

**CITY OF GENEVA, OHIO
ASHTABULA COUNTY**

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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To the City Manager, Finance Director
and the Members of City Council
City of Geneva
44 N. Forest St.
Geneva, OH 44041

We have reviewed the independent auditor's report of the City of Geneva, Ashtabula County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2000 through December 31, 2000. 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 Geneva is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

July 13, 2001

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CITY OF GENEVA, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2000

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Ohio Society of Certified Public Accountants

To the City Manager, Finance Director
and the Members of City Council
City of Geneva, Ohio

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying general purpose financial statements of the City of Geneva, Ohio as of and for the year ended December 31, 2000, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Geneva, Ohio as of December 31, 2000 and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards we have also issued a report dated June 8, 2001 on our consideration of the City of Geneva, Ohio's internal control over financial reporting and on 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.

June 8, 2001

James G. Zupka
Certified Public Accountant

CITY OF GENEVA, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2000

	<u>Governmental Fund Types</u>				<u>Proprietary</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fund Type Enterprise</u>
<u>ASSETS AND OTHER DEBITS</u>					
<u>Assets</u>					
Equity in Pooled Cash and					
Cash Equivalents	\$ 386,630	\$ 578,097	\$ 0	\$ 151,087	\$ 246,904
Cash in Segregated Accounts	0	0	0	0	0
Investments	338,524	20,260	0	0	142,252
Receivables (Net of Allowances for Uncollectibles):					
Income Taxes	202,794	0	0	0	0
Real and Other Taxes	389,433	20,267	0	0	0
Accounts	1,006	10,224	0	0	264,744
Accrued Interest	11,104	665	0	0	4,666
Loans	0	52,772	0	0	0
Special Assessments	0	0	1,647,390	0	0
Advances to Other Funds	0	125,250	0	0	0
Due from Component Unit	0	95,000	0	0	0
Due from Other Funds	137,496	13,743	31,000	0	6,416
Due from Other Governments	37,920	92,356	0	0	5,435
Prepayments	7,090	195	0	2,010	1,175
Material and Supplies Inventory	5,770	8,998	0	0	10,175
Property, Plant, and Equipment (Net of Accumulated Depreciation Where Applicable)	0	0	0	0	3,520,546
<u>Other Debits</u>					
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0
Total Assets and Other Debits	\$ 1,517,767	\$ 1,017,827	\$ 1,678,390	\$ 153,097	\$ 4,202,313

The notes to the general purpose financial statements are an integral part of these statements.

CITY OF GENEVA, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2000
 (CONTINUED)

	<u>Account Groups</u>		Totals (Memorandum Only) Primary Government	Component Unit	Totals (Memorandum Only) Reporting Entity
	General Fixed Assets	General Long-Term Obligations			
<u>ASSETS AND OTHER DEBITS</u>					
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 0	\$ 1,362,718	\$ 0	\$ 1,362,718
Cash in Segregated Accounts	0	0	0	40,803	40,803
Investments	0	0	501,036	2,783	503,819
Receivables (Net of Allowances for Uncollectibles):					
Income Taxes	0	0	202,794	0	202,794
Real and Other Taxes Accounts	0	0	409,700	0	409,700
Accrued Interest	0	0	275,974	0	275,974
Loans	0	0	16,435	0	16,435
Special Assessments	0	0	52,772	22,000	74,772
Advances to Other Funds	0	0	1,647,390	0	1,647,390
Due from Component Unit	0	0	125,250	0	125,250
Due from Other Funds	0	0	95,000	0	95,000
Due from Other Governments	0	0	188,655	0	188,655
Prepayments	0	0	135,711	6,666	142,377
Material and Supplies Inventory	0	0	10,470	0	10,470
Property, Plant, and Equipment (Net of Accumulated Depreciation Where Applicable)	13,774,852	0	24,943	0	24,943
			17,295,398	95,000	17,390,398
<u>Other Debits</u>					
Amount to be Provided for Retirement of General Long-Term Obligations	0	1,791,162	1,791,162	0	1,791,162
Total Assets and Other Debits	\$13,774,852	\$ 1,791,162	\$24,135,408	\$ 167,252	\$24,302,660

The notes to the general purpose financial statements are an integral part of these statements.

CITY OF GENEVA, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2000
 (CONTINUED)

	Governmental Fund Types				Proprietary
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Enterprise
<u>LIABILITIES, EQUITY, AND OTHER CREDITS</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 38,890	\$ 9,563	\$ 0	\$ 0	\$ 15,769
Contracts Payable	5,362	32,388	0	1,017	11,074
Accrued Wages and Benefits	20,518	4,614	0	0	3,373
Compensated Absences Payable	3,162	2,099	0	0	35,030
Advances from Other Funds	0	125,250	0	0	0
Deferred Revenue	550,097	103,147	1,647,390	0	0
Due to Primary Government	0	0	0	0	0
Due to Other Funds	31,000	121,716	27,553	4,635	3,751
Due to Other Governments	30,263	7,760	0	0	6,976
Claims and Judgments Payable	0	0	0	0	0
Accrued Interest Payable	0	0	0	0	10,812
Pension Obligation Payable	41,311	6,890	0	0	5,207
General Obligation Notes Payable	0	0	0	0	260,000
General Obligation Bonds Payable	0	0	0	0	0
Special Assessment Debt					
with Government Commitment	0	0	0	0	0
Capital Leases Payable	0	0	0	0	0
OWDA Loan Payable	0	0	0	0	4,494,643
OPWC Loan Payable	0	0	0	0	60,753
Total Liabilities	720,603	413,427	1,674,943	5,652	4,907,388
<u>Equity and Other Credits</u>					
Investment in General Fixed Assets	0	0	0	0	0
Retained Earnings - Unreserved	0	0	0	0	(705,075)
Fund Balances:					
Reserved for Encumbrances	68,905	49,198	0	0	0
Reserved for Inventory	5,770	8,998	0	0	0
Reserved for Loans Receivable	0	52,771	0	0	0
Reserved for Advances	0	125,250	0	0	0
Reserved for Prepayments	7,090	195	0	2,010	0
Unreserved-Undesignated	715,399	367,988	3,447	145,435	0
Total Equity and Other Credits	797,164	604,400	3,447	147,445	(705,075)
Total Liabilities, Equity, and Other Credits	\$ 1,517,767	\$ 1,017,827	\$ 1,678,390	\$ 153,097	\$ 4,202,313

The notes to the general purpose financial statements are an integral part of these statements.

CITY OF GENEVA, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2000
 (CONTINUED)

	<u>Account Groups</u>		Totals	Component	Totals
	<u>General</u> <u>Fixed</u> <u>Assets</u>	<u>General</u> <u>Long-Term</u> <u>Obligations</u>	(Memorandum Only) Primary Government		(Memorandum Only) Reporting Entity
<u>LIABILITIES, EQUITY, AND OTHER CREDITS</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 0	\$ 64,222	\$ 0	\$ 64,222
Contracts Payable	0	0	49,841	0	49,841
Accrued Wages and Benefits	0	0	28,505	0	28,505
Compensated Absences Payable	0	154,149	194,440	0	194,440
Advances from Other Funds	0	0	125,250	0	125,250
Deferred Revenue	0	0	2,300,634	0	2,300,634
Due to Primary Government	0	0	0	95,000	95,000
Due to Other Funds	0	0	188,655	0	188,655
Due to Other Governments	0	0	44,999	0	44,999
Claims and Judgments Payable	0	344,323	344,323	0	344,323
Accrued Interest Payable	0	0	10,812	0	10,812
Pension Obligation Payable	0	0	53,408	0	53,408
General Obligation Notes Payable	0	0	260,000	0	260,000
General Obligation Bonds Payable	0	185,000	185,000	0	185,000
Special Assessment Debt with Government Commitment	0	1,060,000	1,060,000	0	1,060,000
Capital Leases Payable	0	39,482	39,482	0	39,482
OWDA Loan Payable	0	0	4,494,643	0	4,494,643
OPWC Loan Payable	0	8,208	68,961	0	68,961
Total Liabilities	0	1,791,162	9,513,175	95,000	9,608,175
<u>Equity and Other Credits</u>					
Investment in General Fixed Assets	13,774,852	0	13,774,852	0	13,774,852
Retained Earnings - Unreserved	0	0	(705,075)	0	(705,075)
Fund Balances:					
Reserved for Encumbrances	0	0	118,103	0	118,103
Reserved for Inventory	0	0	14,768	0	14,768
Reserved for Loans Receivable	0	0	52,771	0	52,771
Reserved for Advances	0	0	125,250	0	125,250
Reserved for Prepayments	0	0	9,295	0	9,295
Unreserved-Undesignated	0	0	1,232,269	72,252	1,304,521
Total Equity and Other Credits	13,774,852	0	14,622,233	72,252	14,694,485
Total Liabilities, Equity, and Other Credits	\$13,774,852	\$ 1,791,162	\$24,135,408	\$ 167,252	\$24,302,660

The notes to the general purpose financial statements are an integral part of these statements.

CITY OF GENEVA, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2000

	Governmental Fund Types				Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Primary Government		Reporting Entity
REVENUES							
Municipal Income Tax	\$ 893,410	\$ 0	\$ 0	\$ 0	\$ 893,410	\$ 0	\$ 893,410
Property and Other Taxes	386,613	79,304	0	0	465,917	0	465,917
Charges for Services	122,946	5,500	0	0	128,446	0	128,446
Licenses, Permits, and Fees	92,082	0	0	0	92,082	0	92,082
Fines and Forfeitures	57,287	889	0	0	58,176	0	58,176
Special Assessments	0	144,451	112,467	0	256,918	0	256,918
Intergovernmental	503,096	459,520	0	0	962,616	0	962,616
Investment Income	65,539	18,240	0	0	83,779	612	84,391
Other	32,455	23,803	0	3,750	60,008	62,145	122,153
Total Revenues	2,153,428	731,707	112,467	3,750	3,001,352	62,757	3,064,109
EXPENDITURES							
Current Operations:							
General Government	415,587	28,378	5,118	0	449,083	0	449,083
Security of Persons and Property	1,310,160	178,693	0	0	1,488,853	0	1,488,853
Transportation	40,303	372,155	0	0	412,458	0	412,458
Community Environment	35,249	201,994	0	0	237,243	0	237,243
Leisure Time Activity	42,621	0	0	0	42,621	0	42,621
Capital Outlay	0	5,611	0	63,783	69,394	0	69,394
Economic Development	0	3,268	0	0	3,268	19,602	22,870
Debt Service:							
Principal Retirement	2,821	0	51,492	25,613	79,926	0	79,926
Interest and Fiscal Charges	1,568	0	74,431	3,640	79,639	0	79,639
Total Expenditures	1,848,309	790,099	131,041	93,036	2,862,485	19,602	2,882,087
Excess (Deficiency) of Revenues Over (Under) Expenditures	305,119	(58,392)	(18,574)	(89,286)	138,867	43,155	182,022
OTHER FINANCING SOURCES (USES)							
Loss on Sale of Fixed Assets	0	0	0	0	0	(3,653)	(3,653)
Operating Transfers In	8,328	203,913	18,000	91,200	321,441	0	321,441
Operating Transfers Out	(343,950)	(28,491)	0	0	(372,441)	0	(372,441)
Total Other Financing Sources (Uses)	(335,622)	175,422	18,000	91,200	(51,000)	(3,653)	(54,653)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(30,503)	117,030	(574)	1,914	87,867	39,502	127,369
Fund Balance at January 1	825,641	488,055	4,021	145,531	1,463,248	32,750	1,495,998
Increase (Decrease) in Reserve for Inventory	2,026	(685)	0	0	1,341	0	1,341
Fund Balance at December 31	\$ 797,164	\$ 604,400	\$ 3,447	\$ 147,445	\$ 1,552,456	\$ 72,252	\$ 1,624,708

The notes to the general purpose financial statements are an integral part of these statements.

CITY OF GENEVA, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL (BUDGET BASIS) - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2000

	General Fund			Special Revenue Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Income Tax	\$ 900,000	\$ 1,008,004	\$ 108,004	\$ 0	\$ 0	\$ 0
Property and Other Taxes	339,700	386,613	46,913	83,950	79,304	(4,646)
Charges for Services	54,400	122,946	68,546	3,999	5,500	1,501
Licenses, Permits, and Fees	69,000	91,082	22,082	0	0	0
Fines and Forfeitures	61,000	59,425	(1,575)	1,000	879	(121)
Special Assessments	0	0	0	128,500	144,451	15,951
Intergovernmental	423,900	499,667	75,767	930,729	462,026	(468,703)
Investment Income	50,000	55,040	5,040	731	24,870	24,139
Other	27,350	32,461	5,111	66,225	42,669	(23,556)
Total Revenues	<u>1,925,350</u>	<u>2,255,238</u>	<u>329,888</u>	<u>1,215,134</u>	<u>759,699</u>	<u>(455,435)</u>
EXPENDITURES						
Current:						
General Government	460,816	425,833	34,983	41,000	35,493	5,507
Security of Persons and Property	1,367,393	1,339,078	28,315	231,161	200,009	31,152
Transportation	73,086	58,313	14,773	444,269	385,934	58,335
Community Environment	42,882	36,444	6,438	691,748	257,105	434,643
Leisure Time Activities	49,626	44,226	5,400	0	0	0
Economic Development	0	0	0	210,220	3,941	206,279
Capital Outlay	0	0	0	8,479	8,378	101
Debt Service:						
Principal Retirement	2,821	2,821	0	0	0	0
Interest and Fiscal Charges	1,568	1,568	0	0	0	0
Total Expenditures	<u>1,998,192</u>	<u>1,908,283</u>	<u>89,909</u>	<u>1,626,877</u>	<u>890,860</u>	<u>736,017</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(72,842)</u>	<u>346,955</u>	<u>419,797</u>	<u>(411,743)</u>	<u>(131,161)</u>	<u>280,582</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from Sale of Fixed Assets	0	0	0	1,000	0	(1,000)
Operating Transfers In	8,328	8,328	0	219,330	217,163	(2,167)
Operating Transfers Out	(349,495)	(343,950)	5,545	(41,741)	(41,741)	0
Advances In	0	141,871	141,871	0	100,966	100,966
Advances Out	0	(126,717)	(126,717)	0	(71,016)	(71,016)
Total Other Financing Sources (Uses)	<u>(341,167)</u>	<u>(320,468)</u>	<u>20,699</u>	<u>178,589</u>	<u>205,372</u>	<u>26,783</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<u>(414,009)</u>	<u>26,487</u>	<u>440,496</u>	<u>(233,154)</u>	<u>74,211</u>	<u>307,365</u>
Fund Balance at January 1	476,020	476,020	0	359,786	359,786	0
Prior Year Encumbrances Appropriated	110,012	110,012	0	72,136	72,136	0
Fund Balance at December 31	<u>\$ 172,023</u>	<u>\$ 612,519</u>	<u>\$ 440,496</u>	<u>\$ 198,768</u>	<u>\$ 506,133</u>	<u>\$ 307,365</u>

The notes to the general purpose financial statements are in integral part of these statements.

CITY OF GENEVA, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL (BUDGET BASIS) - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2000

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Income Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Property and Other Taxes	0	0	0	0	0	0
Charges for Services	0	0	0	0	0	0
Licenses, Permits, and Fees	0	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	0	0
Special Assessments	113,000	112,467	(533)	0	0	0
Intergovernmental	0	0	0	0	0	0
Investment Income	0	1,801	1,801	29,900	4,635	(25,265)
Other	0	0	0	0	3,750	3,750
Total Revenues	<u>113,000</u>	<u>114,268</u>	<u>1,268</u>	<u>29,900</u>	<u>8,385</u>	<u>(21,515)</u>
EXPENDITURES						
Current:						
General Government	5,120	5,118	2	0	0	0
Security of Persons and Property	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
Community Environment	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Economic Development	0	0	0	0	0	0
Capital Outlay	0	0	0	186,807	59,138	127,669
Debt Service:						
Principal Retirement	51,450	51,492	(42)	25,613	25,613	0
Interest and Fiscal Charges	74,430	74,430	0	7,280	7,280	0
Total Expenditures	<u>131,000</u>	<u>131,040</u>	<u>(40)</u>	<u>219,700</u>	<u>92,031</u>	<u>127,669</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(18,000)</u>	<u>(16,772)</u>	<u>1,228</u>	<u>(189,800)</u>	<u>(83,646)</u>	<u>106,154</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Operating Transfers In	18,000	18,000	0	65,300	91,200	25,900
Operating Transfers Out	(31,000)	(31,000)	0	0	0	0
Advances In	0	25,751	25,751	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>(13,000)</u>	<u>12,751</u>	<u>25,751</u>	<u>65,300</u>	<u>91,200</u>	<u>25,900</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<u>(31,000)</u>	<u>(4,021)</u>	<u>26,979</u>	<u>(124,500)</u>	<u>7,554</u>	<u>132,054</u>
Fund Balance at January 1	4,021	4,021	0	127,681	127,681	0
Prior Year Encumbrances Appropriated	0	0	0	14,835	14,835	0
Fund Balance at December 31	<u>\$ (26,979)</u>	<u>\$ 0</u>	<u>\$ 26,979</u>	<u>\$ 18,016</u>	<u>\$ 150,070</u>	<u>\$ 132,054</u>

The notes to the general purpose financial statements are an integral part of these statements.

CITY OF GENEVA, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL (BUDGET BASIS) - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Totals (Memorandum Only)</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Income Tax	\$ 900,000	\$ 1,008,004	\$ 108,004
Property and Other Taxes	423,650	465,917	42,267
Charges for Services	58,399	128,446	70,047
Licenses, Permits, and Fees	69,000	91,082	22,082
Fines and Forfeitures	62,000	60,304	(1,696)
Special Assessments	241,500	256,918	15,418
Intergovernmental	1,354,629	961,693	(392,936)
Investment Income	80,631	86,346	5,715
Other	93,575	78,880	(14,695)
Total Revenues	<u>3,283,384</u>	<u>3,137,590</u>	<u>(145,794)</u>
<u>EXPENDITURES</u>			
Current:			
General Government	506,936	466,444	40,492
Security of Persons and Property	1,598,554	1,539,087	59,467
Transportation	517,355	444,247	73,108
Community Environment	734,630	293,549	441,081
Leisure Time Activities	49,626	44,226	5,400
Economic Development	210,220	3,941	206,279
Capital Outlay	195,286	67,516	127,770
Debt Service:			
Principal Retirement	79,884	79,926	(42)
Interest and Fiscal Charges	83,278	83,278	0
Total Expenditures	<u>3,975,769</u>	<u>3,022,214</u>	<u>953,555</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(692,385)</u>	<u>115,376</u>	<u>807,761</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Sale of Fixed Assets	1,000	0	(1,000)
Operating Transfers In	310,958	334,691	23,733
Operating Transfers Out	(422,236)	(416,691)	5,545
Advances In	0	268,588	268,588
Advances Out	0	(197,733)	(197,733)
Total Other Financing Sources (Uses)	<u>(110,278)</u>	<u>(11,145)</u>	<u>99,133</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<u>(802,663)</u>	<u>104,231</u>	<u>906,894</u>
Fund Balance at January 1	967,508	967,508	0
Prior Year Encumbrances Appropriated	196,983	196,983	0
Fund Balance at December 31	<u><u>\$ 361,828</u></u>	<u><u>\$ 1,268,722</u></u>	<u><u>\$ 906,894</u></u>

The notes to the general purpose financial statements are an integral part of these statements.

CITY OF GENEVA, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Enterprise</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 986,798
Tap-in Fees	44,680
Total Operating Revenues	<u>1,031,478</u>
<u>Operating Expenses</u>	
Personal Services	318,300
Contract Services	322,148
Materials and Supplies	70,904
Depreciation	150,132
Total Operating Expenses	<u>861,484</u>
Operating Income	<u>169,994</u>
<u>Nonoperating Revenues (Expenses)</u>	
Interest Expense and Fiscal Charges	(305,173)
Investment Income	38,712
Proceeds from Grants	90,470
Other Nonoperating Revenue	55,433
Operating Transfers In	51,000
Total Nonoperating Revenues (Expenses)	<u>(69,558)</u>
Net Income	<u>100,436</u>
Retained Earnings at January 1	<u>(805,511)</u>
Retained Earnings at December 31	<u><u><u>\$(705,075)</u></u></u>

The notes to the general purpose financial statements are in integral part of these statements.

CITY OF GENEVA, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Enterprise</u>
<u>Cash Flows from Operating Activities</u>	
Cash Received from Customers	\$1,072,031
Cash Payments for Personal Services	(301,128)
Cash Payments for Contract Services	(301,799)
Cash Payments for Supplies and Materials	(66,873)
Net Cash Provided by Operating Activities	<u>402,231</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Cash Received from Nonoperating Activities	39,966
Advances Out to Other Funds	(39,855)
Transfers In from Other Funds	51,000
Grants	130,325
Net Cash Used in Noncapital Financing Activities	<u>181,436</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Funds	(166,729)
Proceeds from Issuance of Long-Term Debt	260,000
Principal Retirement	(448,461)
Interest Paid	(304,654)
Net Cash Used in Capital and Related Financing Activities	<u>(659,844)</u>
<u>Cash Flows from Investing Activities</u>	
Proceeds from Sale of Investments	155,000
Interest Received	33,778
Payments for Investments	(142,252)
Net Cash Provided by Investing Activities	<u>46,526</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(29,651)</u>
Cash and Cash Equivalents at January 1	276,555
Cash and Cash Equivalents at December 31	<u>\$ 246,904</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Operating Income	\$ 169,994
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Add Back Depreciation Expense	150,132
Changes in Net Assets and Liabilities:	
(Increase) Decrease in Inventories	4,031
(Increase) Decrease in Accounts Receivable	39,263
(Increase) Decrease in Prepayments	5,019
Increase (Decrease) in Accounts Payable	13,976
Increase (Decrease) in Contracts Payable	3,600
Increase (Decrease) in Pension Obligation Payable	(3,487)
Increase (Decrease) in Accrued Wages and Benefits	(522)
Increase (Decrease) in Compensated Absences Payable	16,822
Increase (Decrease) in Due to Other Governments	3,403
Net Cash Provided by Operating Activities	<u>\$ 402,231</u>

The notes to the general purpose financial statements are in integral part of these statements.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 1: **DESCRIPTION OF THE CITY**

The City of Geneva is a home rule municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City may exercise all powers of local self-government and police powers to the extent not in conflict with applicable general laws. The City was incorporated as a city in 1958. The City operates under its own charter and is governed by a City Manager-Council form of government, which was adopted on November 2, 1957. Members of Council are elected to four-year staggered terms.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Geneva have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, to its proprietary activities to the extent they do not contradict or conflict with GASB pronouncements. The more significant of the City's accounting policies are described below.

A. **Reporting Entity**

For financial reporting purposes, the reporting entity is defined to include the primary government, component units and other organizations that are included to insure that the financial statements are not misleading consistent with Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. Based on application of the criteria set forth in GASB Statement No. 14, the City evaluated potential component units (PCU) for inclusion based on financial accountability, the nature and significance of their relationship to the City, and whether exclusion would cause the general-purpose financial statements to be misleading or incomplete. Among the factors considered were whether the City holds the PCU's corporate power, appoints a voting majority of the PCU's board, is able to impose its will on the PCU, or whether a financial benefit/burden relationship exists between the City and the PCU.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Reporting Entity** (Continued)

The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation and wastewater. The preceding financial statements include all funds and account groups of the City (the primary government) and the City's component unit. The following organizations are described due to their relationship to the City.

Discretely Presented Component Unit

The component unit column in the combined financial statements identifies the financial data of the City's component unit, the Community Improvement Corporation of Geneva (the CIC). It is reported separately to emphasize that it is legally separate from the City.

The CIC is a legally separate, non-profit organization, served by a ten-member board composed of City officials and community representatives. Charged with the responsibilities of advancing, encouraging and promoting the industrial, economic, commercial and civic development of the Geneva area, the CIC is empowered with the ability to carry out the actions they consider necessary to achieve these responsibilities. Due to the nature and significance of the CIC's relationship to the City, the CIC is presented as a component unit of the City. The CIC has elected not to apply GASB Statement 29 since they have applied the AICPA not-for-profit model. Separately issued financial statements can be obtained from the City of Geneva.

Jointly Governed Organizations

Ashtabula County General Health District

The Ashtabula County General Health District, a jointly governed organization, provides health services to the citizens within the County. The Board of Health, which consists of a representative from each of the participating governments, oversees the operation of the District. Twenty-seven townships, seven villages, and the City of Geneva participate in the District. The City contributed \$32,173 during 2000 for the operation of the District.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1000
(CONTINUED)

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

A. **Reporting Entity** (Continued)

The Geneva Union Cemeteries District

The Geneva Union Cemeteries District, a jointly governed organization, is a political subdivision governed by a board of trustees, which possesses its own contracting and budgeting authority. The board of trustees consists of a representative from each of the participating governments: the City of Geneva, the Village of Geneva-on-the-Lake, and Geneva Township. The members serve staggered three-year terms. The City made no contributions during 2000 for the operation of the District.

B. **Basis of Presentation - Fund Accounting**

The accounts of the City and the CIC (component unit) are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, as appropriate; and revenues, and expenditures or expenses, as appropriate. The following fund types and account groups are used by the City:

GOVERNMENTAL FUNDS:

General Fund - The General Fund is used to account for all activities of the City not required to be included in another fund.

Special Revenue Funds - The Special Revenue Funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of financial resources for, and the payment of, general obligation long-term debt principal, interest and related costs.

Capital Projects Funds - The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary funds).

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1000
(CONTINUED)

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

B. **Basis of Presentation - Fund Accounting** (Continued)

PROPRIETARY FUNDS:

Enterprise Funds - The Enterprise Funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUNDS:

Trust and Agency Funds - These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or funds. These include trust and agency funds. Agency Funds do not have a measurement focus (i.e., assets equal liabilities) and are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

ACCOUNT GROUPS:

General Fixed Assets Account Group - The General Fixed Assets Account Group is used to account for all general fixed assets of the City, other than those fixed assets accounted for in the proprietary funds.

General Long-Term Obligations Account Group - The General Long-Term Obligations Account Group is used to account for all long-term obligations of the City, except those accounted for in the proprietary funds.

C. **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1000
(CONTINUED)

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

C. **Basis of Accounting** (Continued)

The modified accrual basis of accounting is utilized for reporting purposes by governmental funds. Under this method of accounting, the City recognizes revenue and other financing sources when they become both measurable and available (i.e., collectible within the current period or within 31 days thereafter) to finance current City operations. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Revenues considered susceptible to accrual at the end of the year include employer withheld income taxes, interest on investments, state-levied locally shared taxes (including motor vehicle license fees, gasoline taxes, and local government assistance), and reimbursements due from federally funded projects for which corresponding expenditures have been made. Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Delinquent special assessments and property taxes as well as special assessment installments not due in the current year are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of December 31, 2000 but not intended to finance 2000 activities have also been recorded as deferred revenue. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The accrual basis of accounting is utilized for reporting purposes by proprietary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Unbilled service charges receivable are recognized as revenue at year-end.

The CIC reports its operations using the accrual basis of accounting.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1000
(CONTINUED)

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

D. **Budgets**

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 appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year with the legal restriction that the appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated; however, only governmental funds are required to be reported. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

Tax Budget

During the first Council meeting in July, the City Manager presents the annual operating budget for the following fiscal year 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.

Estimated Resources

The County Budget Commission determines if the budget justifies the need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts estimated by City Council during 2000.

CITY OF GENEVA, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2000
 (CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Budgets** (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 fund, department, and object level. 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 allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. During the year, several supplemental appropriation measures were passed. Supplemental 2000 appropriations are listed below. The budget figures, which appear in the statement of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

Supplemental 2000 appropriations:

General Fund	\$ 46,698
Special Revenue Funds	773,172
Debt Service Fund	31,000
Capital Projects Funds	61,500
Enterprise Fund	382,855
Total 2000 supplemental appropriations	<u>\$1,295,225</u> <u>=====</u>

Lapsing of Appropriations

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

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Budgets** (Continued)

Encumbrances

As part of formal budgetary control, purchases orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balances for subsequent-year expenditures.

Note 17 provides a reconciliation between the budgetary-basis and GAAP-basis of accounting.

E. **Cash and Investments**

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2000, investments were limited to STAROhio and certificates of deposit.

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

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Cash and Investments** (Continued)

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2000.

For purpose of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. **Inventory**

Inventories are valued at cost using the first-in, first-out method. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. The total of inventories at year-end is reported as a reservation of fund balance in the governmental funds because it does not represent available, spendable resources.

G. **Prepaid Items**

Prepayments for governmental funds represent cash disbursements, which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

H. General Fixed Assets

General fixed assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the Governmental Funds and capitalized at historical or estimated historical cost in the General Fixed Assets Account Group.

Effective January 1, 1999, general fixed assets were inventoried. An appraisal company reconstructed historical or estimated historical costs so that the assets could be booked as required by Generally Accepted Accounting Principles. Infrastructure fixed assets (i.e., fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems), also known as public domain, are capitalized, and recorded in the General Fixed Assets Account Group.

Expenditures for maintenance and repairs are expensed when incurred. However, expenditures for repairs and improvements that materially add to the value or life of an asset are capitalized at cost in the General Fixed Assets Account Group.

No depreciation is recorded in the General Fixed Assets Account Group.

I. Property, Plant, and Equipment - Enterprise Funds

Property, plant and equipment owned by the Enterprise Funds are stated at cost or estimated historical cost, including interest capitalized during construction of such assets.

Effective January 1, 1999, fixed assets were inventoried. An appraisal company reconstructed historical or estimated historical costs so that the assets could be booked as required by Generally Accepted Accounting Principles.

Depreciation is provided over the asset's estimated useful life using the straight-line method. The estimated useful lives are as follows:

Buildings	45 years
Land Improvements	20 years
Machinery and Equipment	6-20 years
Water Collection System	45 years

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

I. **Property, Plant, and Equipment - Enterprise Funds** (Continued)

The costs of normal maintenance and repairs are charged to operations as incurred. However, expenditures for repairs and improvements that materially add to the value or life of an asset are capitalized at cost in the General Fixed Assets Account Group.

J. **Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and special termination benefits are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Bonds, long-term loans, and special assessment bonds are recognized as a liability of the general long-term obligations account group until due or until resources have been accumulated in the fund for payment early in the following year.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the proprietary fund.

K. **Compensated Absences**

The liability for compensated absences is based on the provisions of Governmental Accounting Standards Board 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 employer 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 as well as the sick leave accumulated by those employees expected to become eligible to receive termination benefits in the future.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

K. **Compensated Absences** (Continued)

The amount is based on accumulated sick leave and employee wage rates at fiscal year-end, taking into consideration any limits specified in the City's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. **Fund Equity**

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriations or expenditure, including amounts that are legally segregated for a specific future use. As a result, encumbrances, loans receivable, inventories, prepaids and non-current portions of interfund loans are recorded as reservations of fund balance.

M. **Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

M. **Interfund Transactions** (Continued)

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as interfund loans receivable or payable.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of interfund transactions is presented in Note 5.

N. **Bond Discounts, Premiums, and Issuance Costs**

When the proceeds from general obligation bonded debt are placed in a governmental type fund, any bond issuance costs are shown as capital outlay expenditures. Any premium or discount is included in "Other Financing Sources - Bond Proceeds" on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances. The long-term debt that appears in the General Long-Term Obligations Account Group is reported at the bond's face value.

When the proceeds from general obligation bonded debt are placed in a proprietary type fund, and the debt will be serviced from revenues generated by that fund, then any material issuance costs will be reported as a deferred charge and amortized over the life of the bond using the interest method. Any material discounts or premiums are shown as additions to or deductions from the amount of the bond liability, are amortized using the interest method, and are reflected as interest income or expense in the Combined Statement of Revenues, Expenses, and Changes in Retained Earnings.

O. **Statement of Cash Flows**

In September 1989, the Government Accounting Standards Board (GASB) issued Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. The City has presented a statement of cash flows for its enterprise fund. For purposes of the statement of cash flows, the City considers cash equivalents to include all short-term investments (maturity of 90 days or less from date of purchase).

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

P. **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. **Memorandum Only - Totals Columns**

The "total" columns on the general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

NOTE 3: **ACCOUNTABILITY AND COMPLIANCE**

A. **Deficit Fund Balances/Retained Earnings**

The following funds had deficit fund balances/retained earnings as of December 31, 2000:

Special Revenue Funds	
Vehicle License	\$ 55,861
Law Enforcement Trust	53
COPS in School	20,322
OCJS Grant	886
CHIP Grant - 2000	39,137
Enterprise Funds	
Wastewater	616,830
Water	88,245

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 3: **ACCOUNTABILITY AND COMPLIANCE** (Continued)

A. **Deficit Fund Balances/Retained Earnings** (Continued)

These fund deficits primarily resulted from adjustments for accrued liabilities. The General fund is liable for any deficit and provides operating transfers when cash is required, not when accruals occur. The deficit balance in the Wastewater fund is due to the January 1, 1999 restatement of retained earnings for prior years' unrecorded depreciation.

B. **Interest Allocation**

During part of 2000, the City allocated interest earnings each month to all funds that had cash balances. According to City Ordinance, the City should only credit interest to the General Fund, the Municipal Building Fund (a Special Revenue Fund), the Wastewater, and Water Funds (Enterprise Funds), and to any other fund required by State or Federal laws such as interest earned on Federal grant funds. The GAAP basis financial statements have been adjusted to reflect an interfund liability in the funds that received extra interest and a reduction of interest revenue and an increase in interfund assets and revenue in the funds that should have been credited the interest. The General Fund is owed \$10,779, the Municipal Building Fund is owed \$493, the Wastewater Fund is owed \$3,814, and the Water Fund is owed \$2,407. The City plans to transfer these amounts back to the proper funds during 2001. The budgetary basis financial statement was not adjusted.

NOTE 4: **EQUITY IN POOLED CASH AND INVESTMENTS**

A. **Primary Government**

Monies held by the City are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the City treasury. Active monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 4: **EQUITY IN POOLED CASH AND INVESTMENTS** (Continued)

A. **Primary Government** (Continued)

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

Monies held by the City, which are not considered active, are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 4: **EQUITY IN POOLED CASH AND INVESTMENTS** (Continued)

A. **Primary Government** (Continued)

6. The State Treasurer's investment pool (STAROhio); and,
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110 percent of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation, or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No.3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, collateral held in single financial collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 4: **EQUITY IN POOLED CASH AND INVESTMENTS** (Continued)

A. **Primary Government** (Continued)

The GASB has established risk categories for deposits and investments as follows:

Deposits

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution's or its trust department or agent, but not in the City's name.

Investments

Category 1 - Insured or registered, with securities held by the City or by its agent in the City's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the City's name.

Deposits

At year-end, the carrying amount of the City's deposits was \$2,645 and the bank balance was \$81,213. The entire balance was covered by federal depository insurance (Category 1).

CITY OF GENEVA, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2000
 (CONTINUED)

NOTE 4: **EQUITY IN POOLED CASH AND INVESTMENTS** (Continued)

A. **Primary Government** (Continued)

Investments

Investments as of December 31, 2000 are summarized below:

	Category		Cost	Fair Value
	1	2		
Certificates of Deposit	\$ 300,000	\$ 201,036	\$ 501,036	\$ 501,036
STAROhio	0	0	1,360,073	1,360,073
Total Investments	\$ 300,000	\$ 210,036	\$1,861,109	\$1,861,109

Reconciliation of Cash, Cash Equivalents, and Investments

The classification of cash and cash equivalents on the combined balance sheet 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 pooled cash and cash equivalents and investments on the Combined Balance Sheet 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	\$ 1,362,718	\$ 501,036
Investments in the Cash Management Pool:		
Investment in STAROhio	(1,360,073)	1,360,073
GASB Statement No. 3	\$ 2,645	\$1,861,109

B. **Component Unit**

At year-end, the carrying amount of the CIC's deposits was \$40,803 and bank balance was \$40,803. The CIC's investment is a certificate of deposit in the amount of \$2,783. The entire balance was covered by federal depository insurance.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 5: **INTERFUND TRANSACTIONS**

A. Interfund balances at December 31, 2000, consist of the following individual fund receivables and payables which are long-term in nature (outstanding greater than one year):

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Special Revenue Funds	\$ 125,250	\$ 125,250
Total Long-Term Interfund Balances	\$ 125,250	\$ 125,250

B. Interfund balances at December 31, 2000, consist of the following individual fund receivables and payables:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 137,496	\$ 31,000
Special Revenue Funds	13,743	121,716
Debt Service Fund	31,000	27,553
Capital Projects Funds	0	4,635
Enterprise Funds	6,416	3,751
Total Due From/Due to Other Funds	\$ 188,655	\$ 188,655

C. The following is a summarized breakdown of the City's operating transfers for 2000:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 8,328	\$ 343,950
Special Revenue Funds	203,913	28,491
Debt Service Fund	18,000	0
Capital Projects Funds	91,200	0
Enterprise Funds	51,000	0
Totals	\$ 372,441	\$ 372,441

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 6: **TAXES**

A. **Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of the 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 revalued every three years. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20, unless extended.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the 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 year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 25 percent of its 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 Geneva. The County Auditor periodically remits to the City its portion of the taxes collected.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 6: **TAXES** (Continued)

A. **Property Taxes** (Continued)

The full tax rate for all City operations for the year ended December 31, 2000 was \$8.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were collected as follows:

Real Property	\$59,145,010
Public Utility	5,875,190
Tangible Personal Property	9,002,510
Total Valuation	<u>\$74,022,710</u>

B. **Income Taxes**

The City levies a municipal income tax of one percent on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed.

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 received by the General Fund.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 7: **RECEIVABLES**

Receivables at December 31, 2000 primarily consisted of taxes, accounts (billings for user charged services), intergovernmental receivables, entitlement or shared revenues, special assessments, loans receivable and interest on investments. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

<u>Primary Government</u>	<u>Amount</u>
<i>General Fund</i>	
Undivided Local Government	\$ 25,606
County Area Court	5,241
Estate Tax	4,828
Permits	2,245
Total General Fund	<u>37,920</u>
 <i>Special Revenue Funds</i>	
Street Construction Maintenance and Repair Fund	
Gasoline Tax	10,737
Motor Vehicle License Tax	3,082
State Highway Fund	
Gasoline Tax	871
Vehicle License Fund	
Permissive Motor Vehicle Tax	5,543
COPS Grant	34,613
CHIP Grant	37,425
Law Enforcement Education	
County Area Court	85
Total Special Revenue Funds	<u>92,356</u>
 <i>Enterprise Funds</i>	
Township Motel Tax	5,435
Total Intergovernmental Receivables	<u>\$ 135,711</u> =====

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 7: **RECEIVABLES** (Continued)

Component Unit

During 1998, the CIC entered into a lease purchase agreement for land contributed by the City of Geneva. The lease is being treated as a sale of land based on the terms of the agreement. The agreement calls for payments of \$1,000 per year beginning in 1998, and ending October 31, 2002. These payments will be credited toward the \$25,000 purchase price. The lessee is to purchase the property at the end of the lease term, but may purchase before that time. The purchase price may be further reduced by credits of \$2,000 for each employee meeting certain requirements, up to a maximum of \$10,000 and another credit of up to \$7,000 if the purchaser obtains a covenant not-to-sue from the USEPA. It is not possible to estimate the cash that will be collected, and therefore no allowance for the uncollectible portion has been developed. The balance outstanding at December 31, 2000 was \$ 22,000.

The CIC's intergovernmental receivable of \$6,666 is a state grant.

NOTE 8: **LOANS RECEIVABLE**

As part of the Economic Development special revenue fund, the City maintains a revolving loan program, available to local businesses to encourage growth and development. The State of Ohio provides funding for the program. At December 31, 2000, there were three loans outstanding, totaling \$52,772.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 9: **CAPITAL ASSETS**

	Beginning Balance <u>01/01/00</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>12/31/00</u>
Governmental Activities:				
Land	\$ 195,749	\$ 0	\$ 0	\$ 195,749
Buildings and Improvements	2,121,494	19,192	0	2,140,686
Equipment	2,064,268	65,304	0	2,129,572
Infrastructure	9,308,845	0	0	9,308,845
Totals at Historical Cost	<u>\$13,690,356</u>	<u>\$ 84,496</u>	<u>\$ 0</u>	<u>\$13,774,852</u>
Enterprise (Wastewater) Activities:				
Buildings and Improvements	\$ 3,572,702	\$ 0	\$ 0	\$ 3,572,702
Equipment	671,073	19,702	0	690,775
Collection System	1,790,500	147,027	0	1,937,527
Totals at Historical Cost	<u>6,034,275</u>	<u>166,729</u>	<u>0</u>	<u>6,201,004</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$(1,478,569)	\$ (74,303)	\$ 0	\$(1,552,872)
Equipment	(394,414)	(36,757)	0	(431,171)
Collection System	(657,343)	(39,072)	0	(696,415)
Total Depreciation	<u>(2,530,326)</u>	<u>(150,132)</u>	<u>0</u>	<u>(2,680,458)</u>
Enterprise (Wastewater) Activities	<u>\$ 3,503,949</u>	<u>\$ 16,597</u>	<u>\$ 0</u>	<u>\$ 3,520,546</u>

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 10: LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during 2000 were as follows:

	Balance <u>01/01/00</u>	<u>Additions</u>	<u>(Reductions)</u>	Outstanding <u>12/31/00</u>
General Long-term Obligations				
General Obligation Bonds (Unvoted)				
1995 - 4.99% Various Purpose	\$ 190,000	\$ 0	\$ (5,000)	\$ 185,000
Ohio Public Works Loans				
1996 - 0% OPWC Loan	9,700	0	(1,492)	8,208
Special Assessment Bonds				
1995 - 4.99% Various Purpose	1,105,000	0	(45,000)	1,060,000
Compensated Absences	126,798	27,351	0	154,149
Capital Leases Payable	67,916	0	(28,434)	39,482
Claims and Judgments Payable	210,000	134,323	0	344,323
Total General Long-Term Obligations	<u>1,709,414</u>	<u>161,674</u>	<u>(79,926)</u>	<u>1,791,162</u>
Enterprise Fund Obligations				
Ohio Water Development Loans				
8.47% OWDA Phase I	696,636	0	(29,583)	667,053
7.89% OWDA Phase II	635,556	0	(23,608)	611,948
7.50% OWDA Phase III	2,311,067	0	(61,715)	2,249,352
2.20% OWDA Phase IV	342,629	0	(18,772)	323,857
2.20% OWDA Phase V	355,262	0	(19,467)	335,795
2.20% OWDA Phase VI	323,722	0	(17,084)	306,638
Total OWDA Loans	<u>4,664,872</u>	<u>0</u>	<u>(170,229)</u>	<u>4,494,643</u>
Ohio Public Works Loans				
1991 0% OPWC Loan	8,945	0	(4,472)	4,473
1993 0% OPWC Loan	15,040	0	(3,760)	11,280
1995 0% OPWC Loan	55,000	0	(10,000)	45,000
Total OPWC Loans	<u>78,985</u>	<u>0</u>	<u>(18,232)</u>	<u>60,753</u>
Compensated Absences	18,208	16,822	0	35,030
Total Enterprise Fund Obligations	<u>4,762,065</u>	<u>16,822</u>	<u>(188,461)</u>	<u>4,590,426</u>
Grand Total	<u>\$ 6,471,479</u>	<u>\$ 178,496</u>	<u>\$(268,387)</u>	<u>\$ 6,381,588</u>

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 10: **LONG-TERM OBLIGATIONS** (Continued)

General obligation bonds are direct obligations of the City and will be paid from the debt service fund using property tax revenues. Special assessment bonds will be paid from the proceeds of special assessments levied against benefitted property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City.

Compensated absences reported in the "compensated absences payable" account will be paid from the fund from which the employees' salaries are paid.

All OWDA loans are obligations of the Wastewater fund, and will be paid from the operating revenue of that fund.

The City has four loans with the Ohio Public Works Commission (OPWC). One was issued in 1991 to finance the repair of the Pleasant Avenue Sewer; one was issued in 1993 to finance the repair of the West Main Sanitary Sewer; one was issued in 1995 to finance the repair of the Old Orchard Sewer; and one was issued in 1996 to finance the repair of the Erie Street Reconstruction Project. The first three are obligations of the Enterprise fund, and will be paid from the operating of that fund. The debt service fund will account for the repayment of the 1996 issue, with resources accumulated in and transferred from other funds.

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5 percent of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5 percent of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2000, the City's total voted debt margin was \$7,547,903, and the unvoted debt margin was \$3,846,767.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 10: **LONG-TERM OBLIGATIONS** (Continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2000 are as follows:

	<u>General</u> <u>Obligations</u>	<u>Special</u> <u>Assessment</u>	<u>Ohio Water</u> <u>Development</u> <u>Authority</u>	<u>Ohio Public</u> <u>Works</u> <u>Commission</u>
2001	\$ 20,600	\$ 105,505	\$ 474,881	\$ 19,724
2002	19,960	107,625	474,881	15,252
2003	19,335	104,500	474,881	15,252
2004	18,710	106,375	474,881	11,492
2005	18,095	107,993	474,881	6,493
2006-2010	91,805	527,155	2,374,408	748
2011-2015	897,600	540,920	2,052,496	0
2016-2019	0	0	587,611	0
Total Requirements	<u>276,105</u>	<u>1,600,073</u>	<u>7,388,920</u>	<u>68,961</u>
Less Interest	<u>(91,105)</u>	<u>(540,073)</u>	<u>(2,894,277)</u>	<u>0</u>
Total Principal	<u>\$ 185,000</u>	<u>\$1,060,000</u>	<u>\$4,494,643</u>	<u>\$ 68,961</u>

NOTE 11: **CAPITAL LEASES**

In 1995, the City entered into a lease for the acquisition of a fire truck. During 1999, the City entered into a lease for the acquisition of a copier. These lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, and have been recorded in the general long-term obligations account group. The agreements provides for minimum annual rental payments as follows:

<u>Year</u>	
2001	\$ 33,642
2002	4,389
2003	4,389
2004	1,463
Total Minimum Lease Payments	<u>43,883</u>
Less: Amount Representing Interest	<u>(4,401)</u>
Present Value of Minimum Lease Payments	<u>\$ 39,482</u>

CITY OF GENEVA, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2000
 (CONTINUED)

NOTE 11: **CAPITAL LEASES** (Continued)

The vehicle and the copier have been capitalized in the General Fixed Assets Account Group in the amounts of \$140,000 and \$16,639, respectively, the present value of the minimum lease payments at the inception of the leases.

NOTE 12: **OPERATING LEASE**

The City acquired a postage meter and scale for the Municipal Building through a lease agreement. Payments are due quarterly, \$141 for the first four quarters and \$186 per quarter thereafter. The expenditure amount during 2000 was \$699. Future minimum lease payments are as follows:

2001		\$	744
2002			744
2003			930
Total		\$	2,418

NOTE 13: **NOTES PAYABLE**

During 1998, the City issued a \$260,000 general obligation bond anticipation note related to the possible purchase of its water distribution system. During 2000, the City retired the note with the issuance of a new note for the same amount. The note and interest at 4.99 percent is payable by February 23, 2001. The note is a general obligation of the City but will be repaid from the operating revenues of the water fund.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 14: **DEFINED BENEFIT PENSION PLANS**

A. **Public Employees Retirement System**

All Geneva City full-time employees, other than uniformed employees, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS 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. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer pension contribution rate for the City was 6.54 percent of covered payroll, reduced from 9.35 percent in 1999. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contribution to PERS for the years ended December 31, 2000, 1999, 1998, were \$67,109, \$78,326, and \$82,843, respectfully. The full amount has been contributed for 1999 and 1998. 78.98 percent has been contributed for 2000 with the remainder being reported as a fund liability.

B. **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 public employee retirement system administered by OP&F's Board of Trustees. OP&F provides retirement and disability benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 14: **DEFINED BENEFIT PENSION PLANS**

B. **Police and Fire Pension Fund** (Continued)

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City was required to contribute 12.5 percent for police and 17 percent for firefighters. The City's contributions to the OP&F for police and firefighters were \$60,882 and \$30,933 for the year ended December 31, 2000, \$56,163 and \$31,199 for the year ended December 31, 1999, and \$30,807 and \$41,471 for the year ended December 31, 1998. 77.20 percent and 76.32 percent, respectfully, have been contributed for 2000 with the remainder being reported as a fund liability.

NOTE 15: **POSTRETIREMENT BENEFIT PLANS**

A. **Public Employees Retirement System**

Public Employees Retirement System of Ohio provides postretirement health care coverage to age and service retirees 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 PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2000 employer contribution rate for local employers was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care. The law enforcement employer rate for 2000 was 15.70 percent of covered payroll; 4.3 percent was the portion used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 15: **POSTRETIREMENT BENEFIT PLANS** (Continued)

A. **Public Employees Retirement System** (Continued)

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

The number of active contributing participants was 401,339. The City's actual contributions for 2000, which were used to fund postemployment benefits were \$44,124. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997 disclosures had been based on a pay-as-you-go funding basis.

B. **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 costs paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll. The Ohio Revised Code provides the statutory 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 7.00 percent

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 15: **POSTRETIREMENT BENEFIT PLANS** (Continued)

B. **Police and Fire Pension Fund** (Continued)

and 7.25 percent of covered payroll in 1999 and 2000, respectively. The allocation is 7.50 percent in 2001. 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.

The number of participants eligible to receive health care benefits as of December 31, 1999 (the date of the last actuarial valuation available) are 12,467 for police and 9,807 for firefighters. The City's contributions used to pay postemployment benefits for police and firefighters were \$35,331 and \$13,188, respectively. The OP&F's total health care expense for the year ending December 31, 1999 (the date of the last actuarial valuation available) was \$95,004,633, which was net of member contributions of \$5,518,098.

NOTE 16: **COMPENSATED ABSENCES**

Employees earn vacation and sick leave at different rates, which are also affected by length of service. All full-time employees may carry over 40 vacation hours for use during the first three months of the following year. Sick leave accrual is continuous, with a limit of 320 hours for most current and all new employees. Several employees are grandfathered with a limit of 960 hours. Overtime worked is always paid to employees on the paycheck for the period in which it was worked.

Upon retirement, an employee can be paid for one half of his/her accumulated hours of sick leave, except fire department employees, who are part-time and do not accumulate sick leave. Upon retirement, termination, or death of the employee, accrued vacation is paid for time the employees have earned but not yet used.

As of December 31, 2000, the liability for unpaid compensated absences reported as a fund liability in governmental fund types was \$5,261, \$35,030 in the proprietary fund type, and \$154,149 was reported in the General Long-Term Obligations Account Group. The total liability for the City's compensated absences for all fund types and account groups was \$194,440.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 17: **BUDGETARY BASIS OF ACCOUNTING**

The City of Geneva prepares its annual budget on a basis (budget basis) prescribed by law, which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual.

The major differences between the budget basis and the GAAP (generally accepted accounting principles) basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures 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. Short-term note proceeds and note principal retirement are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. State statute requires short-term note debt to be repaid from the debt service fund (budget) as opposed to the fund that received the proceeds (GAAP).

CITY OF GENEVA, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2000
 (CONTINUED)

NOTE 17: **BUDGETARY BASIS OF ACCOUNTING** (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

Excess (Deficiency) of Revenues and Other Financing Sources
 Over (Under) Expenditures and Other Financing Uses

	Governmental Fund Types			
		Special	Debt	Capital
	<u>General Fund</u>	<u>Revenue Fund</u>	<u>Service Fund</u>	<u>Projects Fund</u>
Budget Basis	\$ 26,487	\$ 74,211	\$ (4,021)	\$ 7,554
Adjustments:				
Net Adjustment for Revenue				
Accruals	(101,810)	(27,992)	(1,801)	(4,635)
Net Adjustment for Expenditure				
Accruals	(8,931)	51,563	(1)	(1,005)
Net Adjustment for Other				
Financial Sources (Uses) Accruals	(15,154)	(29,950)	5,249	0
Encumbrances	68,905	49,198	0	0
GAAP Basis	<u>\$ (30,503)</u>	<u>\$ 117,030</u>	<u>\$ (574)</u>	<u>\$ 1,914</u>

NOTE 18: **CONTRACTUAL COMMITMENTS**

The City had the following outstanding contractual commitments as of December 31, 2000:

	<u>Amount</u>
All Seasons Glass	\$ 1,663
Burgess and Niple	17,808
Quality Home and Lawn	2,710
Wickert Insurance	29,367
Catholic Charities Housing Op	2,400
C.T. Consultants, Inc.	25,000
Aleph Construction	6,630
Microbac Laboratories	2,319
Building Technicians Corp.	8,450
Ohio Pump	2,975
Janik and Forbes	7,438
Total	<u>\$ 106,760</u>

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 19: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains two enterprise funds which are intended to be self-supporting from user fees charged for services provided to consumers for wastewater operations and water operations. Segment information for the year ended December 31, 2000 is as follows:

	Wastewater <u>Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating Revenues	\$1,031,478	\$ 0	\$1,031,478
Operating Income (Loss)	217,522	(47,528)	169,994
Net Income (Loss)	132,744	(32,308)	100,436
Proceeds from Grants	90,470	0	90,470
Operating Transfers In	51,000	0	51,000
Additions to Property, Plant, and Equipment	166,729	0	166,729
Depreciation	150,132	0	150,132
Net Working Capital	453,050	171,755	624,805
Total Assets	4,019,562	182,751	4,202,313
Bonds and Other Long-Term Liabilities, Payable from Operating Revenues	4,590,426	260,000	4,850,426
Total Equity	(616,830)	(88,245)	(705,075)
Encumbrances Outstanding at December 31	57,343	7,388	64,731

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 20: **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2000, the City contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Coverage</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
CNA Insurance Company	Property	\$ 2,500	\$8,957,419
	General Liability	0	1,000,000
	Employee Benefits	1,000	1,000,000
	Inland Marine	250	374,572
	Boilers and Machinery	500	1,000,000
	Vehicles		1,000,000
	Comprehensive	100	
Zurich American Ins. Co.	Collision	250	
	Fire Errors and Omissions	0	1,000,000
	Umbrella Liability	10,000	4,000,000
Zurich American Ins. Co.	Police	5,000	1,000,000
			per occurrence/ annual aggregate
	Public Officials	5,000	2,000,000
			per occurrence/ annual aggregate

NOTE 21: **RELATED PARTY TRANSACTIONS**

During 1999, the City transferred two land parcels to the Community Improvement Corporation of Geneva (Note 2A.). These two parcels cost the City \$95,000. The agreement between the City and the CIC specifies that the City shall receive, at a minimum, fair market value for these parcels of land it transferred to the CIC. Although at the balance sheet date, the City had not been compensated by the CIC for the transferred parcels, City management is confident that once the CIC itself sells the land to either a developer or business which wishes to locate or expand in Geneva, the City will receive compensation as defined in the agreement.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(CONTINUED)

NOTE 22: **CONTINGENCIES**

A. **Litigation**

During 1995, the City of Geneva was designated by the United States Environmental Protection Agency as a “Potentially Responsible Party” for the Geneva City Dump Site cleanup. In 2000, the City paid \$8,359 for this clean up, and has paid \$274,878 to date. Legal counsel for the City and the City Manager believe the City will have to pay an additional \$344,323 for this clean up. Accordingly, this amount, has been recorded as a liability in the General Long-Term Obligations Account Group.

The City is also involved in eminent domain proceedings against the Consumer Ohio Water Company.

B. **Federal and State Grants**

The City participates in several federally assisted programs. These programs are subject to financial and compliance audits by the grantor or their representative. As of December 31, 2000, the audits of certain of these programs have not been completed. Accordingly, the City’s compliance with applicable grant requirements will be established at some future date.

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Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the City Manager, Finance Director
and Members of City of Council
City of Geneva, Ohio

We have audited the general purpose financial statements of the City of Geneva, Ohio as of and for the year ended December 31, 2000, and have issued our report thereon dated June 8, 2001. We conducted our audit in accordance with generally accepted auditing standards 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 the City of Geneva, Ohio's general purpose 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 general purpose financial statement amount. 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 is required to be reported under Government Auditing Standards. We also noted immaterial instances on noncompliance which we have reported to the management of the City of Geneva, Ohio in a separate letter dated June 8, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Geneva, Ohio's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 over financial reporting 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 general purpose 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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reporting to the management of the City of Geneva, Ohio in a separate letter dated June 8, 2001.

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

June 8, 2001

James G. Zupka
Certified Public Accountant

CITY OF GENEVA, OHIO
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000

The prior audit report, as of December 31, 1999, included no citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CITY OF GENEVA

ASHTABULA 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
JULY 31, 2001**