

**CITY OF GENEVA, OHIO
ASHTABULA COUNTY**

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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City Manager, Finance Director,
and Members of City Council
City of Geneva
44 North Forest Street
Geneva, Ohio 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, 2001 through December 31, 2001. 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.

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JIM PETRO
Auditor of State

October 4, 2002

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CITY OF GENEVA, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2001

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JAMES G. ZUPKA, C.P.A., INC.

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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, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2001 and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note 2, during the year ended December 31, 2001, the City of Geneva adopted Governmental Accounting Standards Board Statements 33 and 36.

In accordance with Government Auditing Standards we have also issued a report dated August 26, 2002 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.

August 26, 2002

James G. Zupka
Certified Public Accountant

CITY OF GENEVA, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2001

	Governmental Fund Types				Proprietary Fund Type Enterprise
	General	Special Revenue	Debt Service	Capital Projects	
<u>ASSETS AND OTHER DEBITS</u>					
<u>Assets</u>					
Equity in Pooled Cash and					
Cash Equivalents	\$ 27,904	\$ 656,016	\$ 6,279	\$ 2,782,814	\$ 102,377
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	608,674	0	0	0	0
Real and Other Taxes	314,666	15,268	0	0	0
Accounts	2,064	13,297	0	0	266,816
Accrued Interest	795	48	0	0	334
Loans	0	29,154	0	0	0
Special Assessments	0	0	1,539,213	0	0
Advances to Other Funds	0	112,000	0	0	0
Due from Component Unit	0	95,000	0	0	0
Due from Other Funds	183,325	506	31,000	0	7,067
Due from Other Governments	291,147	626,506	0	0	4,365
Prepayments	31,401	5,425	0	823	11,170
Material and Supplies Inventory	7,814	12,073	0	0	12,252
Property, Plant, and Equipment (Net of Accumulated Depreciation Where Applicable)	0	0	0	0	3,411,424
<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	\$ 1,806,314	\$ 1,585,553	\$ 1,576,492	\$ 2,783,637	\$ 3,958,057

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, 2001
 (CONTINUED)

	<u>Account Groups</u>		Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	Primary Government		Reporting Entity
<u>ASSETS AND OTHER DEBITS</u>					
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 0	\$ 3,575,390	\$ 30,097	\$ 3,605,487
Cash in Segregated Accounts	0	0	0	28,034	28,034
Investments	0	0	501,036	0	501,036
Receivables (Net of Allowances for Uncollectibles):					
Income Taxes	0	0	608,674	0	608,674
Real and Other Taxes Accounts	0	0	329,934	0	329,934
Accrued Interest	0	0	282,177	0	282,177
Loans	0	0	1,177	0	1,177
Special Assessments	0	0	29,154	21,000	50,154
Advances to Other Funds	0	0	1,539,213	0	1,539,213
Due from Component Unit	0	0	112,000	0	112,000
Due from Other Funds	0	0	95,000	0	95,000
Due from Other Governments	0	0	221,898	0	221,898
Prepayments	0	0	922,018	0	922,018
Material and Supplies Inventory	0	0	48,819	0	48,819
Property, Plant, and Equipment (Net of Accumulated Depreciation Where Applicable)	14,325,165	0	32,139	0	32,139
			17,736,589	498,229	18,234,818
<u>Other Debits</u>					
Amount to be Provided for Retirement of General Long-Term Obligations	0	1,785,365	1,785,365	0	1,785,365
Total Assets and Other Debits	\$14,325,165	\$ 1,785,365	\$27,820,583	\$ 577,360	\$28,397,943

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, 2001
 (CONTINUED)

	<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>LIABILITIES, EQUITY, AND OTHER CREDITS</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 32,056	\$ 10,765	\$ 0	\$ 0	\$ 11,713
Contracts Payable	3,467	7,637	0	169,089	14,680
Accrued Wages and Benefits	27,635	6,846	0	0	5,458
Compensated Absences Payable	3,918	1,478	0	0	52,239
Advances from Other Funds	0	112,000	0	0	0
Deferred Revenue	961,080	594,973	1,539,213	0	10,080
Due to Primary Government	0	0	0	0	0
Due to Other Funds	31,000	179,650	1,801	5,536	3,911
Due to Other Governments	7,919	1,950	0	0	1,554
Claims and Judgments Payable	0	0	0	0	0
Accrued Interest Payable	0	0	0	0	4,279
Pension Obligation Payable	52,257	12,163	0	0	8,206
General Obligation Notes Payable	0	0	0	3,100,000	130,000
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	4,314,194
OPWC Loan Payable	0	0	0	0	42,521
Industrial Park Note Payable	0	0	0	0	0
Total Liabilities	1,119,332	927,462	1,541,014	3,274,625	4,598,835
<u>Equity and Other Credits</u>					
Investment in General Fixed Assets	0	0	0	0	0
Retained Earnings - Unreserved	0	0	0	0	(640,778)
Fund Balances:					
Reserved for Encumbrances	69,472	25,513	0	23,795	0
Reserved for Inventory	7,814	12,073	0	0	0
Reserved for Loans Receivable	0	29,154	0	0	0
Reserved for Advances	0	112,000	0	0	0
Reserved for Prepayments	31,401	5,425	0	823	0
Reserved for Debt Service	0	0	35,478	0	0
Unreserved-Undesignated	578,295	473,926	0	(515,606)	0
Total Equity and Other Credits	686,982	658,091	35,478	(490,988)	(640,778)
Total Liabilities, Equity, and Other Credits	\$ 1,806,314	\$ 1,585,553	\$ 1,576,492	\$ 2,783,637	\$ 3,958,057

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, 2001
 (CONTINUED)

	<u>Account Groups</u>		Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	Primary Government		Reporting Entity
<u>LIABILITIES, EQUITY, AND OTHER CREDITS</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 0	\$ 54,534	\$ 0	\$ 54,534
Contracts Payable	0	0	194,873	0	194,873
Accrued Wages and Benefits	0	0	39,939	0	39,939
Compensated Absences Payable	0	187,789	245,424	0	245,424
Advances from Other Funds	0	0	112,000	0	112,000
Deferred Revenue	0	0	3,105,346	0	3,105,346
Due to Primary Government	0	0	0	95,000	95,000
Due to Other Funds	0	0	221,898	0	221,898
Due to Other Governments	0	0	11,423	0	11,423
Claims and Judgments Payable	0	160,000	160,000	0	160,000
Accrued Interest Payable	0	0	4,279	0	4,279
Pension Obligation Payable	0	0	72,626	0	72,626
General Obligation Notes Payable	0	0	3,230,000	0	3,230,000
General Obligation Bonds Payable	0	175,000	175,000	0	175,000
Special Assessment Debt with Government Commitment	0	1,015,000	1,015,000	0	1,015,000
Capital Leases Payable	0	8,947	8,947	0	8,947
OWDA Loan Payable	0	0	4,314,194	0	4,314,194
OPWC Loan Payable	0	6,715	49,236	0	49,236
Industrial Park Note Payable	0	231,914	231,914	0	231,914
Total Liabilities	0	1,785,365	13,246,633	95,000	13,341,633
<u>Equity and Other Credits</u>					
Investment in General Fixed Assets	14,325,165	0	14,325,165	0	14,325,165
Retained Earnings - Unreserved	0	0	(640,778)	0	(640,778)
Fund Balances:					
Reserved for Encumbrances	0	0	118,780	0	118,780
Reserved for Inventory	0	0	19,887	0	19,887
Reserved for Loans Receivable	0	0	29,154	0	29,154
Reserved for Advances	0	0	112,000	0	112,000
Reserved for Prepayments	0	0	37,649	0	37,649
Reserved for Debt Service	0	0	35,478	0	35,478
Unreserved-Undesignated	0	0	536,615	482,360	1,018,975
Total Equity and Other Credits	14,325,165	0	14,573,950	482,360	15,056,310
Total Liabilities, Equity, and Other Credits	\$14,325,165	\$ 1,785,365	\$27,820,583	\$ 577,360	\$28,397,943

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, 2001

	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	\$ 1,042,988	\$ 0	\$ 0	\$ 0	\$ 1,042,988	\$ 0	\$ 1,042,988
Property and Other Taxes	390,002	79,209	0	0	469,211	0	469,211
Charges for Services	143,078	3,498	0	0	146,576	0	146,576
Licenses, Permits, and Fees	63,880	0	0	0	63,880	0	63,880
Fines and Forfeitures	67,820	764	0	0	68,584	0	68,584
Special Assessments	0	145,339	117,128	0	262,467	0	262,467
Intergovernmental	626,813	588,813	0	0	1,215,626	0	1,215,626
Investment Income	44,286	12,180	0	20,488	76,954	767	77,721
Other	14,599	23,167	0	0	37,766	26,574	64,340
Total Revenues	2,393,466	852,970	117,128	20,488	3,384,052	27,341	3,411,393
EXPENDITURES							
Current Operations:							
General Government	423,814	39,961	5,000	0	468,775	0	468,775
Security of Persons and Property	1,360,029	170,689	0	0	1,530,718	0	1,530,718
Transportation	55,294	370,208	0	0	425,502	0	425,502
Community Environment	26,460	424,667	0	0	451,127	0	451,127
Leisure Time Activity	49,481	0	0	0	49,481	0	49,481
Capital Outlay	0	11,783	0	995,921	1,007,704	0	1,007,704
Economic Development	0	4,000	0	0	4,000	52,164	56,164
Debt Service:							
Principal Retirement	3,448	8,086	56,492	0	68,026	0	68,026
Interest and Fiscal Charges	1,312	9,221	71,105	0	81,638	0	81,638
Total Expenditures	1,919,838	1,038,615	132,597	995,921	4,086,971	52,164	4,139,135
Excess (Deficiency) of Revenues Over (Under) Expenditures	473,628	(185,645)	(15,469)	(975,433)	(702,919)	(24,823)	(727,742)
OTHER FINANCING SOURCES (USES)							
Contributions of Fixed Assets	0	0	0	0	0	429,728	429,728
Loss on Sale of Fixed Assets	0	0	0	0	0	(2,397)	(2,397)
Operating Transfers In	0	239,433	47,500	436,850	723,783	0	723,783
Operating Transfers Out	(667,433)	(16,500)	0	(99,850)	(783,783)	0	(783,783)
Total Other Financing Sources (Uses)	(667,433)	222,933	47,500	337,000	(60,000)	427,331	367,331
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	(193,805)	37,288	32,031	(638,433)	(762,919)	402,508	(360,411)
Fund Balance at January 1, Restated	878,743	617,728	3,447	147,445	1,647,363	79,852	1,727,215
Increase (Decrease) in Reserve for Inventory	2,044	3,075	0	0	5,119	0	5,119
Fund Balance at December 31	\$ 686,982	\$ 658,091	\$ 35,478	\$ (490,988)	\$ 889,563	\$ 482,360	\$ 1,371,923

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, 2001

	General Fund			Special Revenue Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Income Tax	\$ 1,022,915	\$ 1,022,665	\$ (250)	\$ 0	\$ 0	\$ 0
Property and Other Taxes	424,700	389,534	(35,166)	79,980	79,432	(548)
Charges for Services	144,000	143,078	(922)	26,199	3,498	(22,701)
Licenses, Permits, and Fees	70,300	64,280	(6,020)	0	0	0
Fines and Forfeitures	60,750	65,655	4,905	1,000	779	(221)
Special Assessments	0	0	0	162,997	145,339	(17,658)
Intergovernmental	464,900	564,489	99,589	1,335,952	556,096	(779,856)
Investment Income	45,000	44,300	(700)	7,500	14,530	7,030
Other	21,963	11,341	(10,622)	64,298	70,177	5,879
Total Revenues	2,254,528	2,305,342	50,814	1,677,926	869,851	(808,075)
EXPENDITURES						
Current:						
General Government	518,386	449,741	68,645	67,655	41,400	26,255
Security of Persons and Property	1,447,320	1,444,451	2,869	233,653	191,720	41,933
Transportation	71,289	70,473	816	433,069	418,787	14,282
Community Environment	31,408	26,512	4,896	1,007,891	437,940	569,951
Leisure Time Activities	56,829	53,982	2,847	0	0	0
Economic Development	0	0	0	209,257	4,101	205,156
Capital Outlay	0	0	0	83,151	35,581	47,570
Debt Service:						
Principal Retirement	3,462	3,448	14	0	8,086	(8,086)
Interest and Fiscal Charges	1,327	1,312	15	0	9,221	(9,221)
Total Expenditures	2,130,021	2,049,919	80,102	2,034,676	1,146,836	887,840
Excess (Deficiency) of Revenues Over (Under) Expenditures	124,507	255,423	130,916	(356,750)	(276,985)	79,765
OTHER FINANCING SOURCES (USES)						
Proceeds from Sale of Fixed Assets	600	1,800	1,200	1,000	0	(1,000)
Proceeds from Sale of Notes	0	0	0	0	0	0
Operating Transfers In	0	0	0	261,677	239,433	(22,244)
Operating Transfers Out	(664,433)	(667,433)	(3,000)	(31,250)	(16,500)	14,750
Advances In	0	126,717	126,717	39,438	170,675	131,237
Advances Out	(203,000)	(170,675)	32,325	0	(100,966)	(100,966)
Total Other Financing Sources (Uses)	(866,833)	(709,591)	157,242	270,865	292,642	21,777
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(742,326)	(454,168)	288,158	(85,885)	15,657	101,542
Fund Balance at January 1	612,519	612,519	0	506,133	506,133	0
Prior Year Encumbrances Appropriated	104,104	104,104	0	90,690	90,690	0
Fund Balance at December 31	\$ (25,703)	\$ 262,455	\$ 288,158	\$ 510,938	\$ 612,480	\$ 101,542

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, 2001

	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	117,128	4,128	0	0	0
Intergovernmental	0	0	0	0	0	0
Investment Income	0	0	0	19,669	21,389	1,720
Other	0	0	0	0	0	0
Total Revenues	113,000	117,128	4,128	19,669	21,389	1,720
EXPENDITURES						
Current:						
General Government	5,000	5,000	0	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	3,658,767	1,007,190	2,651,577
Debt Service:						
Principal Retirement	56,000	56,492	(492)	0	0	0
Interest and Fiscal Charges	71,000	71,105	(105)	0	0	0
Total Expenditures	132,000	132,597	(597)	3,658,767	1,007,190	2,651,577
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,000)	(15,469)	3,531	(3,639,098)	(985,801)	2,653,297
OTHER FINANCING SOURCES (USES)						
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Proceeds from Sale of Notes	0	0	0	3,100,000	3,100,000	0
Operating Transfers In	49,000	47,500	(1,500)	513,736	436,850	(76,886)
Operating Transfers Out	0	0	0	(99,850)	(99,850)	0
Advances In	0	0	0	0	0	0
Advances Out	0	(25,751)	(25,751)	0	0	0
Total Other Financing Sources (Uses)	49,000	21,749	(27,251)	3,513,886	3,437,000	(76,886)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	30,000	6,280	(23,720)	(125,212)	2,451,199	2,576,411
Fund Balance at January 1	0	0	0	150,070	150,070	0
Prior Year Encumbrances Appropriated	0	0	0	1,017	1,017	0
Fund Balance at December 31	\$ 30,000	\$ 6,280	\$ (23,720)	\$ 25,875	\$ 2,602,286	\$ 2,576,411

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, 2001

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Income Tax	\$ 1,022,915	\$ 1,022,665	\$ (250)
Property and Other Taxes	504,680	468,966	(35,714)
Charges for Services	170,199	146,576	(23,623)
Licenses, Permits, and Fees	70,300	64,280	(6,020)
Fines and Forfeitures	61,750	66,434	4,684
Special Assessments	275,997	262,467	(13,530)
Intergovernmental	1,800,852	1,120,585	(680,267)
Investment Income	72,169	80,219	8,050
Other	86,261	81,518	(4,743)
Total Revenues	4,065,123	3,313,710	(751,413)
EXPENDITURES			
Current:			
General Government	591,041	496,141	94,900
Security of Persons and Property	1,680,973	1,636,171	44,802
Transportation	504,358	489,260	15,098
Community Environment	1,039,299	464,452	574,847
Leisure Time Activities	56,829	53,982	2,847
Economic Development	209,257	4,101	205,156
Capital Outlay	3,741,918	1,042,771	2,699,147
Debt Service:			
Principal Retirement	59,462	68,026	(8,564)
Interest and Fiscal Charges	72,327	81,638	(9,311)
Total Expenditures	7,955,464	4,336,542	3,618,922
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,890,341)	(1,022,832)	2,867,509
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Fixed Assets	1,600	1,800	200
Proceeds from Sale of Notes	3,100,000	3,100,000	0
Operating Transfers In	824,413	723,783	(100,630)
Operating Transfers Out	(795,533)	(783,783)	11,750
Advances In	39,438	297,392	257,954
Advances Out	(203,000)	(297,392)	(94,392)
Total Other Financing Sources (Uses)	2,966,918	3,041,800	74,882
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(923,423)	2,018,968	2,942,391
Fund Balance at January 1	1,268,722	1,268,722	0
Prior Year Encumbrances Appropriated	195,811	195,811	0
Fund Balance at December 31	\$ 541,110	\$ 3,483,501	\$ 2,942,391

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, 2001

	<u>Enterprise</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 993,847
Tap-in Fees	123,170
Total Operating Revenues	<u>1,117,017</u>
<u>Operating Expenses</u>	
Personal Services	363,305
Contract Services	258,638
Materials and Supplies	84,153
Depreciation	148,530
Total Operating Expenses	<u>854,626</u>
Operating Income	<u>262,391</u>
<u>Nonoperating Revenues (Expenses)</u>	
Interest Expense and Fiscal Charges	(294,433)
Investment Income	20,374
Proceeds from Grants	0
Other Nonoperating Revenue	15,965
Operating Transfers In	60,000
Total Nonoperating Revenues (Expenses)	<u>(198,094)</u>
Net Income	<u>64,297</u>
Retained Earnings at January 1	<u>(705,075)</u>
Retained Earnings at December 31	<u><u><u>\$(640,778)</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, 2001

	<u>Enterprise</u>
<u>Cash Flows from Operating Activities</u>	
Cash Received from Customers	\$1,117,017
Cash Payments for Personal Services	(363,305)
Cash Payments for Contract Services	(258,638)
Cash Payments for Supplies and Materials	(84,153)
Net Cash Provided by Operating Activities	<u>410,921</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Cash Received from Nonoperating Activities	8,530
Advances Out to Other Funds	0
Transfers In from Other Funds	60,000
Grants	0
Net Cash Used in Noncapital Financing Activities	<u>68,530</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Funds	(21,238)
Proceeds from Issuance of Long-Term Debt	130,000
Principal Retirement	(458,681)
Interest Paid	(294,433)
Net Cash Used in Capital and Related Financing Activities	<u>(644,353)</u>
<u>Cash Flows from Investing Activities</u>	
Proceeds from Sale of Investments	0
Interest Received	20,374
Payments for Investments	0
Net Cash Provided by Investing Activities	<u>20,374</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(144,527)</u>
Cash and Cash Equivalents at January 1	246,904
Cash and Cash Equivalents at December 31	<u><u>\$ 102,377</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Operating Income	\$ 262,391
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Add Back Depreciation Expense	148,530
Changes in Net Assets and Liabilities:	
(Increase) Decrease in Inventories	(2,077)
(Increase) Decrease in Accounts Receivable	(2,072)
(Increase) Decrease in Prepayments	(9,995)
Increase (Decrease) in Accounts Payable	(4,056)
Increase (Decrease) in Contracts Payable	3,606
Increase (Decrease) in Pension Obligation Payable	2,999
Increase (Decrease) in Accrued Wages and Benefits	2,085
Increase (Decrease) in Compensated Absences Payable	14,932
Increase (Decrease) in Due to Other Governments	(5,422)
Net Cash Provided by Operating Activities	<u><u>\$ 410,921</u></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, 2001

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, 2001
(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 fifteen-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 \$34,420 during 2001 for the operation of the District.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(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 2001 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, 2001
(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.

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.

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 60 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.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(CONTINUED)

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenues considered susceptible to accrual at year end include income taxes withheld by employers, interest on investments, special assessment, and state levied locally shared taxes (including motor vehicle license fees, and local government assistance). Other revenues, including licenses, permits, certain charges for services, income taxes other than those withheld by employers, and miscellaneous revenues are recorded as revenues when received in cash because generally these revenues are not measurable until actually received.

Special assessment installments which are measurable but not available at December 31 are recorded as deferred revenue. Property taxes measurable as of December 31, 2001 but which are not intended to finance 2001 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 6A.

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, 2001
(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 2001.

CITY OF GENEVA, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2001
 (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 2001 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 2001 appropriations:

General Fund	\$ 81,488
Special Revenue Funds	1,088,234
Debt Service Fund	0
Capital Projects Funds	3,671,000
Enterprise Fund	208,305
Total 2001 supplemental appropriations	<u>\$5,049,027</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, 2001
(CONTINUED)

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

D. **Budgets** (Continued)

Encumbrances

As part of formal budgetary control, purchase 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 16 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 2001, investments were limited to STAROhio, certificates of deposit, and money market funds.

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

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(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 2001. 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, 2001.

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, 2001
(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, 2001
(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, 2001
(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, 2001
(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, 2001
(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.

R. **Change in Accounting Principle**

For December 31, 2001, the City has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*. GASB Statement No. 36 modified the provisions of GASB Statement No. 33 for certain specific nonexchange revenues.

GASB Statement No. 33 and GASB Statement No. 36 were required for the current year. These statements clarified the timing requirements of recognizing assets, liabilities, revenues, and expenditures/expenses associated with nonexchange transactions. As a result of implementation of the statements, a restatement of prior year fund balance is necessary as described below.

Due to the implementation of GASB Statement No. 33, prior year fund balances were restated for the following funds.:

CITY OF GENEVA, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2001
 (CONTINUED)

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

R. **Change in Accounting Principle** (Continued)

<u>General Fund</u>	
Fund Balance as of December 31, 2000	\$ 797,164
Local Government Funds	81,579
Restated Fund Balance, December 31, 2000	<u>\$ 878,743</u>
<u>Special Revenue Fund</u>	
Fund Balance as of December 31, 2000	\$ 604,400
Auto Registration, License Fees and Gasoline Excise Taxes	13,328
Restated Fund Balance, December 31, 2000	<u>\$ 617,728</u>

NOTE 3: **ACCOUNTABILITY AND COMPLIANCE**

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

The following funds had deficit fund balances/retained earnings as of December 31, 2001:

<u>Special Revenue Funds</u>	
Vehicle License	\$ 36,619
Law Enforcement Trust	2,960
COPS in School	2,450
CHIP Grant - 2000	147,399
<u>Enterprise Funds</u>	
Wastewater	555,191
Water	85,587
<u>Capital Projects Funds</u>	
Issue II	48,811

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.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(CONTINUED)

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

B. Interest Allocation

During part of 2001, 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 \$1,871, the Municipal Building Fund is owed \$13, the Wastewater Fund is owed \$386, and the Water Fund is owed \$460. The City plans to transfer these amounts back to the proper funds during 2002. 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.

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:

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(CONTINUED)

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

A. **Primary Government** (Continued)

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;
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.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(CONTINUED)

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

A. **Primary Government** (Continued)

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

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

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.

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

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(CONTINUED)

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

D. **Primary Government** (Continued)

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 \$2,356,512 and the bank balance was \$268,086. The total covered by federal depository insurance \$180,627.

Investments

Investments as of December 31, 2001 are summarized below:

	<u>Category</u>		<u>Cost</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>		
Certificates of Deposit	\$ 300,000	\$ 201,036	\$ 501,036	\$ 501,036
STAROhio	0	0	1,218,878	1,218,878
Total Investments	<u>\$ 300,000</u>	<u>\$ 201,036</u>	<u>\$1,719,914</u>	<u>\$1,719,914</u>

CITY OF GENEVA, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2001
 (CONTINUED)

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

A. **Primary Government** (Continued)

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	\$ 3,575,390	\$ 501,036
Investments in the Cash Management Pool:		
Investment in STAROhio	(1,218,878)	1,218,878
GASB Statement No. 3	\$ 2,356,512	\$1,719,914

B. **Component Unit**

At year-end, the carrying amount of the CIC's deposits was \$58,131 and bank balance was \$52,185. 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, 2001
(CONTINUED)

NOTE 5: **INTERFUND TRANSACTIONS**

A. Interfund balances at December 31, 2001, 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	\$ 112,000	\$ 112,000
Total Long-Term Interfund Balances	<u>\$ 112,000</u>	<u>\$ 112,000</u>

B. Interfund balances at December 31, 2001, consist of the following individual fund receivables and payables:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 183,325	\$ 31,000
Special Revenue Funds	506	179,650
Debt Service Fund	31,000	1,801
Capital Projects Funds	0	5,536
Enterprise Funds	7,067	3,911
Total Due From/Due to Other Funds	<u>\$ 221,898</u>	<u>\$ 221,898</u>

C. The following is a summarized breakdown of the City's operating transfers for 2001:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$ 667,433
Special Revenue Funds	239,433	16,500
Debt Service Fund	47,500	0
Capital Projects Funds	436,850	99,850
Enterprise Funds	60,000	0
Totals	<u>\$ 783,783</u>	<u>\$ 783,783</u>

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(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, 2001
 (CONTINUED)

NOTE 6: **TAXES** (Continued)

A. **Property Taxes** (Continued)

The full tax rate for all City operations for the year ended December 31, 2001 was \$8.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 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	\$74,022,710

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.

NOTE 7: **RECEIVABLES**

Receivables at December 31, 2001 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.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 7: **RECEIVABLES** (Continued)

A summary of intergovernmental receivables follows:

<u>Primary Government</u>	<u>Amount</u>
<i>General Fund</i>	
Local Government	\$ 209,488
County Area Court	5,446
Estate Tax	69,130
Permits	7,083
Total General Fund	<u>291,147</u>
<i>Special Revenue Funds</i>	
Street Construction Maintenance and Repair Fund	
Gasoline Tax	76,015
Permissive Tax	5,227
Motor Vehicle License Tax	28,238
Police Pension Fund	1,315
COPS Grant Fund	51,637
CHIP Grant Fund	464,054
Law Enforcement Education Fund	
County Area Court	20
Total Special Revenue Funds	<u>626,506</u>
<i>Enterprise Funds</i>	
Township Motel Tax	4,365
Total Intergovernmental Receivables	<u>\$ 922,018</u> =====

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, 2001 was \$ 21,000.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(CONTINUED)

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, 2001, there were three loans outstanding, totaling \$29,154.

NOTE 9: **CAPITAL ASSETS**

	Beginning Balance <u>01/01/01</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>12/31/01</u>
Governmental Activities:				
Land	\$ 195,749	\$ 240,000	\$ 0	\$ 435,749
Buildings and Improvements	2,140,686	22,089	0	2,162,775
Equipment	2,129,572	127,550	0	2,257,122
Infrastructure	9,308,845	160,674	0	9,469,519
Totals at Historical Cost	<u>\$13,774,852</u>	<u>\$ 550,313</u>	<u>\$ 0</u>	<u>\$14,325,165</u>
Enterprise (Wastewater) Activities:				
Buildings and Improvements	\$ 3,572,702	\$ 0	\$ 0	\$ 3,572,702
Equipment	690,775	44,981	(5,573)	730,183
Collection System	1,937,527	0	0	1,937,527
Totals at Historical Cost	<u>6,201,004</u>	<u>44,981</u>	<u>(5,573)</u>	<u>6,240,412</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$(1,552,872)	\$ (74,303)	\$ 0	\$(1,627,175)
Equipment	(431,171)	(32,215)	0	(463,386)
Collection System	(696,415)	(42,012)	0	(738,427)
Total Depreciation	<u>(2,680,458)</u>	<u>(148,530)</u>	<u>0</u>	<u>(2,828,988)</u>
Enterprise (Wastewater) Activities	<u>\$ 3,520,546</u>	<u>\$ (103,549)</u>	<u>\$ (5,573)</u>	<u>\$ 3,411,424</u>

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 10: **LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the City during 2001 were as follows:

	Balance 01/01/01	Additions	(Reductions)	Outstanding 12/31/01
General Long-Term Obligations				
General Obligation Bonds (Unvoted)				
1995 - 4.99% Various Purpose	\$ 185,000	\$ 0	\$(10,000)	\$ 175,000
Ohio Public Works Loans				
1996 - 0% OPWC Loan	8,208	0	(1,493)	6,715
Special Assessment Bonds				
1995 - 4.99% Various Purpose	1,060,000	0	(45,000)	1,015,000
Compensated Absences	154,149	33,640	0	187,789
Capital Leases Payable	39,482	0	(30,535)	8,947
Claims and Judgments Payable	344,323	0	(184,323)	160,000
Industrial Park Note Payable	0	240,000	(8,086)	231,914
Total General Long-Term Obligations	1,791,162	273,640	(279,437)	1,785,365
Enterprise Fund Obligations				
Ohio Water Development Loans				
8.47% OWDA Phase I	667,053	0	(32,090)	634,963
7.89% OWDA Phase II	611,948	0	(25,471)	586,477
7.50% OWDA Phase III	2,249,352	0	(66,343)	2,183,009
2.20% OWDA Phase IV	323,857	0	(19,189)	304,668
2.20% OWDA Phase V	335,795	0	(19,895)	315,900
2.20% OWDA Phase VI	306,638	0	(17,461)	289,177
Total OWDA Loans	4,494,643	0	(180,449)	4,314,194
Ohio Public Works Loans				
1991 0% OPWC Loan	4,473	0	(4,473)	0
1993 0% OPWC Loan	11,280	0	(3,759)	7,521
1995 0% OPWC Loan	45,000	0	(10,000)	35,000
Total OPWC Loans	60,753	0	(18,232)	42,521
Compensated Absences	35,030	17,209	0	52,239
Total Enterprise Fund Obligations	4,590,426	17,209	(198,681)	4,408,954
Grand Total	\$ 6,381,588	\$ 290,849	\$(478,118)	\$ 6,194,319

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(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.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2001 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>
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	17,480	104,303	474,881	748
2007-2010	74,325	422,852	1,899,527	0
2011-2015	87,600	540,920	2,052,496	0
2016-2019	0	0	587,611	0
Total Requirements	<u>255,505</u>	<u>1,494,568</u>	<u>6,914,039</u>	<u>49,236</u>
Less Interest	<u>(80,505)</u>	<u>(479,568)</u>	<u>(2,599,845)</u>	<u>0</u>
Total Principal	<u>\$ 175,000</u>	<u>\$1,015,000</u>	<u>\$4,314,194</u>	<u>\$ 49,236</u>

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 11: **CAPITAL LEASES**

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>	
2002	\$ 4,389
2003	4,389
2004	1,463
Total Minimum Lease Payments	<u>10,241</u>
Less: Amount Representing Interest	(1,294)
Present Value of Minimum Lease Payments	<u>\$ 8,947</u>

The copier has been capitalized in the General Fixed Assets Account Group in the amounts of \$16,639, the present value of the minimum lease payments at the inception of the lease.

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 2001 was \$744. Future minimum lease payments are as follows:

2002	\$ 744
2003	930
Total	<u>\$ 1,674</u>

CITY OF GENEVA, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2001
 (CONTINUED)

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 2001, the City retired the note with the issuance of a new note for \$130,000 plus a cash payment of \$130,000. The note and interest at 3.95 percent is payable by February 23, 2002. The note is a general obligation of the City but will be repaid from the operating revenues of the water fund.

During 2001, the City also issued \$3,100,000 of notes in anticipation of the issuance of bonds, to pay costs of constructing, equipping and improving for municipal purposes the R.E. Olds Center, including a child care center, event center, swimming pool and related facilities. The bonds shall be dated approximately February 1, 2003 and bear interest at an estimated rate of 5.25 percent per year.

The City also issued a note payable in the amount of \$240,000 from the Northwest Savings Bank for the purpose of acquiring land to extend the City of Geneva's industrial park. The note is due in 2016 and has the following principal and interest requirements:

2002	\$ 23,076
2003	23,076
2004	23,076
2005	23,076
2006	23,076
2007-2011	115,380
2012-2016	98,024
Total Requirements	328,784
Less Interest	(96,870)
Total Principal	\$ 231,914

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 14: **DEFINED BENEFIT PENSION PLANS**

A. **Public Employees Retirement System**

The following information was provided by the PERS of Ohio to assist the City in complying with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

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. The 2001 employer pension contribution rate for the City was 13.55 percent of covered payroll. The contribution rates are determined actuarially. The 2000 and 1999 employer contribution rates were 10.84 percent and 13.55 percent, respectively. The contribution requirements of plan members and the City are established and may be amended by the Public Employee's Retirement Board. The City's required contribution to PERS for the years ended December 31, 2001, 2000, 1999 were \$126,771, \$88,720, and \$113,510, respectively. The full amount has been contributed for 2000 and 1999. 75.97 percent has been contributed for 2001 with the remainder being reported as a fund liability.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 14: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

health care through their contributions to the PERS of Ohio. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 4.3 percent of covered payroll, which amounted to \$40, 230.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investments assets. The investment assumption rate for 2000 was 7.75 percent. An annual increase of 4.75 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75 percent base increase, were assumed to range from 0.54 percent to 5.1 percent. Health care costs were assumed to increase 4.75 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 411,076. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2000 was \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

B. **Ohio Police and Fire Pension Fund (the "OP&F Fund")**

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 14: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. Ohio Police and Fire Pension Fund (the "OP&F Fund") (Continued)

issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24 percent respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2001, 2000 and 1999 were \$99,399, \$94,777 and \$87,615 for police and \$49,205, \$43,653 and \$44,045 for firefighters, respectively. The full amount has been contributed for 2000 and 1999. 75.58 percent and 76.93 percent have been contributed for police and firefighters, respectively, for 2001 with the remainder being reported as a fund liability.

The OP&F Fund provides postemployment health care coverage to any person who received 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 on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2001 covered payroll that was used to fund postemployment health care benefits was \$38,230 representing 7.5 percent of covered payroll for police and \$15,377 representing 7.5 percent of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. 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. As of December 31, 2000, the date of the last actuarial evaluation available, the number

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 14: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. Ohio Police and Fire Pension Fund (the "OP&F Fund") (Continued)

of participants eligible to receive health care benefits was 12,853 for police and 10,037 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health and benefits. The Fund's total health care expenses for the year ended December 31, 2000 were \$106,160,054, which was net of member contributions of \$5,657,431.

NOTE 15: **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, the grandfathered employees can be paid for one half of his/her accumulated hours of sick leave. Policemen, dispatchers and fire department employees will be paid for their accumulated hours up to a maximum of 240 hours. 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, 2001, the liability for unpaid compensated absences reported as a fund liability in governmental fund types was \$3,918, \$50,377 in the proprietary fund type, and \$175,680 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 \$231,453.

NOTE 16: **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.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 16: **BUDGETARY BASIS OF ACCOUNTING** (Continued)

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).

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			
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund
Budget Basis	\$ (454,168)	\$ 15,657	\$ 6,280	\$ 2,451,199
Adjustments:				
Net Adjustment for Revenue Accruals	88,124	(16,881)	0	901
Net Adjustment for Expenditure Accruals	31,794	44,579	0	(171,642)
Net Adjustment for Other Financial Sources (Uses) Accruals	43,958	(69,709)	25,751	(3,100,000)
Encumbrances	96,487	63,642	0	181,109
GAAP Basis	<u>\$ (193,805)</u>	<u>\$ 37,288</u>	<u>\$ 32,031</u>	<u>\$ (638,433)</u>

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 17: **CONTRACTUAL COMMITMENTS**

The City had the following outstanding contractual commitments as of December 31, 2001:

	<u>Amount</u>
Alltel	\$ 962
Burgess and Niple	19,299
Quality Home and Lawn	1,420
The Illuminating Company	6,532
Various Miscellaneous Venders	1,975
Ohio Business Machines	172
Ashtabula Fire Extinguisher	310
Microbac Laboratories	862
Koski	151,540
Comfort Heating and Cooling	11,551
Ohio Municipal Income Tax	250
Total	\$ 194,873

NOTE 18: **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, 2001 is as follows:

	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating Revenues	\$1,117,170	\$ 0	\$1,117,170
Operating Income (Loss)	262,391	0	262,391
Net Income (Loss)	(375)	64,672	64,297
Operating Transfers In	0	60,000	60,000
Additions to Property, Plant, and Equipment	44,981	0	44,981
Depreciation	148,530	0	148,530
Net Working Capital	372,843	112,718	485,561
Total Assets	3,843,549	114,508	3,958,057
Bonds and Other Long-Term Liabilities, Payable from Operating Revenues	4,408,955	130,000	4,538,955
Total Equity	(555,191)	(85,587)	(640,778)
Encumbrances Outstanding at December 31	28,170	40,659	68,829

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(CONTINUED)

NOTE 19: **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 2001, 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	\$8,531,910
	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	
	Collision	250	
Zurich American Ins. Co.	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 20: **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, 2001
(CONTINUED)

NOTE 21: **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. The City has paid \$184,323 to date for this cleanup. Legal counsel for the City and the City Manager believe the City will have to pay an additional \$160,000 for this clean up. Accordingly, this amount, has been recorded as a liability in the General Long-Term Obligations Account Group.

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, 2001, 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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**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, 2001, and have issued our report thereon dated August 26, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 are 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 August 26, 2002. However, we noted other matters involving compliance over financial reporting that do not require inclusion in this report that we are reporting to the management of the City of Geneva, Ohio in a separate letter dated August 26, 2002.

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 are reporting to the management of the City of Geneva, Ohio in a separate letter dated August 26, 2002.

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.

August 26, 2002

James G. Zupka
Certified Public Accountant

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Geneva, Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2001. The City of Geneva, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Geneva, Ohio's management. Our responsibility is to express an opinion on the City of Geneva, Ohio's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Geneva, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Geneva, Ohio's compliance with those requirements.

In our opinion, the City of Geneva, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001.

Internal Control Over Compliance

The management of the City of Geneva, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Geneva, Ohio’s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report that we have reported to the management of the City in a separate letter dated August 26, 2002.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the City of Geneva, Ohio, as of and for the year ended December 31, 2001, and have issued our report thereon dated August 26, 2002. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements of the City of Geneva, Ohio. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of the members of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

August 26, 2002

James G. Zupka
Certified Public Accountant

CITY OF GENEVA, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Grant Number	Disbursements
<u>U.S. Department of Housing and Urban Development</u>			
HOME Investment Partnerships Program	14.239	A-C-00-126-2	\$ 302,398
HOME Investment Partnerships Program	14.239	A-C-01-126-2	15,528
<i><u>Passed through Ohio Department of Development</u></i>			
Community Development Block Grant/State's Program - Community Housing Improvement Program	14.228	A-C-00-126-1	74,630
Community Development Block Grant/State's Program - Community Housing Improvement Program	14.228	A-C-01-126-1	1,238
Revolving Loan Funds	14.219	N/A	4,101
Total U.S. Department of Housing and Urban Development			397,895
<u>U.S. Department of Justice</u>			
Public Safety Partnerships and Community Policing Grants - COPS in School	16.71	99-SH-WX-0341	42,291
Total U.S. Department of Justice			42,291
Total Expenditures of Federal Awards			\$ 440,186

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF GENEVA, OHIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 1: **GENERAL**

The accompanying Schedule of Expenditures of Federal Awards of the City of Geneva, Ohio, presents the activity of all federal financial assistance programs of the City. The City's reporting entity is defined in Note 1 to the City's general purpose financial statements. Federal financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies are included on this schedule.

NOTE 2: **BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the cash activity of the City's federal grant programs.

NOTE 3: **CDBG REVOLVING LOAN FUNDS**

The City of Geneva has federal loan balances that are revolving loans provided through the HUD Community Development Block Grants. The total of outstanding loan balances as of December 31, 2001 was \$29,154. This amount was included as part of the federal disbursements by the City in determining the audit requirements for major and nonmajor programs in accordance with the OMB Circular A-133.

CITY OF GENEVA, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & .505
 DECEMBER 31, 2001

1. **SUMMARY OF AUDITOR'S RESULTS**

2001(i)	Type of Financial Statement Opinion	Unqualified
2001(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2001(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
2001(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2001(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2001(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2001(v)	Type of Major Programs' Compliance Opinions	Unqualified
2001(vi)	Are there any reportable findings under .510?	No
2001(vii)	Major Programs (list):	1. HOME Investment Partnership Program
2001(viii)	Dollar Threshold: A/B Programs	Type A: \$300,000 Type B: All Others
2001(ix)	Low Risk Auditee?	No

CITY OF GENEVA, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2001

2. **FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

CITY OF GENEVA, OHIO
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2001

The prior audit report, as of December 31, 2000, 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
OCTOBER 17, 2002**