

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

**FINANCIAL STATEMENTS
AND
AUDIT REPORTS**

**For The Years Ended
December 31, 2005 and 2004**





Mary Taylor, CPA
Auditor of State

Members of Council
Village of Geneva on the Lake
4964 S. Spencer Street
Geneva on the Lake, Ohio 44041

We have reviewed the *Independent Auditor's Report* of the Village of Geneva on the Lake, Ashtabula County, prepared by S.R. Snodgrass, A.C., for the audit period January 1, 2004 through December 31, 2005. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Village of Geneva on the Lake is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 21, 2007

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Village of Geneva on the Lake
Ashtabula County, Ohio

FINANCIAL STATEMENTS AND AUDIT REPORTS
For the Years Ended December 31, 2005 and 2004

Table of Contents

	<u>Page</u>
Independent Auditor's Report	2 & 3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2005	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes In Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types – For the Year Ended December 31, 2005	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2004	6
Combined Statement of Cash Receipts, Cash Disbursements and Changes In Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types – For the Year Ended December 31, 2004	7
Notes to Financial Statements	8 – 16
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>	17 & 18
Schedule of Findings	19 - 26
Schedule of Prior Audit Findings	27

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Independent Auditor's Report

Members of Council
Village of Geneva on the Lake

We have audited the accompanying financial statements of Village of Geneva on the Lake, Ashtabula County, Ohio (the Village) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in the Notes to the Financial Statements, the Village has prepared these financial statements using accounting practices prescribed or permitted by the Auditor of State of Ohio. These practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Geneva on the Lake, Ohio as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Geneva on the Lake, Ohio as of December 31, 2005 and 2004, and their respective combined cash receipts and disbursements for the years then ended on the basis of accounting described in the Notes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2007, on our consideration of the Village of Geneva on the Lake, Ohio's internal control over financial reporting and our tests of its compliance with certain

Members of Council
Village of Geneva on the Lake
Page 2

provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and considered in assessing the results of our audit.

This report is intended solely for the information and use of the management, Village council and other officials authorized to receive this report under Section 117.6, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

S. R. Snodgrass, A.C.

Ashtabula, Ohio
February 28, 2007

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 281,501	\$ 182,479	\$ -	\$ 463,980
Intergovernmental Receipts	55,020	110,751	1,096,500	1,262,271
Special Assessments	-	939	-	939
Charges for Service	22,965	-	-	22,965
Fines, Licenses, and Permits	40,772	4,165	-	44,937
Earnings on Investments	2,233	-	90	2,323
Miscellaneous	16,249	5,719	-	21,968
	<u>418,740</u>	<u>304,053</u>	<u>1,096,590</u>	<u>1,819,383</u>
Total Cash Receipts				
	418,740	304,053	1,096,590	1,819,383
Cash Disbursements:				
Current:				
Security of Persons and Property	243,751	137,244	-	380,995
Public Health Services	-	3,088	-	3,088
Community Environment	2,456	-	-	2,456
Transportation	-	86,540	-	86,540
General Government	176,315	3,219	-	179,534
Debt Service:				
Principal Payments	27,436	10,308	-	37,744
Interest Payments	1,064	1,360	-	2,424
Capital Outlay	-	11,614	1,177,518	1,189,132
	<u>451,022</u>	<u>253,373</u>	<u>1,177,518</u>	<u>1,881,913</u>
Total Cash Disbursements				
	451,022	253,373	1,177,518	1,881,913
Total Receipts Over/(Under) Disbursements	(32,282)	50,680	(80,928)	(62,530)
Other Financing Receipts and (Disbursement):				
Other Debt Proceeds	71,800	-	139,849	211,649
Advances-In	1,295	-	-	1,295
Transfers-Out	(10,000)	-	-	(10,000)
Advances-Out	(21,295)	-	-	(21,295)
	<u>41,800</u>	<u>-</u>	<u>139,849</u>	<u>181,649</u>
Total Other Financing Receipts/(Disbursements)				
	41,800	-	139,849	181,649
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	9,518	50,680	58,921	119,119
Fund Cash Balances, January 1	<u>53,904</u>	<u>118,824</u>	<u>8,565</u>	<u>181,293</u>
Fund Cash Balances, December 31	<u>63,422</u>	<u>169,504</u>	<u>67,486</u>	<u>300,412</u>
Reserves for Encumbrances, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 648,797	\$ -	\$ 648,797
Miscellaneous	119,519		119,519
Total Operating Cash Receipts	<u>768,316</u>	<u>-</u>	<u>768,316</u>
Operating Cash Disbursements:			
Personal Services	208,133	-	208,133
Fringe Benefits	51,278	-	51,278
Contractual Services	269,054	-	269,054
Supplies and Materials	135,131	-	135,131
Capital Outlay	9,518	-	9,518
Other	12,346	-	12,346
Total Operating Cash Disbursements	<u>685,460</u>	<u>-</u>	<u>685,460</u>
Operating Income/(Loss)			
Non-Operating Cash Receipts			
Property and Other Local Taxes	126,377	-	126,377
Other Non-Operating Receipts	3,104	-	3,104
Total Non-Operating Cash Receipts	<u>129,481</u>	<u>-</u>	<u>129,481</u>
Non-Operating Cash Disbursements:			
Debt Service	180,385	-	180,385
Total Non-Operating Cash Disbursements	<u>180,385</u>	<u>-</u>	<u>180,385</u>
Excess of Receipts Over/(Under) Disbursements			
Before Interfund Transfers and Advances	31,952	-	31,952
Transfers-In	10,000	-	10,000
Advances-In	20,000	-	20,000
Net Receipts Over/(Under) Disbursements	61,952	-	61,952
Fund Cash Balances, January 1	<u>138,767</u>	<u>55</u>	<u>138,822</u>
Fund Cash Balances, December 31	<u>\$ 200,719</u>	<u>\$ 55</u>	<u>\$ 200,774</u>
Reserve for Encumbrances, December 31	<u>-</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of the financial statements.

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 310,073	\$ 166,695	\$ -	476,768
Intergovernmental Receipts	49,739	148,174	47,203	245,116
Charges for Service	21,483	-	-	21,483
Fines, Licenses, and Permits	51,138	8,932	-	60,070
Earnings on Investments	1,882	-	10	1,892
Miscellaneous	16,108	3,661	-	19,769
Total Cash Receipts	450,423	327,462	47,213	825,098
Cash Disbursements:				
Current:				
Security of Persons and Property	196,604	188,580	-	385,184
Public Health Services	-	3,134	-	3,134
Community Environment	-	-	1,200	1,200
Transportation	-	111,512	-	111,512
General Government	184,422	2,577	-	186,999
Debt Service:	-	-	-	-
Principal Payments	-	6,433	-	6,433
Interest Payments	-	667	-	667
Capital Outlay	34,295	11,338	47,203	92,836
Total Cash Disbursements	415,321	324,241	48,403	787,965
Total Receipts Over/(Under) Disbursements	35,102	3,221	(1,190)	37,133
Other Financing Receipts and (Disbursement):				
Debt Proceeds	34,295	-	-	34,295
Transfers-In	-	10,089	-	10,089
Advances-In	-	-	700	700
Transfers-Out	(10,089)	-	-	(10,089)
Advances-Out	(36,400)	-	-	(36,400)
Total Other Financing Receipts/(Disbursements)	(12,194)	10,089	700	(1,405)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	22,908	13,310	(490)	35,728
Fund Cash Balances, January 1, restated	30,996	105,514	9,055	145,565
Fund Cash Balances, December 31	53,904	118,824	8,565	181,293
Reserves for Encumbrances, December 31	\$ 10,777	\$ 7,735	\$ -	\$ 18,512

The accompanying notes are an integral part of the financial statements.

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 607,990	\$ -	\$ 607,990
Miscellaneous	185,383	-	185,383
Total Operating Cash Receipts	<u>793,373</u>	<u>-</u>	<u>793,373</u>
Operating Cash Disbursements:			
Personal Services	188,936	-	188,936
Fringe Benefits	55,028	-	55,028
Contractual Services	255,605	-	255,605
Supplies and Materials	128,606	-	128,606
Capital Outlay	22,631	-	22,631
Other	13,772	-	13,772
Total Operating Cash Disbursements	<u>664,578</u>	<u>-</u>	<u>664,578</u>
Operating Income/(Loss)	<u>128,795</u>	<u>-</u>	<u>128,795</u>
Non-Operating Cash Receipts			
Property and Other Local Taxes	31,807	-	31,807
Intergovernmental	-	1,100	1,100
Other Non-Operating Receipts	2,794	-	2,794
Total Non-Operating Cash Receipts	<u>34,601</u>	<u>1,100</u>	<u>35,701</u>
Non-Operating Cash Disbursements:			
Debt Service	175,470	-	175,470
Other Non-Operating Cash Disbursements	-	1,100	1,100
Total Non-Operating Cash Disbursements	<u>175,470</u>	<u>1,100</u>	<u>176,570</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(12,074)	-	(12,074)
Advance-In	<u>35,700</u>	<u>-</u>	<u>35,700</u>
Net Receipts Over/(Under) Disbursements	23,626	-	23,626
Fund Cash Balances, January 1	<u>115,141</u>	<u>55</u>	<u>115,196</u>
Fund Cash Balances, December 31	<u>\$ 138,767</u>	<u>\$ 55</u>	<u>\$ 138,822</u>
Reserve for Encumbrances, December 31	<u>14,462</u>	<u>-</u>	<u>14,462</u>

The accompanying notes are an integral part of the financial statements.

Village of Geneva on the Lake
Ashtabula County
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Geneva on the Lake, Ashtabula County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates General Fund money to support a volunteer fire department.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

Certificate of Deposits are valued at cost.

D. Fund Accounting

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

1. General Fund

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

Village of Geneva on the Lake
Ashtabula County
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Fund

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

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

Fire Levy Fund – This fund receives property tax for operating the Village fire department.

Police Levy Fund – This fund receives property tax for operating the Village police department.

3. Capital Project Fund

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

Sewer Outfall – This fund receives proceeds from a several state grants to construct improvements to the waste water treatment plant.

4. Enterprise Funds

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

Park Fund – This fund receives charges for services from customers to operate a municipal golf course.

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

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

Village of Geneva on the Lake
Ashtabula County
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Fiduciary Funds (Agency Funds)

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2005 and 2004 budgetary activity appears in Note 5.

Village of Geneva on the Lake
Ashtabula County
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. RESTATEMENT OF PRIOR YEAR FUND BALANCES

In prior audit periods, the Village made several illegal transfers and one illegal advance; resulting in two Findings for Adjustments rendered in the audit of the two years ended December 31, 2003. Village Council authorized the correction of the illegal transfers and advance in 2007; and the Fiscal Officer has updated the books.

Following is a summary of the fund balance cash restatements:

GOVERNMENTAL FUND TYPES		
	General	Housing Rehab
Fund Cash Balance at 12/31/03, as previously stated	\$ 39,496	\$ 555
Correction of illegal transfers	(8,500)	8,500
Fund Cash Balance at 12/31/03, restated	\$ 30,996	\$ 8,565
PROPRIETARY FUND TYPES		
	Sewer Operating	Park
Fund Cash Balance at 12/31/03, as previously stated	\$ 86,496	\$ 14,046
Correction of illegal advance	36,600	(36,600)
Fund Cash Balance at 12/31/03, restated	\$ 123,087	\$ (22,554)

Village of Geneva on the Lake
Ashtabula County
NOTES TO FINANCIAL STATEMENTS (Continued)

3. ACCOUNTABILITY AND COMPLIANCE

Fund cash balances at December 31, 2005 and 2004 included the following individual fund deficit:

	December 31,	
	2005	2004
Park Enterprise Fund	\$ (15,783)	\$ (7,833)

The deficit balances resulted from the financial statement correction of an illegal advance cited in the prior year audit. The Village had complied with State law, which does not permit a cash basis deficit at year-end; however, at the same time, inadvertently violated State law governing transfers and advances.

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

	December 31,	
	2005	2004
Demand deposits	\$ 501,185	\$ 320,118

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

5. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 are as follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 572,170	\$ 490,540	\$ (81,630)
Special Revenue	410,666	304,053	(106,613)
Capital Projects	500,065	1,236,439	736,374
Enterprise	1,041,520	907,797	(133,723)
Total	\$ 2,524,421	\$ 2,938,829	\$ 414,408

Village of Geneva on the Lake
Ashtabula County
NOTES TO FINANCIAL STATEMENTS (Continued)

5. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 634,245	\$ 461,021	\$ 173,224
Special Revenue	299,797	253,373	46,424
Capital Projects	500,000	1,177,518	(677,518)
Enterprise	1,047,241	865,846	181,395
Total	<u>\$ 2,481,283</u>	<u>\$ 2,757,758</u>	<u>\$ (276,475)</u>

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 484,413	\$ 484,718	\$ 305
Special Revenue	387,578	337,551	(50,027)
Capital Projects	555	47,213	46,658
Enterprise	950,412	827,974	(122,438)
Total	<u>\$ 1,822,958</u>	<u>\$ 1,697,456</u>	<u>\$ (125,502)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 523,081	\$ 436,187	\$ 86,894
Special Revenue	334,938	331,977	2,961
Capital Projects	1,200	48,403	(47,203)
Enterprise	843,361	854,510	(11,149)
Total	<u>\$ 1,702,580</u>	<u>\$ 1,671,077</u>	<u>\$ 31,503</u>

Contrary to Ohio law, the Village did not certify all purchases prior to the obligations being incurred in all funds. Also, in violation of Ohio law, the Village's appropriations exceeded the certified estimated resources, and expenditures were made in excess of appropriations.

Village of Geneva on the Lake
Ashtabula County
NOTES TO FINANCIAL STATEMENTS (Continued)

6. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

7. LOCAL INCOME TAX

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

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

8. DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$ 668,254	2.20 – 7.59%
General Obligation Bonds	775,000	4.10 – 6.25%
General Obligation Notes	116,440	4.00 – 4.50%
Ohio Public Works Commission Loans	<u>104,451</u>	0.00%
Total	<u>\$ 1,664,145</u>	

Village of Geneva on the Lake
Ashtabula County
NOTES TO FINANCIAL STATEMENTS (Continued)

8. DEBT (Continued)

The Village has four Ohio Water Development Authority (OWDA) loans that relate to wastewater treatment plant projects mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$1,304,963 in loans to the Village for these projects. The loans will be repaid in semiannual installments over the next 20 years. The loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The General Obligation Bonds relate to improvements made to municipal owned Golf Course and are collateralized by the Village's taxing authority and by revenue generated by the Golf course.

The General Obligation Notes relate to a new dump truck purchased by the Village at the end of 2004 that is jointly shared by the Village's street and sewer departments; golf course equipment purchased in 2003; and a note issued at the end of 2005 for the purchase of two police cruisers. The Notes are collateralized jointly by the Village's taxing authority and by revenue generated from the sewer and golf course operations.

The Village has three Ohio Public Works Commission (OPWC) loans that relate to substantial repairs and improvements to the wastewater treatment facility. The total original issue of the loans was \$223,500 and will be repaid in semiannual installments over 20 years. These Loans are collateralized solely by the Village's taxing authority.

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

Year Ending December 31,	OWDA Loans	General Obligation Bonds	General Obligation Notes	OPWC Loans
2006	\$ 85,376	\$ 73,110	\$ 36,347	7,109
2007	95,644	76,710	37,016	7,109
2008	95,775	75,000	37,687	7,109
2009	95,916	73,125	19,622	7,109
2010	96,067	76,250	-	7,109
Thereafter	306,752	906,875	-	68,907
Total	<u>\$ 775,530</u>	<u>\$ 1,281,070</u>	<u>\$ 130,672</u>	<u>104,452</u>

Village of Geneva on the Lake
Ashtabula County
NOTES TO FINANCIAL STATEMENTS (Continued)

9. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004. The Village has paid all contributions required through December 31, 2005.

10. JOINT AGREEMENT

In March, 2005, the Village entered into an agreement with City of Geneva and Ashtabula County to share the cost of upgrading the wastewater treatment sewer outfall. To finance the project, the Village obtained both grants and new debt. Both the City and County agreed to pay 40% each of the total debt repayment of the debt, on a reimbursement basis, over at least twenty years.

11. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
In Accordance With *Government Auditing Standards***

Members of Council
Village of Geneva on the Lake

We have audited the financial statements of the Village of Geneva on the Lake, Ohio (the Village) as of and for the years ended December 31, 2005, and 2004, and have issued our report thereon dated February 28, 2007, wherein we noted that the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United State of America. We conducted our audit in accordance with 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 Village of Geneva on the Lake's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-004 through 2005-006.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is material weaknesses.

Village of Geneva on the Lake
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*
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Geneva on the Lake, 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* and which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-003.

We also noted certain additional matters that we reported to management of Village of Geneva on the Lake, Ohio, in a separate letter dated February 28, 2007.

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

S. R. Snodgrass, A.C.

Ashtabula, Ohio
February 28, 2007

VILLAGE OF GENEVA ON THE LAKE
Ashtabula County

SCHEDULE OF FINDINGS
December 31, 2005 and 2004

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Ohio Revised Code Section 5705.41(D) provide that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

There are several exceptions to the standard requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

2. Blanket Certificate: Fiscal officers may prepare "blanket" certificates for a sum not exceeding an amount established by resolution or ordinance adopted by the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

VILLAGE OF GENEVA ON THE LAKE
Ashtabula County
SCHEDULE OF FINDINGS
December 31, 2005 and 2004

FINDING NUMBER 2005-001(Continued)

3. Super Blanket Certificate: The Village fiscal officer may also issue so-called “super blanket” certificates for any amount for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the fiscal year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

In a test of forty non-payroll disbursements during the audit period, three warrants and related support could not be located; nine warrants did not have any purchase order, and therefore no certification and encumbrance.

Prior certification, unless the exceptions noted above are used, is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

FINDING NUMBER 2005-002

There are no statutory provisions that directly address inter-fund advances, however, AOS Bulletin 97-003 sets forth requirements and provides guidance, including the following points:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Revised Code. Advances, on the other hand, *temporarily* reallocate cash from one fund to another and involve an expectation of repayment;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement;

VILLAGE OF GENEVA ON THE LAKE
Ashtabula County
SCHEDULE OF FINDINGS
December 31, 2005 and 2004

FINDING NUMBER 2005-002(Continued)

- Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include:
 - A specific statement that the transaction is an advance of cash, and
 - An indication of the revenue source from which it is expected that repayment will be made
- The advances-out (initial loan and repayment) in the creditor (loaning) and debtor (borrowing) funds do not require appropriation as advances represent temporary allocations of resources. However, an amended official certificate of estimated resources should be obtained to reflect the reduced fund balance in the creditor fund and the increased fund balance in the debtor fund. Creditor fund appropriations must be evaluated based on the reduced estimated resources, and appropriation reductions may be required. Prior to obligation of advanced funds the debtor fund must have sufficient appropriations to cover the anticipated expenditures.
- If an advance is not repaid at the end of the fiscal year, an adjustment is required to the total resources available for expenditure in the creditor and debtor funds. The unencumbered cash balance of the creditor fund must be increased by the amount of repayment expected during the fiscal year to produce the “carryover balance available for appropriation.” Similarly, the unencumbered cash balance in the debtor fund must be reduced by the amount of repayment expected during the fiscal year to produce “carryover balance available for appropriation.” This adjustment is made on the “certificate of the total amount from all sources available for expenditures, and balances” filed with the County Budget Commission pursuant to Section 5705.36 of the Revised Code.
- If, after an advance is made, the taxing authority determines that the transaction should, in fact, be treated as a transfer (repayment is no longer expected) the following procedures should be followed:
 - The necessary formal procedures for approval of the transfer should be completed including, if necessary, approval of the commissioner of tax equalization and of the court of common pleas (see ORC 5705.14, 5705.15 and 5705.16);
 - The transfer should be formally recorded on the records of the subdivision; and
 - The entries recording the cash advance should be reversed

VILLAGE OF GENEVA ON THE LAKE
Ashtabula County
SCHEDULE OF FINDINGS
December 31, 2005 and 2004

FINDING NUMBER 2005-002(Continued)

From the prior year audit, the following items regarding inter-fund advances remain uncorrected by the Village:

Resolution No. 2084

From the prior period audit, a finding for adjustment was rendered against the Park Fund in favor of General Fund for interest due on an advance as dictated in Village Resolution No. 2084 in 2002. Council and management have not calculated and paid the interest due from the Park Fund to the General Fund.

Outstanding Advances

From years ended prior to January 1, 2004, the balances of outstanding advances, are as follows:

Balances at December 31, 2003		
Fund Name	Amount Due to	Amount Due from
General	147,509	-
Street	-	2,250
State Highway	-	2,087
Permissive MVL	-	847
Housing Rehab	-	-
Sewer Operating	13,258	-
Park	-	155,583

There were three initial advances made in 2004, all from the General Fund to the Park Fund; there were two initial advances made in 2005, one to the Park Fund and the other to the Flag Fund, both from the General Fund. None of these advances was repaid by the close of the year; however, the Flag Fund advance has been corrected through elimination of the fund type in 2006 in the UAN system.

The unencumbered cash balances of the above funds were not adjusted on the Certificate of the Total Amount from all Sources Available for Expenditures, and Balances.

VILLAGE OF GENEVA ON THE LAKE
Ashtabula County
SCHEDULE OF FINDINGS
December 31, 2005 and 2004

FINDING NUMBER 2005-002(Continued)

We recommend that the Village either repay the advances outstanding or take the steps necessary to convert them to transfers so that they can be cleared from the records. Additionally, to ensure that the advance balances do not accumulate over years, it is recommended that the guidelines presented by the Auditor of State should be contemplated when the choice arises to authorize an advance versus a transfer for funding shortfalls.

The total outstanding advances at the end of the audit period are as follows:

Balances at December 31, 2005		
Fund Name	Amount Due to	Amount Due from
General	203,909	-
Street	-	2,250
State Highway	-	2,087
Permissive MVL	-	847
Housing Rehab	-	700
Sewer Operating	13,258	-
Park	-	211,283

In addition to the above balances, \$20,526 is payable from the Park Fund to the General Fund for the interest dictated in Resolution 2084 as cited above.

FINDING NUMBER 2005-003

Ohio Revised Code Section 5705.40 provides that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them.

Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

VILLAGE OF GENEVA ON THE LAKE
Ashtabula County
SCHEDULE OF FINDINGS
December 31, 2005 and 2004

FINDING NUMBER 2005-003(Continued)

Ohio Administrative Code Section 117-2-02(C)(1) requires, in part, that the legal level of control is the level (e.g. fund, program or function, department, object) at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates.

The Village approved amendments to the original appropriation measure in the proper manner; however, the changes were not consistently entered in the accounting system. The Village has established their legal level of control at the object level. At the end of 2004, total expenditures exceeded appropriations at a fund level in five funds; at the end of 2005, total expenditures exceeded appropriations at a fund level in three funds. Additionally, expenditures exceeded appropriation at the legal level of control in five funds at December 31, 2004 and in two funds at December 31, 2005.

FINDING NUMBER 2005-004

In order to ensure the accuracy of accounting records, an adequate system of internal controls requires an entity to perform periodic reconciliations of their accounts and records which are reviewed and approved by a supervisory level employee or elected official separate from the person performing said function. To be effective, these reconciliation procedures must be performed regularly and include a thorough investigation and follow-up of all significantly reconciling items.

When cash reconciliations are not properly performed, monthly fund balances may be understated or overstated and management can not be assured that the statements reflect the proper financial activities of the Village. Lack of legislative monitoring of the monthly bank statements may lead to undetected errors, irregularities, or misappropriation of the Village's assets.

Monthly bank reconciliations for the Primary Checking account were not properly performed for 2005 and 2004. These reconciliations included "other adjusting factors" of varying amounts each month; and, in December, 2005, an unsupported, one-sided entry reducing cash \$13,895 was made to the Village's records to reconcile to bank balances. In our audit, we found that \$16,195 of 2005 income tax receipts were double-posted in UAN which should have been found during a properly performed bank reconciliation, and was the explanation for most of the December cash entry. Additionally, the Payroll and Housing Rehab bank accounts were not reconciled during the two-year audit period.

VILLAGE OF GENEVA ON THE LAKE
Ashtabula County
SCHEDULE OF FINDINGS
December 31, 2005 and 2004

FINDING NUMBER 2005-004(Continued)

We recommend that in preparing the Primary Checking account reconciliation, the Fiscal Officer investigate and resolve, in a timely manner, all discrepancies between the amounts on the bank statement and the fund balances on the Village's records. Documentation supporting reconciling items should be retained. Council members should review the Primary Checking account reconciliation each month and sign off in the space provided.

FINDING NUMBER 2005-005

Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Monitoring controls generally are concerned with users, analysis of reports or other forms of data produced by the accounting system. Such data may indirectly provide assurance as to the reliability of financial reporting information if it conforms with the users expectations.

A lack of monitoring controls by Council were noted over revenue collection, expenditure processing, and financial reporting; and others to identify unusual fluctuations in Village revenues, expenditures, and outstanding encumbrances. While the Finance Committee does convene on a monthly basis, their review of financial information is haphazard and not focused on basic operations.

It is recommended that the Council Finance Committee continue to meet at least monthly and that they develop a regular agenda to monitor basic control procedures such as ensuring that the appropriations authorized by Council are properly integrated into the accounting system, reviewing bank reconciliations and that a proper debt schedule is maintained.

FINDING NUMBER 2005-006

It is management's responsibility to design and implement internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires procedures performed are thoroughly documented to provide management with reasonable assurance they are being performed timely and consistently. Systems must also be periodically evaluated to determine whether they continue to effectively and efficiently meet management's objectives.

VILLAGE OF GENEVA ON THE LAKE
Ashtabula County
SCHEDULE OF FINDINGS
December 31, 2005 and 2004

FINDING NUMBER 2005-006(Continued)

Additionally, it is management's responsibility to design and implement internal control procedures to reasonably ensure all membership fees are appropriately collected, safeguarded, deposited, and accurately accounted for in the Village's records.

While many of the prior audit recommendations of control procedures for golf course memberships were implemented in 2006; it was noted that the memberships were still being sold at the golf course and that the Fiscal Officer did not have complete records of all memberships sold. Even an analysis of the records maintained at the golf course failed to support a reconciliation of membership fees recorded through the cash register, and subsequently the monthly golf course report and UAN reports.

To improve financial controls over the issuance and collection of golf course memberships, the following is recommended:

1. The Village should continue to use pre-printed, pre-numbered, duplicate applications. The forms should be printed for each year to reduce confusion and to facilitate the change in the pricing structure. Additionally, the forms should be revised to include an area for the date of application, total cost of membership and payments amounts and dates to be written.
2. Golf course management should submit a daily reconciliation of membership fees received and recorded in the cash register. A schedule of partial payments, when applicable, and the Fiscal Officer's copy of the application, when the membership is paid in full, should be included in this submission.
3. Management should periodically reconcile the number of membership cards issued at the golf course with the amount of membership fees receipted in the Park Fund.

Village of Geneva on the Lake, Ashtabula County
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2005 and 2004

Finding Number	Finding Summary	Corrected?	
2003-001	Ohio Revised Code 5705.41(D)	Not corrected	2005-001
2003-002	ORC 5705.14, 5705.15 and 5705.16	Partially corrected	2005-002
2003-003	Bank reconciliation	Not corrected	2005-004
2003-004	Monitoring controls	Not corrected	2005-005
2003-005	Golf course – memberships	Not corrected	2005-006
2003-006	Agreement of records	Partially corrected	Moved to Management Letter



Mary Taylor, CPA
Auditor of State

VILLAGE OF GENEVA ON THE LAKE

ASHTABULA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 4, 2007**