

**CITY OF GENEVA, OHIO  
ASHTABULA COUNTY**

**AUDIT REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2003**





**Auditor of State  
Betty Montgomery**

City Council  
City of Geneva  
44 N. Forest St.  
Geneva, OH 44041

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

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

November 19, 2004

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CITY OF GENEVA, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2003

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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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, 2003, 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, 2003 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.

In accordance with *Government Auditing Standards* we have also issued a report dated September 13, 2004 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.

James G. Zupka, CPA, Inc.  
Certified Public Accountants

September 13, 2004

CITY OF GENEVA, OHIO  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 2003

	Governmental Fund Types				Proprietary
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Enterprise
<b><u>ASSETS AND OTHER DEBITS</u></b>					
<b><u>Assets</u></b>					
Equity in Pooled Cash and					
Cash Equivalents	\$ 269,977	\$ 823,231	\$ 428	\$ 298,058	\$ 306,666
Cash in Segregated Accounts	0	0	0	0	0
Investments	65,450	9,640	0	0	24,910
Receivables (Net of Allowances for Uncollectibles):					
Income Taxes	451,793	0	0	0	0
Real and Other Taxes	391,935	19,597	0	0	0
Accounts	18,598	165	0	0	311,592
Accrued Interest	491	95	0	0	147
Loans	0	69,431	0	0	0
Special Assessments	0	12,436	1,331,999	0	0
Advances to Other Funds	0	85,000	0	0	0
Due from Component Unit	0	71,960	0	0	0
Due from Other Funds	33,750	760,000	0	0	0
Due from Other Governments	221,430	622,494	0	0	0
Prepayments	44,598	8,133	0	822	16,227
Material and Supplies Inventory	4,017	6,992	0	0	14,211
Property, Plant, and Equipment (Net of Accumulated Depreciation Where Applicable)	0	0	0	0	3,274,047
<b><u>Other Debits</u></b>					
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0
<b>Total Assets and Other Debits</b>	<b><u>\$ 1,502,039</u></b>	<b><u>\$ 2,489,174</u></b>	<b><u>\$ 1,332,427</u></b>	<b><u>\$ 298,880</u></b>	<b><u>\$ 3,947,800</u></b>

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, 2003  
 (CONTINUED)

	Account Groups		Totals (Memorandum Only)	Component	Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	Primary Government	Unit	Reporting Entity
<b><u>ASSETS AND OTHER DEBITS</u></b>					
<b><u>Assets</u></b>					
Equity in Pooled Cash and					
Cash Equivalents	\$ 0	\$ 0	\$ 1,698,360	\$ 68,470	\$ 1,766,830
Cash in Segregated Accounts	0	0	0	28,498	28,498
Investments	0	0	100,000	0	100,000
Receivables (Net of Allowances for Uncollectibles):					
Income Taxes	0	0	451,793	0	451,793
Real and Other Taxes	0	0	411,532	0	411,532
Accounts	0	0	330,355	0	330,355
Accrued Interest	0	0	733	0	733
Loans	0	0	69,431	0	69,431
Special Assessments	0	0	1,344,435	0	1,344,435
Advances to Other Funds	0	0	85,000	0	85,000
Due from Component Unit	0	0	71,960	0	71,960
Due from Other Funds	0	0	793,750	0	793,750
Due from Other Governments	0	0	843,924	0	843,924
Prepayments	0	0	69,780	0	69,780
Material and Supplies Inventory	0	0	25,220	0	25,220
Property, Plant, and Equipment (Net of Accumulated Depreciation Where Applicable)	16,138,231	0	19,412,278	380,901	19,793,179
<b><u>Other Debits</u></b>					
Amount to be Provided for Retirement of General Long-Term Obligations	0	2,827,343	2,827,343	0	2,827,343
<b>Total Assets and Other Debits</b>	<b><u>\$16,138,231</u></b>	<b><u>\$ 2,827,343</u></b>	<b><u>\$28,535,894</u></b>	<b><u>\$ 477,869</u></b>	<b><u>\$29,013,763</u></b>

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, 2003  
 (CONTINUED)

	Governmental Fund Types				Proprietary
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Enterprise
<b><u>LIABILITIES, EQUITY, AND OTHER CREDITS</u></b>					
<b><u>Liabilities</u></b>					
Accounts Payable	\$ 31,241	\$ 8,705	\$ 0	\$ 0	\$ 7,929
Contracts Payable	8,502	13,921	0	16,947	58,237
Accrued Wages and Benefits	38,676	7,524	0	0	7,872
Compensated Absences Payable	12,598	11,034	0	0	26,580
Advances from Other Funds	0	85,000	0	0	0
Deferred Revenue	760,823	604,881	1,331,999	0	0
Due to Primary Government	0	0	0	0	0
Due to Other Funds	0	33,750	0	760,000	0
Due to Other Governments	14,916	3,005	0	0	2,147
Accrued Interest Payable	0	0	0	0	4,766
Pension Obligation Payable	61,845	10,676	0	0	9,885
General Obligation Notes Payable	0	966,000	0	0	450,000
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	3,919,644
OPWC Loan Payable	0	0	0	0	15,001
<b>Total Liabilities</b>	<u>928,601</u>	<u>1,744,496</u>	<u>1,331,999</u>	<u>776,947</u>	<u>4,502,061</u>
<b><u>Equity and Other Credits</u></b>					
Investment in General Fixed Assets	0	0	0	0	0
Retained Earnings - Unreserved	0	0	0	0	(554,261)
Fund Balances:					
Reserved for Encumbrances	41,648	41,213	0	165,949	0
Reserved for Inventory	4,017	6,992	0	0	0
Reserved for Loans Receivable	0	69,431	0	0	0
Reserved for Advances	0	85,000	0	0	0
Reserved for Prepayments	44,598	8,133	0	822	0
Reserved for Debt Service	0	0	20,021	0	0
Unreserved-Undesignated	483,175	533,909	(19,593)	(644,838)	0
<b>Total Equity (Deficit) and Other Credits</b>	<u>573,438</u>	<u>744,678</u>	<u>428</u>	<u>(478,067)</u>	<u>(554,261)</u>
<b>Total Liabilities, Equity, and Other Credits</b>	<u>\$ 1,502,039</u>	<u>\$ 2,489,174</u>	<u>\$ 1,332,427</u>	<u>\$ 298,880</u>	<u>\$ 3,947,800</u>

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, 2003  
 (CONTINUED)

	<u>Account Groups</u>		Totals	Component	Totals
	General Fixed Assets	General Long-Term Obligations	(Memorandum Only) Primary Government		(Memorandum Only) Reporting Entity
<b><u>LIABILITIES, EQUITY, AND OTHER CREDITS</u></b>					
<b><u>Liabilities</u></b>					
Accounts Payable	\$ 0	\$ 0	\$ 47,875	\$ 0	\$ 47,875
Contracts Payable	0	0	97,607	0	97,607
Accrued Wages and Benefits	0	0	54,072	0	54,072
Compensated Absences Payable	0	112,061	162,273	0	162,273
Advances from Other Funds	0	0	85,000	0	85,000
Deferred Revenue	0	0	2,697,703	0	2,697,703
Due to Primary Government	0	0	0	71,960	71,960
Due to Other Funds	0	0	793,750	0	793,750
Due to Other Governments	0	0	20,068	0	20,068
Accrued Interest Payable	0	0	4,766	0	4,766
Pension Obligation Payable	0	0	82,406	0	82,406
General Obligation Notes Payable	0	0	1,416,000	0	1,416,000
General Obligation Bonds Payable	0	1,560,070	1,560,070	0	1,560,070
Special Assessment Debt with Government Commitment	0	915,000	915,000	0	915,000
Capital Leases Payable	0	1,428	1,428	0	1,428
OWDA Loan Payable	0	0	3,919,644	0	3,919,644
OPWC Payable	0	238,784	253,785	0	253,785
<b>Total Liabilities</b>	<u>0</u>	<u>2,827,343</u>	<u>12,111,447</u>	<u>71,960</u>	<u>12,183,407</u>
<b><u>Equity and Other Credits</u></b>					
Investment in General Fixed Assets	16,138,231	0	16,138,231	0	16,138,231
Retained Earnings - Unreserved	0	0	(554,261)	0	(554,261)
Fund Balances:					
Reserved for Encumbrances	0	0	248,810	0	248,810
Reserved for Inventory	0	0	11,009	0	11,009
Reserved for Loans Receivable	0	0	69,431	0	69,431
Reserved for Advances	0	0	85,000	0	85,000
Reserved for Prepayments	0	0	53,553	0	53,553
Reserved for Debt Service	0	0	20,021	0	20,021
Unreserved-Undesignated	0	0	352,653	405,909	758,562
<b>Total Equity (Deficit) and Other Credits</b>	<u>16,138,231</u>	<u>0</u>	<u>16,424,447</u>	<u>405,909</u>	<u>16,830,356</u>
<b>Total Liabilities, Equity, and Other Credits</b>	<u>\$16,138,231</u>	<u>\$ 2,827,343</u>	<u>\$28,535,894</u>	<u>\$ 477,869</u>	<u>\$29,013,763</u>

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

CITY OF GENEVA, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Primary Government
<b>REVENUES</b>					
Municipal Income Tax	\$ 1,586,636	\$ 0	\$ 0	\$ 0	\$ 1,586,636
Property and Other Taxes	427,263	106,279	0	0	533,542
Charges for Services	148,339	4,840	0	0	153,179
Licenses, Permits, and Fees	78,128	0	0	0	78,128
Fines and Forfeitures	82,481	18,604	0	0	101,085
Special Assessments	0	181,039	92,945	0	273,984
Intergovernmental	401,610	651,976	0	86,588	1,140,174
Investment Income	13,669	3,724	0	14,553	31,946
Other	60,355	49,667	0	4,524	114,546
<b>Total Revenues</b>	<u>2,798,481</u>	<u>1,016,129</u>	<u>92,945</u>	<u>105,665</u>	<u>4,013,220</u>
<b>EXPENDITURES</b>					
Current Operations:					
General Government	557,695	50,389	3,283	16,947	628,314
Security of Persons and Property	1,556,909	172,152	0	0	1,729,061
Transportation	0	561,398	0	0	561,398
Community Environment	47,821	253,483	0	0	301,304
Leisure Time Activity	58,146	143	0	0	58,289
Capital Outlay	0	42,780	0	1,042,134	1,084,914
Economic Development	0	3,990	0	0	3,990
Debt Service:					
Principal Retirement	3,974	221,751	61,492	184,930	472,147
Interest and Fiscal Charges	415	11,880	63,835	57,734	133,864
<b>Total Expenditures</b>	<u>2,224,960</u>	<u>1,317,966</u>	<u>128,610</u>	<u>1,301,745</u>	<u>4,973,281</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>573,521</u>	<u>(301,837)</u>	<u>(35,665)</u>	<u>(1,196,080)</u>	<u>(960,061)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Sale of Notes	0	0	0	590,000	590,000
Contributions of Fixed Assets	0	8,611	0	6,279	14,890
Operating Transfers In	205	314,329	16,500	521,422	852,456
Operating Transfers Out	(705,322)	(31,034)	0	(116,100)	(852,456)
<b>Total Other Financing Sources (Uses)</b>	<u>(705,117)</u>	<u>291,906</u>	<u>16,500</u>	<u>1,001,601</u>	<u>604,890</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(131,596)	(9,931)	(19,165)	(194,479)	(355,171)
Fund Balance (Deficit) at January 1	705,034	754,609	19,593	(283,588)	1,195,648
<b>Fund Balance (Deficit) at December 31</b>	<u>\$ 573,438</u>	<u>\$ 744,678</u>	<u>\$ 428</u>	<u>\$ (478,067)</u>	<u>\$ 840,477</u>

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

CITY OF GENEVA, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL (BUDGET BASIS) - ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2003

	General Fund			Special Revenue Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Income Tax	\$ 1,540,000	\$ 1,696,154	\$ 156,154	\$ 0	\$ 0	\$ 0
Property and Other Taxes	419,600	427,263	7,663	103,575	106,279	2,704
Charges for Services	177,533	148,339	(29,194)	3,250	4,840	1,590
Licenses, Permits, and Fees	63,500	78,378	14,878	0	0	0
Fines and Forfeitures	66,000	79,154	13,154	1,000	18,762	17,762
Special Assessments	0	0	0	130,000	174,850	44,850
Intergovernmental	501,700	397,288	(104,412)	283,865	650,946	367,081
Investment Income	20,000	13,669	(6,331)	3,500	3,724	224
Other	11,500	65,226	53,726	40,220	88,757	48,537
<b>Total Revenues</b>	<u>2,799,833</u>	<u>2,905,471</u>	<u>105,638</u>	<u>565,410</u>	<u>1,048,158</u>	<u>482,748</u>
<b>EXPENDITURES</b>						
Current:						
General Government	705,424	664,920	40,504	50,162	49,789	373
Security of Persons and Property	1,605,868	1,532,567	73,301	265,789	199,256	66,533
Transportation	0	0	0	588,807	576,178	12,629
Community Environment	48,457	36,816	11,641	808,239	254,562	553,677
Leisure Time Activities	62,919	62,431	488	150	143	7
Economic Development	0	0	0	105,630	4,314	101,316
Capital Outlay	0	0	0	125,809	50,946	74,863
Debt Service:						
Principal Retirement	3,991	3,991	0	221,751	221,751	0
Interest and Fiscal Charges	404	398	6	11,880	11,880	0
<b>Total Expenditures</b>	<u>2,427,063</u>	<u>2,301,123</u>	<u>125,940</u>	<u>2,178,217</u>	<u>1,368,819</u>	<u>809,398</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>372,770</u>	<u>604,348</u>	<u>231,578</u>	<u>(1,612,807)</u>	<u>(320,661)</u>	<u>1,292,146</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from Sale of Fixed Assets	0	0	0	1,000	8,611	7,611
Proceeds from Sale of Notes	0	0	0	966,000	966,000	0
Operating Transfers In	125,000	205	(124,795)	392,500	314,329	(78,171)
Operating Transfers Out	(705,322)	(705,322)	0	(35,130)	(31,034)	4,096
Advances In	0	90,000	90,000	8,750	33,750	25,000
Advances Out	(33,750)	(33,750)	0	(90,000)	(850,000)	(760,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(614,072)</u>	<u>(648,867)</u>	<u>(34,795)</u>	<u>1,243,120</u>	<u>441,656</u>	<u>(801,464)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Over (Under) Expenditures and Other Financing Sources (Uses)	<u>(241,302)</u>	<u>(44,519)</u>	<u>196,783</u>	<u>(369,687)</u>	<u>120,995</u>	<u>490,682</u>
Fund Balance at January 1, as Restated	237,757	237,757	0	616,872	616,872	0
Prior Year Encumbrances Appropriated	77,073	77,073	0	40,384	40,384	0
<b>Fund Balance (Deficit) at December 31</b>	<u>\$ 73,528</u>	<u>\$ 270,311</u>	<u>\$ 196,783</u>	<u>\$ 287,569</u>	<u>\$ 778,251</u>	<u>\$ 490,682</u>

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

CITY OF GENEVA, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL (BUDGET BASIS) - ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2003

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
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	117,000	92,945	(24,055)	0	0	0
Intergovernmental	0	0	0	10,000	86,588	76,588
Investment Income	0	0	0	11,250	14,553	3,303
Other	0	0	0	0	10,803	10,803
<b>Total Revenues</b>	<u>117,000</u>	<u>92,945</u>	<u>(24,055)</u>	<u>21,250</u>	<u>111,944</u>	<u>90,694</u>
<b>EXPENDITURES</b>						
Current:						
General Government	5,250	3,283	1,967	0	0	0
Security of Persons and Property	0	0	0	0	0	0
Transportation	0	0	0	133,487	129,044	4,443
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	1,713,041	1,186,444	526,597
Debt Service:						
Principal Retirement	61,500	61,492	8	3,285,194	3,284,930	264
Interest and Fiscal Charges	63,835	63,835	0	122,524	122,524	0
<b>Total Expenditures</b>	<u>130,585</u>	<u>128,610</u>	<u>1,975</u>	<u>5,254,246</u>	<u>4,722,942</u>	<u>531,304</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures						
	<u>(13,585)</u>	<u>(35,665)</u>	<u>(22,080)</u>	<u>(5,232,996)</u>	<u>(4,610,998)</u>	<u>621,998</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Proceeds from Sale of Notes	0	0	0	590,000	590,000	0
Operating Transfers In	16,500	16,500	0	97,309	521,422	424,113
Operating Transfers Out	0	0	0	(116,100)	(116,100)	0
Advances In	0	0	0	0	842,000	842,000
Advances Out	0	0	0	(82,000)	(82,000)	0
<b>Total Other Financing Sources (Uses)</b>	<u>16,500</u>	<u>16,500</u>	<u>0</u>	<u>489,209</u>	<u>1,755,322</u>	<u>1,266,113</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)						
	2,915	(19,165)	(22,080)	(4,743,787)	(2,855,676)	1,888,111
Fund Balance at January 1, as Restated						
	19,595	19,595	0	2,901,984	2,901,984	0
Prior Year Encumbrances Appropriated						
	0	0	0	80,392	80,392	0
<b>Fund Balance (Deficit) at December 31</b>	<u>\$ 22,510</u>	<u>\$ 430</u>	<u>\$ (22,080)</u>	<u>\$(1,761,411)</u>	<u>\$ 126,700</u>	<u>\$ 1,888,111</u>

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

CITY OF GENEVA, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL (BUDGET BASIS) - ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2003

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>REVENUES</u></b>			
Income Tax	\$ 1,540,000	\$ 1,696,154	\$ 156,154
Property and Other Taxes	523,175	533,542	10,367
Charges for Services	180,783	153,179	(27,604)
Licenses, Permits, and Fees	63,500	78,378	14,878
Fines and Forfeitures	67,000	97,916	30,916
Special Assessments	247,000	267,795	20,795
Intergovernmental	795,565	1,134,822	339,257
Investment Income	34,750	31,946	(2,804)
Other	51,720	164,786	113,066
<b>Total Revenues</b>	<b>3,503,493</b>	<b>4,158,518</b>	<b>655,025</b>
<b><u>EXPENDITURES</u></b>			
Current:			
General Government	760,836	717,992	42,844
Security of Persons and Property	1,871,657	1,731,823	139,834
Transportation	722,294	705,222	17,072
Community Environment	856,696	291,378	565,318
Leisure Time Activities	63,069	62,574	495
Economic Development	105,630	4,314	101,316
Capital Outlay	1,838,850	1,237,390	601,460
Debt Service:			
Principal Retirement	3,572,436	3,572,164	272
Interest and Fiscal Charges	198,643	198,637	6
<b>Total Expenditures</b>	<b>9,990,111</b>	<b>8,521,494</b>	<b>1,468,617</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>(6,486,618)</b>	<b>(4,362,976)</b>	<b>2,123,642</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Proceeds from Sale of Fixed Assets	1,000	8,611	7,611
Proceeds from Sale of Notes	1,556,000	1,556,000	0
Operating Transfers In	631,309	852,456	221,147
Operating Transfers Out	(856,552)	(852,456)	4,096
Advances In	8,750	965,750	957,000
Advances Out	(205,750)	(965,750)	(760,000)
<b>Total Other Financing Sources (Uses)</b>	<b>1,134,757</b>	<b>1,564,611</b>	<b>429,854</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<b>(5,351,861)</b>	<b>(2,798,365)</b>	<b>2,553,496</b>
Fund Balance at January 1, as Restated	3,776,208	3,776,208	0
Prior Year Encumbrances Appropriated	197,849	197,849	0
<b>Fund Balance (Deficit) at December 31</b>	<b>\$(1,377,804)</b>	<b>\$ 1,175,692</b>	<b>\$ 2,553,496</b>

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, 2003

	<u>Enterprise</u>	<u>Component</u> <u>Unit</u>	
	Primary	Community	Totals
	<u>Government</u>	<u>Improvement (Memorandum</u>	<u>Only)</u>
		<u>Corporation</u>	
<b><u>Operating Revenues</u></b>			
Charges for Services	\$1,100,803	\$ 0	\$1,100,803
Tap-in Fees	112,741	0	112,741
Grants, Contributions, and Other Income	<u>0</u>	<u>59,045</u>	<u>59,045</u>
<b>Total Operating Revenues</b>	<u>1,213,544</u>	<u>59,045</u>	<u>1,272,589</u>
<b><u>Operating Expenses</u></b>			
Personal Services	360,771	0	360,771
Contract Services	312,919	0	312,919
Materials and Supplies	44,075	0	44,075
Economic Development	0	18,572	18,572
Depreciation	<u>175,567</u>	<u>0</u>	<u>175,567</u>
<b>Total Operating Expenses</b>	<u>893,332</u>	<u>18,572</u>	<u>911,904</u>
<b>Net Operating Income</b>	<u>320,212</u>	<u>40,473</u>	<u>360,685</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Interest Expense and Fiscal Charges	(258,839)	0	(258,839)
Investment Income	4,989	0	4,989
Proceeds from Grants	89,739	0	89,739
Other Nonoperating (Expenses)	<u>(1,052)</u>	<u>0</u>	<u>(1,052)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(165,163)</u>	<u>0</u>	<u>(165,163)</u>
<b>Net Income</b>	155,049	40,473	195,522
Retained Earnings (Deficit) at January 1	<u>(709,310)</u>	<u>365,436</u>	<u>(343,874)</u>
<b>Retained Earnings (Deficit) at December 31</b>	<u>\$ (554,261)</u>	<u>\$ 405,909</u>	<u>\$ (148,352)</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 TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Enterprise Primary Government</u>	<u>Component Unit Community Improvement Corporation</u>	<u>Totals (Memorandum Only)</u>
<b><u>Cash Flows from Operating Activities</u></b>			
Cash Received from Customers	\$ 1,163,175	\$ 33,005	\$ 1,196,180
Cash Payments for Personal Services	(358,425)	3,000	(355,425)
Cash Payments for Contract Services	(297,001)	0	(297,001)
Cash Payments for Supplies and Materials	(79,661)	(18,572)	(98,233)
<b>Net Cash Provided by Operating Activities</b>	<u>428,088</u>	<u>17,433</u>	<u>445,521</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Cash Received from Nonoperating Activities	96,000	0	96,000
Grants	(1,112)	0	(1,112)
<b>Net Cash Used in Noncapital Financing Activities</b>	<u>94,888</u>	<u>0</u>	<u>94,888</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Acquisition of Capital Assets	(70,987)	0	(70,987)
Proceeds from Issuance of General Obligation Notes Payable	450,000	0	450,000
Retirement of General Obligation Notes Payable	(260,000)	0	(260,000)
Principal Retirement of Long-Term Debt	(216,907)	0	(216,907)
Interest Paid	(258,839)	0	(258,839)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(356,733)</u>	<u>0</u>	<u>(356,733)</u>
<b><u>Cash Flows from Investing Activities</u></b>			
Payments for Investments	(3,405)	0	(3,405)
<b>Net Cash Provided by Investing Activities</b>	<u>(3,405)</u>	<u>0</u>	<u>(3,405)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	162,838	17,433	180,271
Cash and Cash Equivalents at January 1	<u>143,828</u>	<u>79,535</u>	<u>223,363</u>
<b>Cash and Cash Equivalents at December 31</b>	<u>\$ 306,666</u>	<u>\$ 96,968</u>	<u>\$ 403,634</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u></b>			
Operating Income	\$ 320,212	\$ 40,473	\$ 360,685
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Add Back Depreciation Expense	175,567	0	175,567
Changes in Net Assets and Liabilities:			
(Increase) Decrease in Inventories	(6,691)	0	(6,691)
(Increase) Decrease in Accounts Receivable	(50,369)	0	(50,369)
(Increase) Decrease in Prepayments	(3,179)	0	(3,179)
Decrease in Due to Other Governments	0	(23,040)	(23,040)
Increase (Decrease) in Accounts Payable	2,040	0	2,040
Increase (Decrease) in Contracts Payable	15,918	0	15,918
Increase (Decrease) in Pension Obligation Payable	822	0	822
Increase (Decrease) in Accrued Wages and Benefits	1,671	0	1,671
Increase (Decrease) in Compensated Absences Payable	(27,756)	0	(27,756)
Increase (Decrease) in Deferred Revenue	(147)	0	(147)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 428,088</u>	<u>\$ 17,433</u>	<u>\$ 445,521</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, 2003

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. A legally separate organization is a component unit of the primary government if **1)** the primary government is financially accountable for the organization; **2)** the nature and significance of the relationship between the primary government and the organization are such that the exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete; or **3)** the organization is closely related to or financially integrated with the primary government. Component units may also include organizations for which the City approved the budget, the issuance of debt, or the levying of taxes.

CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(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 to apply GASB Statement No. 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**

The following two organizations are not included in the financial statements of the City of Geneva, as they are jointly governed.

**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 \$38,654 during 2003 for the operation of the District.

CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

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

A. **Reporting Entity** (Continued)

**Jointly Governed Organizations** (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 2003 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 projects 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, 2003  
(CONTINUED)

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

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

**PROPRIETARY FUNDS:**

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

**FIDUCIARY FUNDS:**

*Trust and Agency Funds* - These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or funds. These include trust and agency funds. Agency funds do not have a measurement focus (i.e., assets equal liabilities) and are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual. The City has no trust and agency funds in 2003.

**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 represents the methodology utilized in the recognition of revenues and expenditures or expenses in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

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

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

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period which, for the City, is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

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, and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenues, including licenses, permits, certain charges for services, 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, 2003, but which are not intended to finance 2003 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue.

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, 2003  
(CONTINUED)

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

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

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

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

CITY OF GENEVA, OHIO  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2003  
 (CONTINUED)

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

D. **Budgets** (Continued)

**Estimated Resources** (Continued)

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 2003.

**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 2003 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 2003 appropriations:

General Fund	\$ 27,485
Special Revenue Funds	1,106,373
Capital Projects Funds	1,135,600
Enterprise Fund	<u>54,800</u>
Total 2003 supplemental appropriations	<u>\$2,324,258</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, 2003  
(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.

The City complies with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. As a governmental entity other than an external investment pool in accordance with GASB Statement No. 31, the City's investments are stated at fair value, except for interest-earning investment contracts and external investment pools (see Note 4).

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of December 31, 2003:

- The portfolio was limited to nonparticipating interest-earning investment contracts and State Treasury Asset Reserve of Ohio (STAROhio).
- Most of the City's investments are reported at fair value, which is the quoted market price as of the valuation date. For investments in STAROhio, fair value is determined by the pool's share price. Exceptions to the fair value requirement include nonparticipating interest-earning investment contracts.



CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

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

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

Nonparticipating investment contracts, such as nonnegotiable certificates of deposit are reported at cost.

Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the general fund to the extent its cash and investments balance exceeds the cumulative value of those investments subject to GASB Statement No. 31. The gain/loss resulting from valuation will be reported within the investment income account.

The City's policy is to hold investments until maturity, or until market values equal or exceed cost.

STAROhio is an investment pool professionally 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. The fund follows all state statutes from the Ohio Revised Code under the Uniform Depository Act. The fund is audited by the State of Ohio to ensure compliance with these laws. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2003.

Following Ohio statutes, the City has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$13,669. No interest revenue was assigned from other City funds.

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.

CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

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

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.

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.

CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

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

**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

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 enterprise funds.

**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.

CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

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

**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.

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.

CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

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

**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.
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.

CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

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

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 funds. 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).

P. **Estimates**

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

Q. **Memorandum Only - Totals Columns**

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

NOTE 3: **ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances/Retained Earnings**

The following funds had deficit fund balances/retained earnings as of December 31, 2003:

Capital Project Funds	
Event Center	\$1,532,703
Enterprise Funds	
Wastewater	552,478

The fund deficits resulted primarily 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 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, 2003  
(CONTINUED)

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:

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;

CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

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

A. **Primary Government** (Continued)

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 Asset Treasury Reserve (STAROhio); and,
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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

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

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105 percent of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation, or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation, or other authority. Based upon criteria described in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, collateral held in single financial collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.



CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

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

A. **Primary Government** (Continued)

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

**Deposits**

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

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

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

**Investments**

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

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

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

**Deposits**

At year end, the carrying amount of the City's deposits was \$1,414,793 and the bank balance was \$1,460,980. Of the bank balance **1)** \$400,000 was covered by Federal Depository Insurance and **2)** \$1,060,980 was considered uninsured and uncollateralized even though securities for collateral were held by the pledging financial institutions' trust department in the financial institution's name and all State statutory requirements for the deposit of money had been followed. Noncompliance with Federal requirements would potentially subject the City to a successful claim by the FDIC.

CITY OF GENEVA, OHIO  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2003  
 (CONTINUED)

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

A. **Primary Government** (Continued)

**Investments**

Investments as of December 31, 2003 are summarized below:

	<u>Cost</u>	<u>Fair Value</u>
STAROhio - Noncategorized	\$ 383,567	\$ 383,567

**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:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$1,698,360	\$ 100,000
Investments in the Cash Management Pool:		
Investment in STAROhio	(383,567)	383,567
Certificates of Deposit (greater than 3 months)	100,000	(100,000)
GASB Statement No. 3	<u>\$1,414,793</u>	<u>\$ 383,567</u>

B. **Component Unit**

At year-end, the carrying amount of the CIC's deposits was \$96,968 and bank balance was \$97,003. 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, 2003  
 (CONTINUED)

NOTE 5: **INTERFUND TRANSACTIONS**

- A. Interfund balances at December 31, 2003, 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	\$ 85,000	\$ 85,000
Total Long-Term Interfund Balances	<u>\$ 85,000</u>	<u>\$ 85,000</u>

- B. Interfund balances at December 31, 2003, consist of the following individual fund receivables and payables:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 33,750	\$ 0
Special Revenue Funds	760,000	33,750
Capital Projects Funds	<u>0</u>	<u>760,000</u>
Total Due From/Due to Other Funds	<u>\$ 793,750</u>	<u>\$ 793,750</u>

- C. The following is a summarized breakdown of the City's operating transfers for 2003:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 205	\$ 705,322
Special Revenue Funds	314,329	31,034
Debt Service Fund	16,500	0
Capital Projects Funds	<u>521,422</u>	<u>116,100</u>
Totals	<u>\$ 852,456</u>	<u>\$ 852,456</u>

The classification of the above transactions as "transfers" is in compliance with the Ohio Revised Code.

CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(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 2002. 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.

The full tax rate for all City operations for the year ended December 31, 2003 was \$8.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were collected as follows:

CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

NOTE 6: **TAXES** (Continued)

A. **Property Taxes** (Continued)

Real Property	\$ 72,089,730
Public Utility	4,985,340
Tangible Personal Property	<u>8,443,820</u>
Total Valuation	<u>\$ 85,518,890</u>

B. **Income Taxes**

The City levies a municipal income tax of 1 ½ 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 1 percent of the tax paid to another municipality.

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, 2003 primarily consisted of taxes, accounts (billings for user charged services), intergovernmental receivables, entitlement or shared revenues, special assessments, loans receivable, and interest on investments. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

CITY OF GENEVA, OHIO  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2003  
 (CONTINUED)

NOTE 7: **RECEIVABLES** (Continued)

<u>Primary Government</u>	<u>Amount</u>
<i>General Fund</i>	
Homestead and Rollback	\$ 22,700
Undivided Local Government	173,702
County Area Court	7,574
Estate Tax	<u>17,454</u>
<i>Total General Fund</i>	<u>221,430</u>
 <i>Special Revenue Funds</i>	
Homestead and Rollback	1,339
Street Construction Maintenance and Repair Fund	
Gasoline Tax	66,286
Auto Registration	31,996
Permissive Tax	5,646
Recycle Grant	6,094
CHIP Grant Fund	508,575
FEMA Blackout	<u>2,558</u>
<i>Total Special Revenue Funds</i>	<u>622,494</u>
 <b>Total Intergovernmental Receivables</b>	 <b><u>\$ 843,924</u></b>

**Component Unit**

During 1998, the CIC entered into a lease purchase agreement for land contributed by the City of Geneva. The lease was treated as a sale of land based on the terms of the agreement. The agreement called for payments of \$1,000 per year beginning in 1998 and ending October 31, 2002. These payments were credited toward the \$25,000 purchase price. The lessee is to purchase the property at the end of the lease term. 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 \$7,000 as the purchaser obtained 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.

CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(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, 2003, there were three loans outstanding, totaling \$69,431.

NOTE 9: **CAPITAL ASSETS**

	Beginning Balance <u>01/01/03</u>	Additions	Deletions	Ending Balance <u>12/31/03</u>
<b><u>Governmental Funds</u></b>				
Land	\$ 514,694	\$ 1,850	\$ 0	\$ 516,544
Buildings and Improvements	2,214,668	49,164	0	2,263,832
Equipment	2,340,200	802,346	(52,061)	3,090,485
Infrastructure	<u>10,047,698</u>	<u>219,672</u>	<u>0</u>	<u>10,267,370</u>
Totals at Historical Cost	<u>\$ 15,117,260</u>	<u>\$ 1,073,032</u>	<u>\$ (52,061)</u>	<u>\$ 16,138,231</u>
<b><u>Enterprise Funds (Wastewater)</u></b>				
Buildings and Improvements	\$ 3,572,702	\$ 0	\$ 0	\$ 3,572,702
Equipment	770,311	26,236	(10,000)	786,547
Collection System	<u>2,024,116</u>	<u>44,751</u>	<u>0</u>	<u>2,068,867</u>
Totals at Historical Cost	<u>6,367,129</u>	<u>70,987</u>	<u>(10,000)</u>	<u>6,428,116</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,715,737)	(88,349)	0	(1,804,086)
Equipment	(495,706)	(46,294)	10,000	(532,000)
Collection System	<u>(777,059)</u>	<u>(40,924)</u>	<u>0</u>	<u>(817,983)</u>
Total Depreciation	<u>(2,988,502)</u>	<u>(175,567)</u>	<u>10,000</u>	<u>(3,154,069)</u>
Total Enterprise Funds (Wastewater)	<u>\$ 3,378,627</u>	<u>\$ (104,580)</u>	<u>\$ 0</u>	<u>\$ 3,274,047</u>

CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

**NOTE 10: LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the City during 2003 were as follows:

	Balance 01/01/03 <u>Restated</u>	<u>Additions</u>	<u>(Reductions)</u>	Balance 12/31/03
<b><u>General Long-Term Obligations</u></b>				
General Obligation Bonds (Unvoted)				
1995 - 4.99% Various Purpose	\$ 165,000	\$ 0	\$ (10,000)	\$ 155,000
USDA Rural Development	0	590,000	0	590,000
Ohio Public Works Loans				
1996 - 0% OPWC Loan	5,223	0	(1,492)	3,731
2003 - 0% OPWC Loan	235,053	0	0	235,053
Special Assessment Bonds				
1995 - 4.99% Various Purpose	965,000	0	(50,000)	915,000
Street Bonds - 3.88%	1,000,000	0	(184,930)	815,070
Capital Leases Payable	5,402	0	(3,974)	1,428
Recreation Park Note Payable	221,751	0	(221,751)	0
Total Bonds and Notes	<u>2,597,429</u>	<u>590,000</u>	<u>(472,147)</u>	<u>2,715,282</u>
Compensated Absences	211,998	0	(99,937)	112,061
Claims and Judgments	80,000	0	(80,000)	0
Total Other	<u>291,998</u>	<u>0</u>	<u>(179,937)</u>	<u>112,061</u>
<b>Total General Long-Term Obligations</b>	<u>2,889,427</u>	<u>590,000</u>	<u>(652,084)</u>	<u>2,827,343</u>
<b><u>Enterprise Fund Obligations</u></b>				
Ohio Water Development Loans				
7.00% OWDA Phase I	600,155	0	(37,757)	562,398
7.00% OWDA Phase II	558,996	0	(29,649)	529,347
7.00% OWDA Phase III	2,111,691	0	(76,667)	2,035,024
2.20% OWDA Phase IV	285,056	0	(20,046)	265,010
2.20% OWDA Phase V	295,564	0	(20,785)	274,779
2.20% OWDA Phase VI	271,329	0	(18,243)	253,086
Total OWDA Loans	<u>4,122,791</u>	<u>0</u>	<u>(203,147)</u>	<u>3,919,644</u>
Ohio Public Works Loans				
1993 0% OPWC Loan	3,761	0	(3,761)	0
1995 0% OPWC Loan	25,000	0	(9,999)	15,001
Total OPWC Loans	<u>28,761</u>	<u>0</u>	<u>(13,760)</u>	<u>15,001</u>
Compensated Absences	<u>54,336</u>	<u>26,580</u>	<u>(54,336)</u>	<u>26,580</u>
<b>Total Enterprise Fund Obligations</b>	<u>4,205,888</u>	<u>26,580</u>	<u>(271,243)</u>	<u>3,961,225</u>
<b>Grand Total</b>	<u>\$ 7,095,315</u>	<u>\$ 616,580</u>	<u>\$ (923,327)</u>	<u>\$ 6,788,568</u>

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.



CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

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

The City issued a note payable in the amount of \$240,000 from the Northwest Savings Bank for the purpose of acquiring land that is now a recreation park. The notes payable were fully retired in 2003.

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 2003 to finance the repair and widening of South Broadway; 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 1993 and 1995 loans are obligations the enterprise fund, and will be paid from the operations of that fund. The debt service fund will account for the repayment of the 1996 issue, with resources accumulated in and transferred from other funds. The 2003 loan is an obligation of the Infrastructure fund and are paid from transfers from the Income Tax fund.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2003 are as follows:

Year	General Obligations		Special Assessments		Ohio Water Development Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 234,176	\$ 63,632	\$ 55,000	\$ 51,375	\$ 215,741	\$ 235,987
2005	243,707	54,060	60,000	47,993	229,251	223,776
2006	254,528	44,176	60,000	44,303	243,747	210,683
2007	265,659	33,958	65,000	41,213	259,304	196,642
2008	53,000	25,490	70,000	37,800	276,006	181,877
2009-2013	341,000	85,885	400,000	127,400	1,632,911	640,289
2014-2018	168,000	11,445	205,000	17,360	1,062,684	183,872
Total	<u>\$1,560,070</u>	<u>\$ 318,646</u>	<u>\$ 915,000</u>	<u>\$ 367,444</u>	<u>\$3,919,644</u>	<u>\$1,873,126</u>

Year	Ohio Public Works Commission		Total	
	Principal	Interest	Principal	Interest
2004	\$ 34,998	\$ 0	\$ 539,915	\$ 350,994
2005	29,998	0	562,956	325,829
2006	24,251	0	582,526	299,162
2007	23,505	0	613,468	271,813
2008	23,505	0	422,511	245,167
2009-2013	117,528	0	2,491,439	853,574
2014-2018	0	0	1,435,684	212,677
Total	<u>\$ 253,785</u>	<u>\$ 0</u>	<u>\$6,648,499</u>	<u>\$2,559,216</u>

CITY OF GENEVA, OHIO  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2003  
 (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>	
2004	\$ 1,463
Total Minimum Lease Payments	1,463
Less: Amount Representing Interest	<u>(35)</u>
Present Value of Minimum Lease Payments	<u>\$ 1,428</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: **NOTES PAYABLE**

During 2001, the City 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. In 2002, the City renewed the notes. According to a feasibility study, the site selected for this project is not feasible. In 2003, the City obtained a note payable for \$966,000, financed through Northwest Savings Bank, to continue with this project.

During 1998, the City issued a \$260,000 general obligation bond anticipation note related to the possible purchase of its water distribution system. In 2003 this note was increased to \$450,000. The note and interest at 1.80 percent is payable by December 23, 2004. The note is a general obligation of the City but will be repaid from the operating revenues of the water fund.

CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

NOTE 13: **DEFINED BENEFIT PENSION PLANS**

A. **Ohio Public Employees Retirement System**

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over 5 years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The City's contribution rate for pension benefits for 2003 was 8.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$87,876, \$82,822, and \$86,541, respectively; 76 percent has been contributed for 2003 and 100 percent for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$2,088 made by the City and \$1,310 made by the plan members.

CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

NOTE 13: **DEFINED BENEFIT PENSION PLANS**

**B. Ohio Police and Fire Pension Fund**

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$63,181 and \$34,458 for the year ended December 31, 2003, \$57,574 and \$59,894 for the year ended December 31, 2002, and \$33,259 and \$33,316 for the year ended December 31, 2001. The full amount has been contributed for 2002 and 2001. 75 percent for police and 77 percent for firefighters has been contributed for 2003 with the remainder being reported as a liability.

NOTE 14: **POST-EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care.

CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

NOTE 14: **POST-EMPLOYMENT BENEFITS** (Continued)

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

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

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

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$51,390. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care plan. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

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

CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

NOTE 14: **POST-EMPLOYMENT BENEFITS** (Continued)

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a two-thirds basis.

The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's Board of Trustees to provide health care coverage and states that health care costs paid from the funds of the OP&F shall be included in the employer's contribution rate. Health care funding and accounting are on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's annual contributions for 2003 that were used to fund postemployment benefits were \$104,853 for police and \$50,892 for firefighters. The OP&F's total health care expense for the year ended December 31, 2002 (the latest information available) was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002 was 13,527 for police and 10,396 for firefighters.

CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

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 960 hours for all employees. Overtime worked is always paid to employees on the paycheck for the period in which it was worked.

Upon retirement with fifteen years of employment, 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, 2003, the liability for unpaid compensated absences reported as a fund liability in governmental fund types was \$23,632; \$26,580 in the proprietary fund type, and \$112,061 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 \$162,273.

NOTE 16: **BUDGETARY BASIS OF ACCOUNTING**

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

CITY OF GENEVA, OHIO  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2003  
 (CONTINUED)

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

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	\$ (44,519)	\$ 120,995	\$ (19,165)	\$ 2,855,676
Adjustments:				
Net Adjustment for Revenue Accruals	(106,990)	(31,824)	0	(6,279)
Net Adjustment for Expenditure Accruals	11,047	22,650	0	3,249,837
Net Adjustment for Other Financial Sources (Uses) Accruals	(56,250)	(149,955)	0	(753,721)
Encumbrances	65,116	28,203	0	171,360
GAAP Basis	\$ (131,596)	\$ (9,931)	\$ (19,165)	\$ (194,479)

NOTE 17: **CONTRACTUAL COMMITMENTS**

The City had the following outstanding material contractual commitments as of December 31, 2003:

	Amount
Burgess & Niple	\$ 11,536
The Illuminating Co.	21,017
All County - DeAngelis	3,600
Severino Construction	5,411
Baker & Hackenberg	4,429
R.W. Beck	34,403
Ohio Municipal Income Tax	3,750
Total	\$ 84,146



CITY OF GENEVA, OHIO  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

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, 2003 is as follows:

	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating Revenues	\$1,213,544	\$ 0	\$1,213,544
Net Operating Income	320,212	0	320,212
Net Income	154,354	695	155,049
Proceeds from Grants	89,739	0	89,739
Additions to Property, Plant, and Equipment	70,987	0	70,987
Depreciation	175,567	0	175,567
Net Working Capital	426,946	155,971	582,917
Total Assets	3,745,480	202,320	3,947,800
Bonds and Other Long-Term Liabilities, Payable from Operating Revenues	3,961,225	450,000	4,411,225
Total Equity	(260,232)	(294,029)	(554,261)
Encumbrances Outstanding at December 31	35,640	202,223	237,863

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 2003, the City contracted with several companies for various types of insurance as follows:

CITY OF GENEVA, OHIO  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2003  
 (CONTINUED)

NOTE 19: **RISK MANAGEMENT** (Continued)

<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	
	Fire Errors and Omissions	0	1,000,000
	United National Ins. Co.	Umbrella Liability	10,000
			per occurrence/ annual aggregate
Acceptance 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 specified 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. During 2003, the City passed a resolution authorizing the CIC to retain \$23,040 of proceeds for the sale of this property.

CITY OF GENEVA, OHIO  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2003  
 (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. As of December 31, 2003, the City has paid \$434,878 for clean up. The City has the potential of additional costs to the USEPA for the True Temper site. The amount is not determined at this time.

The City is also involved in eminent domain proceedings against the Consumer Ohio Water Company. As of the date of these statements, a purchase price of \$4,970,000 for the existing system and an additional \$1,000,000 for repairs on Main Street has been negotiated. A purchase agreement has not yet been signed.

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, 2003, 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.

NOTE 22: **RESTATEMENT OF FUND BALANCE AND ACCOUNT GROUP**

A. **Budgetary Fund Balance**

The following budgetary fund balances were restated as of January 1, 2003 due to accounting errors in the prior year:

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>
Balance at December 31, 2002	\$ 612,897	\$ 2,657,745
Accounting Error	<u>3,975</u>	<u>244,239</u>
Restated Balance at January 1, 2003	<u>\$ 616,872</u>	<u>\$ 2,901,984</u>

B. **General Long-Term Obligations Account Group**

The general long-term obligations account group was restated as of January 1, 2003 due to a \$235,053 note with the Ohio Public Works Commission for South Broadway improvements which was entered into in February 2000 and finalized in 2003 but not recognized as a liability.

**JAMES G. ZUPKA, C.P.A., INC.**  
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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, 2003, and have issued our report thereon dated September 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether 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 September 13, 2004.

**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 opinions on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described below:

## 1. **Bank Reconciliations**

### Condition and Criteria

As noted during the audits of the prior two years, bank reconciliations have not been performed on a timely basis.

### Effect

Not reconciling the basic account and preparing the monthly reports on a monthly basis means that error or problems might not be recognized and resolved on a timely basis. It is generally easier and less time consuming to reconcile accounts while transactions are current.

### Cause

Bank reconciliations are not performed on a timely basis.

### Recommendation

Bank reconciliations should be prepared and reviewed each month. All reconciling items should be researched and appropriately resolved in a timely manner.

### Corrective Action Plan

The City will perform timely bank reconciliations.

## 2. **GAAP Conversion**

### Condition and Criteria

The City maintains its books on the cash basis of accounting. The City is required to report its financial statements on a GAAP basis - modified accrual for governmental funds and full accrual for enterprise funds. The Finance Department staff of the City performed the conversion from cash basis accounting to GAAP for the 2002 financial statements. Per review of the GAAP workpapers and entries, it was noted that errors had occurred. In some cases, the prior year workpapers were followed; however, circumstances may have changed so the prior year assumptions did not apply.

### Effect

The GAAP financial statements had errors that were not corrected.

### Cause

Limited knowledge of GAAP accounting.

### Recommendation

An outside party that is familiar with this process should assist in the conversion or review the workpapers prior to the GAAP report being finalized. This will avoid duplication of efforts and allow the process of developing the financial statements to be performed in a more timely and efficient manner.

### Corrective Action Plan

The City will review the staff availability and possibly contract part of the GAAP conversion with a qualified CPA firm.

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 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. 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. However, we believe the reportable conditions describe above are not a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Geneva, Ohio in a separate letter dated September 13, 2004.

This report is intended for the information and use of City Council, City management, the Auditor of State, 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.

James G. Zupka, CPA, Inc.  
Certified Public Accountants

September 13, 2004

CITY OF GENEVA, OHIO  
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2003

The prior audit report, as of December 31, 2002, included no citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.







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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  
DECEMBER 7, 2004**