



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



VILLAGE OF GENEVA ON THE LAKE  
ASHTABULA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2001 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2000 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2000 .....	6
Notes to the Financial Statements .....	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings .....	17

**This page intentionally left blank.**



**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center  
242 Federal Plaza West  
Suite 302  
Youngstown, Ohio 44503  
Telephone 330-797-9900  
800-443-9271  
Facsimile 330-797-9949  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Geneva on the Lake  
Ashtabula County  
4964 South Spencer Street  
Geneva on the Lake, Ohio 44041

To the Village Council:

We have audited the accompanying financial statements of the Village of Geneva on the Lake, Ashtabula County, (the Village) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

**Jim Petro**  
Auditor of State

October 17, 2002

**VILLAGE OF GENEVA ON THE LAKE  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$228,921	\$126,420	\$0	\$0	\$355,341
Intergovernmental Receipts	104,211	85,080		72,172	261,463
Charges for Services	13,469				13,469
Fines, Licenses, and Permits	39,493				39,493
Earnings on Investments	2,226			132	2,358
Miscellaneous	31,202	5,017			36,219
<b>Total Cash Receipts</b>	<u>419,522</u>	<u>216,517</u>	<u>0</u>	<u>72,304</u>	<u>708,343</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	238,520	95,148			333,668
Leisure Time Activities	7,753				7,753
Transportation	4,764	88,454			93,218
General Government	163,367				163,367
Debt Service:					
Principal Payments	3,343	3,883	20,000		27,226
Interest Payments	155	117	54,200		54,472
Capital Outlay		33,704		72,172	105,876
<b>Total Cash Disbursements</b>	<u>417,902</u>	<u>221,306</u>	<u>74,200</u>	<u>72,172</u>	<u>785,580</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>1,620</u>	<u>(4,789)</u>	<u>(74,200)</u>	<u>132</u>	<u>(77,237)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Notes		25,962			25,962
Advances-In	23,546	4,154		5,000	32,700
Transfers-Out				(12,471)	(12,471)
Advances-Out	(43,720)			(5,000)	(48,720)
Other Financing Sources			74,200	1,618	75,818
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(20,174)</u>	<u>30,116</u>	<u>74,200</u>	<u>(10,853)</u>	<u>73,289</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(18,554)</u>	<u>25,327</u>	<u>0</u>	<u>(10,721)</u>	<u>(3,948)</u>
<b>Fund Cash Balances, January 1</b>	<u>(21,136)</u>	<u>54,958</u>	<u>0</u>	<u>11,126</u>	<u>44,948</u>
<b>Fund Cash Balances, December 31</b>	<u><b>(\$39,690)</b></u>	<u><b>\$80,285</b></u>	<u><b>\$0</b></u>	<u><b>\$405</b></u>	<u><b>\$41,000</b></u>
<b>Reserves for Encumbrances, December 31</b>	<u><b>\$8,336</b></u>	<u><b>\$2,728</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$11,064</b></u>

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF GENEVA ON THE LAKE  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES -  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$392,668	\$0	\$392,668
Miscellaneous	43,232		43,232
Total Operating Cash Receipts	<u>435,900</u>	<u>0</u>	<u>435,900</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	87,030		87,030
Fringe Benefits	27,087		27,087
Contractual Services	164,418		164,418
Supplies and Materials	62,119		62,119
Capital Outlay	25,962		25,962
Miscellaneous	44,951		44,951
Total Operating Cash Disbursements	<u>411,567</u>	<u>0</u>	<u>411,567</u>
Operating Income/(Loss)	<u>24,333</u>	<u>0</u>	<u>24,333</u>
<b>Non-Operating Cash Receipts:</b>			
Special Assessments	26,272		26,272
Interest	1,515		1,515
Proceeds from Notes	25,962		25,962
Other Non-Operating Receipts	1,109	26,973	28,082
Total Non-Operating Cash Receipts	<u>54,858</u>	<u>26,973</u>	<u>81,831</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	92,008		92,008
Other Non-Operating Cash Disbursements		26,973	26,973
Total Non-Operating Cash Disbursements	<u>92,008</u>	<u>26,973</u>	<u>118,981</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(12,817)	0	(12,817)
Transfers-In	12,471		12,471
Advances-In	34,566		34,566
Advances-Out	(18,546)		(18,546)
Net Receipts Over/(Under) Disbursements	15,674	0	15,674
Fund Cash Balances, January 1	<u>35,145</u>	<u>0</u>	<u>35,145</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$50,819</u></b>	<b><u>\$0</u></b>	<b><u>\$50,819</u></b>
Reserve for Encumbrances, December 31	<u>\$14,132</u>	<u>\$0</u>	<u>\$14,132</u>

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF GENEVA ON THE LAKE  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$238,914	\$123,887	\$0	\$0	\$362,801
Intergovernmental Receipts	63,750	75,544			139,294
Charges for Services	128,726				128,726
Fines, Licenses, and Permits	44,697				44,697
Earnings on Investments	2,492			2,121	4,613
Miscellaneous	16,244	3,856			20,100
<b>Total Cash Receipts</b>	<u>494,823</u>	<u>203,287</u>	<u>0</u>	<u>2,121</u>	<u>700,231</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	242,683	77,994			320,677
Leisure Time Activities	56,736				56,736
Community Environment				141	141
Transportation	352	104,907			105,259
General Government	146,949				146,949
Debt Service:					
Principal Payments	1,302	7,751	20,000		29,053
Interest Payments	132	465	55,160		55,757
Capital Outlay	661	9,300			9,961
<b>Total Cash Disbursements</b>	<u>448,815</u>	<u>200,417</u>	<u>75,160</u>	<u>141</u>	<u>724,533</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>46,008</u>	<u>2,870</u>	<u>(75,160)</u>	<u>1,980</u>	<u>(24,302)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	11,827	500	75,160		87,487
Advances-In	47,100			22,100	69,200
Transfers-Out	(23,600)			(12,327)	(35,927)
Advances-Out	(121,877)			(32,100)	(153,977)
Other Financing Sources				3,137	3,137
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(86,550)</u>	<u>500</u>	<u>75,160</u>	<u>(19,190)</u>	<u>(30,080)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(40,542)</u>	<u>3,370</u>	<u>0</u>	<u>(17,210)</u>	<u>(54,382)</u>
<b>Fund Cash Balances, January 1</b>	<u>19,406</u>	<u>51,588</u>	<u>0</u>	<u>28,336</u>	<u>99,330</u>
<b>Fund Cash Balances, December 31</b>	<u><b>(\$21,136)</b></u>	<u><b>\$54,958</b></u>	<u><b>\$0</b></u>	<u><b>\$11,126</b></u>	<u><b>\$44,948</b></u>
<b>Reserves for Encumbrances, December 31</b>	<u><b>\$2,421</b></u>	<u><b>\$1,719</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$4,140</b></u>

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF GENEVA ON THE LAKE  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES -  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$496,209	\$0	\$496,209
Miscellaneous	7,194		7,194
Interest	3,042		3,042
	<u>506,445</u>	<u>0</u>	<u>506,445</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	177,243		177,243
Fringe Benefits	42,866		42,866
Contractual Services	154,429		154,429
Supplies and Materials	82,654		82,654
Capital Outlay	7,421		7,421
Miscellaneous	35,085		35,085
	<u>499,698</u>	<u>0</u>	<u>499,698</u>
Operating Income/(Loss)	<u>6,747</u>	<u>0</u>	<u>6,747</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Receipts	36,993		36,993
Other Non-Operating Receipts		27,807	27,807
	<u>36,993</u>	<u>27,807</u>	<u>64,800</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	90,170		90,170
Other Non-Operating Cash Disbursements		27,807	27,807
	<u>90,170</u>	<u>27,807</u>	<u>117,977</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(46,430)	0	(46,430)
Transfers-In	23,600		23,600
Advances-In	99,777		99,777
Transfers-Out	(75,160)		(75,160)
Advances-Out	(15,000)		(15,000)
Net Receipts Over/(Under) Disbursements	(13,213)	0	(13,213)
Fund Cash Balances, January 1	<u>48,358</u>	<u>0</u>	<u>48,358</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$35,145</u></b>	<b><u>\$0</u></b>	<b><u>\$35,145</u></b>
Reserve for Encumbrances, December 31	<u>\$9,750</u>	<u>\$0</u>	<u>\$9,750</u>

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF GENEVA ON THE LAKE  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Geneva on the Lake, Ashtabula County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides sewer utilities, police and fire protection, and golf course operations.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

*Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

*Fire Levy Fund* -This fund receives property tax for maintaining of the Village's fire department.

**VILLAGE OF GENEVA ON THE LAKE  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Special Revenue Fund (continued)**

*Police Levy Fund* – This fund receives property tax for maintaining of the Village's police department.

**3. Debt Service Fund**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

*General Bond Retirement Fund* – This fund receives proceeds from the Villages golf course for the debt incurred for improvements made at the golf course.

**4. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

*Issue 2 Fund* - This fund receives proceeds from a State grant. The proceeds are being used to maintain Villages roads.

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

*Sewer Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Sanitation Fund* - This fund receives charges for services from residents to cover the cost of providing this service.

**6. Fiduciary Funds (Agency Funds)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

*Mayor's Court Fund* – This fund receives fine and court cost monies. The proceeds are distributed to the State as required by law and to the General Fund.

**VILLAGE OF GENEVA ON THE LAKE  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**2. EQUITY IN POOLED CASH**

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	<u>2001</u>	<u>2000</u>
Demand deposits	\$91,819	\$60,899
Certificates of deposit		19,194
Total deposits	<u>\$91,819</u>	<u>\$80,093</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF GENEVA ON THE LAKE  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

**2001 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$492,170	\$419,522	(\$72,648)
Special Revenue	218,547	242,479	23,932
Debt Service	74,200	74,200	0
Capital Projects	5,000	73,922	68,922
Enterprise	564,654	503,229	(61,425)
Total	<u>\$1,354,571</u>	<u>\$1,313,352</u>	<u>(\$41,219)</u>

**2001 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$481,972	\$426,238	\$55,734
Special Revenue	228,419	224,034	4,385
Debt Service	74,200	74,200	0
Capital Projects	0	84,643	(84,643)
Enterprise	543,493	517,707	25,786
Total	<u>\$1,328,084</u>	<u>\$1,326,822</u>	<u>\$1,262</u>

**2000 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$573,500	\$506,650	(\$66,850)
Special Revenue	192,396	203,787	11,391
Debt Service	75,160	75,160	0
Capital Projects	55,694	5,258	(50,436)
Enterprise	682,323	567,038	(115,285)
Total	<u>\$1,579,073</u>	<u>\$1,357,893</u>	<u>(\$221,180)</u>

**2000 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$571,554	\$474,836	\$96,718
Special Revenue	229,560	202,136	27,424
Debt Service	75,160	75,160	0
Capital Projects	0	12,468	(12,468)
Enterprise	723,493	674,778	48,715
Total	<u>\$1,599,767</u>	<u>\$1,439,378</u>	<u>\$160,389</u>

**VILLAGE OF GENEVA ON THE LAKE  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio law, purchases did not always contain the required certificate and amounts were not being charged to the proper year's appropriations. Also contrary to Ohio law, at December 31, 2000, the following funds had cash deficit balances: General Fund \$21,136, Street Maintenance and Repair Fund \$717, Park Fund \$19,006; and at December 31, 2001, the following funds had deficit fund balances: General Fund \$39,690, Street Maintenance and Repair Fund \$1,111 and Park Fund \$14,735. The Village, contrary to Ohio Law made various transfers and an advance that are not permitted. The Village also did not establish the proper funds for Issue II and a Cops Grant that they received, as required by Statue and also by an Auditor of State Bulletin.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Central Collection Agency either monthly or quarterly, as required. The Central Collection Agency will remit to the Village on a monthly basis said tax. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$770,539	2.20-7.59%
General Obligation Bonds	870,000	4.10-6.25%
General Obligation Notes	51,924	4.50%
Ohio Public Works Commision Loans	29,238	0-3%
Total	<u><u>\$1,721,701</u></u>	

**VILLAGE OF GENEVA ON THE LAKE  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. DEBT (Continued)**

The Village has four Ohio Water Development Authority (OWDA) loans that relate to water and sewer plant expansion project that were mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$1,209,450 in loans to the Village for these projects. The loans will be repaid in semiannual installments over the next 15 years. Loan Number 2278 will be paid off in 2002 and Number 1178 will be paid off in 2003. The other two will be paid off in 2010 and 2016 respectively. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The General Obligation Bonds relate to improvements made to the Village owned Golf Course and are collateralized by the Village's taxing authority. Currently, the Village has entered into a Management Agreement with an individual to operate the golf course and said agreement requires the Manager to make the payments on these bonds.

The General Obligation Notes relate to a new truck purchased by the Village at the end of 2001 and is jointly shared by the Village's Street and Sewer Departments.

The Village has two Ohio Public Works Commission (OPWC) Loans. Loan Number CT 425 relate to street improvements and will be paid off in 2004; and Loan number CG28D is for rehabilitation of the Village's sanitary collection system. Both of these loans are collateralized by revenues received by the Village.

Amortization of the above debt, including interest, is scheduled as follows:

	OWDA Loans	General Obligation Bonds	General Obligation Notes	OPWC Loans
Year ending December 31:				
2002	\$103,005	\$73,200	\$14,209	\$2,074
2003	80,355	77,160	14,209	2,074
2004	74,650	75,835	14,209	2,075
2005	74,650	74,485	14,209	1,358
2006	74,650	73,110		1,358
2007-2011	342,440	375,148		6,787
2012-2016	197,280	456,563		6,787
2017-2022		375,250		6,788
Total	\$947,030	\$1,580,751	\$56,836	\$29,301

**7. RETIREMENT SYSTEMS**

The Village's Police Chief belongs to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF GENEVA ON THE LAKE  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**7. RETIREMENT SYSTEMS (Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime surety and bond, inland marine, and other coverage's, modified for each member's needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverage and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

Voinovich Government Center  
242 Federal Plaza West  
Suite 302  
Youngstown, Ohio 44503  
Telephone 330-797-9900  
800-443-9271  
Facsimile 330-797-9949  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Geneva on the Lake  
Ashtabula County  
4964 South Spencer Street  
Geneva on the Lake, Ohio 44041

To the Village Council:

We have audited the accompanying financial statements of the Village of Geneva on the Lake, Ashtabula County, (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated October 17, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-31104-001 through 2001-31104-004. We also, noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 17, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-31104-005 through 2001-31104-009.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated October 17, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

October 17, 2002

**VILLAGE OF GENEVA ON THE LAKE  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2001-31104-001**

**Ohio Revised Code § 5705.41 (D)**, states that no subdivision shall make any contract or give any order involving the expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- 1- Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate,
  
- 2- If the amount involved is less than one thousand dollars the fiscal officer issue a certificate and may authorize it to be paid without the affirmation of the Council if such expenditure is otherwise valid.

Twenty percent of contracts and purchases tested in 2000 were committed prior to the certification of available funds by the Clerk/Treasurer, and neither exception listed above was followed. This condition does not provide adequate accountability over the Village's disbursements. Also, during our testing of unrecorded purchases commitments, we found the amounts related to invoices which were dated in the current fiscal year and the purchase orders (which include the fiscal officer certification) were dated in the subsequent fiscal year:

<b>Fund Type</b>	<b>2001</b>	<b>2000</b>
General	\$ 8,336	\$2,421
Special Revenue	2,728	1,719
Enterprise	14,132	9,750

This resulted in the Village incurring obligations prior to fiscal officer's certification of the availability of funds and reporting to the budget commission an overstated unencumbered fund balance. This situation may result in expenditures being incurred which either Council or management has not authorized, or which the Village cannot afford.

We recommend that all Village personnel be advised that a purchase order with the certificate of the Clerk/Treasurer be obtained prior to making an order involving the expenditure of money. Any request for payment from a vendor without such purchase order should be investigated by management before the payment is made. Purchase obligations also should be charged against the appropriations in the year incurred.

**FINDING NUMBER 2001-31104-002**

**Ohio Revised Code §'s 5705.14, 5705.15, and 5705.16** provide guidelines pertaining to allowable inter-fund transfers. Generally, before an inter-fund transfer can be made, a resolution of the taxing authority of the political subdivision shall be passed by a majority of the governing board. Additionally in some situations the approval of the common pleas court and the tax commissioner is also required before the transfer can take place.

During 2000, the Village made transfers from the General Fund to the Street Construction, Maintenance and Repair Fund in the amount of \$1661 and to the Sewer Operating Fund in the amount of \$391 and neither was made by resolution nor approved in the Minutes.

Transfers also were made from the following funds to the General Fund, as follows:

	<u>2000</u>		<u>2001</u>
<u>Special Revenue Funds</u>			
Street M & R	\$ 700	\$	700
State Highway	300		300
Permissive MV	300		300
Street Levy	500		500
Fire Levy	500		500
Police Levy	1,000		1,000
<u>Enterprise Funds</u>			
Sewer Operating	3,500		3,500
Sanitation	<u>700</u>		<u>700</u>
Grand Total	\$ <u>7,500</u>		\$ <u>7,500</u>

None of the transfers made to the General Fund were adopted appropriately.

We recommend the Village Council approve all inter-fund transfers by resolution and where required seek prior approval from the common pleas court and the tax commissioner. The resolution should be approved prior to the transfer of funds. The resolution number should be entered in the appropriate column provided by the accounting system (UAN). In addition, Council should review the Ohio Revised Code with their legal counsel for requirements that must be met before money may be transferred between funds.

Also during the year 2000 an advance was made to the Park Fund from the Sewer Operating Fund in the amount of \$15,000:

Pursuant to Auditor of State Bulletin 97-003, in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established; therefore, this advance is considered illegal, based on the inconsistent restricted uses of the funds listed above.

The above transfers and the advance have been adjusted by the Village back to the funds that the transactions originated from, and the adjustments are reflected in the financial statements.

**FINDING NUMBER 2001-31104-003**

**Ohio Revised Code § 5705.09** requires each subdivision to establish a separate fund for each class of revenue derived from a source other than general property tax, which the law requires to be used for a particular purpose.

During 2001, the Clerk-Treasurer did not establish an Issue 2 Fund to record Issue 2 grant monies and subsequent expenditures from the Ohio Public Works Commission totaling \$72,172. As a result receipts and expenditures were initially understated. The financial statements have been adjusted to reflect these receipts and expenditures. The Clerk-Treasurer should create an Issue 2 Fund (capital projects fund type) to properly report these monies. The Village should refer to Auditor of State Bulletins 2000-008 and 2002-004 for further guidance.

The Village also received a COPS Grant in 2001. The Clerk-Treasurer did not establish a COPS Grant Fund (Special Revenue Fund type) as required by this grant. This activity was handled through the General Fund. The financial statements were adjusted to reflect these receipts and expenditures in the proper fund. The Village should refer to Auditor of State Bulletin 95-007 for guidance on the COPS Grant.

**FINDING NUMBER 2001-31104-004**

**Ohio Revised Code § 5705.10** requires money that is paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund. In 2000 and 2001, the following funds had negative fund balance:

<b>Fund</b>	<b>2001</b>	<b>2000</b>
General Fund	\$39,690	\$21,136
SCM&R	1,111	717
Park	14,735	19,006

A negative fund balance also indicates a violation of **Ohio Revised Code § 5705.41 (D)**, which requires that a certificate from the fiscal officer that the amount required for said expenditure has been lawfully appropriated and is in the treasury or in the process of being collected to the credit of an appropriate fund free from any previous encumbrances.

In 2000 and 2001, the Village allocated advances from the General Fund to various other funds. The combined amount of advances and disbursements from the General Fund exceeded the amount available (unencumbered beginning fund balance plus actual revenue) in said fund, which resulted in negative cash fund balances in the General fund in both years as listed above.

The provisions of **Auditor of State Bulletin 97-003** state that inter-fund advances are a method of resolving cash flow problems without the necessity of incurring additional interest for short-term loans. The intent of this type of cash advance is to require repayment within the current or succeeding year. Advances must be approved by a formal resolution of the Village and state the specific transaction is an advance of cash and also an indication of the money (fund) from which it is expected that repayment will be made. In order to advance cash from one fund to another, there must be statutory authority to use money in the fund advancing the cash for the same purpose for which the fund receiving the cash was established.

**FINDING NUMBER 2001-31104-004**  
**(Continued)**

Advances do not require appropriations to be adjusted, but if the Village enacts numerous advances from one fund, than as a monitoring tool, an amended certificate of estimated resources should be obtained to reflect the reduced fund balance in the creditor fund and the increased fund balance in the debtor fund. This type of accounting for advances will help insure that a fund does not advance more than what is available based on the budgetary information already passed. Prior to obligation of advanced funds the debtor fund must have sufficient appropriations to cover the anticipated expenditures.

The officials of the Village should evaluate all advances made and determine the status of outstanding advances as to whether they should remain as an advance or be converted to a transfer, if permitted by statute. Advances should only be made when the fund making said advance has ample funding available to make the transaction. Advances that carry over from one year to the next, should be accounted for by the funds involved on the "certificate of the total amount from all sources available for expenditures, and balances" filed with the County Budget Commission pursuant to **Ohio Revised Code § 5705.36**

**FINDING NUMBER 2001-31104-005**

**Agreement of Records and Bank Reconciliations**

The Village's financial records had not been reconciled with the Village's depositories in a timely manner for 2000 and 2001. There were also various posting errors to the records of the Village, which also affected the accuracy of the Village's 2000 and 2001 annual financial reports.

Without a monthly reconciliation between the books and the bank's records, and by not maintaining current and accurate posting of records, undetected errors or irregularities could occur and not be corrected on a timely basis.

As a public entity, the Village needs to present a current and accurate account of its financial operations to the constituents of Geneva on the Lake. Bank reconciliations should be performed monthly and reviewed by Council. Any errors to the reconciliation should be corrected and/or disclosed as soon as possible. Postings of financial information should also be done on a current basis, and in order for it to be consistent and accurate, the Village Handbook and Chart of Accounts prepared by the Auditor of State's Office should be used as a reference.

**FINDING NUMBER 2001-31104-006**

**Monitoring Controls**

We noted a lack of Council monitoring controls over revenue collection, expenditure processing, and financial reporting which would assist Council in identifying unusual fluctuations in the Village's revenues, expenditures, and outstanding encumbrances. Council did not receive nor review monthly budget versus actual reports or otherwise monitor the financial activity of the Village. The lack of monitoring controls could result in the decline of the Village's control procedures without legislative knowledge.

Monitoring controls should be put into place to help assure that work being performed, laws required to be followed, and reports being generated are meeting the objectives of Council and management. Monitoring should be performed by someone independent of those performing said tasks. Monitoring controls generally are concerned with users' analysis of reports or other forms of data produced by the accounting system. Such data may indirectly provide assurance as to the reliability of financial reporting information if it conforms with the users' expectations.

**FINDING NUMBER 2001-31104-006**  
**(Continued)**

We recommend the Village appoint the Finance Committee of Council to periodically review information regarding revenues, expenditures, outstanding encumbrances, and monthly cash balances. This review should include the monthly reconciliation of all bank accounts and monthly budgetary reports comparing budgeted receipts and expenditures to actual results of operations, and should bear the acknowledgement of the reviewer to this function being performed.

**FINDING NUMBER 2001-31104-007**

**Budgeted Revenue**

The Village's estimated receipts posted to the Revenue Journal and subsequently reflected in the annual financial report's budgetary statements did not agree with the estimated receipts recorded on the Official Certificate of Estimated Resources approved by the County Budget Commission. In 2001, estimated receipts were not posted to the UAN system. This prevents the Village from properly monitoring budgeted vs. actual activity.

Estimated receipts posted to the UAN system should correspond to receipt amounts recorded on the Official Amended Certificate of Estimated Resources provided by the County Budget Commission.

**FINDING NUMBER 2001-31104-008**

**Appropriations**

Appropriations posted to the Appropriation Journal and subsequently reflected in the annual financial report's budgetary statements did not agree with appropriations passed by Council and submitted to the County Auditor. Appropriation amendments approved by Council were not clearly documented in the Council minute book.

Should these amounts not be posted properly to the UAN system, it would be possible for the Village to expend more monies during the year than what was originally budgeted. This could result in deficit spending by the Village.

Appropriations approved by Village Council and submitted to the County Auditor, should agree to the budgeted amounts posted to the UAN system.

**FINDING NUMBER 2001-31104-009**

**Proper Accounting for Note Proceeds**

The Village should record any note proceeds in the accounting system. Auditor of State Bulletin 97-010 provides guidelines for proper accounting of note proceeds for a governmental entity.

In 2001, the Village obtained a commercial loan in the amount of \$51,923.64 to purchase an International Truck. The proceeds of this loan were reported as "intergovernmental receipts" in the Permissive Motor Vehicle License Tax Fund and "other miscellaneous receipts" in the Sewer Operating Fund. The payment for the truck was recorded as "debt service expense" in those funds, respectively. Reclassifying entries were made to properly present this transaction. In regards to this debt, the Village had not received an amortization schedule from the bank on the repayment of the note.

We recommend the Village develop procedures to ensure proper accounting treatment of new debt and also obtain an amortization schedule for their files from the bank to account for the repayment of the debt.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**VILLAGE OF GENEVA ON THE LAKE**

**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  
NOVEMBER 14, 2002**