

City of Geneva, Ohio

Basic Financial Statements

December 31, 2007



Mary Taylor, CPA
Auditor of State

Honorable Mayor and
Members of City Council
City of Geneva
44 North Forest Street
Geneva, Ohio 44041

We have reviewed the *Independent Auditors' Report* of the City of Geneva, Ashtabula County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2007 through December 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 20, 2008

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City of Geneva, Ohio

For the Year Ended December 31, 2007

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Independent Auditors' Report

Honorable Mayor and
Members of City Council
City of Geneva, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Geneva, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Geneva's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Geneva, as of December 31, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General, Street Construction, Maintenance and Repair and Community Development Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2007 the City implemented Statements No. 43, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans* and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2008, on our consideration of the City of Geneva's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and
Members of City Council
City of Geneva, Ohio

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Cini & Parichi, Inc.

Cleveland, Ohio
June 30, 2008

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2007

The discussion and analysis of the City of Geneva's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

Financial Highlights

Key financial highlights for 2007 are as follows:

- ◆ Total assets of the City were \$26,779,258. Of this amount, \$13,586,346 were attributable to governmental activities and \$13,192,912 were from business-type activities.
- ◆ Total liabilities of the City were \$15,121,412. Governmental activities accounted for \$4,155,245, while business-type activities represented \$10,966,167 of the total.
- ◆ Total assets of the City exceeded its liabilities at the close of the year by \$11,657,846, an \$1,520,459 increase from the prior year.

Using this Annual Financial Report

This discussion and analysis are intended to serve as an introduction to the City of Geneva's basic financial statements. The City of Geneva's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements – Reporting the City of Geneva as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets presents information on all the City of Geneva's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decrease in net assets may serve as a useful indicator of whether the financial position of the City of Geneva is improving or deteriorating. However, in evaluating the overall position of the City, non-financial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered. Both the Statement of Net Assets and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2007

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities:** most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. Income tax, state and county taxes, licenses, permits and charges for services finance most of these activities.
- **Business-type activities:** the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer and water systems are reported here.

Fund Financial Statements - Reporting the City of Geneva's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all *other financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.

For the City's governmental funds, information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General fund, and other major funds.

The basic governmental fund financial statements can be found starting on page 16 of this report.

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2007

Proprietary Funds

The City of Geneva maintains 2 different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its wastewater and water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found starting on page 24 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources are not available to support the City's own programs. The fiduciary fund financial statements can be found starting on page 28 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 29 of this report.

Government-wide Financial Analysis - City of Geneva as a Whole

As noted earlier, the Statement of Net Assets looks at the City as a whole and can prove to be a useful indicator of the City's financial position.

The Statement of Net Assets and the Statement of Activities are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Net Assets Beginning and End of Year

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2007

Table 1 provides a summary of the City's net assets for 2007 as compared to 2006.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$ 4,684,905	\$ 4,379,771	\$ 1,507,075	\$ 1,254,388	\$ 6,191,980	\$ 5,634,159
Capital assets, net	<u>8,901,441</u>	<u>8,986,360</u>	<u>11,685,837</u>	<u>9,705,691</u>	<u>20,587,278</u>	<u>18,692,051</u>
<i>Total assets</i>	<u>13,586,346</u>	<u>13,366,131</u>	<u>13,192,912</u>	<u>10,960,079</u>	<u>26,779,258</u>	<u>24,326,210</u>
Liabilities						
Current liabilities	1,490,659	1,570,079	292,767	128,125	1,783,426	1,698,204
Long-term liabilities						
Due within one year	395,668	320,537	524,646	434,465	920,314	755,002
Due in more than one year	<u>2,268,918</u>	<u>2,343,315</u>	<u>10,148,754</u>	<u>9,392,302</u>	<u>12,417,672</u>	<u>11,735,617</u>
<i>Total liabilities</i>	<u>4,155,245</u>	<u>4,233,931</u>	<u>10,966,167</u>	<u>9,954,892</u>	<u>15,121,412</u>	<u>14,188,823</u>
Net assets						
Invested in capital assets, Net of related debt	5,681,884	5,367,013	1,024,146	-	6,706,030	5,367,013
Restricted for:						
Debt service	1,064	582,533	-	-	1,064	582,533
Capital projects	232,096	620,196	-	-	232,096	620,196
Other purposes	276,266	929,867	-	-	276,266	929,867
Unrestricted	<u>3,239,791</u>	<u>1,632,591</u>	<u>1,202,599</u>	<u>1,005,187</u>	<u>4,442,390</u>	<u>2,637,778</u>
<i>Total net assets</i>	\$ <u>9,431,101</u>	\$ <u>9,132,200</u>	\$ <u>2,226,745</u>	\$ <u>1,005,187</u>	\$ <u>11,657,846</u>	\$ <u>10,137,387</u>

The City's assets exceeded liabilities by \$11,657,846 at the close of the most recent fiscal year, which indicates an improvement in conditions over the prior year.

The largest portion of the City's net assets (58 percent) reflects the investments in capital assets less any related debt to acquire those assets that is still outstanding. These capital assets are used to provide services to the City's citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets for 2007 increased \$2,453,048 or 10 percent when compared to 2006. The increase in total assets was mainly due to an increase in capital assets of \$1,895,227 due to the addition of City wide street improvements and new development. Cash also increased by \$280,657.

The City has tried to make concerted efforts to maximize the return on investments of its cash and cash equivalents and use these funds to provide liquidity for planned future capital purchases. However, even though the State code allows for investments with maturities of five years or less, the City has not invested in any instrument with a maturity of more than one year in compliance with the City's investment policy.

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2007

An additional portion of the City's net assets (4 percent) represents resources that have been restricted on how they may be used. The remaining balance of unrestricted net assets \$4,442,390 may be used to meet the government's on-going obligations to its citizens and creditors.

The net assets of the City's business-type activities increased significantly in 2007. The City generally can only use these net assets to finance the continuing operations of the wastewater and water systems operations. The increase was mainly attributed to the JEDD II Sewer Project.

In order to further understand what makes up the changes in net assets for the current year, Table 2 provides further details regarding the results of activities for the current year.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program revenues						
Charges for services	\$ 558,335	\$ 571,459	\$ 2,924,190	\$ 2,515,680	\$ 3,482,525	\$ 3,087,139
Operating grants and contributions	280,045	212,714	493,500	-	773,545	212,714
Capital grants and contributions	211,016	1,337,116	85,000	-	296,016	1,337,116
Total program revenues	<u>1,049,396</u>	<u>2,121,289</u>	<u>3,502,690</u>	<u>2,515,680</u>	<u>4,552,086</u>	<u>4,636,969</u>
General revenues						
Property taxes	529,155	562,457	-	-	529,155	562,457
Income taxes	2,341,919	2,121,037	-	-	2,341,919	2,121,037
Grants and entitlements	985,093	1,112,774	-	-	985,093	1,112,774
Investment earnings	114,411	82,185	55,685	58,917	170,096	141,102
Miscellaneous	82,554	41,505	11,427	-	93,981	41,505
Gain on sale of capital assets	-	20,564	-	-	-	20,564
Total general revenues	<u>4,053,132</u>	<u>3,940,522</u>	<u>67,112</u>	<u>58,917</u>	<u>4,120,244</u>	<u>3,999,439</u>
Total revenues	<u>5,102,528</u>	<u>6,061,811</u>	<u>3,569,802</u>	<u>2,574,597</u>	<u>8,672,330</u>	<u>8,636,408</u>
Program expenses						
General government	775,254	806,218	-	-	775,254	806,218
Security of persons and property	1,930,215	2,008,599	-	-	1,930,215	2,008,599
Leisure time activities	124,795	117,489	-	-	124,795	117,489
Community development	399,872	370,704	-	-	399,872	370,704
Transportation	1,368,922	977,804	-	-	1,368,922	977,804
Interest and fiscal charges	162,318	136,937	-	-	162,318	136,937
Sewer	-	-	1,136,194	1,131,253	1,136,194	1,131,253
Water	-	-	1,254,301	991,967	1,254,301	991,967
Total program expenses	<u>4,761,376</u>	<u>4,417,751</u>	<u>2,390,495</u>	<u>2,123,220</u>	<u>7,151,871</u>	<u>6,540,971</u>
Increase (decrease) in net assets before transfers	341,152	1,644,060	1,179,307	451,377	1,520,459	2,095,437
Transfers	<u>(42,251)</u>	<u>4,000</u>	<u>42,251</u>	<u>(4,000)</u>	<u>-</u>	<u>-</u>
Change in net assets	\$ <u>298,901</u>	\$ <u>1,648,060</u>	\$ <u>1,221,558</u>	\$ <u>447,377</u>	\$ <u>1,520,459</u>	\$ <u>2,095,437</u>

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2007

Governmental Activities

The City's largest revenue source is income tax. The City levies a municipal income tax 1½ 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.

In 2007, City income tax proceeds received by the governmental activities were \$2,341,919. The increase in income tax is the result of the City's effort to more aggressively collect income taxes from non-filers.

Property tax revenue received by the City for governmental activities is \$529,155, which represents a slight decrease from the prior year, mainly due to an increase in delinquencies. The full voted tax rate for 2007 was 4.8 mills. A mill is \$8.70 for every \$1,000 of assessed valuation. The annual property tax is calculated using the taxable value (market value multiplied by 35 percent) of the property effective tax rate levied by the City of Geneva.

Expenses are categorized by programs. The largest program, security of persons and property which includes police, fire and public safety was around 41 percent of governmental expenses. Slight decrease from the prior year due to a concerted effort to reduce expenditures. Training plays a crucial role in keeping up with rapidly changing laws, practices and technology. Training among our employees is performed in-house, attending seminars/conferences, continuing education classes, practice drills and watching training videos. The second largest program is transportation which is composed of street construction and maintenance was around 29 percent of the governmental expenses. Increase from the prior year due to an increase in services provided to the City, mainly due to poor weather conditions in early 2007. General government is composed of the City Manager, Council, Finance, Law and general administration which is approximately 16 percent of the government expenses and remained fairly consistent from the prior year.

Business-Type Activities

The Business-type activities of the City, which include the City's wastewater and water operations, increased the City's net assets by \$1,221,558. This increase is mainly due to increases in charges for services over expenses in 2007 in the Wastewater and Water Funds.

The City's sanitary sewer and wastewater treatment system services not only the City, but a few surrounding communities. The water fund accounts for distribution of water to individuals and commercial users in various parts of the City.

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2007

The City's Funds

Governmental Funds

Information about the City's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting.

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

As of the end of the year, the City's governmental funds reported combined ending fund balances of \$1,911,556. In 2007, unreserved fund balance, which is available for spending at the government's discretion, is at \$1,684,770. The fund balance of \$226,786 is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of prior periods and for a variety of other purposes.

The Community Development fund has a deficit fund balance of \$625,023. The City issued a general obligation note for \$666,000 to finance land and land improvements for economic development and parks and recreation.

General Fund Budgeting Highlights

The most significant budgeted fund is the General Fund. Over the course of the year, the City Council revised the City's general fund budget to prevent budget overruns.

For the General Fund, budgeted basis revenue, including other financing sources was \$204,625 above the original estimate of \$3,732,237, primarily due to increases in collections for municipal income taxes.

The original appropriation, including other financing uses of \$4,115,435 was increased to \$4,366,187. Even with these adjustments, the actual charges to appropriations (expenditures) were \$661,599 below the final budgeted amount for the General Fund.

Street Construction, Maintenance and Repair Fund Budgeting Highlights

The actual expenditures of \$692,332 were \$19,694 below the final amended appropriation measure. The actual revenues, including other financing sources, were approximately \$57,556 below final amended revenues.

Community Development Fund Budgeting Highlights

The actual expenditures of \$896,092 were \$98,718 below the final amended appropriation measure. The actual revenues, including other financing sources, were approximately \$101,384 below final

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2007

Business-Type Funds

The City's major Enterprise funds consist of the Wastewater Fund, and Water Fund. The basic financial statements for the major funds are included in this report.

Proprietary Funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Wastewater and Water Funds. The basic proprietary fund financial statements can be found on page 24 through 27 of this report.

Capital Assets and Debt Administration

Capital Assets

At the end of 2007, the City of Geneva had \$20,587,278 invested in a broad range of capital assets, including land, buildings, improvements, machinery and equipment, park facilities, furniture and fixtures and vehicles.

Table 3 shows fiscal 2007 balances of capital assets as compared to 2006:

Table 3
Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land and land improvements	\$ 1,449,641	\$ 1,413,749	\$ -	\$ -	\$ 1,449,641	\$ 1,413,749
Buildings	3,543,706	3,518,901	3,755,818	3,735,823	7,299,524	7,254,724
Machinery and equipment	1,384,366	1,400,679	624,690	588,479	2,009,056	1,989,158
Vehicles	1,784,074	1,619,021	113,296	110,200	1,897,370	1,729,221
Infrastructure	12,567,875	12,495,944	9,193,771	8,855,897	21,761,646	21,351,841
Construction in progress	409,887	152,512	2,131,408	247,564	2,541,295	400,076
Less: accumulated depreciation	<u>(12,238,108)</u>	<u>(11,614,446)</u>	<u>(4,133,146)</u>	<u>(3,832,272)</u>	<u>(16,371,254)</u>	<u>(15,446,718)</u>
Total capital assets	\$ <u>8,901,441</u>	\$ <u>8,986,360</u>	\$ <u>11,685,837</u>	\$ <u>9,705,691</u>	\$ <u>20,587,278</u>	\$ <u>18,692,051</u>

The major addition in governmental activities was made to Construction in Progress of approximately \$257,000, mainly due to the Fire Training Center construction and the Austin Road Overpass project.

More detailed information about the City's capital assets is presented in Note 7 to the financial statements.

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2007

Debt

At December 31, 2007, the City of Geneva had \$13,337,986 in outstanding debt and compensated absences, of which \$1,269,191 was in general obligation bonds. Table 4 summarizes the outstanding obligations of the City.

Table 4
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 1,269,191	\$ 1,396,912	\$ -	\$ -	\$ 1,269,191	\$ 1,396,912
Special assessment Bonds	675,000	740,000	-	-	675,000	740,000
OPWC loans	171,779	200,284	-	-	171,779	200,284
OWDA loan	-	-	10,562,196	9,699,605	10,562,196	9,699,605
Capital leases	236,052	194,311	-	-	236,052	194,311
Compensated absences	108,166	127,192	11,709	24,136	119,875	151,328
Civic Development Corp loan	2,863	5,153	-	-	2,863	5,153
ODOT loan payable	201,535	-	-	-	201,535	-
Other loan	-	-	99,495	103,026	99,495	103,026
Total	\$ <u>2,664,586</u>	\$ <u>2,663,852</u>	\$ <u>10,673,400</u>	\$ <u>9,826,767</u>	\$ <u>13,337,986</u>	\$ <u>12,490,619</u>

The City is within all of its legal debt limitations. The Ohio Revised Code provides that the net debt (as defined by Ohio Revised Code) of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5 percent of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5 percent of the total taxation value of property. The statutory limitations on debt are measured by the ratio of net debt to tax valuation and expressed in terms of percentage. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions within other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which the City lies, is limited to ten mills. This millage is measured against the property values in each overlapping district.

More detailed information about the City's long-term liabilities is presented in Note 9 and Note 10 to the financial statements.

Current Related Financial Activities

The City's elected and appointed officials considered many factors when setting the fiscal year 2008 budget. One of those factors is the economy. With the uncertainty surrounding the economy, the City continues to face the challenge of economic recession. Basic operating costs continue to rise due to negotiated salary increases and higher benefit costs.

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2007

The general fund's expenditures are expected to increase during 2008 mainly with respect to wages, benefits, fuel and utilities. The City recognizes that relatively flat tax revenue coupled with the cost of inflation expenditure increases will require to further continue a pattern of cost containment while pursuing new revenue sources. One such revenue source is the City's participation in the Joint Economic Development District II with Harpersfield Township.

Contacting the City of Geneva's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for all money it receives, spends, or invests. If you have any questions about this report or need additional financial information, contact Director of Finance, Juanita Stuetzer, City of Geneva, at 440-466-4675.

City of Geneva, Ohio

Statement of Net Assets

December 31, 2007

	Governmental Activities	Business - Type Activities	Total	Component Unit Community Improvement Corporation of Geneva
Assets:				
Equity in pooled cash and cash equivalents	\$ 2,156,780	\$ 806,009	\$ 2,962,789	\$ 61,229
Cash held with fiscal agent	59,912	-	59,912	41,995
Accounts receivable	23,839	367,117	390,956	5,946
Accrued interest receivable	1,291	-	1,291	-
Due from component unit	44,558	-	44,558	-
Materials and supplies inventory	6,966	14,366	21,332	-
Internal balances	55,000	(55,000)	-	-
Intergovernmental receivable	383,366	125,130	508,496	-
Prepays	85,353	18,204	103,557	-
Property tax receivable	464,429	-	464,429	-
Income tax receivable	675,800	-	675,800	-
Loans receivable	121,235	-	121,235	-
Special assessment receivable	606,376	231,249	837,625	-
Non-depreciable capital assets	1,859,528	2,131,408	3,990,936	206,200
Depreciable capital assets, net	<u>7,041,913</u>	<u>9,554,429</u>	<u>16,596,342</u>	<u>20,391</u>
Total assets	<u>13,586,346</u>	<u>13,192,912</u>	<u>26,779,258</u>	<u>335,761</u>
Liabilities:				
Accounts payable	78,181	235,375	313,556	205
Accrued wages and benefits	191,608	33,188	224,796	-
Funds held as fiscal agent	-	-	-	41,995
Intergovernmental payable	91,657	23,832	115,489	48,316
Deferred revenue	439,060	-	439,060	-
Accrued interest payable	24,153	372	24,525	-
Notes payable	666,000	-	666,000	-
Long term liabilities:				
Due within one year	395,668	524,646	920,314	-
Due in more than one year	<u>2,268,918</u>	<u>10,148,754</u>	<u>12,417,672</u>	<u>-</u>
Total liabilities	<u>4,155,245</u>	<u>10,966,167</u>	<u>15,121,412</u>	<u>90,516</u>
Net assets:				
Invested in capital assets, net of related debt	5,681,884	1,024,146	6,706,030	-
Restricted for:				
Capital projects	232,096	-	232,096	-
Debt service	1,064	-	1,064	-
Other purposes	276,266	-	276,266	-
Unrestricted	<u>3,239,791</u>	<u>1,202,599</u>	<u>4,442,390</u>	<u>245,245</u>
Total net assets	<u>\$ 9,431,101</u>	<u>\$ 2,226,745</u>	<u>\$ 11,657,846</u>	<u>\$ 245,245</u>

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Statement of Activities

For the Year Ended December 31, 2007

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Government activities:				
General government	\$ 775,254	\$ 154,879	\$ 1,950	\$ -
Security of persons and property	1,930,215	182,109	222,417	31,046
Leisure time activities	124,795	62,489	-	-
Community development	399,872	70,692	-	130,642
Transportation	1,368,922	88,166	55,678	49,328
Interest and fiscal charges	162,318	-	-	-
Total governmental activities	4,761,376	558,335	280,045	211,016
Business-type activities:				
Wastewater	1,136,194	1,584,108	493,500	-
Water	1,254,301	1,340,082	-	85,000
Total business-type activities	2,390,495	2,924,190	493,500	85,000
Total primary government	\$ 7,151,871	\$ 3,482,525	\$ 773,545	\$ 296,016
Component unit:				
Community Improvement Corporation of Geneva	\$ 45,434	\$ -	\$ 12,542	\$ -
			General revenues:	
			Property and other local taxes levied for:	
			General purposes	
			Other purposes	
			Municipal income taxes levied for:	
			General purposes	
			Grants and entitlements not restricted to specific programs	
			Investment income	
			Miscellaneous income	
			Total general revenues	
			Transfers	
			Total general revenues and transfers	
			Change in net assets	
			Net assets at beginning of year, restated	
			Net assets at end of year	

The accompanying notes are an integral part of these financial statements

<u>Net (Expense) Revenue and Changes in Net Assets</u>			
<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>	<u>Component Unit Community Improvement Corp of Geneva</u>
\$ (618,425)	\$ -	\$ (618,425)	\$ -
(1,494,643)	-	(1,494,643)	-
(62,306)	-	(62,306)	-
(198,538)	-	(198,538)	-
(1,175,750)	-	(1,175,750)	-
<u>(162,318)</u>	<u>-</u>	<u>(162,318)</u>	<u>-</u>
<u>(3,711,980)</u>	<u>-</u>	<u>(3,711,980)</u>	<u>-</u>
-	941,414	941,414	-
<u>-</u>	<u>170,781</u>	<u>170,781</u>	<u>-</u>
<u>-</u>	<u>1,112,195</u>	<u>1,112,195</u>	<u>-</u>
<u>(3,711,980)</u>	<u>1,112,195</u>	<u>(2,599,785)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,892)</u>
498,867	-	498,867	-
30,288	-	30,288	-
2,341,919	-	2,341,919	-
985,093	-	985,093	-
114,411	55,685	170,096	3,692
<u>82,554</u>	<u>11,427</u>	<u>93,981</u>	<u>3,909</u>
4,053,132	67,112	4,120,244	7,601
<u>(42,251)</u>	<u>42,251</u>	<u>-</u>	<u>-</u>
<u>4,010,881</u>	<u>109,363</u>	<u>4,120,244</u>	<u>7,601</u>
298,901	1,221,558	1,520,459	(25,291)
<u>9,132,200</u>	<u>1,005,187</u>	<u>10,137,387</u>	<u>270,536</u>
\$ <u>9,431,101</u>	\$ <u>2,226,745</u>	\$ <u>11,657,846</u>	\$ <u>245,245</u>

City of Geneva, Ohio

Balance Sheet Governmental Funds

December 31, 2007

	General	Street Construction, Maintenance and Repair	Community Development	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	\$ 1,168,327	\$ 84,109	\$ 6,603	\$ 897,741	\$ 2,156,780
Cash held with fiscal agents	-	-	-	59,912	59,912
Accounts receivable	22,934	-	-	905	23,839
Accrued interest receivable	1,291	-	-	-	1,291
Material and supplies inventory	-	6,966	-	-	6,966
Prepays	67,093	18,260	-	-	85,353
Due from component unit	-	-	44,558	-	44,558
Advances to other funds	-	-	-	45,750	45,750
Interfund receivable	91,270	-	-	-	91,270
Intergovernmental receivable	227,908	146,015	-	9,443	383,366
Loans receivable	-	-	-	121,235	121,235
Special assessments receivable	101	-	-	606,275	606,376
Income taxes receivable	675,800	-	-	-	675,800
Property taxes receivable	438,960	-	-	25,469	464,429
Total assets	<u>\$ 2,693,684</u>	<u>\$ 255,350</u>	<u>\$ 51,161</u>	<u>\$ 1,766,730</u>	<u>\$ 4,766,925</u>
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 44,695	\$ 11,486	\$ 331	\$ 21,669	\$ 78,181
Accrued wages and benefits	163,843	26,211	-	1,554	191,608
Intergovernmental payable	76,437	13,901	188	1,131	91,657
Advances from other funds	-	45,750	-	-	45,750
Interfund payable	-	-	-	36,270	36,270
General obligation notes payable	-	-	666,000	-	666,000
Accrued interest payable	-	-	9,665	-	9,665
Deferred revenue	1,006,579	96,477	-	633,182	1,736,238
Total liabilities	<u>1,291,554</u>	<u>193,825</u>	<u>676,184</u>	<u>693,806</u>	<u>2,855,369</u>
Fund balances:					
Reserved for encumbrances	15,440	25,890	1,500	10,005	52,835
Reserved for inventory	-	6,966	-	-	6,966
Reserved for advances	-	45,750	-	-	45,750
Reserved for loans	-	-	-	121,235	121,235
Unreserved (deficit);					
Undesignated, reported in:					
General fund	1,386,690	-	-	-	1,386,690
Debt service fund	-	-	-	1,064	1,064
Capital projects funds	-	-	-	232,096	232,096
Special revenue funds	-	(17,081)	(626,523)	708,524	64,920
Total fund balances (deficit)	<u>1,402,130</u>	<u>61,525</u>	<u>(625,023)</u>	<u>1,072,924</u>	<u>1,911,556</u>
Total liabilities and fund balances	<u>\$ 2,693,684</u>	<u>\$ 255,350</u>	<u>\$ 51,161</u>	<u>\$ 1,766,730</u>	<u>\$ 4,766,925</u>

The accompanying notes are an integral part of these financial statements

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City of Geneva, Ohio

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

December 31, 2007

Total Governmental Funds Balances \$ 1,911,556

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 8,901,441

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Property and other taxes	\$ 25,369	
Municipal income taxes	414,165	
Special assessments	606,376	
Intergovernmental	<u>251,268</u>	
Total		1,297,178

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (14,488)

Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.

General obligation bonds	(1,269,191)	
Special assessment bonds	(675,000)	
Capital lease payable	(236,052)	
Other loan	(2,863)	
ODOT loan	(201,535)	
OPWC loans	(171,779)	
Accrued compensated absences	<u>(108,166)</u>	
Total		<u>(2,664,586)</u>

Net Assets of Governmental Activities \$ 9,431,101

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Year Ended December 31, 2007

	General	Street Construction, Maintenance and Repair	Community Development	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and other local taxes	\$ 514,214	\$ -	\$ -	\$ 30,288	\$ 544,502
Municipal income taxes	2,346,587	-	-	-	2,346,587
Intergovernmental	357,883	326,121	-	337,071	1,021,075
Charges for services	294,187	-	-	88,504	382,691
Licenses, permits and fees	212,056	54,178	-	2,978	269,212
Special assessments	-	-	-	350,344	350,344
Investment income	94,590	-	-	19,821	114,411
Miscellaneous income	21,041	14,750	2,427	26,967	65,185
Total revenues	<u>3,840,558</u>	<u>395,049</u>	<u>2,427</u>	<u>855,973</u>	<u>5,094,007</u>
Expenditures:					
Current operations and maintenance:					
Security of persons and property	1,783,649	-	-	240,370	2,024,019
Leisure time activities	149,885	-	-	-	149,885
Community development	83,223	-	98,811	221,694	403,728
Transportation	-	611,222	-	185,228	796,450
General government	733,992	-	-	31,671	765,663
Capital outlay	-	-	-	393,420	393,420
Debt service:					
Principal retirement	2,779	28,505	-	305,242	336,526
Interest	-	-	43,178	114,914	158,092
Total expenditures	<u>2,753,528</u>	<u>639,727</u>	<u>141,989</u>	<u>1,492,539</u>	<u>5,027,783</u>
Excess of revenues over (under) expenditures	<u>1,087,030</u>	<u>(244,678)</u>	<u>(139,562)</u>	<u>(636,566)</u>	<u>66,224</u>
Other financing sources (uses):					
Issuance of loan	-	-	-	201,535	201,535
Capital lease proceeds	4,751	-	-	150,000	154,751
Transfers-in	-	271,103	225,000	328,088	824,191
Transfers-out	(849,477)	-	-	(16,965)	(866,442)
Total other financing sources (uses)	<u>(844,726)</u>	<u>271,103</u>	<u>225,000</u>	<u>662,658</u>	<u>314,035</u>
Net change in fund balances	242,304	26,425	85,438	26,092	380,259
Fund balances (deficit) at beginning of year	<u>1,159,826</u>	<u>35,100</u>	<u>(710,461)</u>	<u>1,046,832</u>	<u>1,531,297</u>
Fund balances (deficit) at end of year	\$ <u>1,402,130</u>	\$ <u>61,525</u>	\$ <u>(625,023)</u>	\$ <u>1,072,924</u>	\$ <u>1,911,556</u>

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2007

Net Change in Fund Balances - Total Governmental Funds \$ 380,259

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

Governmental funds report capital outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay	\$	651,080	
Depreciation		<u>(734,799)</u>	
Total			(83,719)

In the Statement of Activities, the loss on disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. This is the amount by which the cost of the assets disposed of exceeds the related accumulated depreciation. (1,200)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property and other taxes		(15,347)	
Municipal income taxes		(4,668)	
Special assessments		(430)	
Intergovernmental		<u>28,966</u>	
Total			8,521

Repayments of bond, note, loan and capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 336,526

Proceeds from debt issues and inceptions of capital leases are other financing sources in the funds, but debt issues and new leases increase long-term liabilities in the Statement of Net Assets (356,286)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued compensated absences		19,026	
Accrued interest on debt		<u>(4,226)</u>	
Total			<u>14,800</u>

Change in Net Assets of Governmental Activities \$ 298,901

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - General Fund

For the Year Ended December 31, 2007

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other local taxes	\$ 473,138	\$ 473,138	\$ 474,583	\$ 1,445
Municipal income taxes	2,382,500	2,539,657	2,328,657	(211,000)
Intergovernmental	274,962	311,663	419,590	107,927
Charges for services	117,404	133,075	179,158	46,083
Licenses, permits and fees	113,868	129,067	173,762	44,695
Investment income	61,380	69,573	93,665	24,092
Miscellaneous income	108,985	123,532	166,310	42,778
Total revenues	<u>3,532,237</u>	<u>3,779,705</u>	<u>3,835,725</u>	<u>56,020</u>
Expenditures:				
Current operations and maintenance:				
Security of persons and property	1,939,587	2,032,570	1,807,727	224,843
Leisure time activities	166,530	175,885	156,429	19,456
Community development	76,350	90,067	80,104	9,963
General government	<u>795,805</u>	<u>809,082</u>	<u>719,581</u>	<u>89,501</u>
Total expenditures	<u>2,978,272</u>	<u>3,107,604</u>	<u>2,763,841</u>	<u>343,763</u>
Excess of revenues over (under) expenditures	<u>553,965</u>	<u>672,101</u>	<u>1,071,884</u>	<u>399,783</u>
Other financing sources (uses):				
Advances- in	200,000	157,157	157,157	-
Transfers-out	(937,163)	(1,058,583)	(849,477)	209,106
Advances -out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(91,270)</u>	<u>108,730</u>
Total financing sources (uses):	<u>(937,163)</u>	<u>(1,101,426)</u>	<u>(783,590)</u>	<u>317,836</u>
Net change in fund balance	(383,198)	(429,325)	288,294	717,619
Prior year encumbrances appropriated	39,667	39,667	39,667	-
Fund balance at beginning of year	<u>805,388</u>	<u>805,388</u>	<u>805,388</u>	<u>-</u>
Fund balance at end of year	\$ <u>461,857</u>	\$ <u>415,730</u>	\$ <u>1,133,349</u>	\$ <u>717,619</u>

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - Street Construction, Maintenance and Repair Fund

For the Year Ended December 31, 2007

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 319,000	\$ 319,000	\$ 328,312	\$ 9,312
Licenses, permits, and fees	51,000	51,000	53,555	2,555
Miscellaneous income	-	1,500	1,500	-
Total revenues	<u>370,000</u>	<u>371,500</u>	<u>383,367</u>	<u>11,867</u>
Expenditures:				
Current operations and maintenance:				
Transportation	<u>710,526</u>	<u>712,026</u>	<u>692,332</u>	<u>19,694</u>
Excess of revenues over (under) expenditures	(340,526)	(340,526)	(308,965)	31,561
Other financing sources (uses):				
Transfers-in	<u>340,526</u>	<u>340,526</u>	<u>271,103</u>	<u>(69,423)</u>
Net change in fund balance	-	-	(37,862)	(37,862)
Prior year encumbrances, appropriated	37,862	37,862	37,862	-
Fund balance at beginning of year, restated	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>87,862</u></u>	\$ <u><u>87,862</u></u>	\$ <u><u>50,000</u></u>	\$ <u><u>(37,862)</u></u>

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - Community Development Fund

For the Year Ended December 31, 2007

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous income	\$ 3,300	\$ 3,300	\$ 2,426	\$ (874)
Expenditures:				
Current operations and maintenance:				
Community development	66,915	66,915	64,079	2,836
Capital outlay	96,795	128,357	32,500	95,857
Debt service:				
Principal	766,000	766,000	766,000	-
Interest	33,600	33,538	33,513	25
Total expenditures	963,310	994,810	896,092	98,718
Excess of revenues over (under) expenditures	(960,010)	(991,510)	(893,666)	97,844
Other financing sources (uses):				
Note proceeds	666,000	666,000	666,000	-
Transfers-in	294,010	325,510	225,000	(100,510)
Total other financing sources (uses):	960,010	991,510	891,000	(100,510)
Net change in fund balance	-	-	(2,666)	(2,666)
Prior year encumbrances, appropriated	2,644	2,644	2,644	-
Fund balance at beginning of year, restated	5,000	5,000	5,000	-
Fund balance at end of year	\$ 7,644	\$ 7,644	\$ 4,978	\$ (2,666)

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Statement of Fund Net Assets Proprietary Funds

December 31, 2007

	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Business-Type Activities</u>
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 472,788	\$ 333,221	\$ 806,009
Accounts receivable	175,890	191,227	367,117
Materials and supplies inventory	14,366	-	14,366
Intergovernmental receivable	116,845	8,285	125,130
Prepays	16,231	1,973	18,204
Special assessments receivable	217,970	13,279	231,249
Total current assets	<u>1,014,090</u>	<u>547,985</u>	<u>1,562,075</u>
Noncurrent assets:			
Non-depreciable capital assets	2,109,552	21,856	2,131,408
Depreciable capital assets, net	<u>3,026,986</u>	<u>6,527,443</u>	<u>9,554,429</u>
Total noncurrent assets	<u>5,136,538</u>	<u>6,549,299</u>	<u>11,685,837</u>
Total assets	<u>6,150,628</u>	<u>7,097,284</u>	<u>13,247,912</u>
Liabilities:			
Current liabilities:			
Accounts payable	174,337	61,038	235,375
Accrued wages and benefits	28,612	4,576	33,188
Intergovernmental payable	16,987	6,845	23,832
Interfund payable	55,000	-	55,000
Accrued interest payable	372	-	372
Other loan payable	3,691	-	3,691
OWDA loans payable	348,368	171,405	519,773
Accrued compensated absences	1,182	-	1,182
Total current liabilities	<u>628,549</u>	<u>243,864</u>	<u>872,413</u>
Long-term liabilities (net of current portion):			
Other loan payable	95,804	-	95,804
OWDA loans payable	3,908,980	6,133,443	10,042,423
Accrued compensated absences	10,527	-	10,527
Total long-term liabilities	<u>4,015,311</u>	<u>6,133,443</u>	<u>10,148,754</u>
Total liabilities	<u>4,643,860</u>	<u>6,377,307</u>	<u>11,021,167</u>
Net assets:			
Invested in capital assets, net of related debt	779,695	244,451	1,024,146
Unrestricted	<u>727,073</u>	<u>475,526</u>	<u>1,202,599</u>
Total net assets	<u>\$ 1,506,768</u>	<u>\$ 719,977</u>	<u>\$ 2,226,745</u>

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Fund

For the Year Ended December 31, 2007

	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Business-Type Activities</u>
Operating revenues:			
Charges for services	\$ 1,286,905	\$ 1,325,222	\$ 2,612,127
Sewer tap-in fees	56,275	4,075	60,350
Fines, licenses and permits	228,092	10,785	238,877
Miscellaneous income	12,836	11,427	24,263
Total operating revenues	<u>1,584,108</u>	<u>1,351,509</u>	<u>2,935,617</u>
Operating expenses:			
Personal services	428,609	173,259	601,868
Supplies and materials	75,479	8,409	83,888
Contractual services	242,630	636,679	879,309
Depreciation	164,005	142,828	306,833
Total operating expenses	<u>910,723</u>	<u>961,175</u>	<u>1,871,898</u>
Operating income	<u>673,385</u>	<u>390,334</u>	<u>1,063,719</u>
Non-operating revenues (expenses):			
Intergovernmental	493,500	85,000	578,500
Investment income	29,509	26,176	55,685
Interest and fiscal charges	(224,143)	(293,126)	(517,269)
Loss on disposal of capital assets	(1,328)	-	(1,328)
Total non-operating revenues (expenses)	<u>297,538</u>	<u>(181,950)</u>	<u>115,588</u>
Income before transfers	970,923	208,384	1,179,307
Transfers-in	22,543	22,603	45,146
Transfers-out	<u>(2,895)</u>	<u>-</u>	<u>(2,895)</u>
Change in net assets	990,571	230,987	1,221,558
Net assets at beginning of year	<u>516,197</u>	<u>488,990</u>	<u>1,005,187</u>
Net assets at end of year	<u>\$ 1,506,768</u>	<u>\$ 719,977</u>	<u>\$ 2,226,745</u>

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Statement of Cash Flows Proprietary Fund

For the Year Ended December 31, 2007

	Wastewater Fund	Water Fund	Total
Decrease in cash and cash equivalents:			
Cash flows from operating activities:			
Cash received from customers	\$ 1,241,651	\$ 1,323,224	\$ 2,564,875
Cash payments for personal services	(427,180)	(171,636)	(598,816)
Cash payments for contractual services	(129,406)	(614,326)	(743,732)
Cash payments for vendors for supplies and materials	(75,070)	(7,865)	(82,935)
Other operating revenues	7,708	3,142	10,850
Net cash provided by operating activities	<u>617,703</u>	<u>532,539</u>	<u>1,150,242</u>
Cash flows from non-capital financing activities:			
Transfers-in	22,543	22,603	45,146
Transfers-out	(2,895)	-	(2,895)
Subsidy from grant	493,500	-	493,500
Advances-in	<u>55,000</u>	<u>-</u>	<u>55,000</u>
Net cash provided by non-capital financing activities	<u>568,148</u>	<u>22,603</u>	<u>590,751</u>
Cash flows from capital and related financing activities:			
Proceeds from OWDA loan	1,285,743	-	1,285,743
Principal paid on OWDA loans	(259,304)	(163,848)	(423,152)
Interest paid on OWDA loans	(219,184)	(293,126)	(512,310)
Principal paid on other loan	(3,531)	-	(3,531)
Interest paid on other loan	(4,587)	-	(4,587)
Capital grant	-	85,000	85,000
Acquisition of capital assets	<u>(2,028,962)</u>	<u>(259,345)</u>	<u>(2,288,307)</u>
Net cash used for capital and related financing activities	<u>(1,229,825)</u>	<u>(631,319)</u>	<u>(1,861,144)</u>
Cash flows from investing activities			
Interest received	<u>29,509</u>	<u>26,176</u>	<u>55,685</u>
Net decrease in cash and cash equivalents	(14,465)	(50,001)	(64,466)
Cash and cash equivalents at beginning of year	<u>487,253</u>	<u>383,222</u>	<u>870,475</u>
Cash and cash equivalents at end of year	\$ <u>472,788</u>	\$ <u>333,221</u>	\$ <u>806,009</u>

(Continued)

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Statement of Cash Flows (continued) Proprietary Fund

For the Year Ended December 31, 2007

	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Business-Type Activities</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 673,385	\$ 390,334	\$ 1,063,719
Adjustments:			
Depreciation	164,005	142,828	306,833
Changes in assets/liabilities:			
Increase in accounts receivable	(22,970)	(25,972)	(48,942)
Increase in intergovernmental receivable	(103,624)	(8,285)	(111,909)
Increase in prepaids	(5,500)	(1,501)	(7,001)
Decrease in materials and supplies inventory	(758)	-	(758)
(Increase) decrease in special assessment receivable	(208,155)	4,612	(203,543)
Increase in accounts payable	124,513	30,773	155,286
Decrease in accrued compensated absences	(12,427)	-	(12,427)
Increase in intergovernmental payable	2,415	1,573	3,988
Increase (decrease) in accrued wages and benefits	<u>6,819</u>	<u>(1,823)</u>	<u>4,996</u>
Net cash provided by operating activities:	\$ <u>617,703</u>	\$ <u>532,539</u>	\$ <u>1,150,242</u>

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Statement of Fiduciary Net Assets
Fiduciary Funds

December 31, 2007

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ <u>61,401</u>
Liabilities:	
Accounts payable	\$ 4,820
Due to others	<u>56,581</u>
Total liabilities	\$ <u>61,401</u>

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Notes to Basic Financial Statements

For the Year Ended December 31, 2007

Note 1: The Reporting Entity

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.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Geneva, this includes police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation, wastewater, water distribution, and the community center.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes.

A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separated from the City.

The Community Improvement Corporation of Geneva ("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.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component unit is presented in Note 21.

The City is associated with two jointly governed organizations, the Ashtabula County General Health District and the Geneva Union Cemeteries District. These organizations are presented in Note 20 to the basic financial statements.

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

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 local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used.

Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Geneva and/or the general laws of Ohio.

Street Construction, Maintenance and Repair Fund - The street construction special revenue fund accounts for the portion of the state gasoline tax and motor vehicle registration fees for maintenance of streets within the City.

Community Development Fund - This fund accounts for monies received from the sale of City owned properties. Money is also transferred in from the income tax fund to cover community development projects.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

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

Wastewater Fund - This fund accounts for the wastewater service provided to residential and commercial users within the City.

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

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has four agency funds: JEDD I District Board Fund, JEDD II District Board Fund, JEDD II Harpersfield Township Fund and the Fire Fund. The JEDD I and II District Board Funds and the JEDD II Harpersfield Township Fund account for income tax collected by the City for these Joint Economic Development Districts. The Fire Fund accounts for the money insurance companies must deposit with the City for repair, removal or securing of buildings in the event of a fire. Once the project is complete, the funds are returned.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets, except for fiduciary funds. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements

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

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

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions

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

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. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned.

Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and entitlements, and rentals.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Expenses/Expenditures

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

All proprietary funds are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary funds' unbilled services are recognized as revenue in the period when the service is provided. Under GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Activities, all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB pronouncements). The City has chosen not to apply future FASB standards.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of budgetary control has been established by City Council at the personal services and other expenditure object levels within each department for all funds. Budgetary modifications may only be made by ordinance of the City Council at the legal level of control.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts on the budgetary statements reflect the first appropriations for that fund that covered the entire year including amounts automatically carried forward from prior years. The amounts reported as the final budget amounts represent the final appropriation amounts passed by Council during the year.

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, except the investment trust fund, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the 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 31, the City's investments are stated at fair value, except for interest-earning investment contracts, money market investments, and external investment pools (see Note 5).

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of December 31, 2007:

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.

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 earnings account on the Statement of Activities.

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

During the year, the City invested in STAROhio, an investment pool managed by the State Treasurer's Office. STAROhio which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2007.

For purposes 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 Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 2: Summary of Significant Accounting Policies (continued)

G. Inventory

Inventories are stated at cost, on the first-in, first-out basis. At December 31, 2007, the Street Construction, Maintenance and Repair Fund and the Wastewater Fund maintained the only significant inventory. The costs of governmental fund type inventories are recorded as expenditures in the fund when purchased. The reserve for inventory indicates that a portion of the fund balance is not available for future expenditures. For proprietary funds, inventory is expended when consumed.

H. Capitalization of Interest

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000. The City's infrastructure consists of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Improvements that add to the value of the asset or materially extend the life of an asset are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred in capital leases or during the construction of capital assets is also capitalized.

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 2: Summary of Significant Accounting Policies (continued)

J. Capital Assets (continued)

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings/land improvements	50 years
Equipment	6-20 years
Vehicles	6-20 years
Infrastructure	50 years

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Compensated Absences

The liability for compensated absences is based on the provisions of Government 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.

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

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 2: Summary of Significant Accounting Policies (continued)

M. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances, advances, loans and inventories.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$509,426 of restricted net assets, none of which is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for streets, police and ambulance.

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

O. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivable/payable". Interfund balance amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sewer and water. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

Q. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 2: Summary of Significant Accounting Policies (continued)

R. *Extraordinary and Special Items*

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2007.

S. *Estimates*

The preparation of the 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.

Note 3: Change in Accounting Principles and Restatement of Fund Balances

A. *Change in Accounting Principles*

For fiscal year 2007, the City implemented GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans* and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. GASB Statement No. 43 applies for other postemployment benefit (OPEB) trust funds included in the financial reports of plan sponsors or employers and provides requirements for reporting OPEB funds by administrators of multiple-employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings. The statement also includes disclosure requirements for future revenues that are pledged and sold.

Implementation of GASB Statements No. 43 and 48 did not affect the presentation of the financial statements of the City.

B. *Restatement of Fund Balances*

At December 31, 2006, the following Statements of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual were restated: Street Construction, Maintenance and Repair Fund and Community Development Fund. In the prior year, certain encumbrances were improperly excluded from the budgetary comparison calculations. The fund balances were restated to properly include \$39,454 and \$1,541, respectively of encumbrances.

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 4: Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are identified as follows:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures/Expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental Funds, and note disclosure for Proprietary Funds (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund, Street Construction, Maintenance and Repair Fund and Community Development Fund.

	<u>Net Change in Fund Balance</u>		
	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>Community Development</u>
GAAP basis	\$ 242,304	\$ 26,425	\$ 85,438
Increase (decrease) due to:			
Revenue accruals	147,573	(11,682)	665,999
Expenditure accruals	(66,605)	(18,496)	(752,478)
Outstanding encumbrances	<u>(34,978)</u>	<u>(34,109)</u>	<u>(1,625)</u>
Budget basis	\$ <u>288,294</u>	\$ <u>(37,862)</u>	\$ <u>(2,666)</u>

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 5: Deposits and Investments

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are monies identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim 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;
4. Investment grade obligations of state and local governments, and public authorities;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 5: Deposits and Investments (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by eligible securities pledged to and deposited either within the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred and five percent of the deposits being secured.

At year-end, the carrying amount of the City's deposits was \$2,754,583 and the bank balance was \$2,928,905. Of the bank balance \$400,000 was covered by Federal depository insurance and \$2,528,905 was uninsured and collateralized with securities held by the pledging institution's trust department, not in the City's name.

Investments

Investments are reported at fair value. As of December 31, 2007, the city had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
STAROhio	\$ <u>329,519</u>	<u>N/A</u>

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk requiring that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The City investment policy also limits security purchases to those that mature within five years unless specifically matched to a specific cash flow. To date, no investments have been purchased with a life greater than one year.

Custodial Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the City must meet a set of prescribed standards and be periodically reviewed.

Credit Risk is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that portfolio be diversified both by types of investment and issuer. All investments of the city are registered and carry a rating AAA by Standard & Poor's.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as five percent as five percent or more in the securities of a single issuer. The City's investment policy places no limit on the amount the City may invest in one issuer.

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 6: Receivables

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 that preceding year, the lien date. Assessed values are established by the state statute 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 semiannually. If paid annually, the payment is due February 28; if paid semi-annually, the first payment is due February 28 with the remainder payable by June 20 unless extended.

Taxes collected on 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. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 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, 2007, was \$8.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Category:	
Real estate	\$ 88,801,680
Public utility	2,526,980
Tangible personal	<u>5,882,300</u>
Total	\$ <u>97,210,960</u>

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 6: Receivables (continued)

B. Income Taxes

The City levies municipal income tax of 1½ 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 collections are received by the general fund.

C. Intergovernmental Receivables

Receivables at December 31, 2007, 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:

Governmental activities:

Homestead and rollback	\$ 23,100
Local government	172,928
Public utility and CAT tax reimbursements	9,645
Estate tax	13,406
Court fines	4,607
Auto registration and gasoline tax	145,392
Permissive tax	6,005
CHIP home grant	5,620
Miscellaneous reimbursements	<u>2,663</u>
Total governmental activities	<u>383,366</u>

Business-type activities:

State reimbursement	29,000
Miscellaneous reimbursement	8,285
Harpesfield Township reimbursement	<u>87,845</u>
Total business-type activities	<u>125,130</u>
Total	\$ <u><u>508,496</u></u>

D. Loan Receivables

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, 2007, there were two loans outstanding, totaling \$121,235.

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 7: Capital Assets

Capital asset activity for government the year ended December 31, 2007, was as follows:

	<u>Balances</u> <u>12/31/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/07</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated				
Land/land improvements	\$ 1,413,749	\$ 35,892	\$ -	\$ 1,449,641
Construction in progress	<u>152,512</u>	<u>310,448</u>	<u>(53,073)</u>	<u>409,887</u>
Total non-depreciable assets	<u>1,566,261</u>	<u>346,340</u>	<u>(53,073)</u>	<u>1,859,528</u>
Capital assets being depreciated				
Building/land improvements	3,518,901	24,805	-	3,543,706
Equipment	1,400,679	66,400	(82,713)	1,384,366
Vehicles	1,619,021	194,677	(29,624)	1,784,074
Infrastructure	<u>12,495,944</u>	<u>71,931</u>	<u>-</u>	<u>12,567,875</u>
Total capital assets being depreciated	<u>19,034,545</u>	<u>357,813</u>	<u>(112,337)</u>	<u>19,280,021</u>
Less: accumulated depreciation				
Building/land improvements	(1,521,470)	(72,773)	-	(1,594,243)
Equipment	(929,256)	(137,182)	81,513	(984,925)
Vehicles	(1,054,710)	(71,258)	29,624	(1,096,344)
Infrastructure	<u>(8,109,010)</u>	<u>(453,586)</u>	<u>-</u>	<u>(8,562,596)</u>
Total accumulated depreciation	<u>(11,614,446)</u>	<u>(734,799)</u>	<u>111,137</u>	<u>(12,238,108)</u>
Net capital assets being depreciated	<u>7,420,099</u>	<u>(376,986)</u>	<u>(1,200)</u>	<u>7,041,913</u>
Governmental activities capital assets, net	\$ <u>8,986,360</u>	\$ <u>(30,646)</u>	\$ <u>(54,273)</u>	\$ <u>8,901,441</u>

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 7: Capital Assets (continued)

	<u>Balances</u> <u>12/31/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/07</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Construction progress	\$ <u>247,564</u>	\$ <u>1,966,994</u>	\$ <u>(83,150)</u>	\$ <u>2,131,408</u>
Capital assets being depreciated:				
Buildings/land improvements	3,735,823	19,995	-	3,755,818
Equipment	588,479	43,498	(7,287)	624,690
Vehicles	110,200	3,096	-	113,296
Infrastructure	<u>8,855,897</u>	<u>337,874</u>	<u>-</u>	<u>9,193,771</u>
Total capital assets being depreciated	<u>13,290,399</u>	<u>404,463</u>	<u>(7,287)</u>	<u>13,687,575</u>
Less: accumulated depreciation				
Buildings/land improvements	(2,034,988)	(79,779)	-	(2,114,767)
Equipment	(427,813)	(38,426)	5,959	(460,280)
Vehicles	(109,256)	(804)	-	(110,060)
Infrastructure	<u>(1,260,215)</u>	<u>(187,824)</u>	<u>-</u>	<u>(1,448,039)</u>
Total accumulated depreciation	<u>(3,832,272)</u>	<u>(306,833)</u>	<u>5,959</u>	<u>(4,133,146)</u>
Net capital assets being depreciated	<u>9,458,127</u>	<u>97,630</u>	<u>(1,328)</u>	<u>9,554,429</u>
Total business-type activities capital assets, net	\$ <u>9,705,691</u>	\$ <u>2,064,624</u>	\$ <u>(84,478)</u>	\$ <u>11,685,837</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 69,295
Security of persons and property	148,199
Public health and welfare	266
Leisure time activities	6,902
Transportation	<u>510,137</u>
Total	\$ <u>734,799</u>

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 8: Note Debt

Note debt activity for the year ended December 31, 2007 consisted of the following:

	<u>Balance</u> <u>12/31/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/07</u>
4.375% 2006 Various purpose improvement note, maturing 8/17/2007	\$ 766,000	\$ -	\$ (766,000)	\$ -
3.87% 2007 Various purpose improvement note, maturing 8/16/08	<u>-</u>	<u>666,000</u>	<u>-</u>	<u>666,000</u>
Total notes	<u>\$ 766,000</u>	<u>\$ 666,000</u>	<u>\$ (766,000)</u>	<u>\$ 666,000</u>

By Ohio law, notes can be issued in anticipation of bond proceeds and levies. All notes are backed by the full faith and credit of the City. The notes are generally issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

Note 9: Long-Term Obligations

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2007 was as follows:

	<u>Balance</u> <u>12/31/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/07</u>	<u>Due in One</u> <u>Year</u>
<i>Governmental activities:</i>					
General obligation bonds:					
4.99% 1995 Various purpose street lighting improvements, maturing 2015	\$ 125,000	\$ -	\$ (10,000)	\$ 115,000	\$ 10,000
4.51% 2005 Road improvements, maturing 2015	784,912	-	(77,721)	707,191	81,266
2-4% 2003 USDA rural development - fire truck, maturing 2015	<u>487,000</u>	<u>-</u>	<u>(40,000)</u>	<u>447,000</u>	<u>43,000</u>
Total general obligation bonds	<u>1,396,912</u>	<u>-</u>	<u>(127,721)</u>	<u>1,269,191</u>	<u>134,266</u>
Special assessment bonds:					
4.99% 1995 Various purpose - subdivisions, maturing 2015	<u>740,000</u>	<u>-</u>	<u>(65,000)</u>	<u>675,000</u>	<u>70,000</u>
Other loans:					
0% Ohio Public Works Commission 2003 S. Broadway widening, maturing 2013	152,784	-	(23,505)	129,279	23,506
2006 Roosevelt Drive, maturing 2016	47,500	-	(5,000)	42,500	5,000
0% 2006 Civic Development Corporation loan, maturing 2009	5,153	-	(2,290)	2,863	2,290
3% 2007 ODOT loan payable	<u>-</u>	<u>201,535</u>	<u>-</u>	<u>201,535</u>	<u>-</u>
Total other loans	<u>205,437</u>	<u>201,535</u>	<u>(30,795)</u>	<u>376,177</u>	<u>30,796</u>
Other long-term obligations:					
Capital leases payable	194,311	154,751	(113,010)	236,052	115,006
Accrued compensated absences	<u>127,192</u>	<u>28,551</u>	<u>(47,577)</u>	<u>108,166</u>	<u>45,600</u>
Total other long-term obligations	<u>321,503</u>	<u>183,302</u>	<u>(160,587)</u>	<u>344,218</u>	<u>160,606</u>
Total governmental long-term liabilities \$	<u>2,663,852</u>	<u>\$ 384,837</u>	<u>\$ (384,103)</u>	<u>\$ 2,664,586</u>	<u>\$ 395,668</u>

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 9: Long-Term Obligations (continued)

	<u>Balance</u> <u>12/31/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/07</u>	<u>Due in One</u> <u>Year</u>
<i>Business-type activities:</i>					
Ohio Water Development Authority loans:					
4.56% OWDA, series 2004, maturing 2030	\$ 6,468,696	\$ -	\$ (163,848)	\$ 6,304,848	\$ 171,405
7% OWDA Phase I – nitrification tower, maturing 2013	428,834	-	(52,267)	376,567	56,695
7% OWDA Phase II – tertiary filters, maturing 2015	425,614	-	(40,173)	385,441	43,343
7% OWDA Phase III – Southerly sewer, maturing 2018	1,768,765	-	(102,386)	1,666,379	110,066
2.2% OWDA Phase IV – interceptor Old Orchard, maturing 2015	202,171	-	(21,880)	180,291	22,364
2.2% OWDA Phase V – Centennial, maturing 2015	209,623	-	(22,687)	186,936	23,188
2.2% OWDA Phase VI – filter press, maturing 2016	195,902	-	(19,911)	175,991	20,352
3% OWDA, series 2007, maturing 2022	<u>-</u>	<u>1,285,743</u>	<u>-</u>	<u>1,285,743</u>	<u>72,360</u>
Total Ohio Water Development Authority loans	<u>9,699,605</u>	<u>1,285,743</u>	<u>(423,152)</u>	<u>10,562,196</u>	<u>519,773</u>
Other long-term obligations:					
2006 Geneva-on-the-Lake sanitary sewer outfall, maturing 2026	103,026	-	(3,531)	99,495	3,691
Accrued compensated absences	<u>24,136</u>	<u>2,250</u>	<u>(14,677)</u>	<u>11,709</u>	<u>1,182</u>
Total other long-term obligations	<u>127,162</u>	<u>2,250</u>	<u>(18,208)</u>	<u>111,204</u>	<u>4,873</u>
Total business-type long-term obligations	<u>\$ 9,826,767</u>	<u>\$ 1,287,993</u>	<u>\$ (441,360)</u>	<u>\$ 10,673,400</u>	<u>\$ 524,646</u>

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2007 were as follows:

Year	<u>Governmental Activities</u>					
	<u>General Obligation Bonds</u>		<u>OPWC Loans</u>	<u>Special Assessments</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>	
2008	\$ 134,266	\$ 56,488	\$ 28,506	\$ 70,000	\$ 37,800	
2009	145,973	50,343	28,505	70,000	33,880	
2010	152,849	43,673	28,505	75,000	29,960	
2011	160,902	36,698	28,505	80,000	25,760	
2012	169,140	29,399	28,505	85,000	21,280	
2013-2016	<u>506,061</u>	<u>40,412</u>	<u>29,253</u>	<u>295,000</u>	<u>33,880</u>	
	<u>\$ 1,269,191</u>	<u>\$ 257,013</u>	<u>\$ 171,779</u>	<u>\$ 675,000</u>	<u>\$ 182,560</u>	

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 9: Long-Term Obligations (continued)

Year	Governmental Activities		
	Other Loans	Total	
	Principal	Principal	Interest
2008	\$ 2,290	\$ 235,062	\$ 94,288
2009	573	245,051	84,223
2010	-	256,354	73,633
2011	-	269,407	62,458
2012	-	282,645	50,679
2013-2016	-	830,314	74,292
	<u>\$ 2,863</u>	<u>\$ 2,118,833</u>	<u>\$ 439,573</u>

Year	Business-Type Activities					
	OWDA Loans		Other Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 519,773	\$ 505,390	\$ 3,691	\$ 8,117	\$ 523,464	513,507
2009	547,798	479,133	3,859	8,117	551,657	487,250
2010	577,583	451,259	4,034	8,117	581,617	459,376
2011	609,249	421,659	4,217	8,117	613,466	429,776
2012	642,926	393,214	4,408	8,117	647,334	401,331
2013-2017	2,912,662	1,478,498	25,233	40,587	2,937,895	1,519,085
2018-2022	2,039,824	859,738	31,505	40,587	2,071,329	900,325
2023-2027	1,848,245	436,624	22,548	24,352	1,870,793	460,976
2028-2029	864,136	49,811	-	-	864,136	49,811
	<u>\$ 10,562,196</u>	<u>\$ 5,075,326</u>	<u>\$ 99,495</u>	<u>\$ 146,111</u>	<u>\$ 10,661,691</u>	<u>\$ 5,221,437</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 benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City.

Compensated absences will be paid from the fund from which the employees' salaries are paid.

All OWDA loans are obligations of the Wastewater and Water funds, and will be paid from the operating revenue of those funds.

The City has two loans with the Ohio Public Works Commission (OPWC). One was issued in 2003 to finance the repair and widening of South Broadway. The other was issued in 2006 to finance the repair of Roosevelt Drive. The 2003 loan and 2006 loan are obligations of the Street Construction, Maintenance and Repair fund and are paid from transfers from the General fund.

See Note 10 for detail on capital leases.

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 9: Long-Term Obligations (continued)

During the year, the City obtained partial proceeds from an Ohio Department of Transportation loan to be repaid in monthly principal and interest payments beginning in 2009. The City has not yet collected the total proceeds to be received on this loan and as a result, the debt maturity schedule above does not reflect any amounts for principal or interest. When the loan is finalized, the principal and interest will be included above.

Note 10: Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of various vehicles for the police and street departments. This lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of its future minimum lease payments as of inception date.

	<u>Governmental Activities</u>
Assets:	
Vehicles	\$ 330,200
Equipment	4,751
Less: accumulated depreciation	<u>(24,965)</u>
Total	<u>\$ 309,986</u>

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments.

<u>Year</u>	<u>Governmental Activities</u>	<u>Operating Lease payments</u>
2008	\$ 126,009	\$ 7,415
2009	90,204	5,246
2010	36,950	2,006
2011	1,404	-
2012	<u>351</u>	<u>-</u>
Total minimum lease payments	254,918	14,667
Less: Amount representing interest	<u>(18,866)</u>	<u>-</u>
Present value of minimum lease payments	<u>\$ 236,052</u>	<u>14,667</u>

Lease payments are made from the General Fund and Vehicle and Major Equipment Fund. The lease payment amounts will be paid with current, available resources that have accumulated in the fund for payment early in the following year.

Rental expense related to operating leases for equipment totaled \$7,415 for the year ended December 31, 2007.

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 11: Pension Plans

A. *Ohio Public Employees Retirement System*

The City of Geneva 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 five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional 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 St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.50 percent of their annual covered salary to fund pension obligations. The City contributed 13.85 percent of covered payroll, of which 5 to 6 percent was used to fund health care coverage for retirees. The contribution rate is determined actuarially. The Ohio Revised Code provides statutory authority for member and employer contributions. The City of Geneva's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$115,135, \$105,715, and \$118,963, respectively, equal to the required contributions for each year. The full amount has been contributed for 2006 and 2005. 63 percent has been contributed for 2007 with the remainder being reported as a liability.

B. *Ohio Police and Fire Pension Fund*

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers. The City of Geneva's contributions to OP&F for police and firefighters were \$77,365 and \$37,714, respectively, for the year ended December 31, 2007, \$62,396 and \$44,644, respectively, for the year ended December 31, 2006, \$67,939 and \$37,367, for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 71 percent for both police and firefighters have been contributed for 2007 with the remainder being reported as a liability.

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 12: Postemployment Benefits

A. *Ohio Public Employees Retirement System*

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in

GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority requiring employers to fund post-retirement health care through their contributions to OPERS. The 2007 employer contribution rate was 13.85 percent of covered payroll; 5 percent from January 1 through June 30, 2007 and 6 percent from July 1 through December 31, 2007 were the portions that was used to fund health care.

Benefits are advance-funded using the individual entry age normal actuarial cost method. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent. An annual increase of 4.0 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increase, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.30 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50 percent to 5.00 percent for the next eight years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate). All investments are carried at market value. 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, not to exceed a 12.00 percent corridor.

At December 31, 2007, the number of active contributing participants in the Traditional and Combined Plans totaled 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. The City's actual contributions for 2007, which were used to fund postemployment benefits, were \$75,986. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarially accrued liability were \$30.7 billion and \$18.7 billion, respectively.

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 12: Postemployment Benefits (continued)

A. Ohio Public Employees Retirement System (continued)

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective date January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which will allow additional funds to be allocated to the health care plan.

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 received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 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 that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll. The Ohio Revised Code provides the statutory authority allowing the Ohio Police and Fire Pension Fund's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75 percent and 6.75 of covered payroll was applied to the Postemployment health care program during 2006 and 2007, respectively. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2006, the date of the last actuarial valuation available, was 14,120 for police and 10,563 for firefighters. The City's actual contributions for 2007 that were used to fund post-employment benefits were \$40,930 for police and \$14,739 for firefighters. OP&F's total health care expenses for the year ending December 31, 2006, the date of the last actuarial valuation available, was \$120,373,722, which was net of member contributions of \$58,532,848.

Note 13: Risk Management

The City is exposed to various risk of loss related to torts, theft, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage with private insurance carriers for real property, building contents, vehicle and general liability insurance, and police professional liability insurance.

The City continues to carry health insurance through a private carrier. There were no reductions in insurance coverage from the previous year, nor have settlements exceeded insurance coverage in any of the prior three fiscal years.

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 14: 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 used.

Note 15: Contractual Commitments

The City has the following outstanding contractual commitments for various construction projects at December 31, 2007:

<u>Contractor</u>	<u>Contract</u>	<u>Amount Expended</u>	<u>Amount Remaining</u>
OWDA - sewer construction	\$ 1,500,000	\$ 1,285,743	\$ 214,257
OPWC - Centennial Issue II project	86,900	-	86,900
ODOT - Austin Road overpass	425,000	201,535	223,465

Note 16: Contingencies/Pending Litigation

A. Grants

The City has received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2007.

B. Litigation

Several claims and lawsuits are pending against the City. The amount of liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material effect on the overall financial position of the City at December 31, 2007.

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 17: Interfund Transactions

Interfund receivables and payables for the year ended December 31, 2007 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	\$ 36,270
General Fund	Wastewater Fund	<u>55,000</u>
		<u>\$ 91,270</u>

Long-term interfund loans are classified as "advances to/from other funds" and consist of the following at December 31, 2007:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-Major Governmental Fund	Street Construction, Maintenance and Repair	<u>\$ 45,750</u>

Interfund transfers for the year ended December 31, 2007, consisted of the following:

	<u>Transfer from</u>			<u>Total</u>
	<u>General Fund</u>	<u>Other Governmental Fund</u>	<u>Wastewater Funds</u>	
Transfer to:				
SCMR	\$ 271,103	\$ -	\$ -	\$ 271,103
Community Development	225,000	-	-	225,000
Other Governmental	308,228	16,965	2,895	328,088
Wastewater	22,543	-	-	22,543
Water	<u>22,603</u>	<u>-</u>	<u>-</u>	<u>22,603</u>
	<u>\$ 849,477</u>	<u>\$ 16,965</u>	<u>\$ 2,895</u>	<u>\$ 869,337</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The City had no transfers that either do not occur on a regular basis or were inconsistent with the purpose of the fund making the transfer.

Note 18: Related Party Transaction

In prior years, the City transferred two land parcels to the Community Improvement Corporation of Geneva (Note 1). The amount outstanding at December 31, 2007 is \$44,558. 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 of the remaining balance.

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 19: Accountability

There is a deficit in the Community Development Fund of \$625,023 caused by the application of generally accepted accounting principles to this fund. The General Fund is liable for any deficit in this fund and provides operating transfers when cash is required, not when accruals occur.

Note 20: Jointly Governed Organizations

A. *Ashtabula County General Health District*

The Ashtabula County General Health District, a jointly governed organization, provides health services to the citizens with 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 \$49,267 during 2007 for the operation of the District.

B. *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. In 2007, .64 mills of the tax valuation was paid to the Cemetery.

Note 21: Component Unit

A. *Summary of Significant Accounting Policies*

Nature of Organization - The Community Improvement Corporation of Geneva ("CIC") was incorporated in July 1997 by the City of Geneva ("the City") under Sections 1724.01 et. seq. of the Ohio Revised Code. The CIC is a separate body politic having power to act as an individual entity to carry out powers given to it under State statute. The CIC is a legally separate, non-profit organization, served by a fifteen-member board composed of City officials and community representatives.

The CIC has qualified for a tax exemption under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for federal income tax has been recorded in the accompanying financial statements.

Financial Statement Presentation - The CIC has prepared financial statements in conformity with general accepted accounting principles (GAAP) as applied to not-for-profit organizations. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing accounting and financial reporting principles for not-for-profit organizations.

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 21: Component Unit (continued)

A. Summary of Significant Accounting Policies (continued)

Classification of Net Assets - Under Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, the CIC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions. The CIC does not have any temporarily restricted or permanently restricted net assets.

Accounts and Intergovernmental Receivables - Accounts receivables are derived from loans granted to local businesses. At December 31, 2007, accounts receivable were reported at \$5,946.

Capital assets - It is the CIC's policy to capitalize expenditures in excess of \$5,000 with an estimated life of more than one year. Capital asset accounts are stated at cost or donated value and are being depreciated using the straight-line method over their estimated useful lives of ten years. When sold, retired, or otherwise disposed of, the related cost and accumulated depreciation are removed from the applicable accounts and any gain or loss resulting there from is included in the statement of activities. Routine maintenance, repairs and renewals are charged to operating cost and expenses as incurred. Additions and expenditures which materially increase values or extend useful lives are capitalized.

A summary of the component unit's capital assets at December 31, 2007, follows:

Capital assets being depreciated:

Land	\$	206,200
Equipment		27,330
Less: accumulated depreciation		(6,939)
Net	\$	<u>226,591</u>

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. Cash Equivalents and Cash on Hand

At year end the carrying amount of the CIC's deposits were \$103,224 and the bank balance was \$103,224, all of which was covered by the Federal Deposit Insurance Coverage (FDIC).

City of Geneva, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2007

Note 21: Component Unit (continued)

C. Restatement of Net Assets

The December 31, 2006 unrestricted net assets have been restated to properly reflect land values as follows:

Net assets at December 31, 2006	\$ 445,237
Restatement of capital assets	<u>(174,701)</u>
Net assets at December 31, 2006, restated	\$ <u><u>270,536</u></u>

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

Honorable Mayor and
Members of City Council
City of Geneva, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Geneva, Ohio (the “City”) as of and for the year ended December 31, 2007, which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 30, 2008, wherein we noted the City adopted *Governmental Accounting Standards Board Statement Nos. 43 and 48*. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City’s financial statements that is more than inconsequential will not be prevented or detected by the City’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Honorable Mayor and
Members of City Council
City of Geneva, Ohio

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City, in a separate letter dated June 30, 2008.

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

Cini & Panichi, Inc.

Cleveland, Ohio
June 30, 2008



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 2, 2008**