

**CITY OF GENEVA, OHIO
ASHTABULA COUNTY**

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the City of Geneva, Ashtabula County, prepared by James G. Zupka, C.P.A., Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY
Auditor of State

November 15, 2005

This Page is Intentionally Left Blank.

CITY OF GENEVA, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3-12
Basic Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Balance Sheet - Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - Economic Development Fund	20
Statement of Net Assets - Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23
Notes to the Basic Financial Statements	24-62
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63-64
Schedule of Findings	65-66
Status of Prior Citations and Recommendations	67

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying 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, Ashtabula County, Ohio as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Geneva, Ashtabula County, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and Economic Development Special Revenue Fund thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 20, during the year ended December 31, 2004, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*, which changed its accounting for capital assets, long-term liabilities, and long-term deferred assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2005 on our consideration of the City of Geneva, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing and not to provide an opinion on the internal control over financial reporting on compliance. 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

August 29, 2005

**CITY OF GENEVA, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
Unaudited**

The discussion and analysis of the City of Geneva's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2004. The intent of the 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 2004 are as follows:

- This is the City of Geneva's first year under the GASB 34 reporting model. Comparisons to prior financials are not offered for this Discussion and Analysis.
- Total assets of the City were \$21,247,632. Of this amount, \$10,237,858 were attributable to Governmental Activities and \$11,009,774 were from Business-Type Activities.
- Total liabilities of the City were \$15,012,048. Governmental Activities accounted for \$4,170,179 while Business-Type Activities represented \$10,841,869 of the total.
- Total assets of the City exceeded its liabilities at the close of the year by \$6,235,584.

USING THIS ANNUAL REPORT

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

Government-wide Statements

The government-wide statements are designed to provide readers with a broad overview of the City's finances on a full accrual basis of accounting, which is similar to a private-sector business. The statement of net assets present information on all of the City's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused sick leave).

**CITY OF GENEVA, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
Unaudited**

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, security of persons and property, transportation, basic utilities, community environment, leisure time activities, and public health services. The business-type activities of the City include water and solid waste disposal system.

The government-wide financial statements include not only the City of Geneva itself (known as the primary government), but also a legally separate, Community Improvement Corporation of Geneva a non-profit organization for which the City of Geneva is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. For additional information see Note 2.

The government-wide financial statements can be found on pages 13-14 of this report.

Fund Financial Statements

The fund financial statements are used to report additional and detailed information about the City. These statements focus on major funds of the City. A fund is grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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 can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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 government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental funds in a reconciliation in the financial statements.

The basic governmental fund financial statements can be found on pages 15-20 of this report.

Proprietary Funds - The City maintains one type of proprietary fund. *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 water and solid waste collection. 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 water and waste disposal. The water and solid waste collection enterprise funds are considered to be major funds of the City.

**CITY OF GENEVA, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
Unaudited**

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 24-62 of this report.

THE CITY AS A WHOLE

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's Governmental Activities and Business-Type Activities.

Table 1 - Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current and Other Assets	\$ 3,533,564	\$ 1,189,179	\$ 4,722,743
Capital Assets	<u>6,704,294</u>	<u>9,820,595</u>	<u>16,524,889</u>
Total Assets	<u>10,237,858</u>	<u>11,009,774</u>	<u>21,247,632</u>
<u>Liabilities</u>			
Long-Term Liabilities	2,485,781	10,509,532	12,995,313
Other Liabilities	<u>1,684,398</u>	<u>332,337</u>	<u>2,016,735</u>
Total Liabilities	<u>4,170,179</u>	<u>10,841,869</u>	<u>15,012,048</u>
<u>Net Assets</u>			
Invested in Capital Assets Net of Debt	4,316,366	0	4,316,366
Restricted	865,181	0	865,181
Unrestricted	<u>886,132</u>	<u>167,905</u>	<u>1,054,037</u>
Total Net Assets	<u>\$ 6,067,679</u>	<u>\$ 167,905</u>	<u>\$ 6,235,584</u>

**CITY OF GENEVA, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
Unaudited**

The City's assets exceeded liabilities by \$6,235,584 at the close of the most recent fiscal year.

The largest portion of the City's net assets (69 percent) reflects its investments in capital assets (e.g. land, buildings/improvements, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to citizens, therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (14 percent) represents resources that have been restricted on how they may be used. The remaining balance of unrestricted net assets \$1,054,037 may be used to meet the government's on-going obligations to its citizens and creditors.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year. However, since this is the first year the City has prepared financial statements incorporating GASB 34, revenue and expense comparisons to 2003 are not available.

In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**CITY OF GENEVA, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
Unaudited**

Table 2 - Change in Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Revenues</u>			
Program Revenues:			
Charges for Services and Sales	\$ 647,028	\$ 1,500,016	\$ 2,147,044
Operating Grants and Contributions	33,610	0	33,610
General Revenues:			
Property Taxes	445,844	0	445,844
Income Taxes	1,990,819	0	1,990,819
Grants and Entitlements not Restricted to Specific Programs	1,206,083	0	1,206,083
Investment Earnings	16,043	0	16,043
Other	<u>50,754</u>	<u>0</u>	<u>50,754</u>
Total Revenues	<u>4,390,181</u>	<u>1,500,016</u>	<u>5,890,197</u>
<u>Program Expenses</u>			
Security of Persons and Property	1,964,882	0	1,964,882
Public Health and Welfare	11,943	0	11,943
Leisure Time Activities	117,375	0	117,375
Community Development	117,850	0	117,850
Transportation	822,890	0	822,890
General Government	750,211	0	750,211
Interest and Fiscal Charges	170,270	0	170,270
Wastewater	0	1,012,724	1,012,724
Water	<u>0</u>	<u>183,168</u>	<u>183,168</u>
Total Program Expenses	<u>3,955,421</u>	<u>1,195,892</u>	<u>5,151,313</u>
Increase (Decrease) in Net Assets Before Transfers	434,760	304,124	738,884
Transfers	<u>(90,000)</u>	<u>90,000</u>	<u>0</u>
Change in Net Assets	344,760	394,124	738,884
Net Assets (Deficit) Beginning of Year, as Restated	<u>5,722,919</u>	<u>(226,219)</u>	<u>5,496,700</u>
Net Assets (Deficit) End of Year	<u>\$ 6,067,679</u>	<u>\$ 167,905</u>	<u>\$ 6,235,584</u>

**CITY OF GENEVA, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
Unaudited**

Governmental Activities

The City's largest revenue source is income tax. The City levies a municipal income tax 1 ½ percent on all salaries, wages, commissions and other compensation, and net profits earned within the City, as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit of 1 percent of the tax paid to another municipality.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

In the 2004, City income tax proceeds received by the governmental activities were \$1,990,819.

There is a 100 percent credit for income taxes paid to another community subject to a cap of 1 percent. This represented a slight decrease from the prior year. The second largest revenue source is property taxes. The full voted tax rate for 2004 was 4.8 mills. A mill is \$8.7 for every \$1,000 of assessed valuation. The annual property tax is calculated using the taxable value (market value multiplied by 35 percent) of the property effective tax rate levied by the City of Geneva. During 2004 the property tax collected was \$445,844. There was a moderate increase compared to the prior year.

Expenses are categorized by programs. The largest program, security of persons and property which includes police, fire, and public safety was around 50 percent of governmental expenses. The police department is made up of one chief, 11 full-time officers, 8 part-time officers and one secretary. The fire department is composed of one full-time chief and 3 full-time fire fighters/paramedics, and 28 part-time fire fighters. Training plays a crucial role in keeping up with rapidly changing laws, practices, and technology. Training among our employees is performed in-house, attending seminars/conferences, continuing education classes, practice drills, and watching training videos. The second largest program is transportation which is composed of street construction and maintenance and was around 21 percent of the governmental expenses. Close in third is General Government which is composed of the City Manager, Council, Finance, Law, building and general administration which approximated at 19 percent of the governmental expenses.

Business-Type Activities

Total net assets of the business-type activity increased by \$394,124. This increase is mainly due to increases in charges for service of \$286,472, which related to increase in sewer tap-in fees in 2004. Also, the City purchased the existing water system in December of 2004 which contributed to additional charges for services of \$166,772.

**CITY OF GENEVA, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
Unaudited**

THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resource. 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 \$327,326. In 2004 unreserved fund balance, which is available for spending at the government's discretion is at a deficit of \$160,011. The fund balance of \$487,337 is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of prior period(s), to pay debt service, and for a variety of other purposes.

The majority of the unreserved deficit fund balance is attributed to the Economic Development Fund. The City issued general obligation note for \$866,000 to finance land and land improvements for economic development, parks and recreation.

The bond retirement fund has a deficit fund balance of \$3,820. This fund is primarily funded with special assessment collections. The deficit is attributed to about \$90,000 in delinquent assessments anticipated to be collected in 2005.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

For the general fund, budgeted basis revenue, including transfers in, was \$753,775 above the original budget estimate of \$3,561,325 primarily due to increases in collections for income tax revenue and building permits.

The original appropriation, including those for transfers out and advances out of \$4,611,064 was increased to \$4,819,864. Even with these adjustments, the actual charges to appropriations (expenditures) were \$385,259 below the final budgeted amount for the general fund.

**CITY OF GENEVA, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
Unaudited**

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

Economic Development Fund Budgetary Highlights

The actual expenditures of \$139,729 were approximately \$12,300 below the final amended appropriation measure. The actual revenues, including transfers in, were approximately \$102,300 above the final amended revenues. Income tax collections exceeded expectations, which increased the transfer in revenue

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2004, the City had \$16,524,889 (net of accumulated depreciation) invested in a broad range of capital assets, including land, buildings, improvements, machinery and equipment, park facilities, furniture and fixtures, and vehicles.

Table 3 - Capital Assets at Year-End (Net of Depreciation)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 1,163,227	\$ 0	\$ 1,163,227
Construction in Progress	256,430	0	256,430
Buildings/Land Improvements	2,720,693	1,831,358	4,552,051
Equipment	1,065,276	220,074	1,285,350
Infrastructure	<u>1,498,668</u>	<u>7,769,163</u>	<u>9,267,831</u>
Total	<u>\$ 6,704,294</u>	<u>\$ 9,820,595</u>	<u>\$ 16,524,889</u>

The City purchased equipment for governmental activities approximating \$302,000 and infrastructure for \$615,000. This included the purchase of 1 backhoe, an SUV for the fire department, 3 new cruisers for the Police Department, and computers for various departments. The major addition in the business-type activities was made to infrastructure. A new water system and its lines were purchased in December 2004 for \$6,575,534.

**CITY OF GENEVA, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
Unaudited**

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Debt

The City had \$12,871,872 in outstanding debt at the year-end 2004 as shown in Table 4.

Table 4 - Outstanding Debt at Year-End

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
General Obligation Bonds	\$ 1,325,894	\$ 0	\$ 1,325,894
Special Assessment Bonds	860,000	0	860,000
OPWC Loans	202,034	5,001	207,035
OWDA Loans	<u>0</u>	<u>10,478,943</u>	<u>10,478,943</u>
Totals	<u>\$ 2,387,928</u>	<u>\$ 10,483,944</u>	<u>\$ 12,871,872</u>

The City paid \$234,176 on principal for general obligation bonds for the street lighting improvements, street repairs and fire truck purchase.

The City paid \$55,000 on principal for special assessment bonds for various subdivision projects.

The City paid \$215,741 on principal for OWDA loans for various water development projects. In 2004, the City received an OWDA loan for \$6,775,040 which was used to fund the purchase of existing water system.

The City paid \$46,750 on principal for OPWC loans for various street and sewer repair projects.

In addition, the City paid \$1,416,000 in principal to retire the Various Purchase Improvement Note, Series 2003 and the General Obligation Bond Anticipation Note, Series 2003. To fund the retirement of the above notes, the City issued \$1,116,000 which is made up by a Various Purchase Improvement Note, Series 2004 and a General Obligation Bond Anticipation Note, Series 2004.

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

**CITY OF GENEVA, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
Unaudited**

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Other obligations include capital lease payable, and compensated absences. More detailed information about the City's long-term liabilities is presented in the Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected and appointed officials considered many factors when setting the fiscal year 2004 budget. One of those factors is the economy. With the uncertainty surrounding the economy, the City considered the impact of its two primary revenue sources: income tax revenue and property taxes.

The general fund's actual expenditures in 2004, including transfers out and advances out, was \$4,434,605 and is expected to increase during 2005 mainly with respect to wages and benefits. The City recognizes that relatively flat tax revenue coupled with cost of inflation expenditure increases will require to further continue a pattern of cost containment while pursuing new revenue sources.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF GENEVA, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Community Improvement Corp. of Geneva
ASSETS				
Equity in Pooled Cash and Cash Equivalents	\$ 765,237	\$ 443,665	\$ 1,208,902	\$ 91,090
Cash Held as Fiscal Agent	0	0	0	22,454
Investments	75,090	24,910	100,000	0
Receivables:				
Income Taxes	534,550	0	534,550	0
Real and Other Taxes	465,938	0	465,938	0
Accounts	18,247	500,104	518,351	5,660
Loans	64,907	207,808	272,715	0
Special Assessments	889,727	0	889,727	0
Advances to Other Funds	85,000	0	85,000	0
Due from Component Unit	47,953	0	47,953	0
Due from Other Governments	579,321	0	579,321	0
Material and Supplies Inventory	7,594	12,692	20,286	0
Nondepreciable Capital Assets	1,752,322	0	1,752,322	0
Depreciable Capital Assets, Net	4,951,972	9,820,595	14,772,567	0
Capital Assets and Property Held for Sale of Development	0	0	0	380,901
Total Assets	<u>10,237,858</u>	<u>11,009,774</u>	<u>21,247,632</u>	<u>500,105</u>
Liabilities				
Accounts Payable	80,849	51,957	132,806	2,817
Contracts Payable	16,704	0	16,704	0
Accrued Wages and Benefits	62,385	11,763	74,148	0
Matured Compensated Absences Payable	10,765	0	10,765	0
Advances from Other Funds	85,000	0	85,000	0
Deferred Revenue	439,858	0	439,858	0
Due to Other Governments	35,666	6,640	42,306	47,953
Accrued Interest Payable	9,268	0	9,268	0
Pension Obligation Payable	77,903	11,977	89,880	0
General Obligation Notes Payable	866,000	250,000	1,116,000	0
Funds Held as Fiscal Agent	0	0	0	22,454
Long-Term Liabilities:				
Due Within One Year	395,538	401,428	796,966	0
Due In More than One Year	2,090,243	10,108,104	12,198,347	0
Total Liabilities	<u>4,170,179</u>	<u>10,841,869</u>	<u>15,012,048</u>	<u>73,224</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	4,316,366	0	4,316,366	0
Restricted for:				
Capital Projects	13,194	0	13,194	0
Debt Service	748,641	0	748,641	0
Other Purposes	103,346	0	103,346	0
Unrestricted (Deficit)	886,132	167,905	1,054,037	426,881
Total Net Assets	<u>\$ 6,067,679</u>	<u>\$ 167,905</u>	<u>\$6,235,584</u>	<u>\$ 426,881</u>

See accompanying notes to the basic financial statements.

**CITY OF GENEVA, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Primary Government			Community Improvement Corp of Geneva
				Governmental Activities	Business-Type Activities	Total	
Primary Government							
Governmental Activities:							
Security of Persons and Property	\$ 1,964,882	\$ 241,640	\$ 33,610	\$ (1,689,632)	\$ 0	\$(1,689,632)	\$ 0
Public Health and Welfare	11,943	0	0	(11,943)	0	(11,943)	0
Leisure Time Activities	117,375	25,133	0	(92,242)	0	(92,242)	0
Community Development	117,850	244,890	0	107,040	0	107,040	0
Transportation	822,890	4,138	0	(818,752)	0	(818,752)	0
General Government	750,211	151,227	0	(598,984)	0	(598,984)	0
Interest and Fiscal Charges	170,270	0	0	(170,270)	0	(170,270)	0
Total Governmental Activities	<u>3,955,421</u>	<u>647,028</u>	<u>33,610</u>	<u>(3,274,783)</u>	<u>0</u>	<u>(3,274,783)</u>	<u>0</u>
Business-Type Activities:							
Wastewater	1,012,724	1,320,920	0	0	308,196	308,196	0
Water	183,168	179,096	0	0	(4,072)	(4,072)	0
Total Business-Type Activities	<u>1,195,892</u>	<u>1,500,016</u>	<u>0</u>	<u>0</u>	<u>304,124</u>	<u>304,124</u>	<u>0</u>
Total Primary Government	<u>\$ 5,151,313</u>	<u>\$ 2,147,044</u>	<u>\$ 33,610</u>	<u>(3,274,783)</u>	<u>304,124</u>	<u>(2,970,659)</u>	<u>0</u>
Component Unit							
Community Improvement Corporation of Geneva	\$ 24,129	\$ 0	\$ 21,417	0	0	0	(2,712)
General Revenues:							
Property Taxes Levied for:							
General Purposes				422,431	0	422,431	0
Special Revenue				23,413	0	23,413	0
Income Taxes Levied for:							
General Purposes				1,990,819	0	1,990,819	0
Grants and Entitlements not Restricted to Specific Programs							
Gain on Sale of Capital Assets				1,206,083	0	1,206,083	0
Investment Earnings				7,689	0	7,689	0
Miscellaneous				16,043	0	16,043	729
Miscellaneous				43,065	0	43,065	0
Total General Revenues				<u>3,709,543</u>	<u>0</u>	<u>3,709,543</u>	<u>729</u>
Transfers				(90,000)	90,000	0	0
Total General Revenues and Transfers				<u>3,619,543</u>	<u>90,000</u>	<u>3,709,543</u>	<u>729</u>
Change in Net Assets				344,760	394,124	738,884	(1,983)
Net Assets (Deficit), Beginning of Year, as Restated				<u>5,722,919</u>	<u>(226,219)</u>	<u>5,496,700</u>	<u>428,864</u>
Net Assets (Deficit) End of Year				<u>\$ 6,067,679</u>	<u>\$ 167,905</u>	<u>\$ 6,235,584</u>	<u>\$ 426,881</u>

See accompanying notes to the basic financial statements.

CITY OF GENEVA, OHIO
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	General	Economic Development	Special Assessment Bond Retirement	Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in Pooled Cash and					
Cash Equivalents	\$ 219,211	\$ 300	\$ 25,319	\$ 520,407	\$ 765,237
Investments	65,450	0	0	9,640	75,090
Receivables (Net of Allowances for Uncollectibles):					
Income Taxes	534,550	0	0	0	534,550
Real and Other Taxes	445,665	0	0	20,273	465,938
Accounts	18,247	0	0	0	18,247
Loans	0	0	0	64,907	64,907
Special Assessments	719	0	761,729	127,279	889,727
Advances to Other Funds	0	0	0	85,000	85,000
Due from Component Unit	0	47,953	0	0	47,953
Due from Other Funds	209,440	0	0	34,250	243,690
Due from Other Governments	278,731	0	0	300,590	579,321
Material and Supplies Inventory	4,000	0	0	3,594	7,594
Total Assets	<u>1,776,013</u>	<u>48,253</u>	<u>787,048</u>	<u>1,165,940</u>	<u>3,777,254</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	56,174	126	0	24,549	80,849
Contracts Payable	0	0	0	16,704	16,704
Accrued Wages and Benefits	52,278	0	0	10,107	62,385
Matured Compensated Absences Payable	10,765	0	0	0	10,765
Advances from Other Funds	0	0	0	85,000	85,000
Deferred Revenue	977,973	0	761,729	231,264	1,970,966
Due to Other Funds	0	500	29,139	214,051	243,690
Due to Other Governments	29,375	0	0	6,291	35,666
Pension Obligation Payable	68,082	129	0	9,692	77,903
General Obligation Notes Payable	0	866,000	0	0	866,000
Total Liabilities	<u>1,194,647</u>	<u>866,755</u>	<u>790,868</u>	<u>597,658</u>	<u>3,449,928</u>
Fund Balances					
Reserved for Inventory	4,000	0	0	3,594	7,594
Reserved for Encumbrances	119,379	126	0	210,331	329,836
Reserved for Advances	0	0	0	85,000	85,000
Reserved for Loans	0	0	0	64,907	64,907
Unreserved, Undesignated, Reported in:					
General Fund	457,987	0	0	0	457,987
Special Revenue Funds	0	(818,628)	0	204,336	(614,292)
Debt Service Funds	0	0	(3,820)	0	(3,820)
Capital Projects	0	0	0	114	114
Total Fund Balances (Deficit)	<u>581,366</u>	<u>(818,502)</u>	<u>(3,820)</u>	<u>568,282</u>	<u>327,326</u>
Total Liabilities and Fund Balances	<u>\$ 1,776,013</u>	<u>\$ 48,253</u>	<u>\$ 787,048</u>	<u>\$1,165,940</u>	<u>\$3,777,254</u>

See accompanying notes to the basic financial statements.

CITY OF GENEVA, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004

Total Governmental Fund Balances	\$ 327,326
----------------------------------	------------

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

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

Nondepreciable Capital Assets	1,752,322
Depreciable Capital Assets	4,951,972

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

Property Taxes	26,080	
Grants and Entitlements	217,932	
Income Tax	379,122	
Fines, Licenses and Permits	18,247	
Special Assessments	<u>889,727</u>	
Total		1,531,108

Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.

Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(1,325,894)	
Special Assessment Bonds	(860,000)	
OPWC Loans	(202,034)	
Compensated Absences	(97,853)	
Accrued Interest Payable	<u>(9,268)</u>	
Total		<u>(2,495,049)</u>

Net Assets of Governmental Activities	<u>\$6,067,679</u>
--	---------------------------

CITY OF GENEVA
STATEMENT OF REVENUES, EXPENDITURES
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Economic Development	Special Assessment Bond Retirement	Other Governmental Funds	Total Governmental Funds
REVENUES					
Municipal Income Tax	\$ 1,810,758	\$ 0	\$ 0	\$ 0	\$ 1,810,758
Property and Other Taxes	430,639	0	0	23,412	454,051
Charges for Services	185,280	0	0	6,367	191,647
Licenses, Permits, and Fees	176,469	0	0	3,023	179,492
Special Assessments	0	0	83,000	182,466	265,466
Intergovernmental	521,495	0	0	820,611	1,342,106
Investment Income	13,611	0	0	2,432	16,043
Miscellaneous	9,294	1,730	0	30,805	41,829
Total Revenues	<u>3,147,546</u>	<u>1,730</u>	<u>83,000</u>	<u>1,069,116</u>	<u>4,301,392</u>
EXPENDITURES					
Security of Persons and Property	1,588,110	0	0	209,909	1,798,019
Public Health and Welfare	0	0	0	11,443	11,443
Leisure Time Activities	62,836	0	0	51,748	114,584
Community Development	56,044	0	0	38,491	94,535
Transportation	0	0	0	523,307	523,307
General Government	549,025	23,899	2,490	192,278	767,692
Capital Outlay	400	0	0	865,069	865,469
Debt Service:					
Principal Retirement	1,428	0	66,492	259,434	327,354
Interest and Fiscal Charges	0	16,285	60,086	54,853	131,224
Total Expenditures	<u>2,257,843</u>	<u>40,184</u>	<u>129,068</u>	<u>2,206,532</u>	<u>4,633,627</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>889,703</u>	<u>(38,454)</u>	<u>(46,068)</u>	<u>(1,137,416)</u>	<u>(332,235)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	946,897	135,433	41,820	740,135	1,864,285
Transfers Out	(1,912,465)	0	0	(41,820)	(1,954,285)
Sale of Capital Assets	1,225	0	0	6,464	7,689
Total Other Financing Sources (Uses)	<u>(964,343)</u>	<u>135,433</u>	<u>41,820</u>	<u>704,779</u>	<u>(82,311)</u>
Net Change in Fund Balances	(74,640)	96,979	(4,248)	(432,637)	(414,546)
Fund Balance (Deficit) Beginning of Year, As Restated	<u>656,006</u>	<u>(915,481)</u>	<u>428</u>	<u>1,000,919</u>	<u>741,872</u>
Fund Balance (Deficit) at End of Year	<u>\$ 581,366</u>	<u>\$ (818,502)</u>	<u>\$ (3,820)</u>	<u>\$ 568,282</u>	<u>\$ 327,326</u>

See accompanying notes to the basic financial statements.

CITY OF GENEVA
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, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (414,546)

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

Governmental funds report capital outlays 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 capital outlays exceeded depreciation in the current period.

332,080

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

Delinquent Property Taxes

(8,208)

Grants and Entitlements

(6,145)

Income Tax

129,390

Fines, Licenses & Permits

18,247

Special Assessments

(72,507)

Total

60,777

Repayment of bond principal and capital lease payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

327,354

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds an interest expenditure is reported when due.

1,255

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences

37,840

Total

37,840

Change in Net Assets of Governmental Activities

\$ 344,760

CITY OF GENEVA, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<u>Revenues</u>				
Municipal Income Tax	\$ 1,550,000	\$ 1,881,000	\$ 1,905,062	\$ 24,062
Property and Other Taxes	405,000	458,439	430,639	(27,800)
Charges for Services	95,774	164,210	138,311	(25,899)
Licenses, Permits, and Fees	69,143	149,978	176,261	26,283
Intergovernmental	317,871	554,861	477,721	(77,140)
Other	<u>27,137</u>	<u>57,193</u>	<u>73,250</u>	<u>16,057</u>
Total Revenues	<u>2,464,925</u>	<u>3,265,681</u>	<u>3,201,244</u>	<u>(64,437)</u>
<u>Expenditures</u>				
Security of Persons and Property	1,645,400	1,670,000	1,614,435	55,565
Leisure Time Activities	71,550	71,550	69,595	1,955
Community Development	49,050	72,250	66,684	5,566
General Government	721,731	882,731	560,558	322,173
Debt Service:				
Principal Retirement	<u>1,428</u>	<u>1,428</u>	<u>1,428</u>	<u>0</u>
Total Expenditures	<u>2,489,159</u>	<u>2,697,959</u>	<u>2,312,700</u>	<u>385,259</u>
Excess (Deficiency) of Revenues Over (Under)Expenditures	<u>(24,234)</u>	<u>567,722</u>	<u>888,544</u>	<u>320,822</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	1,062,650	1,015,669	946,897	(68,772)
Advances In	33,750	33,750	33,750	0
Transfers Out	(1,912,465)	(1,912,465)	(1,912,465)	0
Advances Out	<u>(209,440)</u>	<u>(209,440)</u>	<u>(209,440)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(1,025,505)</u>	<u>(1,072,486)</u>	<u>(1,141,258)</u>	<u>(68,772)</u>
Net Change in Fund Balances	(1,049,739)	(504,764)	(252,714)	252,050
Fund Balance at Beginning of Year, Restated	352,879	352,879	352,879	0
Prior Year Encumbrances, Appropriated	<u>65,116</u>	<u>65,116</u>	<u>65,116</u>	<u>0</u>
Fund Balance (Deficit) at Year End	<u>\$ (631,744)</u>	<u>\$ (86,769)</u>	<u>\$ 165,281</u>	<u>\$ 252,050</u>

See accompanying notes to the basic financial statements.

CITY OF GENEVA, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL - ECONOMIC
DEVELOPMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
<u>Revenues</u>				
Other	\$ 0	\$ 0	\$ 1,835	\$ 1,835
Total Revenues	<u>0</u>	<u>0</u>	<u>1,835</u>	<u>1,835</u>
<u>Expenditures</u>				
General Government	35,000	35,000	23,444	11,556
Debt Service:				
Principal Retirement	100,000	100,000	100,000	0
Interest and Fiscal Charges	<u>17,000</u>	<u>17,000</u>	<u>16,285</u>	<u>715</u>
Total Expenditures	<u>152,000</u>	<u>152,000</u>	<u>139,729</u>	<u>12,271</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(152,000)</u>	<u>(152,000)</u>	<u>(137,894)</u>	<u>14,106</u>
<u>Other Financing Sources</u>				
Transfers In	<u>25,000</u>	<u>35,000</u>	<u>135,433</u>	<u>100,433</u>
Total Other Financing Sources	<u>25,000</u>	<u>35,000</u>	<u>135,433</u>	<u>100,433</u>
Net Change in Fund Balance	(127,000)	(117,000)	(2,461)	114,539
Fund Balance at Beginning of Year	61	61	61	0
Prior Year Encumbrances, Appropriated	<u>2,400</u>	<u>2,400</u>	<u>2,400</u>	<u>0</u>
Fund Balance (Deficit) at Year End	<u>\$ (124,539)</u>	<u>\$ (114,539)</u>	<u>\$ 0</u>	<u>\$ 114,539</u>

See accompanying notes to the basic financial statements.

CITY OF GENEVA, OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004

	Business-Type Activities		
	Wastewater	Water	Total
<u>ASSETS</u>			
<u>Current Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 196,489	\$ 247,176	\$ 443,665
Investments	24,910	0	24,910
Receivables:			
Accounts	333,382	166,722	500,104
Loans	0	207,808	207,808
Inventory	12,692	0	12,692
Total Current Assets	<u>567,473</u>	<u>621,706</u>	<u>1,189,179</u>
Depreciable Capital Assets, Net	<u>3,100,739</u>	<u>6,719,856</u>	<u>9,820,595</u>
Total Assets	<u>3,668,212</u>	<u>7,341,562</u>	<u>11,009,774</u>
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Accounts Payable	24,414	27,543	51,957
Accrued Wages and Benefits	10,449	1,314	11,763
Pension Obligation Payable	11,053	924	11,977
Accrued Compensated Absences	17,457	0	17,457
Due to Other Governments	6,516	124	6,640
General Obligation Notes Payable	0	250,000	250,000
OWDA Loans	229,251	149,719	378,970
OPWC Loans	5,001	0	5,001
Total Current Liabilities	<u>304,141</u>	<u>429,624</u>	<u>733,765</u>
<u>Non Current Liabilities:</u>			
Accrued Compensated Absences	8,131	0	8,131
OWDA Loans	<u>3,474,652</u>	<u>6,625,321</u>	<u>10,099,973</u>
Total Liabilities	<u>3,786,924</u>	<u>7,054,945</u>	<u>10,841,869</u>
<u>NET ASSETS (DEFICIT)</u>			
Unrestricted (Deficit)	<u>(118,712)</u>	<u>286,617</u>	<u>167,905</u>
Total Net Assets (Deficit)	<u>\$ (118,712)</u>	<u>\$ 286,617</u>	<u>\$ 167,905</u>

See accompanying notes to the basic financial statements.

CITY OF GENEVA, OHIO
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-Type Activities		
	Wastewater	Water	Total
<u>Operating Revenues</u>			
Charges for Services	\$ 981,806	\$ 166,722	\$ 1,148,528
Sewer Tap-in Fees	152,050	0	152,050
Fines, Licenses, and Permits	179,310	0	179,310
Other Operating Revenues	300	0	300
Investment Earnings	0	12,374	12,374
Miscellaneous	7,454	0	7,454
Total Operating Revenues	<u>1,320,920</u>	<u>179,096</u>	<u>1,500,016</u>
<u>Operating Expenses</u>			
Personal Services	431,929	20,894	452,823
Materials and Supplies	101,912	2,872	104,784
Contractual Service	242,354	80,718	323,072
Depreciation	542	6,785	7,327
Total Operating Expenses	<u>776,737</u>	<u>111,269</u>	<u>888,006</u>
Net Income from Operations	<u>544,183</u>	<u>67,827</u>	<u>612,010</u>
<u>Nonoperating Revenues (Expenses)</u>			
Interest and Fiscal Charges	<u>(235,987)</u>	<u>(71,899)</u>	<u>(307,886)</u>
Total Nonoperating Revenues (Expenses)	<u>(235,987)</u>	<u>(71,899)</u>	<u>(307,886)</u>
Income (Loss) before Transfers	<u>308,196</u>	<u>(4,072)</u>	<u>304,124</u>
<u>Transfers</u>			
Transfers In	<u>90,000</u>	<u>0</u>	<u>90,000</u>
Total Transfers	<u>90,000</u>	<u>0</u>	<u>90,000</u>
Change in Net Assets	398,196	(4,072)	394,124
Net Assets (Deficit) at Beginning of Year, as Restated	<u>(516,908)</u>	<u>290,689</u>	<u>(226,219)</u>
Net Assets (Deficit) at End of Year	<u>\$ (118,712)</u>	<u>\$ 286,617</u>	<u>\$ 167,905</u>

See accompanying notes to the basic financial statements.

**CITY OF GENEVA, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Business-Type Activities		
	Wastewater	Water	Total
<u>Cash Flows from Operating Activities</u>			
Receipts from Customers and Users	\$ 1,299,192	\$ 12,374	\$ 1,311,566
Payments to Suppliers	(342,747)	(113,742)	(456,489)
Payments to Employees	(408,919)	(6,931)	(415,850)
Net Cash Provided by Operating Activities	<u>547,526</u>	<u>(108,299)</u>	<u>439,227</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers	90,000	0	90,000
Net Cash Used in Noncapital Financing Activities	<u>90,000</u>	<u>0</u>	<u>90,000</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Proceeds from Sale of Notes	0	6,567,232	6,567,232
Proceeds from Sale of Notes	0	250,000	250,000
Acquisition of Capital Assets	(73,965)	(6,151,868)	(6,225,833)
Principal Payments for General Obligation Notes	0	(450,000)	(450,000)
Principal Payments for OWDA Notes	(215,741)	0	(215,741)
Principal Payments for OPWC Notes	(10,000)	0	(10,000)
Interest Expense Paid on Debt	(235,987)	(71,899)	(307,886)
Net Increase in Cash and Cash Equivalents	101,833	35,166	136,999
Cash and Cash Equivalents - January 1, 2004	119,566	212,010	331,576
Cash and Cash Equivalents - December 31, 2004	<u>\$ 221,399</u>	<u>\$ 247,176</u>	<u>\$ 468,575</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>			
Operating Income	\$ 544,183	\$ 67,827	\$ 612,010
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	542	6,785	7,327
Decrease (Increase) in Operating Assets and Increase (Decrease) in Operating Liabilities:			
Accounts Receivable	(21,790)	(166,722)	(188,512)
Accrued Interest	62	85	147
Inventory	1,519	0	1,519
Prepays	16,227	0	16,227
Accounts Payable	16,485	27,543	44,028
Contracts Payable	(16,824)	(41,413)	(58,237)
Accrued Wages and Benefits	2,577	1,314	3,891
Accrued Interest Payable	0	(4,766)	(4,766)
Due to Governments	4,369	124	4,493
Pension Obligation	1,168	924	2,092
Accrued Compensated Absences	(992)	0	(992)
Net Cash Provided by Operating Activities	<u>\$ 547,526</u>	<u>\$ (108,299)</u>	<u>\$ 439,227</u>

See accompanying notes to the basic financial statements.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: DESCRIPTION OF THE CITY

The City of Geneva is a home rule municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City may exercise all powers of local self-government and police powers to the extent not in conflict with applicable general laws. The City was incorporated as a city in 1958. The City operates under its own charter and is governed by a City Manager-Council form of government, which was adopted on November 2, 1957. Members of Council are elected to four-year staggered terms.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Geneva have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not contradict or conflict with GASB pronouncements. The more significant of the City's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the reporting entity is defined to include the primary government, component units and other organizations that are included to insure that the financial statements are not misleading. A legally separate organization is a component unit of the primary government if **1)** the primary government is financially accountable for the organization; **2)** the nature and significance of the relationship between the primary government and the organization are such that the exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete; or **3)** the organization is closely related to or financially integrated with the primary government. Component units may also include organizations for which the City approved the budget, the issuance of debt, or the levying of taxes.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

A. **Reporting Entity** (Continued)

The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation and wastewater. The preceding financial statements include all funds of the City (the primary government) and the City's component unit. The following organizations are described due to their relationship to the City.

Discretely Presented Component Unit

The component unit column in the financial statements identifies the financial data of the City's component unit, the Community Improvement Corporation of Geneva (the CIC). It is reported separately to emphasize that it is legally separate from the City.

The CIC is a legally separate, non-profit organization, served by a fifteen-member board composed of City officials and community representatives. Charged with the responsibilities of advancing, encouraging and promoting the industrial, economic, commercial and civic development of the Geneva area, the CIC is empowered with the ability to carry out the actions they consider necessary to achieve these responsibilities. Due to the nature and significance of the CIC's relationship to the City, the CIC is presented as a component unit of the City. The CIC has elected to apply GASB Statement No. 29 since they have applied the AICPA not-for-profit model. Separately issued financial statements can be obtained from the City of Geneva.

Jointly Governed Organizations

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

Ashtabula County General Health District

The Ashtabula County General Health District, a jointly governed organization, provides health services to the citizens within the County. The Board of Health, which consists of a representative from each of the participating governments, oversees the operation of the District. Twenty-seven townships, seven villages, and the City of Geneva participate in the District. The City contributed \$38,435 during 2004 for the operation of the District.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

A. **Reporting Entity** (Continued)

Jointly Governed Organizations (Continued)

The Geneva Union Cemeteries District

The Geneva Union Cemeteries District, a jointly governed organization, is a political subdivision governed by a board of trustees, which possesses its own contracting and budgeting authority. The board of trustees consists of a representative from each of the participating governments: the City of Geneva, the Village of Geneva-on-the-Lake, and Geneva Township. The members serve staggered three-year terms. In 2004, .64 mills of the tax valuation is paid to the Cemetery.

B. **Basis of Presentation**

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government and its component unit, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

B. Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

Program revenues include charges paid by the recipient of the goods, and 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 which are 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 government program or business activity is self-financing or draws from the general revenues of the City.

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

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

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

C. **Fund Accounting** (Continued)

General Fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the Charter of the City of Geneva and/or the general laws of Ohio.

Economic Development Special Revenue Fund - To account for monies received from the sale of City owned properties in an urban renewal area.

Special Assessment Bond Retirement Debt Service Fund - To accumulate special assessment revenues collected by the County Treasurer and remitted to the City by the County Auditor for payment of assessment bonds.

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

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

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

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

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

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

C. **Fund Accounting** (Continued)

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investments 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 no agency funds.

D. **Measurement Focus**

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances report 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. Government fund financial statements therefore include a 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 statements of fund net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

E. 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 and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions Revenue resulting from exchange transactions, of which the City 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. For the City, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal 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 specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

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

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

Property taxes, for which there is an enforceable legal claim as of December 31, 2004 but which were levied to finance year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

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

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

F. Budgetary Data

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

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

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

Note 15 provides a reconciliation between the budgetary basis and GAAP basis of accounting.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

G. Cash and Investments

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

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

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of December 31, 2004:

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

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

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

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

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

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

STAROhio is an investment pool professionally managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. The fund follows all state statutes from the Ohio Revised Code under the Uniform Depository Act. The fund is audited by the State of Ohio to ensure compliance with these laws. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2004.

Following Ohio statutes, the City has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$13,611. No interest revenue was assigned from other City funds.

For purpose of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

H. **Inventory**

Inventories are valued at cost using the first-in, first-out method. The costs of inventory items are recognized as expenditures in governmental funds when consumed and as expenses in the proprietary funds when used.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

I. Prepaid Items

Prepayments for governmental funds represent cash disbursements, which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset. The City, however, has no prepaid balances at December 31, 2004.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$500. 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 cost of normal maintenance and repairs that does not meet the capitalization criteria is not capitalized. Interest incurred in capital leases or during construction periods is capitalized.

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

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

J. **Capital Assets** (Continued)

<u>Assets</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Building/Land Improvements	50 years	50 years
Equipment	6-20 years	6-20 years
Infrastructure	50 years	50 years

K. **Accrued Liabilities and Long-Term Obligations**

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

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

L. **Fund Balance Reserves**

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

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

M. Net Assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Interfund Balances

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

An analysis of interfund transactions is presented in Note 5.

O. Compensated Absences

The liability for compensated absences is based on the provisions of Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered, and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments as well as the sick leave accumulated by those employees expected to become eligible to receive termination benefits in the future.

The amount is based on accumulated sick leave and employee wage rates at fiscal year-end, taking into consideration any limits specified in the City’s termination policy.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

P. Statement of Cash Flows

In September 1989, the Government Accounting Standards Board (GASB) issued Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. The City has presented a statement of cash flows for its enterprise funds. For purposes of the statement of cash flows, the City considers cash equivalents to include all short-term investments (maturity of 90 days or less from date of purchase).

Q. Estimates

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

NOTE 3: **COMPLIANCE AND ACCOUNTABILITY**

A. Fund Deficits

The fund deficit at December 31, 2004 of \$15,630 of the Street, Construction, Maintenance and Repair fund and \$3,820 of the Special Assessment Bond Retirement funds arose from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures recognized on the budgetary basis.

The fund deficit at December 31, 2004 of \$818,502 in the Economic Development fund (special revenue) and \$163,383 in Water Fund and \$118,712 in Wastewater (enterprise funds) were created from recording notes payable amounts in the individual fund balance sheets. Deficits do not exist under the cash basis of accounting. The general fund provides operating transfers when cash is required, not when accruals occur.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

B. Expenditures Exceeding Appropriations

Ohio Revised Code Section 5705.41 (B) states in part that no subdivision or taxing unit is to expend money unless it has been appropriated. Contrary to the aforementioned authority, the City's total expenditures exceeded the appropriations in the following funds as of December 31, 2004:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Cops in School	\$ 7,426	\$ 38,763	\$ (31,337)
98 Chip Grant	4,323	15,112	(10,789)
Recycling Grant Fund	38,489	46,293	(7,804)
Pooch Committee	0	36	(36)
Infrastructure	523,693	591,513	(67,820)
Vehicle/Major Equipment	180,578	208,228	(27,650)

C. Appropriations Exceeding Estimated Resources

Ohio Revised Code 5705.39 states that total appropriations from each fund shall not exceed total estimated revenue. The City's appropriations exceeded estimated resources in the following funds at December 31, 2004:

	<u>Amended Certificate</u>	<u>Amended Appropriations</u>	<u>Difference</u>
<u>Original Budget</u>			
General Fund	\$ 3,979,320	\$ 4,611,064	\$ (631,744)
Economic Development	27,461	152,000	(124,539)
<u>Final Budget</u>			
General Fund	4,733,095	4,819,864	(86,769)
Law Enforcement Trust	11,000	15,200	(4,200)
Cops in School	0	7,426	(7,426)
98 Chip Grant	0	4,323	(4,323)
Recycling Grant Fund	0	38,489	(38,489)
Economic Development	37,461	152,000	(114,539)
Chip Grant	0	563,200	(563,200)
FEMA Grant	0	63,915	(63,915)
Infrastructure	250,000	420,555	(170,555)
Vehicle/Major Equipment	103,000	121,000	(18,000)
Issue II - Walnut Street	0	155,200	(155,200)
Kiwanis Bridge Fund	0	173,063	(173,063)
Wastewater Infrastructure	8,750	90,000	(81,250)
Water Works Fund	1,250	7,063,094	(7,061,844)

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 4: **EQUITY IN POOLED CASH AND INVESTMENTS**

A. Primary Government

Monies held by the City are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the City treasury. Active monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Monies held by the City, which are not considered active, are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any Federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of Federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio;

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

A. **Primary Government** (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Asset Treasury Reserve (STAROhio); and,
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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

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

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

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

A. **Primary Government** (Continued)

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

Deposits

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

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

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

Investments

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

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

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

Deposits

At year end, the carrying amount of the City's deposits was \$920,427 and the bank balance was \$1,038,353. Of the bank balance **1)** \$400,000 was covered by Federal Depository Insurance and **2)** \$638,353 was considered uninsured and uncollateralized even though securities for collateral were held by the pledging financial institutions' trust department in the financial institution's name and all State statutory requirements for the deposit of money had been followed. Noncompliance with Federal requirements would potentially subject the City to a successful claim by the FDIC.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

A. **Primary Government** (Continued)

Investments

Investments as of December 31, 2004 are summarized below:

	<u>Cost</u>	<u>Fair Value</u>
STAROhio - Noncategorized	\$ 388,475	\$ 388,475

Reconciliation of Cash, Cash Equivalents, and Investments

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

A reconciliation between the classifications of pooled cash and cash equivalents and investments on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$1,208,902	\$ 100,000
Investments in the Cash Management Pool:		
Investment in STAROhio	(388,475)	388,475
Certificates of Deposit (greater than 3 months)	<u>100,000</u>	<u>(100,000)</u>
GASB Statement No. 3	<u>\$ 920,427</u>	<u>\$ 388,475</u>

B. **Component Unit**

At year-end, the carrying amount of the CIC's deposits was \$113,544 and bank balance was \$113,580. \$100,000 of the bank balance was covered by Federal depository insurance. \$13,580 was uninsured and uncollateralized.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 5: INTERFUND BALANCES AND TRANSFERS

- A. Interfund balances at December 31, 2004, consist of the following individual fund receivables and payables which are long-term in nature (outstanding greater than one year):

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
<u>Governmental Activities</u>		
Other Governmental Funds	\$ 85,000	\$ 85,000
Total Long-Term Interfund Balances	<u>\$ 85,000</u>	<u>\$ 85,000</u>

- B. Interfund balances at December 31, 2004, consist of the following individual fund receivables and payables:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<u>Governmental Activities</u>		
General Fund	\$ 209,440	\$ 0
Economic Development Fund	0	500
Special Assessment Bond Retirement Fund	0	29,139
Other Governmental Funds	<u>34,250</u>	<u>214,051</u>
Total Due From/Due to Other Funds	<u>\$ 243,690</u>	<u>\$ 243,690</u>

- C. The following is a summarized breakdown of the City's transfers for 2004:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Activities</u>		
General Fund	\$ 946,897	\$ 1,912,465
Economic Development Fund	135,433	0
Special Assessment Bond Retirement Fund	41,820	0
Other Governmental Funds	<u>740,135</u>	<u>41,820</u>
<u>Business-Types Activities</u>		
Wastewater	<u>90,000</u>	<u>0</u>
Totals	<u>\$ 1,954,285</u>	<u>\$ 1,954,285</u>

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

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 6: **TAXES**

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of the preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every three years. The last revaluation was completed in 2002. Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20, unless extended.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 25 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Geneva. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2004 was \$8.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property for 2003 upon which 2004 property tax receipts were collected as follows:

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 6: **TAXES** (Continued)

A. **Property Taxes** (Continued)

Real Property	\$ 73,145,350
Public Utility	4,812,430
Tangible Personal Property	<u>6,245,970</u>
Total Valuation	<u>\$ 84,203,750</u>

B. **Income Taxes**

The City levies a municipal income tax of 1 ½ percent on all salaries, wages, commissions and other compensation, and net profits earned within the City, as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit of 1 percent of the tax paid to another municipality.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are received by the general fund.

NOTE 7: **INTERGOVERNMENTAL RECEIVABLES**

Receivables at December 31, 2004 primarily consisted of taxes, accounts (billings for user charged services), intergovernmental receivables, entitlement or shared revenues, special assessments, loans receivable, and interest on investments. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 7: **INTERGOVERNMENTAL RECEIVABLES** (Continued)

<u>Primary Government</u>	<u>Amount</u>
Homestead and Rollback	\$ 25,321
Local Government	172,820
County Area Court	6,037
Estate Tax	75,819
Gasoline Tax	88,298
Auto Registration	27,206
Permissive Tax	5,705
EMS Grant	4,000
CHIP Grant	8,036
Recycling Grant	9,008
Kiwanis Bridge Capital Grant	<u>157,071</u>
Total Intergovernmental Receivables	<u>\$ 579,321</u>

NOTE 8: **LOANS RECEIVABLE**

As part of the Economic Development special revenue fund, the City maintains a revolving loan program, available to local businesses to encourage growth and development. The State of Ohio provides funding for the program. At December 31, 2004, there were two loans outstanding, totaling \$64,907.

The water enterprise fund had a loan outstanding from the Ohio Water Development Authority of \$207,808 at December 31, 2004.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 9: CAPITAL ASSETS

A summary of changes in capital assets during 2004 follows:

	Balance 12/31/03 <u>as Restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance 12/31/04
<u>Governmental Activities</u>				
<i>Capital Assets Not Being Depreciated</i>				
Land/Land Improvements	\$ 1,495,892	\$ 0	\$ 0	\$ 1,495,892
Construction in Progress	<u>0</u>	<u>256,430</u>	<u>0</u>	<u>256,430</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,495,892</u>	<u>256,430</u>	<u>0</u>	<u>1,752,322</u>
<i>Capital Assets Being Depreciated</i>				
Building	\$ 10,710,890	\$ 16,265	\$ 0	\$10,727,155
Equipment	3,084,007	301,987	(25,705)	3,360,289
Infrastructure	<u>1,686,151</u>	<u>614,689</u>	<u>0</u>	<u>2,300,840</u>
<i>Total Capital Assets Being Depreciated</i>	<u>15,481,048</u>	<u>932,941</u>	<u>(25,705)</u>	<u>16,388,284</u>
Less Accumulated Depreciation for:				
Building/Land Improvements	(7,808,973)	(530,154)	0	(8,339,127)
Equipment	(2,094,681)	(226,037)	25,705	(2,295,013)
Infrastructure	<u>(701,072)</u>	<u>(101,100)</u>	<u>0</u>	<u>(802,172)</u>
Total Accumulated Depreciation	<u>(10,604,726)</u>	<u>(857,291)</u>	<u>25,705</u>	<u>(11,436,312)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>4,876,322</u>	<u>75,650</u>	<u>0</u>	<u>4,951,972</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,372,214</u>	<u>\$ 332,080</u>	<u>\$ 0</u>	<u>\$ 6,704,294</u>

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 9: **CAPITAL ASSETS** (Continued)

* Depreciation expense was charged to governmental functions as follows:

Security of Persons and Property	\$ 167,588
Leisure Time Activities	2,900
Transportation	628,975
General Government	<u>57,828</u>
Total	<u>\$ 857,291</u>

	Balance 12/31/03 <u>as Restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance 12/31/04
<u>Business-Type Activities</u>				
<i>Capital Assets Being Depreciated</i>				
Building	\$ 3,730,263	\$ 8,167	\$ 0	\$ 3,738,430
Equipment	774,920	18,168	(6,095)	786,993
Infrastructure	<u>2,418,986</u>	<u>6,199,498</u>	<u>0</u>	<u>8,618,484</u>
<i>Total Capital Assets Being Depreciated</i>	<u>6,924,169</u>	<u>6,225,833</u>	<u>(6,095)</u>	<u>13,143,907</u>
Less Accumulated Depreciation:				
Building/Land Improvements	(1,906,284)	(788)	0	(1,907,072)
Equipment	(572,122)	(892)	6,095	(566,919)
Infrastructure	<u>(843,674)</u>	<u>(5,647)</u>	<u>0</u>	<u>(849,321)</u>
Total Accumulated Depreciation	<u>(3,322,080)</u>	<u>(7,327)</u>	<u>6,095</u>	<u>(3,323,312)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>3,602,089</u>	<u>6,218,506</u>	<u>0</u>	<u>9,820,595</u>
Total Business-Type Capital Assets, Net	<u>\$ 3,602,089</u>	<u>\$6,218,506</u>	<u>\$ 0</u>	<u>\$ 9,820,595</u>
<u>Component Unit</u>				
<i>Capital Asset not Being Depreciated</i>				
Land Held for Sale of Development	<u>\$ 380,901</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 380,901</u>

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 10: LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during 2004 were as follows:

	Maturity Date	Balance 01/01/04 Restated	Additions	(Reductions)	Balance 12/31/04	Due Within One Year
Governmental Activities:						
<u>General Obligation Bonds</u>						
1995 - 4.99% Various Purpose	2005	\$ 155,000	\$ 0	\$ (10,000)	\$ 145,000	\$ 10,000
2003 Street Bonds - 3.88%	2007	815,070	0	(192,176)	622,894	199,707
2003 USDA Rural Development - 4.25%	2015	590,000	0	(32,000)	558,000	34,000
Total General Obligation Bonds		<u>1,560,070</u>	<u>0</u>	<u>(234,176)</u>	<u>1,325,894</u>	<u>243,707</u>
<u>Special Assessment Bonds</u>						
1995 - 4.99% Various Purpose	2015	915,000	0	(55,000)	860,000	60,000
<u>OPWC Loans</u>						
1996 - 0% OPWC Loan	2006	3,731	0	(1,492)	2,239	1,492
2003 - 0% OPWC Loan	2013	235,053	0	(35,258)	199,795	23,505
Total OPWC Loans		<u>238,784</u>	<u>0</u>	<u>(36,750)</u>	<u>202,034</u>	<u>24,997</u>
<u>Other Liabilities</u>						
Capital Leases Payable		1,428	0	(1,428)	0	0
Compensated Absences		135,693	28,994	(66,834)	97,853	66,834
Total Other Liabilities		<u>137,121</u>	<u>28,994</u>	<u>(68,262)</u>	<u>97,853</u>	<u>66,834</u>
Total Governmental Activities		<u>2,850,975</u>	<u>28,994</u>	<u>(394,188)</u>	<u>2,485,781</u>	<u>395,538</u>
Business-Type Activities:						
<u>Ohio Water Development Authority Loans:</u>						
2004-4.56% OWDA, Series 2004	2030	0	6,775,040	0	6,775,040	149,719
1989-7.00% OWDA Phase I	2013	562,398	0	(40,955)	521,443	44,423
1990-7.00% OWDA Phase II	2015	529,347	0	(31,988)	497,359	34,512
1994-7.00% OWDA Phase III	2018	2,035,024	0	(82,417)	1,952,607	88,599
1996-2.20% OWDA Phase IV	2015	265,010	0	(20,490)	244,520	20,943
1998-2.20% OWDA Phase V	2015	274,779	0	(21,245)	253,534	21,715
1998-2.20% OWDA Phase VI	2016	253,086	0	(18,646)	234,440	19,059
Total Ohio Water Development Authority Loans		<u>3,919,644</u>	<u>6,775,040</u>	<u>(215,741)</u>	<u>10,478,943</u>	<u>378,970</u>
<u>Ohio Public Works Loan</u>						
1995 - 0% OPWC Loan	2005	15,001	0	(10,000)	5,001	5,001
<u>Other Liabilities</u>						
Compensated Absences		26,580	16,465	(17,457)	25,588	17,457
Total Business-Type Activities		<u>3,961,225</u>	<u>6,791,505</u>	<u>(243,198)</u>	<u>10,509,532</u>	<u>401,428</u>
TOTAL LONG-TERM LIABILITIES		<u>\$ 6,812,200</u>	<u>\$ 6,820,499</u>	<u>\$ (637,386)</u>	<u>\$12,995,313</u>	<u>\$ 796,966</u>

General obligation bonds are direct obligations of the City and will be paid from the debt service fund using property tax revenues. Special assessment bonds will be paid from the proceeds of special assessments levied against benefitted property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

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

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

The City has three loans with the Ohio Public Works Commission (OPWC). One was issued in 2003 to finance the repair and widening of South Broadway; one was issued in 1995 to finance the repair of the Old Orchard Sewer; and one was issued in 1996 to finance the repair of the Erie Street Reconstruction Project. The 1995 loan is an obligation of the enterprise fund, and will be paid from the operations of that fund. The debt service fund will account for the repayment of the 1996 issue, with resources accumulated in and transferred from other funds. The 2003 loan is an obligation of the Infrastructure fund and are paid from transfers from the Income Tax fund.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2004 are as follows:

Due In	Governmental Activities					
	General Obligation Bonds		Special Assessment Bonds		Ohio Public Works Commission	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 243,707	\$ 54,060	\$ 60,000	\$ 47,993	\$ 24,998	\$ 0
2006	254,528	44,176	60,000	44,303	24,251	0
2007	265,659	33,958	65,000	41,213	23,505	0
2008	53,000	25,490	70,000	37,800	23,505	0
2009	61,000	23,050	70,000	33,880	23,505	0
2010-2014	361,000	70,380	430,000	105,000	82,270	0
2015-2019	87,000	3,900	105,000	5,880	0	0
2020-2030	0	0	0	0	0	0
Total	<u>\$1,325,894</u>	<u>\$ 255,014</u>	<u>\$ 860,000</u>	<u>\$ 316,069</u>	<u>\$ 202,034</u>	<u>\$ 0</u>
	Total					
Year	Principal	Interest				
2005	\$ 328,705	\$ 102,053				
2006	338,779	88,479				
2007	354,164	75,171				
2008	146,505	63,290				
2009	154,505	56,930				
2010-2014	873,270	175,380				
2015,2019	192,000	9,780				
2020-2030	0	0				
Total	<u>\$2,387,928</u>	<u>\$ 571,083</u>				

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 10: LONG-TERM OBLIGATIONS (Continued)

Due In	Business-Type Activities					
	Ohio Water Development Authority		Ohio Public Works Commission		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 378,970	\$ 531,030	\$ 5,001	\$ 0	\$ 383,971	\$ 531,030
2006	400,371	511,033	0	0	400,371	511,033
2007	423,152	489,767	0	0	423,152	489,767
2008	447,411	467,146	0	0	447,411	467,146
2009	473,251	443,076	0	0	473,251	443,076
2010-2014	2,612,466	1,797,432	0	0	2,612,466	1,797,432
2015-2019	2,106,253	1,116,992	0	0	2,106,253	1,116,992
2020-2030	3,637,069	932,665	0	0	3,637,069	932,665
Total	<u>\$10,478,943</u>	<u>\$6,289,141</u>	<u>\$ 5,001</u>	<u>\$ 0</u>	<u>\$10,483,944</u>	<u>\$ 6,289,141</u>

NOTE 11: NOTES PAYABLE

In 2003, the City obtained a note payable for \$966,000, financed through Key Bank, to continue with the R. E. Olds Center Project for the acquisition of real property for economic development and for parks and recreation. In 2004 the City reduced this note by \$100,000.

In 2003 the City increased an existing General Obligation Bond Anticipation Note for the purpose of a possible purchase of a water distribution system to \$450,000. In 2004 the water system was purchased and the \$450,000 Note was retired. Also, the City issued \$250,000 in General Obligation Bond Anticipation Notes for improvements to the water system.

Short Term Debt - Notes Payable

Governmental Activities:

General Obligations:

Various Purpose Improvement Note, Series 2003 - 1.70%	2004	\$ 966,000	\$ 0	\$ (966,000)	\$ 0
Various Purpose Improvement Note, Series 2004 - 2.25%	2005	<u>0</u>	<u>866,000</u>	<u>0</u>	<u>866,000</u>
Total Governmental Activities		<u>966,000</u>	<u>866,000</u>	<u>(966,000)</u>	<u>866,000</u>

Business-Type Activities:

General Obligation Bond Anticipation Note, Series 2003 - 1.80%	2004	450,000	0	(450,000)	0
General Obligation Bond Anticipation Note, Series 2004 - 2.55%	2018	<u>0</u>	<u>250,000</u>	<u>0</u>	<u>250,000</u>

Total Notes Payable		<u>\$ 1,416,000</u>	<u>\$ 1,116,000</u>	<u>\$ (1,416,000)</u>	<u>\$ 1,116,000</u>
----------------------------	--	---------------------	---------------------	-----------------------	---------------------

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 12: **DEFINED BENEFIT PENSION PLANS**

A. **Ohio Public Employees Retirement System**

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, members and employer contribution notes were consistent across all three plans. Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the City was 13.55 percent of covered payroll.

The City's required contributions to OPERS for the years ended December 31, 2004, 2003, and 2002 were \$108,074, \$87,876, and \$82,822, respectively; 75 percent has been contributed for 2004 and 100 percent for 2003 and 2002.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 12: **DEFINED BENEFIT PENSION PLANS**

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 19.50 percent for police officers and 24 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters respectively were \$82,828 and \$40,106 for the year ended December 31, 2004, \$57,574 and \$59,894 for the year ended December 31, 2003 and \$33,259 and \$33,316 for the year ended December 31, 2002. The full amount has been contributed for 2003 and 2002. 76 percent for police and 77 percent for firefighters has been contributed for 2004.

NOTE 13: **POST-EMPLOYMENT BENEFITS**

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the traditional and the combined plan; however, health care benefits are not statutorily guaranteed. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 13: **POST-EMPLOYMENT BENEFITS** (Continued)

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

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$45,267. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 13: **POST-EMPLOYMENT BENEFITS** (Continued)

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's Board of Trustees to provide health care coverage and states that health care costs paid from the funds of the OP&F shall be included in the employer's contribution rate. Health care funding and accounting are on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004 and 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's annual contributions for 2004 that were used to fund postemployment benefits were \$109,022 for police and \$52,334 for firefighters. The OP&F's total health care expense for the year ended December 31, 2003 (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003 was 13,662 for police and 10,474 for firefighters.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 14: COMPENSATED ABSENCES

Employees earn vacation and sick leave at different rates, which are also affected by length of service. All full-time employees may carry over 40 vacation hours for use during the first three months of the following year. Sick leave accrual is continuous, with a limit of 960 hours for all employees. Overtime worked is always paid to employees on the paycheck for the period in which it was worked.

Upon retirement with fifteen years of employment, employees can be paid for one half of his/her accumulated hours of sick leave. Policemen, dispatchers and fire department employees will be paid for their accumulated hours up to a maximum of 240 hours. Upon retirement, termination, or death of the employee, accrued vacation is paid for time the employees have earned but not yet used.

NOTE 15: BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General and major special revenue fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

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

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 15: **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 the Major Special Revenue Fund.

Net Change in Fund Balances		
	General Fund	Economic Development Fund
GAAP Basis	\$ (74,640)	\$ 96,979
Net Adjustment for Revenue Accruals	(86,700)	105
Net Adjustment for Expenditure Accruals	28,006	(99,245)
Net Adjustment for Encumbrances	<u>(119,380)</u>	<u>(300)</u>
Budgetary Basis	<u>\$ (252,714)</u>	<u>\$ (2,461)</u>

NOTE 16: **CONTRACTUAL COMMITMENTS**

The City had the following outstanding material contractual commitments as of December 31, 2004:

	Amount
C.T. Consultants	\$ 47,307
All County - DeAngelis	42,365
Steel Valley Construction	36,579
Ohio Department of Transportation - Route 84	48,672
Ohio Department of Transportation - Austin Road Overpass	184,000
Ashtabula County Department of Environmental Service - Woodlawn Street Paving and Blaine Street Sewer Repairs	13,600
Ohio Public Works Commission - Roosevelt Drive	<u>165,367</u>
Total	<u>\$ 537,890</u>

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 17: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2004, the City contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Coverage</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
CNA Insurance Company/ American Alternative	Property	\$ 5,000	\$10,088,346
	General Liability	0	1,000,000
	Employee Benefits	1,000	1,000,000
	Inland Marine	250	374,572
	Boilers and Machinery	1,000	1,000,000
	Vehicles		1,000,000
	Comprehensive	100	
	Collision	100	
	Fire Errors and Omissions	0	1,000,000
	Umbrella Liability	10,000	5,000,000
			per occurrence/ annual aggregate
	Police	5,000	1,000,000
			per occurrence/ annual aggregate
	Public Officials	5,000	1,000,000
			per occurrence/ annual aggregate

NOTE 18: RELATED PARTY TRANSACTIONS

In prior years, the City transferred two land parcels to the Community Improvement Corporation of Geneva (Note 2). The amount outstanding at December 31, 2004 is \$47,953. City management is confident that once the CIC itself sells the land to either a developer or business which wishes to locate or expand in Geneva, the City will receive compensation of the remaining balance.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 19: **CONTINGENCIES**

A. **Litigation**

During 1995, the City of Geneva was designated by the United States Environmental Protection Agency as a “Potentially Responsible Party” for the Geneva City Dump Site cleanup. As of December 31, 2004, the City has paid \$434,878 for clean up. The City has negotiated a settlement with the USEPA and the Department of Justice in the amount of \$12,300 for the True Temper site.

B. **Federal and State Grants**

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being allowed expenditures under federal and state regulations. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any will be immaterial.

NOTE 20: **CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY**

A. **Changes in Accounting Principles**

For 2004, the City has implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures*, GASB Statement No. 41, *Budgetary Comparison Schedules - Perspective Differences*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB Statement No. 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City's programs between governmental and business-type activities. The beginning net assets amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2004 caused by the conversion to the accrual basis of accounting.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 20: **CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY** (Continued)

A. **Changes in Accounting Principles** (Continued)

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of the MD&A, the classification of program revenues, and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statements note disclosures. GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the City not being able to present budgetary comparisons for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

B. **Restatement of Fund Balances**

The implementation of these changes had the following effects on fund balance/equity of the major and nonmajor funds of the City as they were previously reported.

The transition from fund balance/equity to net assets of governmental activities, business-type activities and the component unit is also presented.

CITY OF GENEVA, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 20: CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY (Continued)

B. Restatement of Fund Balances (Continued)

	<u>General</u>	<u>Economic Development</u>	<u>Special Assessment Bond Retirement</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Activities</u>
Fund Balances, December 31, 2003	\$ 573,438	\$ (131,474)	\$ 428	\$ 398,085	\$ 840,477
Cash*	82,568	0	0	(157,166)	(74,598)
Due from Component Unit*	0	(24,007)	0	0	(24,007)
Reclassification-Due from Funds	<u>0</u>	<u>(760,000)</u>	<u>0</u>	<u>760,000</u>	<u>0</u>
Adjusted Fund Balances, December 31, 2003	<u>\$ 656,006</u>	<u>\$ (915,481)</u>	<u>\$ 428</u>	<u>\$ 1,000,919</u>	<u>741,872</u>
GASB 34 Adjustments:					
Capital Assets					6,372,214
Long-Term Liabilities					(2,850,975)
Accrued Interest Payable					(10,523)
Long-Term (Deferred) Assets					<u>1,470,331</u>
Net Assets, December 31, 2003					<u>\$5,722,919</u>
			<u>Water</u>	<u>Wastewater</u>	<u>Total Business- Type Activities</u>
Fund Balance/Equity, December 31, 2003			\$ (394,950)	\$ (159,311)	\$ (554,261)
Capital Assets			(121,958)	450,000	328,042
Net Assets, December 31, 2003			<u>\$ (516,908)</u>	<u>\$ 290,689</u>	<u>\$ 226,219</u>
					<u>Component Unit</u>
					Community Improvement Corp. of Geneva
Fund Balance/Equity, December 31, 2003					\$ 405,909
Due to Primary Government					22,955
Net Assets, December 31, 2003					<u>\$ 428,864</u>

*The restatement of cash is attributable to an accounting error in reconciliation and Due from Component Units were adjusted to reflect repayment not recorded. The beginning of the year General Fund balance on the Statement of Revenues and Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, was restated by \$82,568.

NOTE 21: SUBSEQUENT EVENT

In March 2005 the City of Geneva signed an agreement between the Village of Geneva on-the-Lake and the City for the construction of sewer outfall. The project should be completed in October, 2005. The City's maximum debt for this property will be \$199,440 plus an interest charge which has not been determined. OWDA is funding the entire project.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**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**

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Geneva, Ohio, as of and for the year ended December 31, 2004, which collectively comprise the City of Geneva, Ohio's basic financial statements and have issued our report thereon dated August 29, 2005. The report on the accompanying basic financial statements as listed in the table of contents was qualified because the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Geneva, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Geneva, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of findings as items 2004-1 and 2004-2.

We also noted certain matters that we have reported to the management of the City of Geneva, Ohio in a separate letter dated August 29, 2005.

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

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

August 29, 2005

**CITY OF GENEVA
SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

2004-1 Expenditures Exceeding Appropriations

Condition

Ohio Revised Code Section 5705.41 (B) states in part that no subdivision or taxing unit is to expend money unless it has been appropriated. Contrary to the aforementioned authority, the City's total expenditures exceeded the appropriations in the following funds as of December 31, 2004:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Cops in School	\$ 7,426	\$ 38,763	\$ (31,337)
98 Chip Grant	4,323	15,112	(10,789)
Recycling Grant Fund	38,489	46,293	(7,804)
Pooch Committee	0	36	(36)
Infrastructure	523,693	591,513	(67,820)
Vehicle/Major Equipment	180,578	208,228	(27,650)

Cause/Effect

The failure to limit expenditures to amounts appropriated may result in expenditures exceeding available resources.

Recommendation

Currently, the City proposes appropriation amendments several times during the year. We recommend that the City continue to monitor appropriations and prepare supplemental appropriations/ordinances and/or transfers as needed in order to ensure compliance with Ohio Revised Code 5705.41(B).

Corrective Action Plan

The City will comply with ORC Section 5705.41(B) in 2005.

**CITY OF GENEVA
SCHEDULE OF FINDINGS
DECEMBER 31, 2004
(CONTINUED)**

2004-2 Appropriations Exceeding Estimated Resources

Condition

Ohio Revised Code 5705.39 states that total appropriations from each fund shall not exceed total estimated revenue. The City's appropriations exceeded estimated resources in the following funds at December 31, 2004:

	<u>Amended Certificate</u>	<u>Amended Appropriations</u>	<u>Difference</u>
<u>Original Budget</u>			
General Fund	\$ 3,979,320	\$ 4,611,064	\$ (631,744)
Economic Development	27,461	152,000	(124,539)
<u>Final Budget</u>			
General Fund	\$ 4,733,095	\$ 4,819,864	\$ (86,769)
Law Enforcement Trust	11,000	15,200	(4,200)
Cops in School	0	7,426	(7,426)
98 Chip Grant	0	4,323	(4,323)
Recycling Grant Fund	0	38,489	(38,489)
Community Development - Economic Development	37,500	152,000	(114,500)
Chip Grant	0	563,200	(563,200)
FEMA Grant	0	63,915	(63,915)
Infrastructure	250,000	420,555	(170,555)
Vehicle/Major Equipment	103,000	121,000	(18,000)
Issue II - Walnut Street	0	155,200	(155,200)
Kiwanis Bridge Fund	0	173,063	(173,063)
Wastewater Infrastructure	8,750	90,000	(81,250)
Water Works Fund	1,250	7,063,094	(7,061,844)

Cause/Effect

The failure to limit appropriations to estimated revenue could result in expenditures exceeding available resources.

Recommendation

We recommend that the City review estimated resources prior to appropriating funds to ensure compliance with ORC Section 5705.39.

Corrective Action Plan

City officials are implementing procedures to prevent this situation from recurring in the future.

**CITY OF GENEVA, OHIO
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2004**

The prior audit report, as of December 31, 2003 included reportable conditions regarding bank reconciliations being performed timely and preparing GAAP financial statements accurately. These were corrected in 2004. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



**Auditor of State
Betty Montgomery**

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

**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
NOVEMBER 29, 2005**