor's Report of the City of Englewood, Montgomery County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 22, 2004

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CITY OF ENGLEWOOD, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Englewood, Montgomery County, Ohio, (the “City”), as of and for the year ended December 31, 2003, which collectively comprise the City’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City’s management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Englewood as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, fire and rescue fund, police fund and street fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management’s Discussion and Analysis on pages 3 through 18 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2004 on our consideration of the City’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Trimble, Julian & Grube, Inc.
June 8, 2004

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

The 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, 2003. 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 2003 are as follows:

- The total net assets of the City increased \$3,524,570. Net assets of governmental activities increased \$2,656,933 or 6.70% over 2002 and net assets of business-type activities increased \$867,637 or 4.21% over 2002.
- General revenues accounted for \$8,527,336 of total governmental activities revenue. Program specific revenues accounted for \$3,034,284 or 26.24% of total governmental activities revenue.
- The City had \$8,904,687 in expenses related to governmental activities; \$3,034,284 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$5,870,403 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$8,527,336.
- The general fund had revenues of \$7,166,940 in 2003. This represents an increase of \$62,633 from 2002 revenues. The expenditures of the general fund, which totaled \$1,677,217 in 2003, increased \$59,070 from 2002. The net decrease in fund balance for the general fund was \$141,419 or 6.02%.
- The fire and rescue fund had revenues of \$1,055,877 in 2003. This represents an increase of \$57,177 from 2002 revenues. The expenditures of the fire and rescue fund, which totaled \$1,209,424 in 2003, increased \$119,956 from 2002. The net decrease in fund balance for the fire and rescue fund was \$60,485 or 17.47%.
- The police fund had revenues of \$333,479 in 2003. This represents a decrease of \$16,389 from 2002 revenues. The expenditures of the police fund, which totaled \$1,835,883 in 2003, decreased \$11,219 from 2002. The net increase in fund balance for the police fund was \$26,298 or 40.93%.
- The street fund had revenues of \$509,936 in 2003. This represents an increase of \$25,455 from 2002 revenues. The expenditures of the street fund, which totaled \$1,433,366 in 2003, increased \$67,668 from 2002. The net increase in fund balance for the street fund was \$50,705 or 10.40%.
- The reserve for capital improvement fund had revenues of \$133,586 in 2003. This represents a decrease of \$244,096 from 2002 revenues. The expenditures of the reserve for capital improvement fund, which totaled \$1,520,497 in 2003, increased \$487,768 from 2002. The net increase in fund balance for the reserve for capital improvement fund was \$32,198 or 1.19%.
- Net assets for the business-type activities, which are made up of the Water, Sewer, and Solid Waste enterprise funds, increased in 2003 by \$867,637. This increase in net assets was due primarily to capital contributions coupled with adequate charges for services revenue to cover operating expenses.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

- In the general fund, the actual revenues came in \$383,536 higher than they were in the final budget and actual expenditures were \$371,950 less than the amount in the final budget. These positive variances are the result of the City's conservative budgeting. Budgeted revenues increased \$7,519 from the original to the final budget. Budgeted expenditures increased \$424,071 from the original to the final budget due primarily to an increase in the cost of general government expenditures and an increase in transfers out to other funds of the City.

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses 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 reserve for capital improvements fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 22 - 31 of this report.

Proprietary Funds

The City maintains three 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, 2003
UNAUDITED**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 37 - 61 of this report.

Government-Wide Financial Analysis

This is the City's second year for government-wide financial statements using the full accrual basis of accounting.

The table below provides a summary of the City's net assets for 2003 and 2002:

	Net Assets					
	2003	2002	2003	2002	2003	2002
	<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	\$ 16,746,057	\$ 13,249,383	\$ 4,168,502	\$ 3,456,495	\$ 20,914,559	\$ 16,705,878
Capital assets	<u>31,160,930</u>	<u>29,108,638</u>	<u>18,082,577</u>	<u>18,030,393</u>	<u>49,243,507</u>	<u>47,139,031</u>
Total assets	<u>47,906,987</u>	<u>42,358,021</u>	<u>22,251,079</u>	<u>21,486,888</u>	<u>70,158,066</u>	<u>63,844,909</u>
<u>Liabilities</u>						
Long-term liabilities	433,219	406,267	674,828	766,490	1,108,047	1,172,757
Other liabilities	<u>5,182,051</u>	<u>2,316,970</u>	<u>102,827</u>	<u>114,611</u>	<u>5,284,878</u>	<u>2,431,581</u>
Total liabilities	<u>5,615,270</u>	<u>2,723,237</u>	<u>777,655</u>	<u>881,101</u>	<u>6,392,925</u>	<u>3,604,338</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	31,003,430	29,108,638	17,547,577	17,400,393	48,551,007	46,509,031
Restricted	7,670,099	6,990,254	-	-	7,670,099	6,990,254
Unrestricted	<u>3,618,188</u>	<u>3,535,892</u>	<u>3,925,847</u>	<u>3,205,394</u>	<u>7,544,035</u>	<u>6,741,286</u>
Total net assets	<u>\$ 42,291,717</u>	<u>\$ 39,634,784</u>	<u>\$ 21,473,424</u>	<u>\$ 20,605,787</u>	<u>\$ 63,765,141</u>	<u>\$ 60,240,571</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2003, the City's assets exceeded liabilities by \$63,765,141. At year-end, net assets were \$42,291,717 and \$21,473,424 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 70.19% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2003, was \$31,003,430 and \$17,547,577 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
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As of December 31, 2003, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$7,670,099, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$3,618,188 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal year 2003 and 2002.

	Change in Net Assets					
	2003 Governmental Activities	2002 Governmental Activities	2003 Business-Type Activities	2002 Business-Type Activities	2003 Total	2002 Total
Revenues						
Program revenues:						
Charges for services	\$ 1,053,715	\$ 920,245	\$ 2,837,517	\$ 2,922,827	\$ 3,891,232	\$ 3,843,072
Operating grants and contributions	1,193,836	1,043,225	-	-	1,193,836	1,043,225
Capital grants and contributions	<u>786,733</u>	<u>705,092</u>	<u>619,788</u>	<u>621,259</u>	<u>1,406,521</u>	<u>1,326,351</u>
Total program revenues	<u>3,034,284</u>	<u>2,668,562</u>	<u>3,457,305</u>	<u>3,544,086</u>	<u>6,491,589</u>	<u>6,212,648</u>
General revenues:						
Property taxes	1,675,741	1,523,149	-	-	1,675,741	1,523,149
Income taxes	5,634,234	5,107,616	-	-	5,634,234	5,107,616
Unrestricted grants and entitlements	645,440	1,001,372	-	-	645,440	1,001,372
Investment earnings	250,684	565,827	55,170	91,294	305,854	657,121
Gain on sale of capital assets	-	84,082	-	-	-	84,082
Miscellaneous	<u>321,237</u>	<u>74,233</u>	<u>80,386</u>	<u>4,690</u>	<u>401,623</u>	<u>78,923</u>
Total general revenues	<u>8,527,336</u>	<u>8,356,279</u>	<u>135,556</u>	<u>95,984</u>	<u>8,662,892</u>	<u>8,452,263</u>
Total revenues	<u>11,561,620</u>	<u>11,024,841</u>	<u>3,592,861</u>	<u>3,640,070</u>	<u>15,154,481</u>	<u>14,664,911</u>

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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	2003	2002	2003	2002	2003	2002
	Governmental	Governmental	Business-Type	Business-Type	2003	2002
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u>
Expenses:						
General government	\$ 1,189,597	\$ 1,359,765	\$ -	\$ -	\$ 1,189,597	\$ 1,359,765
Security of persons and property	4,253,255	4,081,450	-	-	4,253,255	4,081,450
Public health and welfare	23,134	17,851	-	-	23,134	17,851
Transportation	2,622,179	2,381,654	-	-	2,622,179	2,381,654
Community environment	569,745	563,240	-	-	569,745	563,240
Leisure time activity	243,924	210,325	-	-	243,924	210,325
Interest and fiscal charges	2,853	43,784	-	-	2,853	43,784
Water	-	-	924,615	1,022,775	924,615	1,022,775
Sewer	-	-	1,229,414	1,294,289	1,229,414	1,294,289
Solid waste	-	-	571,195	554,467	571,195	554,467
Total expenses	<u>8,904,687</u>	<u>8,658,069</u>	<u>2,725,224</u>	<u>2,871,531</u>	<u>11,629,911</u>	<u>11,529,600</u>
Increase in net assets before extraordinary items and transfers	2,656,933	2,366,772	867,637	768,539	3,524,570	3,135,311
Extraordinary item - proceeds of legal judgment	-	125,000	-	-	-	125,000
Transfers	-	(400,000)	-	400,000	-	-
Increase in net assets	<u>\$ 2,656,933</u>	<u>\$ 2,091,772</u>	<u>\$ 867,637</u>	<u>\$ 1,168,539</u>	<u>\$ 3,524,570</u>	<u>\$ 3,260,311</u>

Governmental Activities

Governmental activities net assets increased \$2,656,933 in 2003. This increase is a result of revenue growth outpacing the increase in expenses from the prior year.

Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$4,253,255 of the total expenses of the City. These expenses were partially funded by \$665,604 in direct charges to users of the services. Transportation expenses totaled \$2,622,179. Transportation expenses were partially funded by \$49,706 in direct charges to users of the services, \$706,871 in operating grants and contributions and \$547,328 in capital grants and contributions.

The state and federal government contributed to the City a total of \$1,193,836 in operating grants and contributions and \$786,733 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total grants and contributions, \$1,254,199 subsidized transportation programs, \$486,965 subsidized security of persons and property programs and \$239,405 subsidized general government activities.

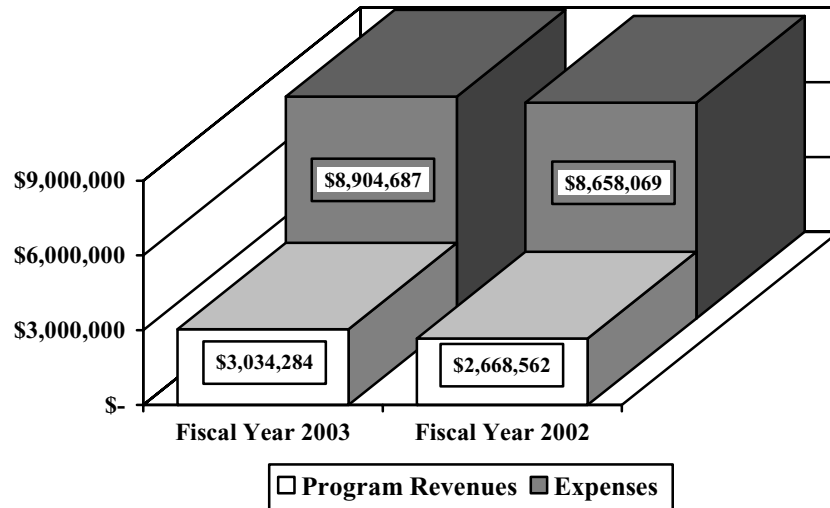
General revenues totaled \$8,527,336, and amounted to 73.76% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$7,309,975. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$645,440. In August 2001, the state placed a freeze on local government and local government revenue assistance to be distributed to local governments in 2003.

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.

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

Governmental Activities - Program Revenues vs. Total Expenses



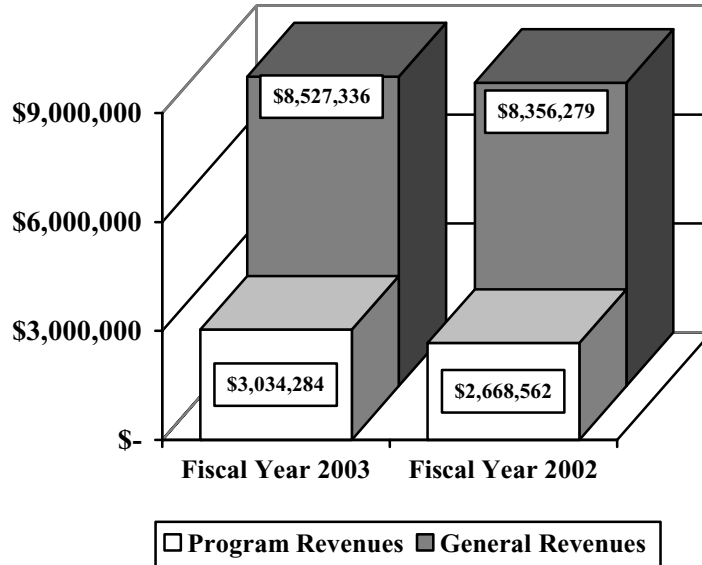
Governmental Activities

	Total Cost of Services 2003	Total Cost of Services 2002	Net Cost of Services 2003	Net Cost of Services 2002
Program Expenses:				
General government	\$ 1,189,597	\$ 1,359,765	\$ 645,868	\$ 1,213,847
Security of persons and property	4,253,255	4,081,450	3,100,686	3,173,826
Public health and welfare	23,134	17,851	23,134	4,163
Transportation	2,622,179	2,381,654	1,318,274	1,343,182
Community environment	569,745	563,240	552,516	181,143
Leisure time activity	243,924	210,325	227,072	29,562
Interest and fiscal charges	2,853	43,784	2,853	43,784
Total Expenses	\$ 8,904,687	\$ 8,658,069	\$ 5,870,403	\$ 5,989,507

The dependence upon general revenues for governmental activities is apparent, with 65.92% of expenses supported through taxes and other general revenues.

CITY OF ENGLEWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
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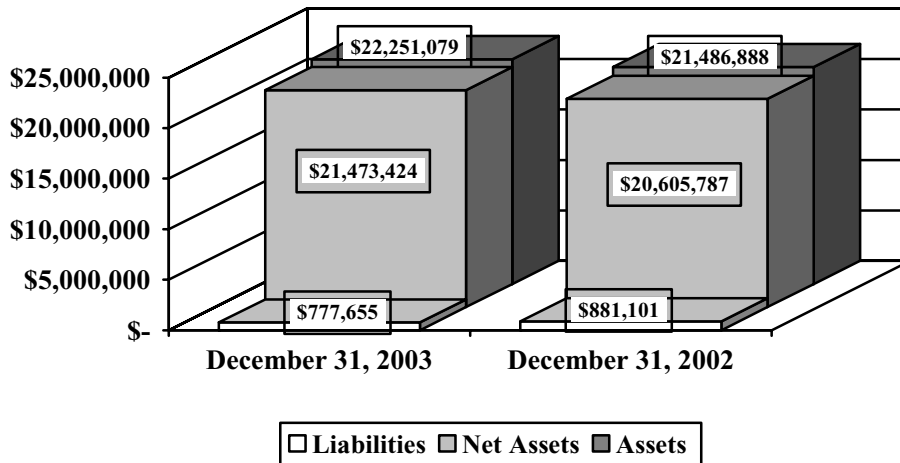
Governmental Activities - General and Program Revenues



Business-type Activities

Business-type activities include the water, sewer, and solid waste enterprise funds. These programs had program revenues of \$3,457,305, general revenues of \$135,556 and expenses of \$2,725,224 for 2003. The graph below shows the business-type activities assets, liabilities and net assets at year-end 2003 and 2002.

Net Assets in Business - Type Activities



CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

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 \$9,192,664 which is \$34,239 below last year's total of \$9,226,903. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2003 for all major and nonmajor governmental funds.

	<u>Fund Balances</u> <u>12/31/03</u>	<u>Fund Balances</u> <u>12/31/02</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 2,206,615	\$ 2,348,034	\$ (141,419)
Fire and rescue	285,670	346,155	(60,485)
Police	90,551	64,253	26,298
Street	538,172	487,467	50,705
Reserve for capital improvement	2,736,613	2,704,415	32,198
Other nonmajor governmental funds	<u>3,335,043</u>	<u>3,276,579</u>	<u>58,464</u>
 Total	 <u>\$ 9,192,664</u>	 <u>\$ 9,226,903</u>	 <u>\$ (34,239)</u>

General Fund

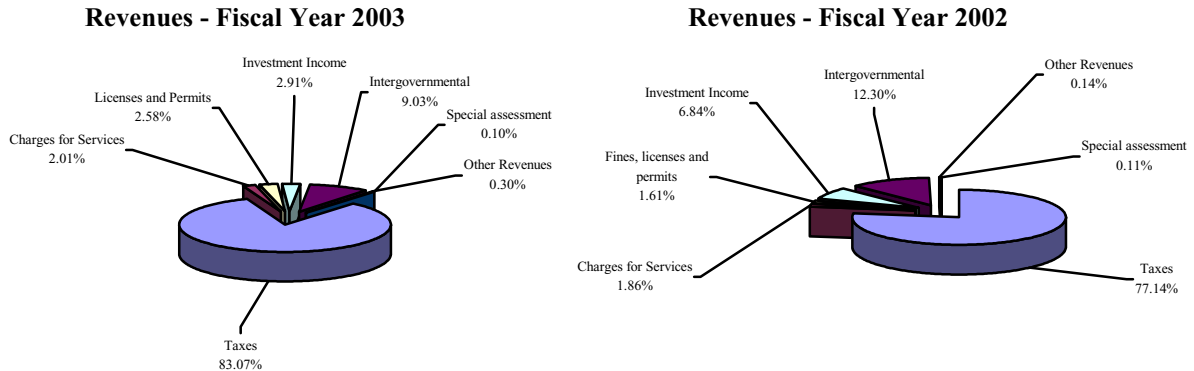
The City's general fund balance decreased \$141,419, primarily due to transfers out to other funds in the amount of \$5,631,142. The table that follows assists in illustrating the revenues of the general fund.

	<u>2003</u> <u>Amount</u>	<u>2002</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 5,952,616	\$ 5,480,996	8.60 %
Charges for services	144,227	132,094	9.19 %
Licenses and permits	185,208	114,055	62.38 %
Investment income	208,520	485,637	(57.06) %
Special assessments	7,228	7,783	(7.13) %
Intergovernmental	647,359	873,819	(25.92) %
Other	<u>21,782</u>	<u>9,923</u>	119.51 %
 Total	 <u>\$ 7,166,940</u>	 <u>\$ 7,104,307</u>	 0.88 %

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

Tax revenue represents 83.06% of all general fund revenue. Tax revenue increased slightly by 8.60% over prior year. The decrease in investment income is due to low interest rates on investments. The increase in licenses and permits revenue is due to an increase in the collections of permits by the City. The decrease in intergovernmental revenue is due to the state placing a freeze on local government and local government revenue assistance to be distributed to local governments in 2003. All other revenue remained comparable to 2002.



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

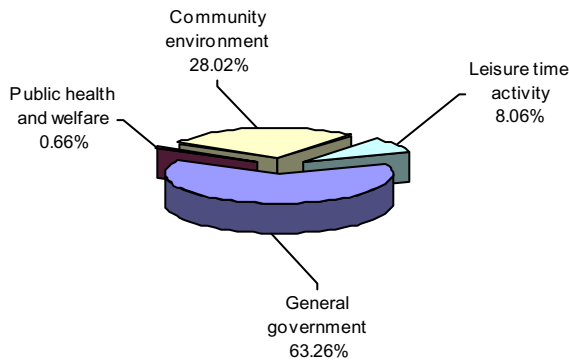
	<u>2003</u> <u>Amount</u>	<u>2002</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,060,978	\$ 1,098,527	(3.42) %
Public health and welfare	11,002	5,471	101.10 %
Community environment	470,033	404,953	16.07 %
Leisure time activity	<u>135,204</u>	<u>109,196</u>	23.82 %
Total	<u>\$ 1,677,217</u>	<u>\$ 1,618,147</u>	3.65 %

All expenditures remained comparable to 2002. The largest expenditure line item, general government, decreased slightly, which is primarily attributed to the City controlling wage and benefit increases.

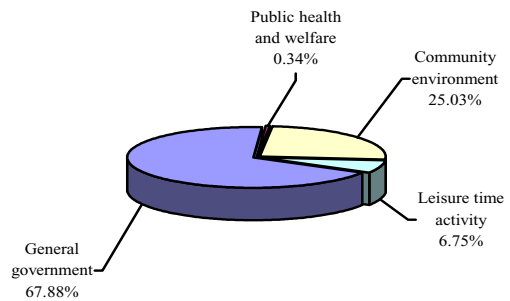
CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

Expenditures - Fiscal Year 2003



Expenditures - Fiscal Year 2002



Fire and Rescue Fund

The fire and rescue fund had revenues of \$1,055,877 in 2003. This represents an increase of \$57,177 from 2002 revenues. The expenditures of the fire and rescue fund, which totaled \$1,209,424 in 2003, increased \$119,956 from 2002. The net decrease in fund balance for the fire and rescue fund was \$60,485 or 17.47%.

Police Fund

The police fund had revenues of \$333,479 in 2003. This represents a decrease of \$16,389 from 2002 revenues. The expenditures of the police fund, which totaled \$1,835,883 in 2003, decreased \$11,219 from 2002. The net increase in fund balance for the police fund was \$26,298 or 40.93%.

Street Fund

The street fund had revenues of \$509,936 in 2003. This represents an increase of \$25,455 from 2002 revenues. The expenditures of the street fund, which totaled \$1,433,366 in 2003, increased \$67,668 from 2002. The net increase in fund balance for the street fund was \$50,705 or 10.40%.

Reserve for Capital Improvement Fund

The reserve for capital improvement fund had revenues of \$133,586 in 2003. This represents a decrease of \$244,096 from 2002 revenues. The expenditures of the reserve for capital improvement fund, which totaled \$1,520,497 in 2003, increased \$487,768 from 2002. The net increase in fund balance for the reserve for capital improvement fund was \$32,198 or 1.19%.

Budgeting Highlights

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

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

Budgetary information is presented for the general fund, fire and rescue fund, police fund and street fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of expenditures, which increased \$424,071 from \$1,765,606 to \$2,189,677. Actual revenues of \$7,129,183 exceeded final budgeted revenues by \$385,536. The other significant change was between the final budgeted expenditures and actual expenditures. Actual expenditures came in \$371,950 lower than the final budgeted amounts.

Actual revenues for the fire and rescue fund were less than final budgeted revenues by \$32,256 while actual expenditures were \$59,618 lower than final budgeted expenditures. Actual revenues for the police fund were less than final budgeted revenues by \$11,672 while actual expenditures were \$128,928 lower than final budgeted expenditures. Actual revenues for the street fund were less than final budgeted revenues by \$58,074 while actual expenditures were \$192,302 lower than final budgeted expenditures. There were no significant variances between the original and final budgeted revenue amounts.

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the City had \$49,243,507 (net of accumulated depreciation) invested in land, buildings and improvements, improvements other than buildings, equipment, vehicles, infrastructure and construction in progress. Of this total, \$31,160,930 was reported in governmental activities and \$18,082,577 was reported in business-type activities. The following table shows fiscal 2003 balances compared to 2002:

CITY OF ENGLEWOOD, OHIO

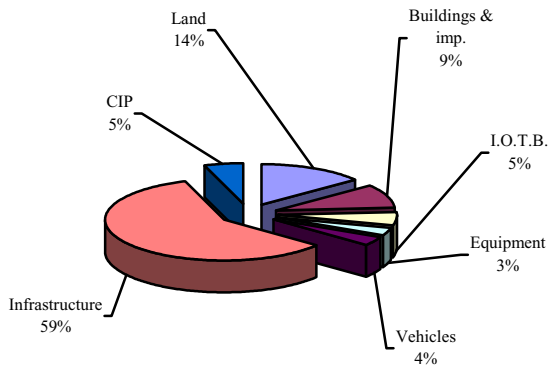
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

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

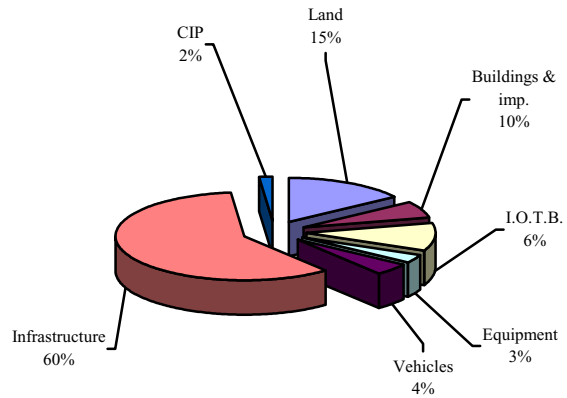
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land	\$ 4,475,472	\$ 4,458,130	\$ 33,510	\$ 33,510	\$ 4,508,982	\$ 4,491,640
Land improvements (I.O.T.B.)	1,658,323	1,734,285	-	-	1,658,323	1,734,285
Buildings and improvements	2,946,621	3,045,700	4,615,095	4,756,887	7,561,716	7,802,587
Equipment	947,720	894,610	868,209	851,490	1,815,929	1,746,100
Vehicles	1,147,107	1,247,701	32,088	43,173	1,179,195	1,290,874
Infrastructure	18,383,897	17,271,963	12,533,675	12,345,333	30,917,572	29,617,296
Construction in progress	1,601,790	456,249	-	-	1,601,790	456,249
Totals	\$ 31,160,930	\$ 29,108,638	\$ 18,082,577	\$ 18,030,393	\$ 49,243,507	\$ 47,139,031

The following graphs show the breakdown of governmental capital assets by category for 2003 and 2002.

**Capital Assets - Governmental Activities
2003**



**Capital Assets - Governmental Activities
2002**



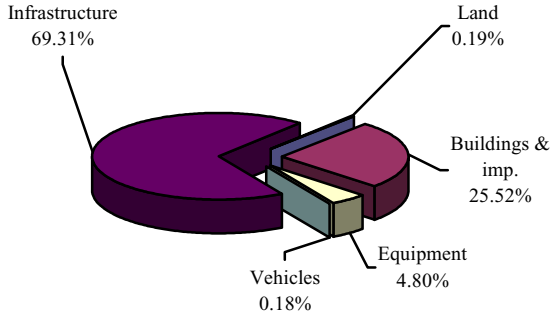
The City's largest capital asset category is infrastructure which includes bridges, thoroughfares, curbs, gutters, sidewalks, storm sewers, traffic signals and street signs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 59% of the City's total governmental capital assets.

CITY OF ENGLEWOOD, OHIO

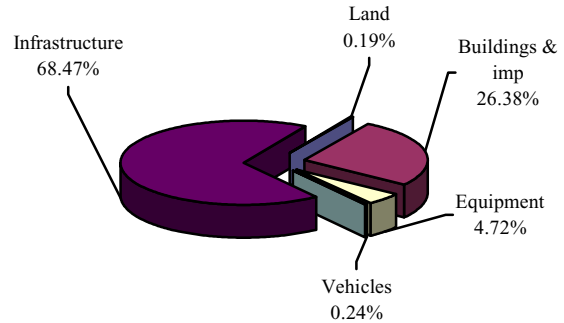
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

The following graphs show the breakdown of business-type capital assets by category for 2003 and 2002.

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



**Capital Assets - Business-Type Activities
2002**



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 69.31% of the City's total business-type capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2003 and 2002:

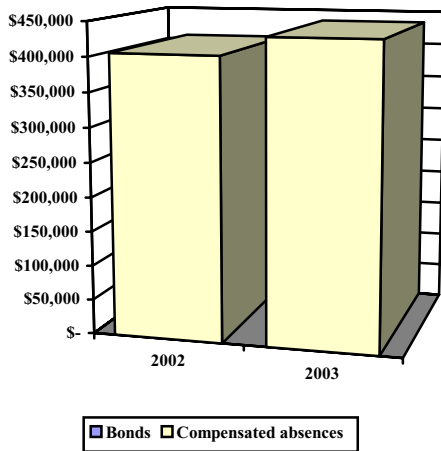
	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Compensated absences	\$ 433,219	\$ 406,267
Total long-term obligations	<u>\$ 433,219</u>	<u>\$ 406,267</u>
	<u>Business-Type Activities</u>	
	<u>2003</u>	<u>2002</u>
Revenue bonds	<u>\$ 535,000</u>	<u>\$ 630,000</u>
Total bonds	<u>535,000</u>	<u>630,000</u>
Compensated absences	<u>139,828</u>	<u>136,490</u>
Total long-term obligations	<u>\$ 674,828</u>	<u>\$ 766,490</u>

CITY OF ENGLEWOOD, OHIO

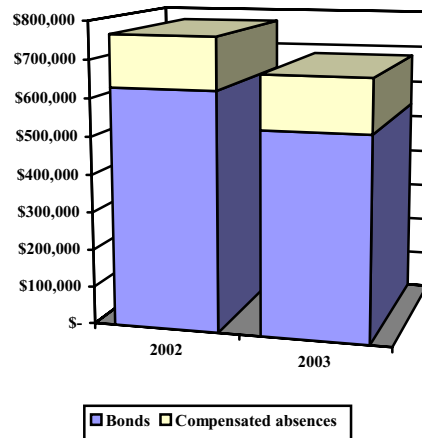
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003
UNAUDITED

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

Long-term obligations - Governmental Activities



Long-term obligations - Business-Type Activities



Economic Conditions and Outlook

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

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

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

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

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

Englewood offers an attractive, and stable residential environment with above average property appreciation rates. Numerous parks, quality recreational facilities, reasonable utility and tax rates, a nationally accredited public safety force, and an aggressive capital improvements program, have all positioned the city well to maintain and improve its image as a progressive and inviting community.

Contacting the City's Financial Management

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

BASIC
FINANCIAL STATEMENTS

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CITY OF ENGLEWOOD, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2003

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 12,719,067	\$ 3,665,750	\$ 16,384,817
Cash and cash equivalents with fiscal agents	6,069	-	6,069
Receivables (net of allowances for uncollectibles):			
Income taxes	1,253,778	-	1,253,778
Real and other taxes	1,564,462	-	1,564,462
Accounts	147,685	296,359	444,044
Accrued interest	111,248	-	111,248
Special assessments	52,071	-	52,071
Internal balances	38,613	(38,613)	-
Due from other governments	752,649	-	752,649
Prepayments	46,619	-	46,619
Materials and supplies inventory.	53,796	245,006	298,802
Capital assets:			
Land and construction in progress.	6,077,262	33,510	6,110,772
Depreciable capital assets, net	25,083,668	18,049,067	43,132,735
Total capital assets.	<u>31,160,930</u>	<u>18,082,577</u>	<u>49,243,507</u>
Total assets.	<u>47,906,987</u>	<u>22,251,079</u>	<u>70,158,066</u>
Liabilities:			
Accounts payable.	44,957	58,473	103,430
Contracts payable.	119,579	-	119,579
Retainage payable	30,600	-	30,600
Accrued wages and benefits	119,627	13,928	133,555
Due to other governments	159,315	20,885	180,200
Deferred revenue.	1,189,391	-	1,189,391
Accrued interest payable.	12,513	9,541	22,054
Bond anticipation note payable.	3,500,000	-	3,500,000
Payable from restricted assets:			
Matured general obligation bonds	5,000	-	5,000
Matured general obligation bond interest	1,069	-	1,069
Long-term liabilities:			
Due within one year	222,623	131,694	354,317
Due in more than one year	210,596	543,134	753,730
Total liabilities	<u>5,615,270</u>	<u>777,655</u>	<u>6,392,925</u>
Net assets:			
Invested in capital assets, net of related debt	31,003,430	17,547,577	48,551,007
Restricted for:			
Capital projects.	5,706,526	-	5,706,526
Other purposes	1,963,573	-	1,963,573
Unrestricted.	<u>3,618,188</u>	<u>3,925,847</u>	<u>7,544,035</u>
Total net assets	<u>\$ 42,291,717</u>	<u>\$ 21,473,424</u>	<u>\$ 63,765,141</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 1,189,597	\$ 304,324	\$ -	\$ 239,405
Security of persons and property.	4,253,255	665,604	486,965	-
Public health and welfare	23,134	-	-	-
Transportation	2,622,179	49,706	706,871	547,328
Community environment.	569,745	17,229	-	-
Leisure time activity.	243,924	16,852	-	-
Interest and fiscal charges.	2,853	-	-	-
Total governmental activities	<u>8,904,687</u>	<u>1,053,715</u>	<u>1,193,836</u>	<u>786,733</u>
Business-type Activities:				
Water	924,615	1,095,740	-	248,368
Sewer	1,229,414	1,121,703	-	371,420
Solid waste	571,195	620,074	-	-
Total business-type activities	<u>2,725,224</u>	<u>2,837,517</u>	<u>-</u>	<u>619,788</u>
Total primary government.	<u>\$ 11,629,911</u>	<u>\$ 3,891,232</u>	<u>\$ 1,193,836</u>	<u>\$ 1,406,521</u>

General Revenues:

Property taxes levied for:

- General purposes.
- Fire and rescue.
- Police
- Police pension

Income taxes levied for:

- General purposes.
- Grants and entitlements not restricted to specific programs
- Investment earnings
- Miscellaneous

Total general revenues.

Change in net assets.

Net assets at beginning of year

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (645,868)	\$ -	\$ (645,868)
(3,100,686)	-	(3,100,686)
(23,134)	-	(23,134)
(1,318,274)	-	(1,318,274)
(552,516)	-	(552,516)
(227,072)	-	(227,072)
(2,853)	-	(2,853)
<u>(5,870,403)</u>	<u>-</u>	<u>(5,870,403)</u>
-	419,493	419,493
-	263,709	263,709
-	48,879	48,879
<u>-</u>	<u>732,081</u>	<u>732,081</u>
<u>(5,870,403)</u>	<u>732,081</u>	<u>(5,138,322)</u>
866,033	-	866,033
484,620	-	484,620
255,753	-	255,753
69,335	-	69,335
5,634,234	-	5,634,234
645,440	-	645,440
250,684	55,170	305,854
321,237	80,386	401,623
8,527,336	135,556	8,662,892
2,656,933	867,637	3,524,570
<u>39,634,784</u>	<u>20,605,787</u>	<u>60,240,571</u>
<u>\$ 42,291,717</u>	<u>\$ 21,473,424</u>	<u>\$ 63,765,141</u>

CITY OF ENGLEWOOD, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	<u>General</u>	<u>Fire and Rescue</u>	<u>Police</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,794,907	\$ 301,873	\$ 181,844
Cash and cash equivalents with fiscal agent	-	-	-
Receivables (net of allowance for uncollectibles):			
Income taxes.	1,253,778	-	-
Real and other taxes.	719,992	504,556	267,605
Accounts	200	140,389	3,109
Interfund loans	200,000	-	-
Accrued interest	111,248	-	-
Special assessments.	33,813	-	-
Due from other funds	-	-	-
Due from other governments	231,748	40,425	12,226
Materials and supplies inventory	-	-	-
Total assets	<u>\$ 4,345,686</u>	<u>\$ 987,243</u>	<u>\$ 464,784</u>
Liabilities:			
Accounts payable	\$ 5,201	\$ 19,737	\$ 2,919
Contracts payable	-	-	-
Retainage payable.	-	-	-
Accrued wages and benefits.	40,639	19,328	28,787
Compensated absences payable.	38,141	-	-
Interfund loan payable.	-	-	-
Due to other funds	357,326	-	-
Due to other governments.	36,748	31,392	62,696
Deferred revenue	1,661,016	631,116	279,831
Accrued interest payable	-	-	-
Bond anticipation note payable	-	-	-
Matured bonds payable	-	-	-
Matured interest payable	-	-	-
Total liabilities	<u>2,139,071</u>	<u>701,573</u>	<u>374,233</u>
Fund Balances:			
Reserved for encumbrances.	266,443	13,491	20,685
Reserved for materials and supplies inventory	-	-	-
Unreserved, undesignated (deficit), reported in:			
General fund.	1,940,172	-	-
Special revenue funds.	-	272,179	69,866
Capital projects funds.	-	-	-
Total fund balances	<u>2,206,615</u>	<u>285,670</u>	<u>90,551</u>
Total liabilities and fund balances.	<u>\$ 4,345,686</u>	<u>\$ 987,243</u>	<u>\$ 464,784</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Street</u>	<u>Reserve for Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 528,909	\$ 6,191,979	\$ 3,166,372	\$ 12,165,884
-	-	6,069	6,069
-	-	-	1,253,778
-	-	72,309	1,564,462
27	-	25	143,750
-	-	-	200,000
-	-	-	111,248
-	18,258	-	52,071
-	357,326	-	357,326
160,403	-	307,847	752,649
27,609	-	-	27,609
<u>\$ 716,948</u>	<u>\$ 6,567,563</u>	<u>\$ 3,552,622</u>	<u>\$ 16,634,846</u>
\$ 4,420	\$ -	\$ 1,887	\$ 34,164
-	119,579	-	119,579
-	30,600	-	30,600
12,089	-	14,979	115,822
19,470	-	-	57,611
-	150,000	50,000	200,000
-	-	-	357,326
11,678	-	13,178	155,692
131,119	18,258	131,466	2,852,806
-	12,513	-	12,513
-	3,500,000	-	3,500,000
-	-	5,000	5,000
-	-	1,069	1,069
<u>178,776</u>	<u>3,830,950</u>	<u>217,579</u>	<u>7,442,182</u>
52,455	3,798,363	859,760	5,011,197
27,609	-	-	27,609
-	-	-	1,940,172
458,108	-	475,481	1,275,634
-	(1,061,750)	1,999,802	938,052
<u>538,172</u>	<u>2,736,613</u>	<u>3,335,043</u>	<u>9,192,664</u>
<u>\$ 716,948</u>	<u>\$ 6,567,563</u>	<u>\$ 3,552,622</u>	<u>\$ 16,634,846</u>

CITY OF ENGLEWOOD, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2003

Total governmental fund balances	\$	9,192,664
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
 Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds.		
		29,306,985
 Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 118,213	
Income taxes	916,516	
Charges for services	97,989	
Special assessments	52,071	
Intergovernmental revenues	397,751	
Accrued interest	<u>80,875</u>	
Total		1,663,415
 Internal service funds are used by management to charge the costs of the government center, service center and health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net assets of the internal service funds, including internal balances of \$38,613, are:		
		2,479,238
 Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities (excluding amounts reported in the internal service funds) are as follows:		
Compensated absences		<u>(350,585)</u>
 Net assets of governmental activities	 \$	 <u><u>42,291,717</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF ENGLEWOOD, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>General</u>	<u>Fire and Rescue</u>	<u>Police</u>
Revenues:			
Municipal income taxes	\$ 5,113,460	\$ -	\$ -
Property and other taxes	839,156	465,442	246,513
Charges for services	144,227	433,499	4,200
Licenses and permits	185,208	-	-
Fines and forfeitures	-	-	41,853
Intergovernmental	647,359	139,508	38,216
Special assessments	7,228	-	-
Investment income	208,520	-	-
Rental income	-	-	-
Other	21,782	17,428	2,697
Total revenues	<u>7,166,940</u>	<u>1,055,877</u>	<u>333,479</u>
Expenditures:			
Current:			
General government	1,060,978	-	-
Security of persons and property	-	1,209,424	1,835,883
Public health and welfare	11,002	-	-
Transportation	-	-	-
Community environment	470,033	-	-
Leisure time activity	135,204	-	-
Capital outlay	-	-	-
Debt service:			
Interest and fiscal charges	-	-	-
Total expenditures	<u>1,677,217</u>	<u>1,209,424</u>	<u>1,835,883</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,489,723</u>	<u>(153,547)</u>	<u>(1,502,404)</u>
Other financing sources (uses):			
Proceeds from sale of capital assets	-	62	13,702
Transfers in	-	93,000	1,515,000
Transfers out	<u>(5,631,142)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(5,631,142)</u>	<u>93,062</u>	<u>1,528,702</u>
Net change in fund balances	(141,419)	(60,485)	26,298
Fund balances at beginning of year	2,348,034	346,155	64,253
Decrease in reserve for inventory	-	-	-
Fund balances at end of year	<u>\$ 2,206,615</u>	<u>\$ 285,670</u>	<u>\$ 90,551</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Street</u>	<u>Reserve for Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 5,113,460
-	-	66,434	1,617,545
27	-	205,090	787,043
-	-	-	185,208
-	-	514	42,367
495,870	120,809	1,414,469	2,856,231
-	5,638	50,901	63,767
9,943	-	7,631	226,094
-	-	6,318	6,318
4,096	7,139	68,043	121,185
<u>509,936</u>	<u>133,586</u>	<u>1,819,400</u>	<u>11,019,218</u>
-	308,861	73,993	1,443,832
-	-	946,294	3,991,601
-	-	-	11,002
1,433,366	-	314,385	1,747,751
-	-	116,581	586,614
-	-	-	135,204
-	1,208,783	1,950,416	3,159,199
-	2,853	-	2,853
<u>1,433,366</u>	<u>1,520,497</u>	<u>3,401,669</u>	<u>11,078,056</u>
<u>(923,430)</u>	<u>(1,386,911)</u>	<u>(1,582,269)</u>	<u>(58,838)</u>
-	-	11,700	25,464
975,000	1,419,109	1,730,000	5,732,109
-	-	(100,967)	(5,732,109)
<u>975,000</u>	<u>1,419,109</u>	<u>1,640,733</u>	<u>25,464</u>
51,570	32,198	58,464	(33,374)
487,467	2,704,415	3,276,579	9,226,903
(865)	-	-	(865)
<u>\$ 538,172</u>	<u>\$ 2,736,613</u>	<u>\$ 3,335,043</u>	<u>\$ 9,192,664</u>

CITY OF ENGLEWOOD, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

Net change in fund balances - total governmental funds \$ (33,374)

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$3,434,627) exceeded depreciation expense (\$1,299,695) in the current period. Both amounts are exclusive of internal service funds activity.	2,134,932
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(31,802)
Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed.	(865)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	542,402
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These expenses are exclusive of internal service funds activity.	31,441
Internal service funds are used by management to charge the costs of the government center, service center and health insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service funds revenues are eliminated. The net revenue (expense) of the internal service funds, including internal balances, is allocated among the governmental activities.	14,199

Change in net assets of governmental activities \$ 2,656,933

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Municipal income taxes	\$ 4,731,906	\$ 4,737,186	\$ 5,006,527	\$ 269,341
Property and other taxes	780,431	781,302	825,724	44,422
Charges for services	136,316	136,468	144,227	7,759
Licenses and permits.	175,049	175,244	185,208	9,964
Intergovernmental	613,591	614,276	649,202	34,926
Special assessments	6,831	6,839	7,228	389
Investment income	273,228	273,533	289,085	15,552
Other	20,776	20,799	21,982	1,183
Total revenues.	<u>6,738,128</u>	<u>6,745,647</u>	<u>7,129,183</u>	<u>383,536</u>
Expenditures:				
Current:				
General government	1,139,216	1,571,347	1,247,755	323,592
Public health and welfare.	12,860	12,485	12,136	349
Community environment	456,833	448,870	418,868	30,002
Leisure time activity	156,697	156,975	138,968	18,007
Total expenditures	<u>1,765,606</u>	<u>2,189,677</u>	<u>1,817,727</u>	<u>371,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,972,522</u>	<u>4,555,970</u>	<u>5,311,456</u>	<u>755,486</u>
Other financing sources (uses):				
Transfers out	(5,834,332)	(5,934,332)	(5,701,000)	233,332
Advances in.	500,000	500,000	150,000	(350,000)
Advances out	(400,000)	(100,000)	(200,000)	(100,000)
Total other financing sources (uses)	<u>(5,734,332)</u>	<u>(5,534,332)</u>	<u>(5,751,000)</u>	<u>(216,668)</u>
Net change in fund balance	(761,810)	(978,362)	(439,544)	538,818
Fund balance at beginning of year	1,596,857	1,596,857	1,596,857	-
Prior year encumbrances appropriated	<u>365,770</u>	<u>365,770</u>	<u>365,770</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 1,200,817</u>	<u>\$ 984,265</u>	<u>\$ 1,523,083</u>	<u>\$ 538,818</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FIRE AND RESCUE
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 572,428	\$ 574,296	\$ 558,442	\$ (15,854)
Charges for services	435,733	437,156	425,088	(12,068)
Intergovernmental	138,596	139,049	135,210	(3,839)
Other	17,864	17,923	17,428	(495)
Total revenues.	<u>1,164,621</u>	<u>1,168,424</u>	<u>1,136,168</u>	<u>(32,256)</u>
Expenditures:				
Current:				
Security of persons and property.	<u>1,079,000</u>	<u>1,231,960</u>	<u>1,172,342</u>	<u>59,618</u>
Total expenditures	<u>1,079,000</u>	<u>1,231,960</u>	<u>1,172,342</u>	<u>59,618</u>
Excess (deficiency) of revenues over (under) expenditures	<u>85,621</u>	<u>(63,536)</u>	<u>(36,174)</u>	<u>27,362</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	-	-	62	62
Transfers out	<u>(35,000)</u>	<u>(45,000)</u>	<u>(43,260)</u>	<u>1,740</u>
Total other financing sources (uses)	<u>(35,000)</u>	<u>(45,000)</u>	<u>(43,198)</u>	<u>1,802</u>
Net change in fund balance	50,621	(108,536)	(79,372)	29,164
Fund balance at beginning of year	325,058	325,058	325,058	-
Prior year encumbrances appropriated	<u>22,959</u>	<u>22,959</u>	<u>22,959</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 398,638</u>	<u>\$ 239,481</u>	<u>\$ 268,645</u>	<u>\$ 29,164</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 POLICE
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 254,454	\$ 255,121	\$ 246,513	\$ (8,608)
Charges for services	4,335	4,347	4,200	(147)
Fines and forfeitures	44,002	44,118	42,629	(1,489)
Intergovernmental	39,447	39,550	38,216	(1,334)
Other	2,784	2,791	2,697	(94)
Total revenues.	<u>345,022</u>	<u>345,927</u>	<u>334,255</u>	<u>(11,672)</u>
Expenditures:				
Current:				
Security of persons and property	1,749,380	1,787,600	1,658,672	128,928
Total expenditures	<u>1,749,380</u>	<u>1,787,600</u>	<u>1,658,672</u>	<u>128,928</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,404,358)</u>	<u>(1,441,673)</u>	<u>(1,324,417)</u>	<u>117,256</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	14,143	14,180	13,702	(478)
Transfers in	1,563,804	1,567,902	1,515,000	(52,902)
Transfers out	<u>(178,000)</u>	<u>(198,000)</u>	<u>(197,025)</u>	<u>975</u>
Total other financing sources (uses)	<u>1,399,947</u>	<u>1,384,082</u>	<u>1,331,677</u>	<u>(52,405)</u>
Net change in fund balance	(4,411)	(57,591)	7,260	64,851
Fund balance at beginning of year	141,628	141,628	141,628	-
Prior year encumbrances appropriated	<u>8,219</u>	<u>8,219</u>	<u>8,219</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 145,436</u>	<u>\$ 92,256</u>	<u>\$ 157,107</u>	<u>\$ 64,851</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 421,452	\$ 421,452	\$ 365,526	\$ (55,926)
Investment income	11,464	11,464	9,943	(1,521)
Other	4,723	4,723	4,096	(627)
Total revenues.	<u>437,639</u>	<u>437,639</u>	<u>379,565</u>	<u>(58,074)</u>
Expenditures:				
Current:				
Transportation	<u>1,587,500</u>	<u>1,676,778</u>	<u>1,484,476</u>	<u>192,302</u>
Total expenditures	<u>1,587,500</u>	<u>1,676,778</u>	<u>1,484,476</u>	<u>192,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,149,861)</u>	<u>(1,239,139)</u>	<u>(1,104,911)</u>	<u>134,228</u>
Other financing sources (uses):				
Transfers in	1,291,361	1,291,361	1,120,000	(171,361)
Transfers out	(14,000)	(14,000)	(14,000)	-
Total other financing sources (uses)	<u>1,277,361</u>	<u>1,277,361</u>	<u>1,106,000</u>	<u>(171,361)</u>
Net change in fund balance	127,500	38,222	1,089	(37,133)
Fund balance at beginning of year	421,431	421,431	421,431	-
Prior year encumbrances appropriated	<u>49,278</u>	<u>49,278</u>	<u>49,278</u>	<u>-</u>
Fund balance at end of year	<u>\$ 598,209</u>	<u>\$ 508,931</u>	<u>\$ 471,798</u>	<u>\$ (37,133)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2003

	<u>Business-type Activities -Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 1,485,526	\$ 1,722,427	\$ 457,797	\$ 3,665,750	\$ 553,183
Receivables (net of allowance for uncollectibles):					
Accounts	146,260	145,597	4,502	296,359	3,935
Prepayments	-	-	-	-	46,619
Materials and supplies inventory	188,024	56,982	-	245,006	26,187
Total current assets	<u>1,819,810</u>	<u>1,925,006</u>	<u>462,299</u>	<u>4,207,115</u>	<u>629,924</u>
Noncurrent assets:					
Capital assets:					
Land and construction in progress	24,486	9,024	-	33,510	130,849
Depreciable capital assets, net	9,873,545	8,160,366	15,156	18,049,067	1,723,096
Total capital assets	<u>9,898,031</u>	<u>8,169,390</u>	<u>15,156</u>	<u>18,082,577</u>	<u>1,853,945</u>
Total assets	<u>11,717,841</u>	<u>10,094,396</u>	<u>477,455</u>	<u>22,289,692</u>	<u>2,483,869</u>
Liabilities:					
Current liabilities:					
Accounts payable	3,829	9,254	45,390	58,473	10,793
Accrued wages and benefits	6,924	7,004	-	13,928	3,805
Compensated absences	17,775	18,919	-	36,694	11,117
Due to other governments	6,926	13,959	-	20,885	3,623
Current portion of revenue bonds	60,000	35,000	-	95,000	-
Accrued interest payable	6,420	3,121	-	9,541	-
Total current liabilities	<u>101,874</u>	<u>87,257</u>	<u>45,390</u>	<u>234,521</u>	<u>29,338</u>
Long-term liabilities:					
Revenue bonds	300,000	140,000	-	440,000	-
Compensated absences	59,176	43,958	-	103,134	13,906
Total long-term liabilities	<u>359,176</u>	<u>183,958</u>	<u>-</u>	<u>543,134</u>	<u>13,906</u>
Total liabilities	<u>461,050</u>	<u>271,215</u>	<u>45,390</u>	<u>777,655</u>	<u>43,244</u>
Net assets:					
Invested in capital assets, net of related debt	9,538,031	7,994,390	15,156	17,547,577	1,853,945
Unrestricted	<u>1,718,760</u>	<u>1,828,791</u>	<u>416,909</u>	<u>3,964,460</u>	<u>586,680</u>
Total net assets	<u>\$ 11,256,791</u>	<u>\$ 9,823,181</u>	<u>\$ 432,065</u>	<u>21,512,037</u>	<u>\$ 2,440,625</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				<u>(38,613)</u>	
Net assets of business-type activities				<u>\$ 21,473,424</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Business-type Activities - Enterprise Funds				Governmental
	Water	Sewer	Solid Waste	Total	Activities - Internal Service Funds
Operating revenues:					
Charges for services	\$ 1,042,610	\$ 1,043,648	\$ 620,074	\$ 2,706,332	\$ 1,129,862
Tap-in fees.	53,130	78,055	-	131,185	-
Other.	3,152	47,534	29,700	80,386	33,152
Total operating revenues	1,098,892	1,169,237	649,774	2,917,903	1,163,014
Operating expenses:					
Personal services	337,087	373,314	-	710,401	201,523
Contract services	187,544	287,060	537,233	1,011,837	144,917
Materials and supplies	50,416	169,758	3	220,177	226,511
Depreciation	329,605	293,797	1,709	625,111	81,685
Claims.	-	-	-	-	490,458
Other	498	98,047	32,250	130,795	297
Total operating expenses.	905,150	1,221,976	571,195	2,698,321	1,145,391
Operating income (loss).	193,742	(52,739)	78,579	219,582	17,623
Nonoperating revenues (expenses):					
Interest revenue.	31,504	23,666	-	55,170	-
Intergovernmental.	-	9,120	-	9,120	-
Interest expense and fiscal charges	(19,855)	(9,771)	-	(29,626)	-
Loss on disposal of capital assets	(701)	-	-	(701)	-
Total nonoperating revenues (expenses)	10,948	23,015	-	33,963	-
Income (loss) before contributions	204,690	(29,724)	78,579	253,545	17,623
Capital contributions	248,368	362,300	-	610,668	-
Changes in net assets	453,058	332,576	78,579	864,213	17,623
Net assets at beginning of year.	10,803,733	9,490,605	353,486		2,423,002
Net assets at end of year.	\$ 11,256,791	\$ 9,823,181	\$ 432,065		\$ 2,440,625
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				3,424	
Changes in net assets of business-type activities				\$ 867,637	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Activities - Internal Service Funds</u>
Cash flows from operating activities:					
Cash received from customers	\$ 1,057,188	\$ 1,059,383	\$ 615,572	\$ 2,732,143	\$ 1,128,139
Cash received from tap-in fees	53,130	78,055	-	131,185	-
Cash received from other operations	3,152	47,534	29,700	80,386	33,152
Cash payments for personal services	(333,095)	(369,765)	-	(702,860)	(199,768)
Cash payments for contract services	(204,156)	(283,190)	(536,751)	(1,024,097)	(165,064)
Cash payments for materials and supplies	(104,391)	(169,880)	(3)	(274,274)	(221,152)
Cash payments for claims	-	-	-	-	(491,415)
Cash payments for other expenses	(498)	(95,547)	(32,250)	(128,295)	(297)
Net cash provided by operating activities	<u>471,330</u>	<u>266,590</u>	<u>76,268</u>	<u>814,188</u>	<u>83,595</u>
Cash flows from noncapital financing activities:					
Cash received from grants and subsidies	-	9,120	-	9,120	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>9,120</u>	<u>-</u>	<u>9,120</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Capital contributions	248,368	362,300	-	610,668	-
Acquisition of capital assets	(269,877)	(408,193)	-	(678,070)	(30,847)
Principal retirement on revenue bonds	(60,000)	(35,000)	-	(95,000)	-
Proceeds from sale of capital assets	74	-	-	74	-
Interest and fiscal charges	(20,955)	(9,975)	-	(30,930)	-
Net cash used in capital and related financing activities	<u>(102,390)</u>	<u>(90,868)</u>	<u>-</u>	<u>(193,258)</u>	<u>(30,847)</u>
Cash flows from investing activities:					
Interest received	31,504	23,666	-	55,170	-
Net cash provided by investing activities	<u>31,504</u>	<u>23,666</u>	<u>-</u>	<u>55,170</u>	<u>-</u>
Net increase in cash and cash equivalents	400,444	208,508	76,268	685,220	52,748
Cash and cash equivalents at beginning of year	<u>1,085,082</u>	<u>1,513,919</u>	<u>381,529</u>	<u>2,980,530</u>	<u>500,435</u>
Cash and cash equivalents at end of year	<u>\$ 1,485,526</u>	<u>\$ 1,722,427</u>	<u>\$ 457,797</u>	<u>\$ 3,665,750</u>	<u>\$ 553,183</u>

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CITY OF ENGLEWOOD, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	Activities - Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 193,742	\$ (52,739)	\$ 78,579	\$ 219,582	\$ 17,623
Adjustments:					
Depreciation	329,605	293,797	1,709	625,111	81,685
Changes in assets and liabilities:					
(Increase) in materials and supplies inventory.	(47,083)	(2,091)	-	(49,174)	(1,525)
(Increase) decrease in accounts receivable.	14,578	15,735	(4,502)	25,811	(1,723)
(Increase) in prepayments	-	-	-	-	(957)
Increase (decrease) in accounts payable	(23,504)	1,418	482	(21,604)	(8,263)
(Decrease) in contracts payable.	-	-	-	-	(5,000)
Increase in accrued wages and benefits	1,192	803	-	1,995	461
Increase in due to other governments	1,282	7,847	-	9,129	512
Increase in compensated absences payable	1,518	1,820	-	3,338	782
Net cash provided by operating activities.	<u>\$ 471,330</u>	<u>\$ 266,590</u>	<u>\$ 76,268</u>	<u>\$ 814,188</u>	<u>\$ 83,595</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ENGLEWOOD, OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2003

		<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$	38,035
Total assets.		<u>38,035</u>
Liabilities:		
Undistributed monies		<u>38,035</u>
Total liabilities	\$	<u><u>38,035</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 1 - DESCRIPTION OF THE CITY

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Presentation - Fund Accounting

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

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

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

C. Fund Accounting

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

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

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

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

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

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

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

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

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

E. Basis of Accounting

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

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

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

F. Budgetary Data

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

Tax Budget - During the first Council meeting in July, the Mayor presents the following fiscal year's annual operating budget to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The Montgomery County Budget Commission waived the tax budget filing requirement for 2003.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimates need to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2003.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

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

G. Cash and Cash Equivalents

Cash balances of the City's funds, except cash held by a fiscal agent, are pooled and invested in investments maturing within ten years in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the balance sheet as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During 2003, investments were limited to federal agency securities which are stated at fair value.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2003 amounted to \$208,520. The \$208,520 included \$179,188 assigned from other funds of the City.

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

An analysis of the City's investment account at year-end is provided in Note 3.

H. Inventories of Materials and Supplies

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

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

I. Prepayments

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

J. Capital Assets

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

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

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

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

K. Compensated Absences

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

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.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Balances

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

N. Interfund Activity

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

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.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

O. Fund Balance Reserves

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

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

P. Estimates

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

Q. Contributions of Capital

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

R. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

S. Operating Revenues and Expenses

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2003.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 3 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

Cash with Fiscal Agent: At December 31, 2003, \$6,069 was on deposit with the City's fiscal agent for matured bonds and interest and is included in the total amount of deposits; however, this amount is excluded from the internal cash pool reported on the balance sheet as "Cash and cash equivalents with fiscal agent".

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

Deposits: At year-end, the carrying amount of the City's deposits was \$2,813,329 and the bank balance was \$2,744,560. Of the bank balance:

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

1. \$100,000 was covered by federal depository insurance; and
2. \$2,644,560 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

	Category 2	Fair Value
Federal agency securities	\$13,615,592	\$ 13,615,592

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$16,428,921	\$ -
Investments of the cash management pool:		
Federal agency securities	(13,615,592)	13,615,592
GASB Statement No. 3	\$ 2,813,329	\$13,615,592

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2003, consisted of the following, as reported in the fund financial statements:

Transfers to	Transfers from		Total
	General	Nonmajor Capital Projects	
Fire and Rescue	\$ 93,000	\$ -	\$ 93,000
Police	1,515,000	-	1,515,000
Street	975,000	-	975,000
Reserve for Capital Improvement	1,318,142	100,967	1,419,109
Nonmajor Special Revenue	440,000	-	440,000
Nonmajor Capital Projects	<u>1,290,000</u>	<u>-</u>	<u>1,290,000</u>
Total	<u>\$ 5,631,142</u>	<u>\$ 100,967</u>	<u>\$ 5,732,109</u>

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

NOTE 5 - PROPERTY TAXES

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 5 - PROPERTY TAXES - (Continued)

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Englewood. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2003 was \$10.59 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Real property tax	\$ 230,670,438
Public utility tangible personal property	5,710,540
Tangible personal property	<u>19,285,942</u>
Total assessed valuation	<u>\$ 255,666,920</u>

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2003. Although total property tax collections for the next year are measurable, they are generally not collected during the available period. The exception to this is any advances received by the City in the first thirty-one days of the year are credited as property tax revenues with the remainder being credited to deferred revenue.

NOTE 6 - LOCAL INCOME TAX

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

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

Income tax proceeds are to be used to pay the cost of administering the tax. All income tax revenue is initially placed in the general fund. At least twenty eight and one half percent of income tax collected must be transferred to the Capital Improvement capital projects fund to be used for capital improvements. All other income tax proceeds are left in the general fund with the use of these monies being determined by City Council. Income tax revenue for 2003 was \$5,113,460 as reported in the fund financial statements.

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 7 - RECEIVABLES

Receivables at December 31, 2003, 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, 2003, as well as intended to finance fiscal 2003 operations.

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

Governmental Activities:

Income taxes	\$1,253,778
Real and other taxes	1,564,462
Accounts	147,685
Accrued interest	111,248
Special assessments	52,071
Due from other governments	752,649

Business-type Activities:

Accounts	296,359
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Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003, was as follows:

A. <u>Governmental Activities:</u>	<u>Balance</u> 12/31/02	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 12/31/03
<i>Capital assets, not being depreciated:</i>				
Land	\$ 4,458,130	\$ 17,342	\$ -	\$ 4,475,472
Construction in progress	<u>456,249</u>	<u>2,464,542</u>	<u>(1,319,001)</u>	<u>1,601,790</u>
Total capital assets, not being depreciated	<u>4,914,379</u>	<u>2,481,884</u>	<u>(1,319,001)</u>	<u>6,077,262</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,485,425	28,649	-	2,514,074
Buildings and improvements	4,428,330	-	-	4,428,330
Equipment	1,561,771	176,679	(39,630)	1,698,820
Vehicles	2,736,218	223,169	(211,738)	2,747,649
Infrastructure	<u>21,660,075</u>	<u>1,874,094</u>	<u>-</u>	<u>23,534,169</u>
Total capital assets, being depreciated	<u>32,871,819</u>	<u>2,302,591</u>	<u>(251,368)</u>	<u>34,923,042</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(751,140)	(104,611)	-	(855,751)
Buildings and improvements	(1,382,630)	(99,079)	-	(1,481,709)
Equipment	(667,161)	(114,533)	30,594	(751,100)
Vehicles	(1,488,517)	(300,997)	188,972	(1,600,542)
Infrastructure	<u>(4,388,112)</u>	<u>(762,160)</u>	<u>-</u>	<u>(5,150,272)</u>
Total accumulated depreciation	<u>(8,677,560)</u>	<u>(1,381,380)</u>	<u>219,566</u>	<u>(9,839,374)</u>
Total capital assets, being depreciated, net	<u>24,194,259</u>	<u>921,211</u>	<u>(31,802)</u>	<u>25,083,668</u>
Governmental activities capital assets, net	<u>\$ 29,108,638</u>	<u>\$ 3,403,095</u>	<u>\$ (1,350,803)</u>	<u>\$ 31,160,930</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 8 - CAPITAL ASSETS - (Continued)

B. <u>Business-type Activities:</u>	<u>Balance</u> <u>12/31/02</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/03</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>				
Buildings and improvements	7,292,624	-	-	7,292,624
Equipment	1,460,218	77,677	-	1,537,895
Vehicles	112,185	-	-	112,185
Infrastructure	<u>19,735,169</u>	<u>600,393</u>	<u>(4,169)</u>	<u>20,331,393</u>
Total capital assets, being depreciated	<u>28,600,196</u>	<u>678,070</u>	<u>(4,169)</u>	<u>29,274,097</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(2,535,737)	(141,792)	-	(2,677,529)
Equipment	(608,728)	(60,958)	-	(669,686)
Vehicles	(69,012)	(11,085)	-	(80,097)
Infrastructure	<u>(7,389,836)</u>	<u>(411,276)</u>	<u>3,394</u>	<u>(7,797,718)</u>
Total accumulated depreciation	<u>(10,603,313)</u>	<u>(625,111)</u>	<u>3,394</u>	<u>(11,225,030)</u>
Total capital assets, being depreciated, net	<u>17,996,883</u>	<u>52,959</u>	<u>(775)</u>	<u>18,049,067</u>
Business-type activities capital assets, net	<u>\$ 18,030,393</u>	<u>\$ 52,959</u>	<u>\$ (775)</u>	<u>\$ 18,082,577</u>

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

Governmental activities:

General government	\$ 16,790
Security of persons and property	271,656
Public health and welfare	12,132
Transportation	879,158
Community environment	11,604
Leisure time activity	108,355
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>81,685</u>
Total depreciation expense - governmental activities	<u>\$ 1,381,380</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 9 - OTHER EMPLOYEE BENEFITS

Deferred Compensation Plans

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

Compensated Absences

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the City as a whole amounted to \$262,434 at December 31, 2003. 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 \$299,800 at December 31, 2003. 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 \$10,813 at December 31, 2003. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

NOTE 10 - LONG-TERM OBLIGATIONS

The City's long term obligations at December 31, 2003 were as follows:

	Balance			Balance	Amounts
<u>Governmental Activities:</u>	<u>12/31/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/03</u>	<u>Due in</u>
					<u>One Year</u>
Compensated absences	\$406,267	\$232,195	\$ (205,243)	\$433,219	\$ 222,623
Total long-term obligations	<u>\$406,267</u>	<u>\$232,195</u>	<u>\$ (205,243)</u>	<u>\$433,219</u>	<u>\$ 222,623</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

<u>Business-type Activities:</u>	<u>Balance</u> <u>12/31/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/03</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>Other long-term obligations</u>					
Compensated absences	\$136,490	\$40,342	\$ (37,004)	\$139,828	\$ 36,694
Total other long-term obligations	<u>136,490</u>	<u>40,342</u>	<u>(37,004)</u>	<u>139,828</u>	<u>36,694</u>
<u>Revenue Bonds</u>					
4.75%- 1993 Sewer System Improvement	210,000	-	(35,000)	175,000	35,000
5.35% - 1994 Water System Improvement	<u>420,000</u>	<u>-</u>	<u>(60,000)</u>	<u>360,000</u>	<u>60,000</u>
Total - revenue bonds	<u>630,000</u>	<u>-</u>	<u>(95,000)</u>	<u>535,000</u>	<u>95,000</u>
Total - enterprise funds	<u>\$766,490</u>	<u>\$40,342</u>	<u>\$(132,004)</u>	<u>\$674,828</u>	<u>\$131,694</u>

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

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

As of December 31, 2003, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$22,810,027. Principal and interest requirements to retire the City's revenue bonds outstanding at December 31, 2003 were:

<u>Year</u>	<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 95,000	\$26,050	\$ 121,050
2005	95,000	21,163	116,163
2006	95,000	16,275	111,275
2007	95,000	11,387	106,387
2008	95,000	6,501	101,501
2009	<u>60,000</u>	<u>1,613</u>	<u>61,613</u>
Total	<u>\$535,000</u>	<u>\$82,989</u>	<u>\$ 617,989</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 11 - BOND ANTICIPATION NOTES

During fiscal year 2003, the City issued \$3,500,000 in bond anticipation notes. The proceeds are reported in the Reserve for Capital Improvements capital projects fund. These proceeds will be used to finance the construction and improvement of the Englewood Government Center. Bond anticipation notes are reported as a liability of the Reserve for Capital Improvements fund. The following is a summary of the bond anticipation note activity during fiscal year 2003.

	<u>Issue</u>	<u>Maturity</u>	<u>Balance</u>			<u>Balance</u>
<u>Reserve for Capital Improvement</u>	<u>Date</u>	<u>Date</u>	<u>12/31/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/03</u>
Englewood Government Center						
Expansion - 1.43%	9/2/03	8/31/04	\$ -	\$ 3,500,000	\$ -	\$ 3,500,000
Total			<u>\$ -</u>	<u>\$ 3,500,000</u>	<u>\$ -</u>	<u>\$ 3,500,000</u>

NOTE 12 - INTERFUND ASSETS/LIABILITIES

Individual fund interfund asset and liability balances at December 31, 2003, were as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Reserve for Capital Improvement	General	\$ 357,326

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

Interfund receivable/payable

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Reserve for Capital Improvement	\$ 150,000
General	National Road Improvements - Issue II (other governmental funds)	50,000

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City is a member of the Ohio Government Risk Management Plan. This Plan does not operate as a risk pool, but provides conventional insurance protection and reinsures these coverages 100 percent. The type of coverage and deductible for each is as follows:

<u>Type of Coverage</u>	<u>Per Occurrence</u>	<u>Deductible</u>
Property	\$15,516,106	\$2,500
General Liability	5,000,000	none
Wrongful Acts	5,000,000	2,500
Auto Liability	5,000,000	2,500
Crime	5,000	none
Inland Marine	1,754,632	1,000
Bond	10,000	none
Law Enforcement	5,000,000	2,500
Fire Vehicle RC	802,995	2,500
Electronic Equipment	242,404	1,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in insurance coverages from the prior year. In addition, there has been an increase in property and inland marine insurance, with the other types of coverage remaining consistent with prior year.

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

The City has elected to offer employee medical insurance benefits through a plan provided by United Healthcare of Ohio. The current United Healthcare plan provides a medical plan with no deductible and total out-of-pocket costs of \$500 for single coverage and \$1,000 for family coverage. Employees are required to share in the costs of their medical plan along with the City. Each month the City contributes \$266.27 for single coverage and \$772.15 for family coverage for each employee. In addition, all employees choosing family coverage must pay \$85.80 per month and \$29.58 for single coverage. Dental insurance is provided through Superior Dental with a deductible of \$25 for single coverage and \$50 for family coverage. The City pays for the majority of the monthly premium at \$20.25 for single coverage and \$63.60 for family coverage.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

All City full-time employees, other than uniformed employees, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2003 was 8.5% for employees other than law enforcement and public safety. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. Public safety division members contribute at 9%. The employer contribution rate for employees other than law enforcement and public safety division was 13.55% of covered payroll and 8.55% was the portion used to fund pension obligations for 2003. The employer contribution rate for law enforcement and public safety divisions was 16.70% of covered payroll and 11.70% was the portion used to fund pension obligations for 2003. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The City's contributions to OPERS for the years ended December 31, 2003, 2002, and 2001 were \$251,454, \$254,375, and \$311,359, respectively; 86.47% has been contributed for 2003 and 100% for 2002 and 2001. \$33,997, representing the unpaid contribution for 2003, is recorded as a liability within the respective funds.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.0% for police officers and firefighters, respectively. The City's contributions to OP&F for the years ended December 31, 2003, 2002, and 2001 were \$153,709, \$142,689, and \$180,020, respectively; 50.14% has been contributed for 2003 and 100% for the years 2002 and 2001. \$76,628, representing the unpaid contributions for 2003, is recorded as a liability within the respective funds.

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

OPERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2003 employer contribution rate for local government employers was 13.55% of covered payroll and 5.00% was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2003 employer rate was 16.70% of covered payroll and 5.00% was the portion used to fund health care.

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The City's contribution actually made to fund postemployment benefits was \$147,049.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. OPEB's are advance funded on an actuarially determined basis.

As of December 31, 2002 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively, at December 31, 2002 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2002 (the latest information available) was 364,881.

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

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

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS December 31, 2003, Comprehensive Annual Financial Report.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

The OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll. The Ohio Revised Code provides the authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.50% and 7.75% of covered payroll in 2002 and 2003, respectively. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2002 (the latest information available), is 13,527 for police officers and 10,396 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were \$97,248 and \$21,939, respectively. OP&F's total health care expense for the year ending December 31, 2002 (the latest information available), was \$141.028 million, which was net of member contributions of \$12.623 million.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General</u>	<u>Fire and Rescue</u>	<u>Police</u>	<u>Street</u>
Budget basis	\$ (439,544)	\$ (79,372)	\$ 7,260	\$ 1,089
Net adjustment for revenue accruals	37,757	(80,291)	(776)	130,371
Net adjustment for expenditure accruals	(149,796)	(70,310)	(201,948)	(6,001)
Net adjustment for other sources/uses	119,858	136,260	197,025	(131,000)
Adjustment for encumbrances	<u>290,306</u>	<u>33,228</u>	<u>24,737</u>	<u>57,111</u>
GAAP basis	<u><u>\$ (141,419)</u></u>	<u><u>\$ (60,485)</u></u>	<u><u>\$ 26,298</u></u>	<u><u>\$ 51,570</u></u>

NOTE 17 - CONTRACTUAL COMMITMENTS

As of December 31, 2003, the City had the following contractual commitments outstanding related to the construction on the I70/SR48 interchange project. A summary of the primary contractual commitments follows:

<u>Project</u>	<u>Vendor</u>	<u>Total Contract Amount</u>	<u>Amount Paid As of 12/31/03</u>	<u>Balance of Contract at 12/31/03</u>
Government Center Expansion	Brumbaugh Construction	\$ 3,990,000	\$ 157,500	\$ 3,832,500
Salt Storage Building	Heyne Construction, Inc.	191,900	-	191,900
National Road Widening and Signalized Intersection	S.E. Johnson Company	<u>1,483,533</u>	<u>1,051,331</u>	<u>432,202</u>
Total contractual commitments		<u><u>\$ 5,665,433</u></u>	<u><u>\$ 1,208,831</u></u>	<u><u>\$ 4,456,602</u></u>

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2003.

B. Litigation

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

TRIMBLE, JULIAN & GRUBE, INC.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Englewood (the “City”) as of and for the year ended December 31, 2003, and have issued our report thereon dated June 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

This report is intended for the information and use of management and the City of Englewood, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
June 8, 2004



**Auditor of State
Betty Montgomery**

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CITY OF ENGLEWOOD

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 5, 2004**