

# **City of Geneva, Ohio**

**Basic Financial Statements  
For the Year Ended December 31, 2017**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Geneva, Ashtabula County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 11, 2018

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# City of Geneva, Ohio

For the Year Ended December 31, 2017

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# City of Geneva, Ohio

For the Year Ended December 31, 2017

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## **Independent Auditor's Report**

Members of City Council  
City of Geneva, Ohio

### **Report on the Financial Statements**

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 the City of Geneva, Ohio (the "City"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Community Improvement Corporation of Geneva (CIC) which represents all of the balances and activity reported in the aggregate discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the CIC, is based solely on the report of the other auditors. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Members of City Council  
City of Geneva, Ohio

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of the other auditors, 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, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Street Construction, Maintenance and Repair Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 and the schedules of the City's proportionate share of the net pension liability (asset), schedules of the City's contributions, and note to the required supplementary information on pages 79 through 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018 on our consideration of the City'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 solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Ciuni + Panichi, Inc.*

Cleveland, Ohio  
June 29, 2018



# City of Geneva, Ohio

## Management's Discussion and Analysis (Unaudited)

### For the Year Ended December 31, 2017

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The management's 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, 2017. 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 2017 are as follows:

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$21,672,156.
- Total assets increased by \$1,317,151 from 2016. The most significant increases were equity in pooled cash and cash equivalents of \$921,113 and capital assets, net of \$443,630.
- Total deferred outflows of resources increased by \$359,887 from 2016. The increase was related to the City's allocation of the proportionate share of the pension amounts.
- Total liabilities increased by \$3,012,882 from 2016. The main factors contributing to this increase was an increase in net pension liability of \$1,022,491, an increase in other long-term liabilities of \$936,012 and an increase in accounts payable of \$715,362.
- Total deferred inflows of resources increased by \$1,478 from 2016, which was related to the City's allocation of the proportionate share from the pension systems.
- In total, the net position in governmental activities decreased by \$3,184,577 and net position in business-type activities increased \$1,847,255 from 2016.

#### Using this Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The City'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

# City of Geneva, Ohio

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

### For the Year Ended December 31, 2017

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#### *Government-Wide Financial Statements – Reporting the City of Geneva as a Whole*

##### *Statement of Net Position and the Statement of Activities*

The Statement of Net Position presents information on all the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, an increase or decrease in net position may serve as a useful indicator of whether the financial position of the City 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 municipal income tax laws, and the condition of the capital assets should also be considered. Both the Statement of Net Position 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.

In the Statement of Net Position 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. Municipal 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 wastewater 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, 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 three categories: governmental, proprietary, and fiduciary 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 governmental 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 Position and the Statement of Activities) and governmental funds.

# City of Geneva, Ohio

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

### For the Year Ended December 31, 2017

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The basic governmental fund financial statements can be found starting on page 18 of this report.

#### *Proprietary Funds*

The City of Geneva maintains 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. The City does not maintain internal service funds.

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 25 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 on page 29 of this report.

#### *Notes to the Basic 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 basic financial statements can be found starting on page 30 of this report.

### **Government-Wide Financial Analysis – City of Geneva as a Whole**

As noted earlier, the Statement of Net Position 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 Position and the Statement of Activities are divided into the following categories:

- Assets
- Deferred outflows of resources
- Liabilities
- Deferred inflows of resources
- Net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources)
- Program expenses and revenues
- General revenues
- Transfers
- Net position beginning and end of year

# City of Geneva, Ohio

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

### For the Year Ended December 31, 2017

Table 1 provides a summary of the City's net position for 2017 as compared to 2016.

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets:</b>						
Current and other assets	\$ 4,403,280	\$ 3,789,136	\$ 2,563,029	\$ 2,306,363	\$ 6,966,309	\$ 6,095,499
Capital assets, net	15,437,367	17,166,519	15,948,016	13,775,234	31,385,383	30,941,753
Net pension asset	5,924	4,047	3,094	2,260	9,018	6,307
<i>Total assets</i>	<u>19,846,571</u>	<u>20,959,702</u>	<u>18,514,139</u>	<u>16,083,857</u>	<u>38,360,710</u>	<u>37,043,559</u>
<b>Deferred outflows of resources:</b>						
Pension	1,404,088	1,214,781	477,681	307,101	1,881,769	1,521,882
<b>Liabilities:</b>						
Current liabilities	976,675	272,620	513,866	163,542	1,490,541	436,162
<b>Long-term liabilities:</b>						
Due within one year	534,062	447,456	724,673	711,516	1,258,735	1,158,972
Due in more than one year	2,779,811	2,010,840	6,570,865	6,503,587	9,350,676	8,514,427
Net pension liability	4,832,880	4,142,908	1,097,016	764,497	5,929,896	4,907,405
<i>Total liabilities</i>	<u>9,123,428</u>	<u>6,873,824</u>	<u>8,906,420</u>	<u>8,143,142</u>	<u>18,029,848</u>	<u>15,016,966</u>
<b>Deferred inflows of resources:</b>						
Property taxes	397,361	368,759	-	-	397,361	368,759
Pension	27,373	44,826	11,122	20,674	38,495	65,500
Payments in lieu of taxes	-	-	104,619	104,738	104,619	104,738
<i>Total deferred inflows of resources</i>	<u>424,734</u>	<u>413,585</u>	<u>115,741</u>	<u>125,412</u>	<u>540,475</u>	<u>538,997</u>
<b>Net position:</b>						
Net investment in capital assets	13,415,357	14,914,654	8,750,392	6,649,766	22,165,749	21,564,420
<b>Restricted for:</b>						
Capital projects	20,188	14,255	-	-	20,188	14,255
Other purposes	987,524	896,351	-	-	987,524	896,351
Unrestricted	(2,720,572)	(938,186)	1,219,267	1,472,638	(1,501,305)	534,452
<i>Total net position</i>	<u>\$ 11,702,497</u>	<u>\$ 14,887,074</u>	<u>\$ 9,969,659</u>	<u>\$ 8,122,404</u>	<u>\$ 21,672,156</u>	<u>\$ 23,009,478</u>

The net pension liability (NPL) is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the NPL to the reported net position and subtracting deferred outflows related to pension and the net pension asset.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

# City of Geneva, Ohio

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

### For the Year Ended December 31, 2017

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The NPL under GASB 68 equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e., sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the Statement of Net Position.

In accordance with GASB 68, the City's statements prepared on the accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred outflows/inflows.

As a result of GASB 68, the City is reporting a net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

The largest portion of the City's net position reflects the investments in capital assets less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, they are not available for future spending. Net investment in capital assets as of December 31, 2017, was \$22,165,749. Although the City's investment is reported net of related debt, it should be noted that resources to repay the debt must be provided from other sources since capital assets may not be used to liquidate these liabilities.

## City of Geneva, Ohio

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

#### For the Year Ended December 31, 2017

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An additional portion of the City's net position, \$1,007,712 represents resources that have been restricted on how they may be used.

The total net position of the City decreased \$1,337,322 from 2016. The following factors were primarily responsible for this decrease:

- An increase in current liabilities of \$1,054,379 as a primary result of increased accounts payable and intergovernmental payable expenditures related to the construction of sanitary sewers on State Route 534 and the Harpersfield Booster Station Improvement Project.
- An increase in other long-term liabilities of \$936,012 as a result of additional OWDA and OPWC loans received in the current year.
- An increase in net pension liability of \$1,022,491 related to the City's allocation of the proportionate share of the pension amounts.

These increases in liabilities were offset by an overall increase in cash of \$921,113 and increase in business-type activity construction in progress of \$1,891,496.

The net position of the City's governmental activities decreased primarily for the reasons mentioned above.

The net position of the City's business-type activities increased due to an increase of capital assets in relation to increased capital project activity that occurred within the proprietary funds in the past year. The City generally can only use the business-type net position to finance the continuing operations of the wastewater and water systems operations.

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. Separately issued financial statements can be obtained from the City of Geneva. As a discretely presented component unit, the CIC is reported in a separate column in the government-wide financial statements to emphasize it is legally separated from the City.

# City of Geneva, Ohio

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

### For the Year Ended December 31, 2017

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

Table 2  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Program revenues:</b>						
Charges for services	\$ 746,598	\$ 604,244	\$ 2,785,227	\$ 2,941,870	\$ 3,531,825	\$ 3,546,114
Operating grants and contributions	837,465	475,207	4,122	-	841,587	475,207
Capital grants and contributions	465,196	326,230	240,736	336,696	705,932	662,926
Total program revenues	<u>2,049,259</u>	<u>1,405,681</u>	<u>3,030,085</u>	<u>3,278,566</u>	<u>5,079,344</u>	<u>4,684,247</u>
<b>General revenues:</b>						
Property and other local taxes	475,237	470,521	-	-	475,237	470,521
Municipal income taxes	2,792,343	3,366,270	-	-	2,792,343	3,366,270
Cable franchise tax	66,897	50,996	-	-	66,897	50,996
Grants and entitlements not restricted to specific programs	215,055	244,505	-	-	215,055	244,505
Investment income	9,711	4,765	10,013	6,182	19,724	10,947
Miscellaneous income	589,744	86,373	-	-	589,744	86,373
Total general revenues	<u>4,148,987</u>	<u>4,223,430</u>	<u>10,013</u>	<u>6,182</u>	<u>4,159,000</u>	<u>4,229,612</u>
Total revenues	<u>6,198,246</u>	<u>5,629,111</u>	<u>3,040,098</u>	<u>3,284,748</u>	<u>9,238,344</u>	<u>8,913,859</u>
<b>Program expenses:</b>						
General government	2,150,355	1,526,039	-	-	2,150,355	1,526,039
Security of persons and property	2,797,204	2,554,415	-	-	2,797,204	2,554,415
Leisure time activities	206,416	183,172	-	-	206,416	183,172
Community development	601,118	371,261	-	-	601,118	371,261
Transportation	1,667,185	1,059,146	-	-	1,667,185	1,059,146
Interest and fiscal charges	64,681	72,241	-	-	64,681	72,241
Wastewater	-	-	1,421,733	1,346,531	1,421,733	1,346,531
Water	-	-	1,666,974	1,438,152	1,666,974	1,438,152
Total program expenses	<u>7,486,959</u>	<u>5,766,274</u>	<u>3,088,707</u>	<u>2,784,683</u>	<u>10,575,666</u>	<u>8,550,957</u>
(Decrease) increase in net position before transfers and special items	(1,288,713)	(137,163)	(48,609)	500,065	(1,337,322)	362,902
Transfers	(1,895,864)	-	1,895,864	-	-	-
Change in net position	(3,184,577)	(137,163)	1,847,255	500,065	(1,337,322)	362,902
Special item - write-off of receivable due from component unit	-	(201,000)	-	-	-	(201,000)
Change in net position	(3,184,577)	(338,163)	1,847,255	500,065	(1,337,322)	161,902
Net position at beginning of year	<u>14,887,074</u>	<u>15,225,237</u>	<u>8,122,404</u>	<u>7,622,339</u>	<u>23,009,478</u>	<u>22,847,576</u>
Net position at end of year	\$ <u>11,702,497</u>	\$ <u>14,887,074</u>	\$ <u>9,969,659</u>	\$ <u>8,122,404</u>	\$ <u>21,672,156</u>	\$ <u>23,009,478</u>

# City of Geneva, Ohio

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

### For the Year Ended December 31, 2017

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#### *Governmental Activities*

The City's largest revenue source is municipal income tax. The City levies a municipal income tax of 1.5% 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% of the tax paid to another municipality.

Employers within the City are required to withhold municipal 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 2017, City municipal income tax revenue recorded by the governmental activities was \$2,792,343, which was a decrease of 17.05% from 2016.

Property and other local tax revenue recorded by the City for governmental activities is \$475,237, which remained fairly consistent with the prior year. The full voted tax rate for 2017 was 8.7 mills. A mill is \$1.00 for every \$1,000 of assessed valuation. The annual property tax is calculated using the taxable value (market value multiplied by 35%) of the property effective tax rate levied by the City of Geneva.

Operating grants increased \$362,258 from the prior year, primarily from the City receiving \$266,722 more in CHIP grant funds during the year.

Expenses are categorized by programs. The largest program, security of persons and property which includes police, fire, and public safety was 37.36% of governmental expenses and increased \$242,789, or 9.50%, from the prior year. 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 general government, which covers the daily activity of the operations of the City. The general government expenditures were 28.72% of the governmental expenses and increased \$624,316, or 40.91%, from the prior year. Increases related primarily to changes in net pension liability and losses on disposal of capital assets in the current year. The third largest program, transportation which covers the City's road maintenance and construction. Transportation expenses were 22.27% of governmental expenses and increased \$608,039, or 57.41%, from the prior year. Increases related primarily to changes in net pension liability and losses on disposal of capital assets.

#### *Business-Type Activities*

The business-type activities of the City, which include the City's wastewater and water operations, increased the City's net position by \$1,847,255. This increase is mainly due to an increase of capital assets in relation to increased capital project activity that has occurred within the proprietary funds during the past few years.

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, 2017

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#### The City's Funds

##### *Governmental Funds*

Information about the City's major funds starts on page 18. 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 \$1,887,565. In 2017, unassigned fund balance, which is available for spending at the government's discretion, is at \$1,078,750.

The General Fund is the main operating fund of the City. At the end of 2017, total fund balance for the General Fund was \$1,736,215, of which \$1,607,236 was unassigned for financial reporting purposes.

##### *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, final budgeted basis revenues, including other financing sources were \$159,736 above the original estimate of \$4,416,403, due to increases in advances – in revenue.

The original appropriations, including other financing uses, of \$4,825,998 increased to \$4,999,699. The final appropriations of \$4,999,699, including other financing uses, was sufficient to meet the expenditures for the year, which ended up at \$4,198,900, or \$800,799 less than anticipated.

##### *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 25 through 28 of this report.

# City of Geneva, Ohio

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

### For the Year Ended December 31, 2017

#### Capital Assets and Debt Administration

##### Capital Assets

At the end of 2017, the City of Geneva had net book value of \$31,385,383 in a broad range of capital assets.

Table 3 shows fiscal 2017 balances of capital assets as compared to 2016:

Table 3  
Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 884,215	\$ 1,712,451	\$ -	\$ -	\$ 884,215	\$ 1,712,451
Building and land improvements	5,047,086	5,042,086	4,493,101	4,493,101	9,540,187	9,535,187
Machinery and equipment	1,676,563	1,535,846	1,506,962	1,495,984	3,183,525	3,031,830
Vehicles	1,600,718	1,719,283	425,114	374,914	2,025,832	2,094,197
Infrastructure	25,238,581	25,046,443	15,282,545	14,523,431	40,521,126	39,569,874
Intangibles	-	81,494	38,831	49,809	38,831	131,303
Historical treasurers	46,378	46,378	-	-	46,378	46,378
Construction in progress	-	231,770	2,168,931	277,435	2,168,931	509,205
Less: accumulated depreciation	<u>(19,056,174)</u>	<u>(18,249,232)</u>	<u>(7,967,468)</u>	<u>(7,439,440)</u>	<u>(27,023,642)</u>	<u>(25,688,672)</u>
Total capital assets	\$ <u>15,437,367</u>	\$ <u>17,166,519</u>	\$ <u>15,948,016</u>	\$ <u>13,775,234</u>	\$ <u>31,385,383</u>	\$ <u>30,941,753</u>

The decrease in governmental activities capital assets was due to depreciation exceeding current year additions. The increase in business-type capital assets was due to the increase in construction in progress and infrastructure assets from the progress on multiple projects funded with loans from the Ohio Public Works Commission and Ohio Water Development Authority.

More detailed information about the City's capital assets is presented in Note 8 to the financial statements.

# City of Geneva, Ohio

## Management’s Discussion and Analysis (Unaudited) (continued)

### For the Year Ended December 31, 2017

#### Debt and Other Long-Term Liabilities

At December 31, 2017, the City of Geneva had \$16,539,307 in outstanding debt, accrued compensated absences, and net pension liability. Table 4 summarizes the outstanding obligations of the City.

Table 4  
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 1,008,000	\$ 1,096,000	\$ -	\$ -	\$ 1,008,000	\$ 1,096,000
OPWC loans	896,795	760,502	589,753	603,660	1,486,548	1,364,162
OWDA loans	886,899	-	6,575,314	6,470,651	7,462,213	6,470,651
Capital leases	206,417	351,958	32,557	51,157	238,974	403,115
Accrued compensated absences	315,762	206,431	97,914	70,020	413,676	276,451
Note payable for school	-	20,600	-	-	-	20,600
ODOT loans payable	-	22,805	-	-	-	22,805
Net pension liability	4,832,880	4,142,908	1,097,016	764,497	5,929,896	4,907,405
Other long-term liabilities	-	-	-	19,615	-	19,615
Total	\$ <u>8,146,753</u>	\$ <u>6,601,204</u>	\$ <u>8,392,554</u>	\$ <u>7,979,600</u>	\$ <u>16,539,307</u>	\$ <u>14,580,804</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% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the un-voted net debt of municipal corporations cannot exceed 5.5% 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 un-voted debt is also subject to overlapping debt restrictions within other political subdivisions. The actual aggregate amount of the City’s un-voted 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 Notes 9, 10 and 11 to the financial statements.

#### Current Related Financial Activities

The City’s elected and appointed officials considered many factors when setting the fiscal year 2018 budget. The economy is one factor that is recognized in the challenging budget process along with basic operating costs of the City such as negotiated salary increases, benefits, and infrastructure.

## **City of Geneva, Ohio**

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

#### **For the Year Ended December 31, 2017**

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The General Fund's expenditures are expected to increase during 2018 mainly with respect to benefits, fuel, and utilities. The City recognizes that declining tax revenue coupled with the cost of inflation and expenditure increases will require the City to continue a pattern of cost containment while pursuing new revenue sources. Current revenue sources include the City's participation in the Joint Economic Development District I, District II and District III with Harpersfield Township. The City has also been successful in obtaining grants from various sources to aid in capital projects.

#### **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 Finance Director, Traci Welch, City of Geneva, at 440-466-3316.

# City of Geneva, Ohio

## Statement of Net Position

**December 31, 2017**

	Governmental Activities	Business- Type Activities	Total	Component Unit Community Improvement Corporation of Geneva
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 2,306,736	\$ 1,809,643	\$ 4,116,379	\$ 61,316
Cash held as fiscal agent	-	-	-	56,714
Accounts receivable	106,450	507,932	614,382	-
Materials and supplies inventory	3,044	42,401	45,445	-
Intergovernmental receivable	347,872	109,848	457,720	-
Prepaid items	107,231	20,829	128,060	-
Property taxes receivable	410,013	-	410,013	-
Municipal income taxes receivable	751,189	-	751,189	-
Loans receivable	-	-	-	11,390
Special assessment receivable	370,745	72,376	443,121	-
Non-depreciable capital assets	930,593	2,207,762	3,138,355	44,000
Depreciable capital assets, net	14,506,774	13,740,254	28,247,028	12,153
Net pension asset	5,924	3,094	9,018	-
Total assets	<u>19,846,571</u>	<u>18,514,139</u>	<u>38,360,710</u>	<u>185,573</u>
<b>Deferred outflows of resources:</b>				
Pension	<u>1,404,088</u>	<u>477,681</u>	<u>1,881,769</u>	<u>-</u>
<b>Liabilities:</b>				
Accounts payable	755,678	96,560	852,238	2,158
Accrued wages and benefits	154,903	43,035	197,938	-
Funds held as fiscal agent	-	-	-	56,714
Intergovernmental payable	17,614	333,216	350,830	1,030
Due to primary government	-	-	-	44,558
Unearned revenue	25,950	40,500	66,450	-
Accrued interest payable	22,530	555	23,085	-
<b>Long-term liabilities:</b>				
Due within one year	534,062	724,673	1,258,735	-
Due in more than one year:				
Other amounts due in more than one year	2,779,811	6,570,865	9,350,676	-
Net pension liability	<u>4,832,880</u>	<u>1,097,016</u>	<u>5,929,896</u>	<u>-</u>
Total liabilities	<u>9,123,428</u>	<u>8,906,420</u>	<u>18,029,848</u>	<u>104,460</u>
<b>Deferred inflows of resources:</b>				
Property taxes	397,361	-	397,361	-
Pension	27,373	11,122	38,495	-
Payments in lieu of taxes	-	104,619	104,619	-
Total deferred inflows of resources	<u>424,734</u>	<u>115,741</u>	<u>540,475</u>	<u>-</u>
<b>Net position:</b>				
Net investment in capital assets	13,415,357	8,750,392	22,165,749	-
<b>Restricted for:</b>				
Capital projects	20,188	-	20,188	-
Other purposes	987,524	-	987,524	-
Unrestricted	<u>(2,720,572)</u>	<u>1,219,267</u>	<u>(1,501,305)</u>	<u>81,113</u>
Total net position	<u>\$ 11,702,497</u>	<u>\$ 9,969,659</u>	<u>\$ 21,672,156</u>	<u>\$ 81,113</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements.

# City of Geneva, Ohio

## Statement of Activities

**For the Year Ended December 31, 2017**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 2,150,355	\$ 42,844	\$ 6,908	\$ 297,804
Security of persons and property	2,797,204	468,975	-	20,869
Leisure time activities	206,416	74,775	-	-
Community development	601,118	152,827	564,073	-
Transportation	1,667,185	7,177	266,484	146,523
Interest and fiscal charges	64,681	-	-	-
Total governmental activities	<u>7,486,959</u>	<u>746,598</u>	<u>837,465</u>	<u>465,196</u>
Business-type activities:				
Wastewater	1,421,733	1,291,455	4,122	48,342
Water	<u>1,666,974</u>	<u>1,493,772</u>	<u>-</u>	<u>192,394</u>
Total business-type activities	<u>3,088,707</u>	<u>2,785,227</u>	<u>4,122</u>	<u>240,736</u>
Total primary government	\$ <u>10,575,666</u>	\$ <u>3,531,825</u>	\$ <u>841,587</u>	\$ <u>705,932</u>
Component unit:				
Community Improvement Corporation of Geneva	\$ <u>16,339</u>	\$ <u>-</u>	\$ <u>400</u>	\$ <u>-</u>

General revenues:  
 Property and other local taxes levied for:  
   General purposes  
   Other purposes  
 Municipal income taxes levied for:  
   General purposes  
 Cable franchise tax  
 Grants and entitlements not restricted to specific programs  
 Investment income  
 Miscellaneous income  
 Transfers  
     Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

The Accompanying Notes are an Integral Part of these Basic Financial Statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>			
<u>Primary Government</u>			<u>Component Unit</u>
<u>Governmental</u>	<u>Business-</u>		<u>Community</u>
<u>Activities</u>	<u>Type</u>	<u>Total</u>	<u>Improvement</u>
	<u>Activities</u>		<u>Corp. of Geneva</u>
\$ (1,802,799)	\$ -	\$ (1,802,799)	\$ -
(2,307,360)	-	(2,307,360)	-
(131,641)	-	(131,641)	-
115,782	-	115,782	-
(1,247,001)	-	(1,247,001)	-
<u>(64,681)</u>	<u>-</u>	<u>(64,681)</u>	<u>-</u>
<u>(5,437,700)</u>	<u>-</u>	<u>(5,437,700)</u>	<u>-</u>
-	(77,814)	(77,814)	-
<u>-</u>	<u>19,192</u>	<u>19,192</u>	<u>-</u>
<u>-</u>	<u>(58,622)</u>	<u>(58,622)</u>	<u>-</u>
<u>(5,437,700)</u>	<u>(58,622)</u>	<u>(5,496,322)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,939)</u>
301,224	-	301,224	-
174,013	-	174,013	-
2,792,343	-	2,792,343	-
66,897	-	66,897	-
215,055	-	215,055	-
9,711	10,013	19,724	13
589,744	-	589,744	4,100
<u>(1,895,864)</u>	<u>1,895,864</u>	<u>-</u>	<u>-</u>
<u>2,253,123</u>	<u>1,905,877</u>	<u>4,159,000</u>	<u>4,113</u>
(3,184,577)	1,847,255	(1,337,322)	(11,826)
<u>14,887,074</u>	<u>8,122,404</u>	<u>23,009,478</u>	<u>92,939</u>
\$ <u>11,702,497</u>	\$ <u>9,969,659</u>	\$ <u>21,672,156</u>	\$ <u>81,113</u>

# City of Geneva, Ohio

## Balance Sheet Governmental Funds

**December 31, 2017**

	General	Street Construction, Maintenance, and Repair	JEDD III Construction	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and cash equivalents	\$ 1,476,097	\$ 145,671	\$ 29,371	\$ 655,597	\$ 2,306,736
Accounts receivable	106,450	-	-	-	106,450
Materials and supplies inventory	-	3,044	-	-	3,044
Intergovernmental receivable	109,485	124,620	90,000	23,767	347,872
Advances to other funds	-	-	-	3,250	3,250
Interfund receivable	111,376	-	-	-	111,376
Prepaid items	89,200	17,531	-	500	107,231
Property taxes receivable	258,473	-	-	151,540	410,013
Municipal income taxes receivable	751,189	-	-	-	751,189
Special assessments receivable	130,586	-	-	240,159	370,745
Total assets	<u>\$ 3,032,856</u>	<u>\$ 290,866</u>	<u>\$ 119,371</u>	<u>\$ 1,074,813</u>	<u>\$ 4,517,906</u>
<b>Liabilities, deferred inflows of resources, and fund balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 55,500	\$ 12,574	\$ 647,697	\$ 39,907	\$ 755,678
Accrued wages and benefits	133,191	21,712	-	-	154,903
Intergovernmental payable	8,435	8,809	-	370	17,614
Advances from other funds	-	3,250	-	-	3,250
Unearned revenue	25,950	-	-	-	25,950
Interfund payable	-	-	-	111,376	111,376
Total liabilities	<u>223,076</u>	<u>46,345</u>	<u>647,697</u>	<u>151,653</u>	<u>1,068,771</u>
<b>Deferred inflows of resources:</b>					
Property taxes	249,952	-	-	147,409	397,361
Unavailable revenues	823,613	81,133	-	259,463	1,164,209
Total deferred inflows of resources	<u>1,073,565</u>	<u>81,133</u>	<u>-</u>	<u>406,872</u>	<u>1,561,570</u>
<b>Fund balances:</b>					
Nonspendable	89,200	20,575	-	3,750	113,525
Restricted	-	142,813	-	501,133	643,946
Committed	-	-	-	11,565	11,565
Assigned	39,779	-	-	-	39,779
Unassigned	1,607,236	-	(528,326)	(160)	1,078,750
Total fund balances	<u>1,736,215</u>	<u>163,388</u>	<u>(528,326)</u>	<u>516,288</u>	<u>1,887,565</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,032,856</u>	<u>\$ 290,866</u>	<u>\$ 119,371</u>	<u>\$ 1,074,813</u>	<u>\$ 4,517,906</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements.



# City of Geneva, Ohio

## Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

**December 31, 2017**

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Total governmental funds balances \$ 1,887,565

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 15,437,367

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

Property and other taxes	\$	12,652	
Municipal income taxes		530,798	
Special assessments		370,745	
Charges for services		86,167	
Intergovernmental		<u>163,847</u>	
Total			1,164,209

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (22,530)

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

General obligation bonds		(1,008,000)	
OPWC loans		(896,795)	
OWDA loan		(886,899)	
Capital leases		(206,417)	
Accrued compensated absences		<u>(315,762)</u>	
Total			(3,313,873)

The net pension asset/liability are not due and receivable/payable in the current period; therefore, the asset/liability and related deferred outflows/inflows are not reported in the governmental funds:

Net pension asset		5,924	
Deferred outflows		1,404,088	
Net pension liability		(4,832,880)	
Deferred inflows		<u>(27,373)</u>	
Total			<u>(3,450,241)</u>

*Net position of governmental activities* \$ 11,702,497

The Accompanying Notes are an Integral Part of these Basic Financial Statements.

# City of Geneva, Ohio

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

**For the Year Ended December 31, 2017**

	General	Street Construction, Maintenance, and Repair	JEDD III Construction	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and other local taxes	\$ 302,252	\$ -	\$ -	\$ 174,013	\$ 476,265
Municipal income taxes	2,851,107	-	-	-	2,851,107
Intergovernmental	209,683	283,009	387,804	556,530	1,437,026
Charges for services	379,307	-	-	-	379,307
Licenses, permits and fees	151,156	42,322	-	10,871	204,349
Special assessments	-	-	-	231,133	231,133
Investment income	8,994	-	-	717	9,711
Miscellaneous income	167,167	7,177	-	29,051	203,395
Total revenues	<u>4,069,666</u>	<u>332,508</u>	<u>387,804</u>	<u>1,002,315</u>	<u>5,792,293</u>
Expenditures:					
Current operations and maintenance:					
General government	1,149,354	-	63,245	12,644	1,225,243
Security of persons and property	2,013,410	-	-	376,901	2,390,311
Leisure time activities	179,453	-	-	-	179,453
Community development	189,659	-	-	397,427	587,086
Transportation	-	720,065	-	10,927	730,992
Capital outlay	-	-	1,847,760	54,479	1,902,239
Debt service:					
Principal retirement	26,995	47,547	-	227,146	301,688
Interest and fiscal charges	2,822	342	-	64,903	68,067
Total expenditures	<u>3,561,693</u>	<u>767,954</u>	<u>1,911,005</u>	<u>1,144,427</u>	<u>7,385,079</u>
Excess of revenues over (under) expenditures	<u>507,973</u>	<u>(435,446)</u>	<u>(1,523,201)</u>	<u>(142,112)</u>	<u>(1,592,786)</u>
Other financing sources (uses):					
Sale of capital assets	361,340	8,816	-	-	370,156
Loan proceeds	-	-	976,101	71,833	1,047,934
Transfers – in	6,985	421,725	39,765	350,613	819,088
Transfers – out	<u>(795,103)</u>	<u>-</u>	<u>-</u>	<u>(6,985)</u>	<u>(802,088)</u>
Total other financing sources (uses)	<u>(426,778)</u>	<u>430,541</u>	<u>1,015,866</u>	<u>415,461</u>	<u>1,435,090</u>
Net change in fund balances	81,195	(4,905)	(507,335)	273,349	(157,696)
Fund balances at beginning of year	<u>1,655,020</u>	<u>168,293</u>	<u>(20,991)</u>	<u>242,939</u>	<u>2,045,261</u>
Fund balances at end of year	\$ <u>1,736,215</u>	\$ <u>163,388</u>	\$ <u>(528,326)</u>	\$ <u>516,288</u>	\$ <u>1,887,565</u>

The Accompanying Notes are an Integral Part of these Basic 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, 2017

Net change in fund balances - total governmental funds \$ (157,696)

*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	\$	105,884	
Depreciation		(999,801)	
Total		(893,917)	(893,917)

In the Statement of Activities, only the loss on the disposal of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the disposal increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets. (835,235)

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

Property and other local taxes		(1,028)	
Municipal income taxes		(58,764)	
Special assessments		108,298	
Charges for services		(15,666)	
Intergovernmental		2,957	
Total		35,797	35,797

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 Position. 301,688

Other financing sources in the governmental funds that increase long-term liabilities in the Statement of Net Assets. These sources were attributed to loan proceeds. (1,047,934)

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		(109,331)	
Accrued interest on debt		3,386	
Total		(105,945)	(105,945)

(continued)

The Accompanying Notes are an Integral Part of these Basic 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 (continued)

#### **For the Year Ended December 31, 2017**

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Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.

OPERS Traditional	151,839	
OPERS Combined	12,602	
OP&F	<u>200,180</u>	
Total		364,621

Except for amounts reported as deferred outflows/inflows, changes in the net position liability are reported as pension expense in the Statement of Activities.

OPERS Traditional	(509,538)	
OPERS Combined	(3,946)	
OP&F	<u>(332,472)</u>	
Total		<u>(845,956)</u>

*Change in net position of governmental activities* \$ (3,184,577)

# 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, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property and other local taxes	\$ 284,961	\$ 311,336	\$ 307,138	\$ (4,198)
Municipal income taxes	3,343,860	3,116,365	2,762,187	(354,178)
Intergovernmental	110,632	133,228	168,282	35,054
Charges for services	245,180	295,255	372,941	77,686
Licenses, permits and fees	98,818	119,000	150,311	31,311
Investment income	6,085	7,328	9,256	1,928
Miscellaneous income	89,314	107,556	135,855	28,299
Total revenues	<u>4,178,850</u>	<u>4,090,068</u>	<u>3,905,970</u>	<u>(184,098)</u>
<b>Expenditures:</b>				
Current operations and maintenance:				
General government	1,264,253	1,304,359	1,118,839	185,520
Security of persons and property	2,278,719	2,351,008	2,016,622	334,386
Leisure time activities	203,156	209,601	179,789	29,812
Community development	94,555	97,554	83,679	13,875
Debt service	<u>5,501</u>	<u>5,675</u>	<u>4,868</u>	<u>807</u>
Total expenditures	<u>3,846,184</u>	<u>3,968,197</u>	<u>3,403,797</u>	<u>564,400</u>
Excess of revenues over (under) expenditures	<u>332,666</u>	<u>121,871</u>	<u>502,173</u>	<u>380,302</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	237,553	286,071	361,340	75,269
Advances – in	-	200,000	100,553	(99,447)
Transfers – in	-	-	6,985	6,985
Transfers – out	<u>(979,814)</u>	<u>(1,031,502)</u>	<u>(795,103)</u>	<u>236,399</u>
Total financing sources (uses)	<u>(742,261)</u>	<u>(545,431)</u>	<u>(326,225)</u>	<u>219,206</u>
Net change in fund balance	(409,595)	(423,560)	175,948	599,508
Prior year encumbrances appropriated	61,744	61,744	61,744	-
Fund balance at beginning of year	<u>1,195,549</u>	<u>1,195,549</u>	<u>1,195,549</u>	<u>-</u>
Fund balance at end of year	\$ <u>847,698</u>	\$ <u>833,733</u>	\$ <u>1,433,241</u>	\$ <u>599,508</u>

The Accompanying Notes are an Integral Part of these Basic 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, 2017**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 308,865	\$ 330,066	\$ 283,963	\$ (46,103)
Licenses, permits and fees	46,033	49,193	42,322	(6,871)
Miscellaneous income	<u>8,235</u>	<u>8,800</u>	<u>7,570</u>	<u>(1,230)</u>
Total revenues	<u>363,133</u>	<u>388,059</u>	<u>333,855</u>	<u>(54,204)</u>
Expenditures:				
Current operations and maintenance:				
Transportation	862,508	893,043	743,373	149,670
Principal retirement	50,797	50,797	50,797	-
Debt service	<u>342</u>	<u>342</u>	<u>342</u>	<u>-</u>
Total expenditures	<u>913,647</u>	<u>944,182</u>	<u>794,512</u>	<u>149,670</u>
Excess of revenues over (under) expenditures	(550,514)	(556,123)	(460,657)	95,466
Other financing sources (uses):				
Sale of capital assets	9,589	10,247	8,816	(1,431)
Transfers – in	<u>458,708</u>	<u>490,194</u>	<u>421,725</u>	<u>(68,469)</u>
Total financing sources (uses)	<u>468,297</u>	<u>500,441</u>	<u>430,541</u>	<u>(69,900)</u>
Net change in fund balance	(82,217)	(55,682)	(30,116)	25,566
Prior year encumbrances appropriated	55,682	55,682	55,682	-
Fund balance at beginning of year	<u>87,552</u>	<u>87,552</u>	<u>87,552</u>	<u>-</u>
Fund balance at end of year	\$ <u>61,017</u>	\$ <u>87,552</u>	\$ <u>113,118</u>	\$ <u>25,566</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements.

# City of Geneva, Ohio

## Statement of Fund Net Position – Proprietary Funds

**December 31, 2017**

	Wastewater Fund	Water Fund	Total Business-Type Activities
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 756,663	\$ 1,052,980	\$ 1,809,643
Accounts receivable	328,410	179,522	507,932
Materials and supplies inventory	7,766	34,635	42,401
Intergovernmental receivable	108,844	1,004	109,848
Prepaid items	16,497	4,332	20,829
Special assessments receivable	69,134	3,242	72,376
Total current assets	<u>1,287,314</u>	<u>1,275,715</u>	<u>2,563,029</u>
Noncurrent assets:			
Non-depreciable capital assets	2,196,299	11,463	2,207,762
Depreciable capital assets, net	6,204,919	7,535,335	13,740,254
Net pension asset	1,986	1,108	3,094
Total noncurrent assets	<u>8,403,204</u>	<u>7,547,906</u>	<u>15,951,110</u>
Total assets	<u>9,690,518</u>	<u>8,823,621</u>	<u>18,514,139</u>
Deferred outflows of resources:			
Pension	306,637	171,044	477,681
Liabilities:			
Current liabilities:			
Accounts payable	85,077	11,483	96,560
Accrued wages and benefits	30,118	12,917	43,035
Intergovernmental payable	1,415	331,801	333,216
Unearned revenue	40,500	-	40,500
Accrued interest payable	266	289	555
OWDA loans payable	266,365	327,452	593,817
OPWC loan payable	27,291	31,750	59,041
Capital leases payable	6,572	12,747	19,319
Accrued compensated absences	52,496	-	52,496
Total current liabilities	<u>510,100</u>	<u>728,439</u>	<u>1,238,539</u>
Long-term liabilities (net of current portion):			
OWDA loans payable	824,449	5,157,048	5,981,497
OPWC loan payable	255,129	275,583	530,712
Capital leases payable	-	13,238	13,238
Accrued compensated absences	45,418	-	45,418
Net pension liability	704,206	392,810	1,097,016
Total long-term liabilities	<u>1,829,202</u>	<u>5,838,679</u>	<u>7,667,881</u>
Total liabilities	<u>2,339,302</u>	<u>6,567,118</u>	<u>8,906,420</u>
Deferred inflows of resources:			
Pension	7,139	3,983	11,122
Payments in lieu of taxes	104,619	-	104,619
	<u>111,758</u>	<u>3,983</u>	<u>115,741</u>
Net position:			
Net investment in capital assets	7,021,412	1,728,980	8,750,392
Unrestricted	524,683	694,584	1,219,267
Total net position	<u>\$ 7,546,095</u>	<u>\$ 2,423,564</u>	<u>\$ 9,969,659</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements.

# City of Geneva, Ohio

## Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds

**For the Year Ended December 31, 2017**

	Wastewater Fund	Water Fund	Total Business-Type Activities
Operating revenues:			
Charges for services	\$ 1,291,255	\$ 1,486,812	\$ 2,778,067
Miscellaneous income	200	6,960	7,160
Total operating revenues	<u>1,291,455</u>	<u>1,493,772</u>	<u>2,785,227</u>
Operating expenses:			
Personal services	715,773	331,048	1,046,821
Supplies and materials	100,390	67,086	167,476
Contractual services	275,470	835,274	1,110,744
Depreciation	293,191	234,837	528,028
Total operating expenses	<u>1,384,824</u>	<u>1,468,245</u>	<u>2,853,069</u>
Operating (loss) income	<u>(93,369)</u>	<u>25,527</u>	<u>(67,842)</u>
Non-operating revenues (expenses):			
Intergovernmental	4,122	192,394	196,516
Investment income	4,505	5,508	10,013
Interest and fiscal charges	(36,909)	(198,729)	(235,638)
Payments in lieu of taxes	48,342	-	48,342
Total non-operating revenues (expenses)	<u>20,060</u>	<u>(827)</u>	<u>19,233</u>
(Loss) income before transfers and contributed capital	(73,309)	24,700	(48,609)
Transfers – in	-	40,590	40,590
Transfers – out	(57,590)	-	(57,590)
Contributed capital	<u>1,912,864</u>	<u>-</u>	<u>1,912,864</u>
Change in net position	1,781,965	65,290	1,847,255
Net position at beginning of year	<u>5,764,130</u>	<u>2,358,274</u>	<u>8,122,404</u>
Net position at end of year	<u>\$ 7,546,095</u>	<u>\$ 2,423,564</u>	<u>\$ 9,969,659</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements.



# City of Geneva, Ohio

## Statement of Cash Flows – Proprietary Funds

**For the Year Ended December 31, 2017**

	Wastewater Fund	Water Fund	Total Business-type Activities
Increase in cash and cash equivalents:			
Cash flows from operating activities:			
Cash received from customers	\$ 1,371,731	\$ 1,495,910	\$ 2,867,641
Cash payments for personal services	(618,795)	(328,466)	(947,261)
Cash payments for contractual services	(188,883)	(515,658)	(704,541)
Cash payments for vendors for supplies and materials	(99,021)	(59,200)	(158,221)
Other operating revenues	200	6,960	7,160
Net cash provided by operating activities	<u>465,232</u>	<u>599,546</u>	<u>1,064,778</u>
Cash flows from non-capital financing activities:			
Transfers – in	-	40,590	40,590
Transfers – out	(57,590)	-	(57,590)
Grant proceeds	4,122	-	4,122
Repayment of advance	19,133	-	19,133
Net cash (used) provided by non-capital financial activities	<u>(34,335)</u>	<u>40,590</u>	<u>6,255</u>
Cash flows from capital and related financing activities:			
Proceeds from OWDA loan	13,624	768,860	782,484
Proceeds from OPWC loan	-	9,951	9,951
Capital contributions and grants	103,890	192,394	296,284
Principal paid on OWDA loans	(358,595)	(316,358)	(674,953)
Principal paid on OPWC loan	(8,916)	(14,942)	(23,858)
Principal paid on capital leases	(6,326)	(12,274)	(18,600)
Interest paid on OWDA loans	(36,477)	(194,042)	(230,519)
Interest paid on capital leases	(436)	(1,343)	(1,779)
Acquisition of capital assets	(63,973)	(723,973)	(787,946)
Net cash used by capital and related financing activities	<u>(357,209)</u>	<u>(291,727)</u>	<u>(648,936)</u>
Cash flows from investing activities:			
Interest received	5,297	5,651	10,948
Net increase in cash and cash equivalents	78,985	354,060	433,045
Cash and cash equivalents at beginning of year	<u>677,678</u>	<u>698,920</u>	<u>1,376,598</u>
Cash and cash equivalents at end of year	\$ <u><u>756,663</u></u>	\$ <u><u>1,052,980</u></u>	\$ <u><u>1,809,643</u></u>

(Continued)

The Accompanying Notes are an Integral Part of these Basic Financial Statements.

# City of Geneva, Ohio

## Statement of Cash Flows – Proprietary Funds (continued)

### **For the Year Ended December 31, 2017**

	Wastewater Fund	Water Fund	Total Business-type Activities
Reconciliation of operating (loss) income to net cash provided by operating activities:			
Operating income	\$ (93,369)	\$ 25,527	\$ (67,842)
Adjustments:			
Depreciation	293,191	234,837	528,028
Changes in assets/liabilities:			
Decrease (increase) in accounts receivable	55,742	(8,041)	47,701
Increase in intergovernmental receivable	(612)	(1,004)	(1,616)
(Increase) decrease in prepaid items	(639)	5,874	5,235
Decrease in materials and supplies inventory	823	5,935	6,758
Decrease in special assessment receivable	25,346	17,220	42,566
Increase in net pension asset	(487)	(347)	(834)
Increase in deferred outflows – pension	(102,881)	(67,699)	(170,580)
Increase (decrease) in accounts payable	71,778	(52,087)	19,691
Decrease in matured compensated absences	(24)	-	(24)
Increase in accrued compensated absences	27,918	-	27,918
Increase in intergovernmental payable	1,001	323,364	324,365
Increase in net pension liability	196,976	135,543	332,519
Decrease in deferred inflows – pension	(6,698)	(2,973)	(9,671)
Decrease in other long term liabilities	-	(19,615)	(19,615)
(Decrease) increase in accrued wages and benefits	(2,833)	3,012	179
Net cash provided by operating activities	\$ <u>465,232</u>	\$ <u>599,546</u>	\$ <u>1,064,778</u>
Noncash transactions from capital and related financing activities:			
Loan interest capitalized	\$ 26	\$ 4,403	\$ 4,429
Contributed capital	1,912,864	-	1,912,864
Prepayment of principal of OWDA loans	-	7,297	7,297
Reclassifying debt between the Wastewater Fund and the Water Fund	158,285	(158,285)	-
Reclassifying capital assets between the Wastewater Fund and the Water Fund	(158,285)	158,285	-

The Accompanying Notes are an Integral Part of these Basic Financial Statements.

**City of Geneva, Ohio**

Statement of Fiduciary Assets and Liabilities –  
Fiduciary Funds

**December 31, 2017**

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	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 24,358
Property taxes receivable	23,498
Intergovernmental receivable	<u>1,611</u>
Total assets	<u><u>49,467</u></u>
Liabilities:	
Due to others	\$ <u><u>49,467</u></u>

# City of Geneva, Ohio

## Notes to the Basic Financial Statements

### **For the Year Ended December 31, 2017**

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#### **Note 1: The Reporting Entity**

The City of Geneva (the “City”) 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, firefighting and prevention, street construction, 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. 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 20.

The City is associated with two jointly governed organizations, the Ashtabula County General Health District and the Geneva Union Cemeteries District, a regional council of governments, Northeast Ohio Public Energy Council and three joint economic development districts (JEDD), JEDD-I, JEDD-II and JEDD-III. These organizations are presented in Note 19 to the basic financial statements.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2017**

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### **Note 2: Summary of Significant Accounting Policies**

The financial statements of the City 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 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 Position 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 Position 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. Internal activity 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 Position 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 labeled Other Governmental Funds. Fiduciary funds are reported by type.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2017**

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#### **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 and deferred inflows of resources 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 and/or the general laws of Ohio.

*Street Construction, Maintenance and Repair Fund* – The Street Construction, Maintenance and Repair Special Revenue Fund (SCMR) accounts for the portion of the state gasoline tax and motor vehicle registration fees restricted for maintenance of streets within the City.

*JEDD III Construction Fund* – The JEDD III Construction Fund accounts for grant and loan funds received from Ohio Public Works Commission (OPWC) and Ohio Water Development Authority (OWDA) for the construction of new sanitary sewers on State Route 534.

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

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

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2017**

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***B. Fund Accounting (continued)***

*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* – The Wastewater Fund accounts for the wastewater service provided to residential and commercial users within the City.

*Water Fund* – The Water Fund accounts for the provision of water distribution to residential and commercial users within the City.

#### *Fiduciary Funds*

Fiduciary fund reporting focuses on net position. 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 eleven agency funds: JEDD-I District Board Fund, JEDD-II District Board Fund, JEDD-III District Board Fund, JEDD-I Harpersfield Township Fund, JEDD-II Harpersfield Township Fund, JEDD-III Harpersfield Township Fund, JEDD-I Sanitary Sewer Fund, Fire Fund, Wireless Telecommunications Fund, the Geneva Union Cemetery Fund and Millwood Subdivision Phase II Fund. The JEDD-I, JEDD-II and JEDD III District Board Funds, JEDD-I, JEDD-II and JEDD III Harpersfield Township Funds, and JEDD-I Sanitary Sewer Fund account for municipal income tax collected by the City for these JEDDs. 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. The Wireless Telecommunications Fund accounts for wireless network deposits held on escrow by the City for the use of cell towers. The funds will be returned when the network no longer utilizes the cell tower. The Geneva Union Cemetery Fund accounts for property taxes collected by the City on behalf of the Cemetery. These funds are then disbursed to the Cemetery. The Millwood Subdivision Phase II Fund was created for sanitary sewer manhole repairs that become necessary in the Millwood Subdivision Phase II development area. The repairs are funded by deposits made by the Lake Erie Land Company upon the sale of each lot in the Millwood Subdivision Phase II. Any monies remaining in the fund on March 1, 2022 shall be returned to the Lake Erie Land Company without interest.

#### ***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 and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position, except for fiduciary funds. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2017**

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### **C. Measurement Focus (continued)**

##### *Fund Financial Statements*

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities and deferred inflows of resources 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 Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

#### **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 inflows – unavailable 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 municipal income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from municipal 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 7).



# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2017**

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***D. Basis of Accounting (continued)***

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: municipal 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 Outflows/Inflows of Resources*

In addition to assets, the financial statements may report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources for pension reported in the Statements of Net Position and the amount in the proprietary funds is also reported in the fund financial statements. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the financial statements that report financial position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, unavailable revenue and amounts for pension. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, special assessments, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position and in the proprietary funds on the Statement of Fund Net Position.

#### *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.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2017**

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***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 City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City 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 for each fund may only be made by ordinance of the City Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Director of Finance. 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 City 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 City Council during the year.

#### ***F. Cash and Cash Equivalents***

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

During 2017, investments were limited to STAR Ohio.

STAR Ohio, is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but the City has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The City measures their investment in STAR Ohio at amortized cost.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2017**

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#### **Note 2: Summary of Significant Accounting Policies (continued)**

##### ***F. Cash and Cash Equivalents (continued)***

For the year ended 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to City funds according to state statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2017 amounted to \$8,994, of which, \$1,639 was from other funds.

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 presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

##### ***G. Inventory***

Inventories are stated at cost, on the first-in, first-out basis. At December 31, 2017, the Street Construction, Maintenance and Repair Fund, Wastewater Fund, and Water Fund maintained the only significant inventory. The costs of governmental fund type inventories are recorded as expenditures in the fund when used. The nonspendable fund balance for inventory accounts indicate 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. For the year ended December 31, 2017, \$4,429 of interest was capitalized.

##### ***I. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2017, 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.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2017**

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***J. Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position 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 Position 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 reported at acquisition value. The City maintains a capitalization threshold of \$5,000. 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 during the construction of capital assets is also capitalized.

All capital assets are depreciated except for land, construction in progress, historical treasures, and intangibles. 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. Payables, 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 and compensated absences 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.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2017**

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***L. Compensated Absences***

The liability for compensated absences is based on the provisions of Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered, and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31<sup>st</sup> 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.

#### ***M. Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable:*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

***Restricted:*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City Council's Resolutions). Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2017**

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### **M. Fund Balance (continued)**

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be re-deployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or a City official delegated that authority by the City Council. The Finance Director is the City's delegated official.

**Unassigned:** Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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, interfund loans, prepaid items, and inventories.

#### **N. Net Position**

Net position represents the difference between assets and liabilities and deferred inflows of resources. Net investment in capital assets 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 position is 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. Net position restricted for other purposes includes resources restricted for streets, grants, police, and fire.

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

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2017**

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***O. Interfund Balances***

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivable/payable”. Interfund loans which do not represent available expendable resources are offset by nonspendable fund balance accounts. Interfund balance amounts are eliminated in the Statement of Net Position, 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 non-operating 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.

#### ***R. Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

#### ***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.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2017**

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### **T. Capital Contributions**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction and from contributions from governmental funds. These are shown as transfers on the Statement of Activities. During 2017, the Wastewater Fund received contributions of capital in the amount of \$1,912,864 from governmental activities.

### **Note 3: Change in Accounting Principles**

***Pronouncements Issued but Not Effective:*** The Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was issued in June 2015. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. This replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The City has not determined the impact, if any, that this Statement will have on its financial statements or disclosures.

### **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 is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the GAAP basis are identified as follows:

- (a) Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures/Expenses are recorded when paid in cash (budgetary 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 (budgetary basis) as opposed to an assigned, committed, or restricted fund balance for governmental funds (GAAP basis).



# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2017

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### **Note 4: Budgetary Basis of Accounting (continued)**

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

	<u>Net Change in Fund Balance</u>	
	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>
GAAP basis	\$ 81,195	\$ (4,905)
Increase (decrease) due to:		
Revenue accruals	31,468	1,347
Expenditure accruals	56,079	5,995
Funds budgeted elsewhere	39,072	-
Outstanding encumbrances	<u>(31,866)</u>	<u>(32,553)</u>
Budgetary basis	\$ <u>175,948</u>	\$ <u>(30,116)</u>

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2017

### Note 5: Fund Balances

Fund balances are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on a fund for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	Street Construction, Maintenance, and Repair	JEDD III Construction	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventory	\$ -	\$ 3,044	\$ -	\$ -	\$ 3,044
Prepaid items	89,200	17,531	-	500	107,231
Interfund loans	-	-	-	3,250	3,250
Total nonspendable	<u>89,200</u>	<u>20,575</u>	<u>-</u>	<u>3,750</u>	<u>113,525</u>
Restricted:					
Streets and highways	-	142,813	-	28,215	171,028
Police	-	-	-	39,556	39,556
Law enforcement trust and education	-	-	-	32,050	32,050
Community development	-	-	-	132,262	132,262
Street lighting	-	-	-	251,117	251,117
Debt service	-	-	-	995	995
Capital projects	-	-	-	16,938	16,938
Total restricted	<u>-</u>	<u>142,813</u>	<u>-</u>	<u>501,133</u>	<u>643,946</u>
Committed:					
Capital projects	-	-	-	11,565	11,565
Assigned:					
Other purposes	31,866	-	-	-	31,866
Community development	7,913	-	-	-	7,913
Total assigned	<u>39,779</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,779</u>
Unassigned	<u>1,607,236</u>	<u>-</u>	<u>(528,326)</u>	<u>(160)</u>	<u>1,078,750</u>
Total fund balances	\$ <u>1,736,215</u>	\$ <u>163,388</u>	\$ <u>(528,326)</u>	\$ <u>516,288</u>	\$ <u>1,887,565</u>

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2017**

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### **Note 6: 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. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40% of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed thirty days.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2017**

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### **Note 6: Deposits and Investments (continued)**

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.

#### ***Deposits***

*Custodial credit risk* is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party.

At year-end, the carrying amount of the City's deposits was \$3,793,433 and the bank balance was \$3,986,960. Of the bank balance \$624,500 was covered by federal depository insurance and \$3,362,460 was uninsured and collateralized with securities held by the pledging institution's trust department, not in the City's name. At December 31, 2017, the City had \$1,500 in cash on hand.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Effective July 1, 2017, participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

#### ***Investments***

As of December 31, 2017, the City had the following investments:

	<u>Value</u>	<u>Weighted Average Maturity (Days)</u>
STAR Ohio	\$ <u>345,804</u>	<u>52.1</u>

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2017**

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### **Note 6: Deposits and Investments (continued)**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City had no investments categorization within the fair value hierarchy. STAR Ohio is valued at amortized cost, which approximates fair value.

*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's 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 the Ohio Revised Code and that the portfolio be diversified both by types of investment and issuer. The City's investment in STAR Ohio carries an "AAAm" money market rating by Standard & Poor's.

*Concentration of Credit Risk* is defined by the Governmental Accounting Standards Board 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.

### **Note 7: Receivables**

#### **A. Property Taxes**

Property taxes include amounts levied against all real and public utility 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% of appraised market value. Real property taxes are payable semiannually. The first payment is due in February with the remainder payable by June unless extended.

Public utility real 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 property currently is assessed at 25% of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2017

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### **Note 7: Receivables (continued)**

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, 2017 was \$8.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2017 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Category:	
Real estate	\$ 92,430,130
Public utility	<u>2,631,900</u>
Total	<u>\$ 95,062,030</u>

### **B. Municipal Income Taxes**

The City levies municipal income tax of 1.5% 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 1.0% of the tax paid to another municipality.

Employers within the City are required to withhold municipal 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. Municipal income tax collections are received by the General Fund.

### **C. Intergovernmental Receivables**

Receivables at December 31, 2017, primarily consisted of taxes, accounts (billings for user charged services), intergovernmental receivables, entitlement or shared revenues, special assessments and loans receivable. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

<i>Governmental activities:</i>	
Homestead and rollback	\$ 26,315
Local government	79,422
ARC grants	90,000
State grants	3,088
Court and drug fines	2,804
Auto registration, licenses, and gasoline tax	130,308
Permissive tax	3,977
Bed tax	4,682
Bureau of Workers Compensation (BWC)	760
Miscellaneous reimbursements	<u>6,516</u>
Total governmental activities	<u>347,872</u>

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2017

### Note 7: Receivables (continued)

#### C. Intergovernmental Receivables (continued)

##### Business-type activities:

Geneva area schools WWTP management services	4,078
OWDA reimbursement	923
BWC refund	228
Payments in lieu of taxes	<u>104,619</u>
Total business-type activities	<u>109,848</u>
Total	\$ <u><u>457,720</u></u>

### Note 8: Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2017, was as follows:

	Balances <u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassified</u>	Balances <u>12/31/17</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,712,451	\$ -	\$ (828,236)	\$ -	\$ 884,215
Construction in progress	231,770	-	(231,770)	-	-
Historical treasures	46,378	-	-	-	46,378
Intangibles	<u>81,494</u>	-	-	<u>(81,494)</u>	<u>-</u>
Total non-depreciable capital assets	<u>2,072,093</u>	<u>-</u>	<u>(1,060,006)</u>	<u>(81,494)</u>	<u>930,593</u>
Capital assets being depreciated:					
Building and land improvements	5,042,086	5,000	-	-	5,047,086
Machinery and equipment	1,535,846	140,516	(81,293)	81,494	1,676,563
Vehicles	1,719,283	-	(118,565)	-	1,600,718
Infrastructure	<u>25,046,443</u>	<u>192,138</u>	<u>-</u>	<u>-</u>	<u>25,238,581</u>
Total capital assets being depreciated	<u>33,343,658</u>	<u>337,654</u>	<u>(199,858)</u>	<u>81,494</u>	<u>33,562,948</u>
Less accumulated depreciation:					
Building and land improvements	(2,434,158)	(126,429)	-	-	(2,560,587)
Machinery and equipment	(977,780)	(177,050)	74,294	-	(1,080,536)
Vehicles	(1,160,062)	(157,779)	118,565	-	(1,199,276)
Infrastructure	<u>(13,677,232)</u>	<u>(538,543)</u>	<u>-</u>	<u>-</u>	<u>(14,215,775)</u>
Total accumulated depreciation	<u>(18,249,232)</u>	<u>(999,801)</u>	<u>192,859</u>	<u>-</u>	<u>(19,056,174)</u>
Net capital assets being depreciated	<u>15,094,426</u>	<u>(662,147)</u>	<u>(6,999)</u>	<u>81,494</u>	<u>14,506,774</u>
Governmental activities capital assets, net	\$ <u><u>17,166,519</u></u>	\$ <u><u>(662,147)</u></u>	\$ <u><u>(1,067,005)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>15,437,367</u></u>

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2017

### Note 8: Capital Assets (continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 205,176
Security of persons and property	176,390
Leisure time activities	9,371
Transportation	<u>608,864</u>
Total	<u>\$ 999,801</u>

Capital asset activity for business-type activities for the year ended December 31, 2017, was as follows:

	<u>Balances</u> <u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassified</u>	<u>Balances</u> <u>12/31/17</u>
Business-type activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 277,435	\$ 1,976,837	\$ (85,341)	\$ -	\$ 2,168,931
Intangibles	<u>49,809</u>	<u>-</u>	<u>-</u>	<u>(10,978)</u>	<u>38,831</u>
Total non-depreciable capital assets	<u>327,244</u>	<u>1,976,837</u>	<u>(85,341)</u>	<u>(10,978)</u>	<u>2,207,762</u>
Capital assets being depreciated:					
Building and land improvements	4,493,101	-	-	-	4,493,101
Machinery and equipment	1,495,984	-	-	10,978	1,506,962
Vehicles	374,914	50,200	-	-	425,114
Infrastructure	<u>14,523,431</u>	<u>759,114</u>	<u>-</u>	<u>-</u>	<u>15,282,545</u>
Total capital assets being depreciated	<u>20,887,430</u>	<u>809,314</u>	<u>-</u>	<u>10,978</u>	<u>21,707,722</u>
Less accumulated depreciation:					
Building and land improvements	(2,752,586)	(79,203)	-	-	(2,831,789)
Machinery and equipment	(546,917)	(98,943)	-	-	(645,860)
Vehicles	(259,558)	(28,585)	-	-	(288,143)
Infrastructure	<u>(3,880,379)</u>	<u>(321,297)</u>	<u>-</u>	<u>-</u>	<u>(4,201,676)</u>
Total accumulated depreciation	<u>(7,439,440)</u>	<u>(528,028)</u>	<u>-</u>	<u>-</u>	<u>(7,967,468)</u>
Net capital assets being depreciated	<u>13,447,990</u>	<u>281,286</u>	<u>-</u>	<u>10,978</u>	<u>13,740,254</u>
Total business-type activities capital assets, net	<u>\$ 13,775,234</u>	<u>\$ 2,258,123</u>	<u>\$ (85,341)</u>	<u>\$ -</u>	<u>\$ 15,948,016</u>

During 2017, the City reclassified depreciable assets from the non-depreciable intangible classification to the equipment classification and began depreciating these assets.



# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2017

### Note 9: Long-Term Obligations

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2017 was as follows:

	<u>Balance</u> <u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/17</u>	<u>Due in One</u> <u>Year</u>
<i>Governmental activities:</i>					
General obligation bonds:					
5.25% 2009 Various purpose, maturing 2029	\$ 896,000	\$ -	\$ (53,000)	\$ 843,000	\$ 55,000
4% 2011 Municipal facility improvement, maturing 2021	<u>200,000</u>	<u>-</u>	<u>(35,000)</u>	<u>165,000</u>	<u>40,000</u>
Total general obligation bonds	<u>1,096,000</u>	<u>-</u>	<u>(88,000)</u>	<u>1,008,000</u>	<u>95,000</u>
0% Ohio Public Works Commission loans:					
2010 E. Tibbitts, maturing 2021	20,000	-	(2,500)	17,500	5,000
2010 Ansel, maturing 2032	141,681	-	(4,723)	136,958	9,445
2011 Lockwood, maturing 2021	5,846	-	(650)	5,196	1,300
2012 Sherman/Chestnut, maturing 2033	500,802	-	(14,309)	486,493	28,617
2014 Grant Bridge, maturing 2034	92,173	-	(2,560)	89,613	5,121
2018 N. Avenue Bridge, maturing 2038	-	71,833	-	71,833	3,592
2018 State Route 534	<u>-</u>	<u>89,202</u>	<u>-</u>	<u>89,202</u>	<u>3,750</u>
Total Ohio Public Works Commission loans	<u>760,502</u>	<u>161,035</u>	<u>(24,742)</u>	<u>896,795</u>	<u>56,825</u>
Ohio Water Development Authority (OWDA) loan:					
1% OWDA, series 2018, maturing 2038	<u>-</u>	<u>886,899</u>	<u>-</u>	<u>886,899</u>	<u>41,131</u>
Ohio Department of Transportation (ODOT) loan:					
3% ODOT, 2006 Austin Road SIB loan, maturing 2017	<u>22,805</u>	<u>-</u>	<u>(22,805)</u>	<u>-</u>	<u>-</u>
Other long-term obligations:					
0% Note payable for school, maturing 2017	20,600	-	(20,600)	-	-
Capital leases payable	351,958	-	(145,541)	206,417	130,276
Accrued compensated absences	206,431	218,680	(109,349)	315,762	210,830
Net pension liability	<u>4,142,908</u>	<u>689,972</u>	<u>-</u>	<u>4,832,880</u>	<u>-</u>
Total other long-term obligations	<u>4,721,897</u>	<u>908,652</u>	<u>(275,490)</u>	<u>5,355,059</u>	<u>341,106</u>
Total governmental long-term liabilities	<u>\$ 6,601,204</u>	<u>\$ 1,956,586</u>	<u>\$ (411,037)</u>	<u>\$ 8,146,753</u>	<u>\$ 534,062</u>

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2017

### Note 9: Long-Term Obligations (continued)

	Balance 12/31/16	Additions	Deletions	Balance 12/31/17	Due in One Year
<i>Business-type activities:</i>					
Ohio Water Development Authority (OWDA) loans:					
4.56% OWDA, series 2004, maturing 2030	\$ 4,444,776	\$ -	\$ (257,191)	\$ 4,187,585	\$ 269,052
1% OWDA Elm Street sub-basin sewer rehabilitation, maturing 2030	159,667	-	(11,104)	148,563	11,215
1% OWDA laboratory building, maturing 2030	227,953	-	(15,853)	212,100	16,012
7.5% OWDA Phase III - Southerly sewer, maturing 2018	320,289	-	(211,023)	109,266	109,266
3% OWDA, series 2007, maturing 2022	554,846	-	(94,242)	460,604	97,090
1% OWDA WW Collection system study, maturing 2020	46,900	3,969	(16,779)	34,090	16,967
1.68% OWDA advanced metering infrastructure, maturing 2032	247,493	6,343	(26,656)	227,180	3,624
1.35% OWDA, North Broadway waterline, maturing 2037	411,262	3,100	(9,058)	405,304	18,300
1% OWDA, WW Facilities plan, maturing 2023	-	9,681	-	9,681	9,681
2.01% OWDA, Harpersfield booster station, maturing 2031	-	253,000	(22,111)	230,889	15,113
1.60% OWDA, Elm Street improvements, maturing 2037	-	510,820	(12,922)	497,898	21,945
4.49% OWDA Geneva-on-the-Lake sanitary sewer outfall, maturing 2026	<u>57,465</u>	<u>-</u>	<u>(5,311)</u>	<u>52,154</u>	<u>5,552</u>
Total Ohio Water Development Authority loans	<u>6,470,651</u>	<u>786,913</u>	<u>(682,250)</u>	<u>6,575,314</u>	<u>593,817</u>
<i>Other long-term obligations:</i>					
0% Ohio Public Works Commission (OPWC)					
2008 Nearing Circle, maturing 2018	10,000	-	(2,500)	7,500	5,000
2010 W. Liberty, maturing 2030	36,161	-	(1,291)	34,870	2,583
2010 Ansel – WW, maturing 2031	153,750	-	(5,125)	148,625	10,250
2010 Ansel – Water, maturing 2031	34,500	-	(1,150)	33,350	2,300
2013 Van Epps – Water, maturing 2024	39,501	-	(2,469)	37,032	4,938
2016 Meter – Water	329,748	9,951	(11,323)	328,376	33,970
Capital leases payable	51,157	-	(18,600)	32,557	19,319
Accrued compensated absences	70,020	75,967	(48,073)	97,914	52,496
Other long-term liabilities	19,615	-	(19,615)	-	-
Net pension liability	<u>764,497</u>	<u>332,519</u>	<u>-</u>	<u>1,097,016</u>	<u>-</u>
Total other long-term obligations	<u>1,508,949</u>	<u>418,437</u>	<u>(110,146)</u>	<u>1,817,240</u>	<u>130,856</u>
Total business-type long-term liabilities	<u>\$ 7,979,600</u>	<u>\$ 1,205,350</u>	<u>\$ (792,396)</u>	<u>\$ 8,392,554</u>	<u>\$ 724,673</u>

At December 31, 2017, the City received partial proceeds for the OPWC State Route 534 project and the OWDA State Route 534 project. The loans will be repaid in semi-annual installments. The City has not collected the total proceeds of the loans, and as a result, the debt maturity schedules below do not reflect any amounts for principal or interest.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2017

### Note 9: Long-Term Obligations (continued)

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2017 were as follows:

Year	Governmental Activities					
	General Obligation Bonds		OPWC Loans	Total		
	Principal	Interest	Principal	Principal	Interest	
2018	\$ 95,000	\$ 50,858	\$ 53,075	\$ 148,075	\$ 50,858	
2019	97,000	46,370	53,074	150,074	46,370	
2020	100,000	41,778	53,074	153,074	41,778	
2021	109,000	37,028	50,574	159,574	37,028	
2022	67,000	31,868	46,775	113,775	31,868	
2023-2027	374,000	103,373	233,875	607,875	103,373	
2028-2032	166,000	13,125	229,153	395,153	13,125	
2033-2037	-	-	87,993	87,993	-	
	<u>\$ 1,008,000</u>	<u>\$ 324,400</u>	<u>\$ 807,593</u>	<u>\$ 1,815,593</u>	<u>\$ 324,400</u>	

Year	Business-Type Activities					
	OWDA Loans		OPWC Loans	Total		
	Principal	Interest	Principal	Principal	Interest	
2018	\$ 593,817	\$ 206,504	\$ 59,041	\$ 652,858	\$ 206,504	
2019	502,682	190,201	45,217	547,899	190,201	
2020	504,303	173,941	42,717	547,020	173,941	
2021	522,755	157,157	42,717	565,472	157,157	
2022	486,869	139,695	42,717	529,586	139,695	
2023-2027	2,412,054	458,758	201,240	2,613,294	458,758	
2028-2032	1,320,637	77,584	156,104	1,476,741	77,584	
2033-2037	232,197	8,728	-	232,197	8,728	
	<u>\$ 6,575,314</u>	<u>\$ 1,412,568</u>	<u>\$ 589,753</u>	<u>\$ 7,165,067</u>	<u>\$ 1,412,568</u>	

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2017**

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#### **Note 9: Long-Term Obligations (continued)**

General obligation bonds are direct obligations of the City and will be paid from the Debt Service Fund using property tax revenues. Compensated absences will be paid from the fund from which the employees' salaries are paid. All OWDA loan obligations of the Wastewater and Water Funds will be paid from the operating revenue of those funds. The governmental activities have a single OWDA loan which is the obligation of the JEDD III Construction Fund. See Note 10 for detail on capital leases. The City has several loans with the OPWC. The governmental activities OPWC loans are obligations of the Street Construction, Maintenance and Repair (SCMR) Fund and are paid from transfers from the General Fund. The business-type activities OPWC loans are an obligation of the Water and Wastewater Funds.

The City has pledged future revenues, net of operating expenses other than depreciation expense, to repay OPWC and OWDA loans in the Wastewater Fund. The debt is payable solely from net revenues and are payable through 2037. The total principal and interest remaining to be paid on the debt is \$1,453,782. Principal and interest paid for the current year and total net revenues were \$403,988 and \$199,822, respectively.

The City has pledged future revenues, net of operating expenses other than depreciation expense plus interest and fiscal charges, to repay OPWC and OWDA loans in the Water Fund. The debt is payable solely from net revenues and are payable through 2031. The total principal and interest remaining to be paid on the debt is \$7,123,853. Principal and interest paid for the current year and total net revenues were \$525,342 and \$260,364, respectively.

The other long-term liabilities are obligations of the City that will be financed in future periods with debt proceeds.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2017

### Note 10: Leases

The City has entered into lease agreements as lessee for financing the acquisition of copiers and various vehicles for the police, street, water and wastewater departments. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of their future minimum lease payments as of inception dates. These lease agreements are secured by the related property.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Assets:		
Vehicles	\$ 249,430	\$ 92,234
Equipment	255,834	-
Less: accumulated depreciation	<u>(302,097)</u>	<u>(40,370)</u>
Total	<u>\$ 203,167</u>	<u>\$ 51,864</u>

Amortization of capital leases is included in depreciation expense.

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

<u>Year</u>	<u>Capital Leases</u>		<u>Operating Leases</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
2018	\$ 137,707	\$ 20,379	\$ 1,269
2019	65,495	13,618	-
2020	11,494	-	-
2021	2,832	-	-
2022	<u>80</u>	<u>-</u>	<u>-</u>
Total minimum lease payments	217,608	33,997	<u>\$ 1,269</u>
Less: amount representing interest	<u>(11,191)</u>	<u>(1,440)</u>	
Present value of minimum lease payments	<u>\$ 206,417</u>	<u>\$ 32,557</u>	

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

Rental expense related to operating leases for equipment totaled \$1,692 for the year ended December 31, 2017.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2017**

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### **Note 11: Defined Benefit Pension Plans**

#### **A. Net Pension Liability**

The net pension liability reported on the Statement of Net Position represents a liability to employees for pensions. Pensions are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) state statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the state legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

#### **B. Plan Description – Ohio Public Employees Retirement System (OPERS)**

Plan Description – City employees, other than full-time police, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed plan is a defined contribution plan and the Combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., City employees) may elect the Member-Directed plan, substantially all employee members are in OPERS' Traditional or Combined plans.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2017

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### **Note 11: Defined Benefit Pension Plans (continued)**

#### **B. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)**

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional and Combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Final average salary (FAS) represents the average of the three highest years of earnings over the member's career for Groups A and B. Group C is based on the average of the five highest years of earning over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

The Traditional plan is a defined benefit plan in which a member's retirement benefits are calculated on a formula that considers years of service and FAS. Pension benefits are funded by both member and employer contributions and investment earnings on those contributions.

The following table provides age and service requirements for retirement and the retirement formula applied to the FAS for the three member groups under the Traditional plan (see OPERS CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2017

### Note 11: Defined Benefit Pension Plans (continued)

#### B. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

When a benefit recipient retiring under the Traditional pension plan has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided on the member's defined benefit. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%. Additionally, a death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional pension plan.

The Combined plan is a defined benefit plan with elements of a defined contribution plan. Members earn a formula benefit similar to, but at a factor less than the Traditional plan benefit. This defined benefit is funded by employer contributions and associated investment earnings. Member contributions are deposited into a defined contribution account in which the member self-directs the investment. Upon retirement, the member may choose a defined contribution distribution that is equal to the member's contributions to the plan and investment earnings (or losses). Members may also elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS.

Benefits in the Combined plan consist of both an age-and-service formula benefit (the defined benefit element) and a defined contribution element. Eligibility regarding age and years of service in the Combined plan is the same as the Traditional plan. The subsequent table provides age and service requirements for retirement and the retirement formula applied to the FAS for the three member groups under the Combined plan (see OPERS CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Formula:</b> 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Formula:</b> 1.0% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35



# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2017**

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### **Note 11: Defined Benefit Pension Plans (continued)**

#### **B. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)**

Members retiring under the Combined plan receive a 3% COLA on the defined benefit portion of their benefit. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%. Additionally, a death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Combined plan.

The Member-Directed plan is a defined contribution plan in which members self-direct the investment of both member and employer contributions. The distribution upon retirement is equal to the sum of member and vested employer contributions plus investment earnings (or losses). Employer contributions and associated investment earnings vest over a five-year period at a rate of 20% per year. Members may also elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	<u>1.0 %</u>
Total Employer	<u>14.0 %</u>
Employee	10.0 %

In 2017, the City's contractually required contribution, net of post-employment health care benefits, was \$250,309. Of this amount, \$37,364 is reported as accrued wages and benefits at December 31, 2017.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2017**

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#### **Note 11: Defined Benefit Pension Plans (continued)**

##### **C. Plan Description – Ohio Police & Fire Pension Fund (OP&F) (continued)**

Plan Description - the City's full-time police participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension 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 and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5% for each of the first 20 years of service credit, 2.0% for each of the next five years of service credit and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2017

### Note 11: Defined Benefit Pension Plans (continued)

#### C. Plan Description – Ohio Police & Fire Pension Fund (OP&F) (continued)

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Fire</u>
<b>2017 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee:	12.25 %	12.25 %
<b>2017 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50 %</u>	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:	12.25 %	12.25 %

In fiscal year 2017, the City's contractually required contribution, net of post-employment health care benefits, was \$200,180. Of this amount, \$36,072 is reported as accrued wages and benefits at December 31, 2017.

#### D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS Traditional</u>	<u>OPERS Combined</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the net pension liability (asset) prior measurement date	0.012316%	0.012960%	0.043111%	
Proportion of the net pension liability (asset) current measurement date	<u>0.014079%</u>	<u>0.016204%</u>	<u>0.041667%</u>	
Change in proportionate share	0.001763%	0.003244%	(0.001444%)	
Proportionate share of the net pension liability (asset)	\$ 3,197,856	\$ (9,018)	\$ 2,732,040	\$ 5,920,878
Pension expense	\$ 744,581	\$ 6,323	\$ 332,472	\$ 1,083,376

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2017

### Note 11: Defined Benefit Pension Plans (continued)

#### D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS Traditional</u>	<u>OPERS Combined</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred outflow of resources</b>				
Differences between expected and actual experience	\$ 4,335	\$ -	\$ 747	\$ 5,082
Assumption Changes	507,099	2,198	-	509,297
Net difference between projected and actual earnings on pension plan investments	476,122	2,200	256,645	734,967
Differences in employer contributions and change in proportionate share City contribution subsequent to the measurement date	150,199	-	31,735	181,934
	<u>231,126</u>	<u>19,183</u>	<u>200,180</u>	<u>450,489</u>
Total deferred outflow of resources	<u>\$ 1,368,881</u>	<u>\$ 23,581</u>	<u>\$ 489,307</u>	<u>\$ 1,881,769</u>
<b>Deferred inflow of resources</b>				
Differences between expected and actual experience	\$ 19,029	\$ 4,612	\$ 6,076	\$ 29,717
Differences in employer contributions and change in proportionate share	<u>7,223</u>	<u>1,555</u>	<u>-</u>	<u>8,778</u>
Total deferred inflow of resources	<u>\$ 26,252</u>	<u>\$ 6,167</u>	<u>\$ 6,076</u>	<u>\$ 38,495</u>

The \$450,489 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS Traditional</u>	<u>OPERS Combined</u>	<u>OP&amp;F</u>	<u>Total</u>
Fiscal Year Ending December 31:				
2018	\$ 465,329	\$ 234	\$ 104,108	\$ 569,671
2019	484,715	234	104,108	589,057
2020	175,416	139	80,850	256,405
2021	(13,957)	(641)	(10,776)	(25,374)
2022	-	(558)	4,349	3,791
2023-2026	<u>-</u>	<u>(1,177)</u>	<u>412</u>	<u>(765)</u>
	<u>\$ 1,111,503</u>	<u>\$ (1,769)</u>	<u>\$ 283,051</u>	<u>\$ 1,392,785</u>

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2017

### Note 11: Defined Benefit Pension Plans (continued)

#### E. Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The active member population which consists of members in the Traditional and Combined plans is assumed to remain constant. For purposes of financing the unfunded actuarial accrued liabilities, total payroll is assumed to grow at the wage inflation rate indicated below.

In 2016, OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporated both a historical review and forward-looking projection to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0% down to 7.5%.

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Experience Study	OPERS	OPERS
	<u>Traditional Plan</u>	<u>Combined Plan</u>
Actuarial Cost Method	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial Assumptions:	Individual Entry Age	Individual Entry Age
Investment Rate of Return	7.50%	7.50%
Wage Inflation	3.25%	3.25%
Projected Salary Increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA	3% Simple	3% Simple

Mortality rates were based on the RP-2014 Health Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables were determined by applying the MP-2015 mortality improvement scale to the above described tables.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### For the Year Ended December 31, 2017

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#### **Note 11: Defined Benefit Pension Plans (continued)**

##### **E. Actuarial Assumptions – OPERS (continued)**

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional pension plan, the defined benefit component of the Combined plan and the annuitized accounts of the Member-Directed plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00%	2.75%
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	<u>100.00%</u>	<u>5.66%</u>

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2017

### Note 11: Defined Benefit Pension Plans (continued)

#### E. Actuarial Assumptions – OPERS (continued)

**Discount Rate** The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5%) or one-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City’s proportionate share of the net pension liability – Traditional	\$ 4,884,287	\$ 3,197,856	\$ 1,791,130
City’s proportionate share of the net pension liability (asset) – Combined	\$ 648	\$ (9,018)	\$ (16,528)

#### F. Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Actuarial cost method	Entry age normal
Investment rate of return	8.25%
Projected salary increases	4.25% - 11.00%
Payroll increases	3.75%
Inflation assumptions	3.25%
Cost of living adjustments	2.60% and 3.00% simple

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### For the Year Ended December 31, 2017

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#### **Note 11: Defined Benefit Pension Plans (continued)**

##### **F. Actuarial Assumptions – OP&F (continued)**

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in OP&F's Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2016 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00%	0.00%
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income*	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Real Assets	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	<u>120.00%</u>	

\*Levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.



# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2017

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### **Note 11: Defined Benefit Pension Plans (continued)**

#### **F. Actuarial Assumptions – OP&F (continued)**

**Discount Rate** The total pension liability was calculated using the discount rate of 8.25%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25%), or one percentage point higher (9.25%) than the current rate.

	<u>1% Decrease (7.25%)</u>	<u>Discount Rate (8.25%)</u>	<u>1% Increase (9.25%)</u>
City's proportionate share of the net pension liability	\$ 3,515,030	\$ 2,732,040	\$ 1,896,823

**Changes between Measurement Date and Report Date** In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2016. The most significant change is the reduction in the discount rate from 8.25% to 8.00%. Although the exact amount of these changes is not known, the impact to the City's net position liability is expected to be significant.

### **Note 12: Post-Employment Benefits**

#### **A. Ohio Public Employees Retirement System**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional pension plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed plan – a defined contribution plan; and the Combined plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional pension and Combined plans. This trust is also used to fund health care for Member-Directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed plan participants may be eligible for reimbursement for qualified medical expenses from their vested RMA balance.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2017**

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#### **Note 12: Post-Employment Benefits (continued)**

##### **A. *Ohio Public Employees Retirement System (continued)***

In order to qualify for health care coverage, age-and-service retirees under the Traditional pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional pension plan and Combined plan was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed plan participants for 2017 was 4.0%.

The City's contributions for health care for the years ended December 31, 2017, 2016, and 2015 were \$38,618, \$38,257, and \$32,113, respectively. For 2017, 85.44% has been contributed. The full amount has been contributed for 2016 and 2015.

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

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2017**

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#### **Note 12: Post-Employment Benefits (continued)**

##### ***B. Ohio Police and Fire Pension Fund (continued)***

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits 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 E. Town St., Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5% of covered payroll from January 1, 2017 through December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F for police and fire health care plan for the years ended December 31, 2017, 2016, and 2015 were \$3,567 and \$1,368, \$3,345 and \$1,374, and \$3,265 and \$1,347, respectively. For 2017, 86.23% for police and 85.70% for firefighters has been contributed, with the remainder being reported as a liability in the accrued wages and benefits. The full amount has been contributed for 2016 and 2015.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2017

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### **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.

### **Note 14: Compensated Absences**

Vacation leave is earned at rates which vary depending upon length of service and standard work week. All full-time employees may carry over 40 vacation hours for use during the first six months of the following year. City employees are paid for earned, unused vacation leave at the time of termination of employment if the employees have acquired at least one year of service to the City.

Sick leave is earned at the rate of 10 hours to 14 hours for each month worked. The total amount of accumulated sick leave shall not exceed 960 hours to 1,344 hours, depending upon the employment contract. Each employee upon retirement, with a minimum of 15 years of employment, is paid at a rate of one-half (1/2) of the employee's earned unused sick leave balances up to a maximum of one-half (1/2) of 960 hours.

### **Note 15: Significant Commitments**

#### **A. Contracts**

The City has the following outstanding contractual commitments for various construction projects at December 31, 2017:

<u>Contractor</u>	<u>Contract</u>	<u>Amount Expended</u>	<u>Amount Remaining</u>
JEDD III Construction	\$ 2,278,862	\$ 1,456,187	\$ 822,675
Facilities Plan - Headworks	394,629	23,490	371,139
Salmonella Elimination/Sludge Tank Improvements	<u>1,094,400</u>	<u>40,483</u>	<u>1,053,917</u>
	<u>\$ 3,767,891</u>	<u>\$ 1,520,160</u>	<u>\$ 2,247,731</u>

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2017

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### **Note 15: Significant Commitments (continued)**

#### ***B. Encumbrances***

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Funds:	<u>Amount</u>
General	\$ 31,866
Street Construction Maintenance and Repair	32,553
JEDD III Construction	12,949
Other Governmental	<u>32,117</u>
Total Governmental	\$ <u><u>109,485</u></u>

### **Note 16: Contingencies/Pending Litigation**

#### ***A. Grants***

The City receives 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 a condition 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, 2017.

#### ***B. Litigation***

The City is party to various litigation, claims, and inquiries most of which are routine to the nature of a municipality. It is the opinion of the City's management that the disposition of such litigation will not have a material effect on the overall financial position of the City at December 31, 2017.

### **Note 17: Interfund Transactions**

#### ***A. Interfund Balances***

Interfund receivables and payables for the year ended December 31, 2017 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ <u><u>111,376</u></u>

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2017

### Note 17: Interfund Transactions (continued)

#### A. Interfund Balances (continued)

Long-term interfund loans are classified as “advances to/from other funds” and consist of the following at December 31, 2017:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	Street Construction Maintenance & Repair	\$ <u>3,250</u>

The interfund receivables and payables result from a difference in the timing of when expenses are recognized in accordance with generally accepted accounting principles and when the related interfund subsidies are budgeted for payment on a cash basis. All are expected to be repaid within one year except for the long-term interfund loans classified as “advances to/from other funds”.

#### B. Interfund Transfers

Interfund transfers for the year ended December 31, 2017, consisted of the following:

	<u>Transfer from</u>			<u>Total</u>
	<u>General Fund</u>	<u>Wastewater Fund</u>	<u>Other Governmental Funds</u>	
Transfer to:				
General Fund	\$ -	\$ -	\$ 6,985	\$ 6,985
SCMR Fund	421,725	-	-	421,725
JEDD III Construction Fund	-	39,765	-	39,765
Other Governmental Funds	350,613	-	-	350,613
Water Fund	<u>22,765</u>	<u>17,825</u>	-	<u>40,590</u>
	<u>\$ 795,103</u>	<u>\$ 57,590</u>	<u>\$ 6,985</u>	<u>\$ 859,678</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. The \$39,765 transfer from the Wastewater Fund to the JEDD III Construction Fund and the \$17,825 transfer from the Wastewater Fund to the Water Fund was to provide resources for capital projects paid out of these funds. These transfers were in compliance with the Ohio Revised Code Section 5705.15. The \$6,985 transfer from other governmental funds to the General Fund was to move remaining funds from the closure of the Recycle Center Fund. These transfers were in compliance with the Ohio Revised Code Section 5705.13 (c).

### Note 18: Accountability

There are deficits in the JEDD III Construction Fund and Police Levies Fund of \$528,326 and \$160, respectively, caused by the application of generally accepted accounting principles to these funds. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2017**

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#### **Note 19: Jointly Governed Organizations, Regional Council of Governments and Joint Economic Development District**

##### ***A. Ashtabula County General Health District***

The Ashtabula County General Health District (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 \$46,397 during 2017 for the operation of the District.

##### ***B. Geneva Union Cemeteries District***

The Geneva Union Cemeteries District (the "Cemetery"), 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 2017, 0.30 mills of the tax valuation was paid to the Cemetery.

##### ***C. Northeast Ohio Public Energy Council***

The City is a member of the Northeast Ohio Public Energy Council (NOPEC), a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas. NOPEC is currently comprised of 200 communities who have been authorized by ballot to purchase electricity on behalf of their citizens.

The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and natural gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Geneva did not contribute to NOPEC during 2017. Financial information can be obtained by contacting 31360 Solon Road, Suite 33, Solon, Ohio 44139.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2017**

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#### **Note 19: Jointly Governed Organizations, Regional Council of Governments and Joint Economic Development District (continued)**

##### ***D. JEDD-I, JEDD-II, and JEDD-III***

The City of Geneva and Harpersfield Township (Township) have formed three Geneva Joint Economic Development Districts (JEDD) (JEDD-I, JEDD-II, and JEDD-III) which were formed under Chapter 715.72 through 715.83 of the Ohio Revised Code. JEDD-I was formed in 1996 and JEDD-II was formed in 2005 and JEDD-III was formed in 2014 to provide sanitary sewers to each JEDD District. The purpose of each JEDD is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State, the county, the Township, the City, and the JEDD's served. The JEDD's are administered by a Board of locally appointed officials and local business leaders.

The City acts as the fiscal agent for the JEDD-I, JEDD-II, and JEDD-III Districts. In 2017 JEDD-I distributed \$33,678 to the City, \$12,246 to the Township, \$3,062 to the JEDD Board and \$12,246 to the Geneva-area Recreation, Education and Athletic Trust (GaREAT). JEDD-II distributed \$181,328 to the City, \$48,354 to the Township and \$12,089 to the JEDD Board. JEDD-III distributed \$23,897 to the City, \$20,185 to the township, and \$2,320 to the JEDD Board.

#### **Note 20: Component Unit**

##### ***A. Summary of Significant Accounting Policies***

The summary of significant accounting policies is presented to assist the reader in understanding and evaluating the financial statements of the Community Improvement Corporation of Geneva (CIC).

##### ***Nature of Activities***

The CIC was incorporated in July 1997 by the City of Geneva (the "City") under Section 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, not-for-profit organization, served by a 15-member board composed of City officials and community representatives.

The CIC was created to advance, encourage, and promote the industrial, economic, commercial, and civic development of Geneva and the territory surrounding Geneva in whatever way and by such means as will improve the normal growth, employment opportunities, and stability of employment in existing industries. The CIC is empowered with the ability to carry out the actions it considers necessary to achieve its mission.

The CIC prepares its financial statements in accordance with the not-for-profit entity related provisions of the standards set by the Financial Accounting Standards Board (FASB) which established the FASB Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America.



## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2017**

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#### **Note 20: Component Unit (continued)**

##### **A. Summary of Significant Accounting Policies (continued)**

###### ***Nature of Activities (continued)***

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 as of December 31, 2017.

###### ***Basis of Accounting***

The financial statements of the CIC have been prepared on the accrual basis of accounting. 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.

###### ***Contributions***

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

###### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

###### ***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the CIC considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

###### ***Funds Held As Fiscal Agent***

Funds held as fiscal agent represent funds held by the CIC for multiple City organizations, for which the CIC is serving as a fiscal agent.

###### ***Loans Receivable***

The CIC has loaned money to various City businesses. Payments of principal and interest are due monthly and are not secured. The loans range in interest rates from 3.25% to 3.50%. When a loan payment is outstanding sixty days after its scheduled payment date, management deems the loan to be delinquent. At December 31, 2017, there were two loans that were delinquent, subsequent payments have been made in regard to these loans.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2017**

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#### **Note 20: Component Unit (continued)**

##### **A. Summary of Significant Accounting Policies (continued)**

###### ***Loans Receivable (continued)***

The carrying amount of loans receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews loans receivable balances that are not current and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. At December 31, 2017, management has determined that the loans receivable are all collectable and do not require an allowance for doubtful accounts.

###### ***Capital Assets***

All purchased capital assets and other property are stated at cost. Donated property is capitalized at estimated fair value at the date of donation based on non-recurring Level 2 fair value measurements under FASB's fair value hierarchy.

The CIC capitalizes asset purchases having a cost of \$500 or more. The CIC depreciates the capital assets other than land using the straight-line method based on the estimated useful lives of the assets ranging from five to ten years.

###### ***Income Taxes***

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.

Income taxes are accounted for under the provisions of the "Income Taxes" topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. As of December 31, 2017, the CIC has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year then ended.

###### ***Recent Accounting Pronouncements***

The FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities and Health Care Entities – Presentation of Financial Statements of Not-for-Profit Entities*. This ASU changes the current reporting requirements for nonprofit organizations and their required disclosures. The changes include: (a) requiring the presentation of only two classes of net assets, entitled "net assets without donor restriction" and "net assets with donor restrictions," (b) modifying the presentation and disclosures of underwater endowment funds, (c) requiring the use of the placed in service approach to recognize the releases from restriction for gifts utilized to acquire or construct long-lived assets, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes to the financial statements and to summarize the allocation methodologies utilized to allocate the costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity, and (f) modifying other financial statement reporting requirements and disclosures to enhance the usefulness of nonprofit financial statements.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2017**

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### **Note 20: Component Unit (continued)**

#### **A. Summary of Significant Accounting Policies (continued)**

##### ***Recent Accounting Pronouncements (continued)***

This ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

##### ***Functional Allocation of Expenses***

The costs of providing various programs and related supporting services have been summarized on a functional basis within the notes to the financial statements. Accordingly, certain costs have been allocated to the appropriate programs and supported services.

##### ***Subsequent Events***

In preparing these financial statements, the CIC has evaluated events and transactions for potential recognition or disclosure through June 29, 2018, the date the financial statements were available to be issued.

#### **B. Concentrations**

At December 31, 2017, the carrying amount of CIC's deposits was \$118,030 and the bank balance was \$121,105, which was covered by federal depository insurance.

#### **C. Related Parties**

Five of the 15 trustees serving the CIC are elected or appointed officials of the City of Geneva as mandated by the Ohio Revised Code with only the City Manager being specified.

#### **D. Capital Assets and Property Held for Sale or Development**

The CIC's property and equipment consist of the following at December 31, 2017:

Property held for sale or development	\$	44,000
Equipment		24,338
Less: accumulated depreciation		<u>(12,185)</u>
Total	\$	<u><u>56,153</u></u>

The majority of CIC's land was donated by the City of Geneva and outside donors.

**City of Geneva, Ohio**

Notes to the Basic Financial Statements (continued)

**For the Year Ended December 31, 2017**

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**Note 20: Component Unit (continued)**

*E. Functional Classification of Expenses*

Expenses by function for the year ended December 31, 2017 were as follows:

Program services	\$	15,981
General and administrative		293
Fundraising		<u>65</u>
Total expenses	\$	<u><u>16,339</u></u>

## City of Geneva, Ohio

Required Supplementary Information  
Schedule of the City's Proportionate Share of the Net Pension Liability  
Ohio Public Employee Retirement System – Traditional Plan

### For the Last Four Years (1)

	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
City's proportion of the net pension liability	0.014079%	0.012316%	0.012494%	0.012494%
City's proportionate share of the net pension liability	\$ 3,197,856	\$ 2,134,042	\$ 1,506,916	\$ 1,472,880
City's covered payroll	\$ 1,832,052	\$ 1,541,030	\$ 1,491,358	\$ 1,510,626
City's proportionate share of the net pension liability as a percentage of its covered payroll	174.51%	138.48%	101.04%	97.50%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available. Amounts presented for each fiscal year were determined as of the City's measurement date which is December 31 of the prior year.

## City of Geneva, Ohio

Required Supplementary Information  
Schedule of the City's Proportionate Share of the Net Pension Asset  
Ohio Public Employee Retirement System – Combined Plan

### For the Last Four Years (1)

	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
City's proportion of the net pension Asset	0.016204%	0.012960%	0.012424%	0.012424%
City's proportionate share of the net pension asset	\$ 9,018	\$ 6,307	\$ 4,784	\$ 1,304
City's covered payroll	\$ 63,539	\$ 46,942	\$ 42,058	\$ 47,514
City's proportionate share of the net pension asset as a percentage of its covered payroll	14.19%	13.44%	11.37%	2.74%
Plan fiduciary net position as a percentage of the total pension asset	116.55%	116.90%	114.83%	104.33%

(1) Information prior to 2014 is not available. Amounts presented for each fiscal year were determined as of the City's measurement date which is December 31 of the prior year.

## City of Geneva, Ohio

Required Supplementary Information  
Schedule of the City's Proportionate Share of the Net Pension Liability  
Ohio Police and Fire Pension Fund

### For the Last Four Years (1)

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	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
City's proportion of the net pension liability	0.041667%	0.043111%	0.042740%	0.042740%
City's proportionate share of the net pension liability	\$ 2,732,040	\$ 2,773,363	\$ 2,214,085	\$ 2,081,548
City's covered payroll	\$ 979,629	\$ 903,727	\$ 887,302	\$ 870,550
City's proportionate share of the net pension liability as a percentage of its covered payroll	278.89%	306.88%	232.91%	221.15%
Plan fiduciary net position as a percentage of the total pension liability	68.36%	66.77%	71.71%	73.00%

(1) Information prior to 2014 is not available. Amounts presented for each fiscal year were determined as of the City's measurement date which is December 31 of the prior year.

## City of Geneva, Ohio

Required Supplementary Information  
 Schedule of the City Contributions  
 Ohio Public Employee Retirement System – Traditional Plan

### For The Last Ten Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually-required contribution	\$ 231,126	\$ 219,846	\$ 184,924	\$ 178,963	\$ 196,381
Contributions in relation to the contractually-required contribution	<u>(231,126)</u>	<u>(219,846)</u>	<u>(184,924)</u>	<u>(178,963)</u>	<u>(196,381)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered payroll	\$ 1,777,890	\$ 1,832,052	\$ 1,541,030	\$ 1,491,358	\$ 1,510,626
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%	13.00%
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually-required contribution	\$ 149,877	\$ 152,130	\$ 130,429	\$ 118,540	\$ 97,090
Contributions in relation to the contractually-required contribution	<u>(149,877)</u>	<u>(152,130)</u>	<u>(130,429)</u>	<u>(118,540)</u>	<u>(97,090)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered payroll	\$ 1,498,766	\$ 1,521,300	\$ 1,449,210	\$ 1,394,585	\$ 1,387,004
Contributions as a percentage of covered payroll	10.00%	10.00%	9.00%	8.50%	7.00%

See Accompanying Note to the Required Supplementary Information.



## City of Geneva, Ohio

Required Supplementary Information  
 Schedule of the City Contributions  
 Ohio Public Employee Retirement System – Combined Plan

### For The Last Ten Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually-required contribution	\$ 19,183	\$ 7,625	\$ 5,633	\$ 5,047	\$ 6,177
Contributions in relation to the contractually-required contribution	<u>(19,183)</u>	<u>(7,625)</u>	<u>(5,633)</u>	<u>(5,047)</u>	<u>(6,177)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered payroll	\$ 147,559	\$ 63,539	\$ 46,942	\$ 42,058	\$ 47,514
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%	13.00%
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually-required contribution	\$ 4,714	\$ 4,785	\$ 4,102	\$ 3,728	\$ 3,054
Contributions in relation to the contractually-required contribution	<u>(4,714)</u>	<u>(4,785)</u>	<u>(4,102)</u>	<u>(3,728)</u>	<u>(3,054)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered payroll	\$ 47,141	\$ 47,850	\$ 45,583	\$ 43,864	\$ 43,626
Contributions as a percentage of covered payroll	10.00%	10.00%	9.00%	8.50%	7.00%

See Accompanying Note to the Required Supplementary Information.

## City of Geneva, Ohio

Required Supplementary Information  
 Schedule of the City Contributions  
 Ohio Police and Fire Pension Fund

### For The Last Ten Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually-required contribution	\$ 200,180	\$ 198,919	\$ 183,594	\$ 180,616	\$ 149,500
Contributions in relation to the contractually-required contribution	<u>(200,180)</u>	<u>(198,919)</u>	<u>(183,594)</u>	<u>(180,616)</u>	<u>(149,500)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered payroll	\$ 987,297	\$ 979,629	\$ 903,727	\$ 887,302	\$ 870,550
Contributions as a percentage of covered payroll	20.28%	20.31%	20.32%	20.36%	17.17%
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually-required contribution	\$ 121,189	\$ 127,167	\$ 124,521	\$ 120,292	\$ 120,215
Contributions in relation to the contractually-required contribution	<u>(121,189)</u>	<u>(127,167)</u>	<u>(124,521)</u>	<u>(120,292)</u>	<u>(120,215)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered payroll	\$ 866,103	\$ 908,826	\$ 889,915	\$ 859,692	\$ 859,142
Contributions as a percentage of covered payroll	13.99%	13.99%	13.99%	13.99%	13.99%

See Accompanying Note to the Required Supplementary Information.

# City of Geneva, Ohio

## Note to Required Supplementary Information

### For the Year Ended December 31, 2017

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#### Note 1: Change in Assumptions – OPERS Traditional and Combined Plans

Amounts reported for 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	<u>2017</u>	<u>2016 and Prior</u>
Wage Inflation	3.25%	3.75%
Future Salary Increases, Including Inflation	3.25-10.75% (including wage inflation at 3.25%)	4.25-10.05% (including wage inflation)
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3.00% Simple	3.00% Simple
Post-Jan 7, 2013 Retirees	3.00% Simple through 2018 then 2.15% Simple	3.00% Simple through 2018 then 2.8% Simple
Investment Rate of Return/Discount Rate	7.50%	8.00%
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For the current valuation, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

For the prior valuation, mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five-year period ended December 31, 2015. The prior experience study was completed for the five-year period ended December 31, 2010.

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**Independent Auditor's 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**

Members of City Council  
City of Geneva, Ohio

We have audited, in accordance with the 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, 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2018. Our report includes a reference to another auditor who audited the financial statements of the Community Improvement Corporation of Geneva, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings, that we consider to be a material weakness (Finding No. 2017-001).

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 from 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*.

### **City of Geneva, Ohio's Response to the Finding**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cimini + Panichi, Inc.*

Cleveland, Ohio  
June 29, 2018

# City of Geneva, Ohio

## Schedule of Findings

**For the year ended December 31, 2017**

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### 1. Summary of Auditor's Results

Type of Financial Statement Opinion	Unmodified
Were there any material weaknesses reported at the financial statement level (GAGAS)?	Yes
Were there any significant deficiencies reported at the financial statement level (GAGAS)?	No
Was there any material noncompliance reported at the financial statement level (GAGAS)?	No

### 2. Finding Related to the Financial Statements Required to be Reported in Accordance With GAGAS

#### 2017-001 – Material Weakness in Internal Control:

##### Condition:

During the audit we discovered errors requiring adjustments to properly report the financial statements under the accounting principles generally accepted in the United States of America (GAAP) in accordance with Ohio Revised Code Section 117.38. The adjustments were as follows:

- Expenditures totaling \$182,219 relating to and recorded in 2017 were discovered to have had checks dated in January 2018. The unadjusted financial statements as of December 31, 2017 had reflected the liabilities associated with these expenses as having been paid. Accordingly, an audit entry to increase cash and accounts payable was required.
- A stale dated check issued in 2017 in the amount of \$221,580 for the Harpersfield Booster Station Improvement Project was voided in 2017 and reissued in 2018. The City did not realize that the expenditure was removed from the accounting records when the check was voided. This resulted in an audit entry to increase expenditures and increase accounts payable.

##### Criteria:

The internal control design, structure and operation should allow management or employees in the normal course of their assigned functions to prevent, or detect and correct misstatements on a timely basis.

##### Cause:

The City implemented a new accounting system in May 2017 and, while similar to its previous accounting system, there appear to be some nuances that the City's personnel were not aware of that resulted in the current year's audit adjustments.

##### Effect:

Weaknesses in controls over the financial statement preparation process can result in inaccurate data being reported and relied upon to make financial decisions by the users of the financial statements.

# City of Geneva, Ohio

## Schedule of Findings (continued)

**For the year ended December 31, 2017**

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### **2. Finding Related to the Financial Statements Required to be Reported in Accordance With GAGAS (continued)**

#### **2017-001 – Material Weakness in Internal Control (continued):**

##### **Recommendations:**

City personnel should gain a better understanding of the nuances of the new accounting system and expenditures should match the period in which the checks are written in order to provide financial statements that are complete and accurate. Furthermore, the City should implement a review process to make sure information used to convert the cash-basis accounting system to GAAP is proper.

##### **Management's Response:**

The Finance Department will perform an additional verification when processing payables at year end to ensure the system year coincides with the year on the check issued. This will ensure that liabilities are reported as expensed in the proper year. We will also perform additional review over the accrual entries required to convert the City's cash basis information to GAAP as part of the financial reporting process in accordance with Ohio Revised Code Section 117.38.

The Finance Department will also contact its financial software provider for additional training needs to ensure a better understanding of the effects of multiple year transaction processes.





# CITY OF GENEVA

## DEPARTMENT OF FINANCE

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City of Geneva  
Corrective Action Plan  
June 29, 2018

Finding 2017-001: Material Weakness in Internal Control

Contact Person: Traci Welch, Finance Director

Corrective Action: The Finance Department will perform an additional verification when processing payables at year end to ensure the system year coincides with the year on the check issued. This will ensure that liabilities are reported as expensed in the proper year. We will also perform additional review over the accrual entries required to convert the City's cash basis information to GAAP as part of the financial reporting process in accordance with Ohio Revised Code Section 117.38.

The Finance Department will also contact its financial software provider for additional training needs to ensure a better understanding of the effects of multiple year transaction processes.

Completion Date: December 31, 2018

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# Dave Yost • 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 25, 2018