

***VILLAGE OF GENOA
OTTAWA COUNTY, OHIO***

AUDIT REPORT

For the Years Ended December 31, 2005 and 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Village Council
Village of Genoa
102 E. Sixth Street
Genoa, Ohio 43430

We have reviewed the *Report of Independent Accountants* of the Village of Genoa, Ottawa County, prepared by Charles E. Harris & Associates, Inc., 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 Genoa is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 1, 2007

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VILLAGE OF GENOA
OTTAWA COUNTY, OHIO
Audit Report
For the years ended December 31, 2004 and 2005

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Genoa
Ottawa County
102 E. Sixth Street
Genoa, Ohio 43430

To Village Council:

We have audited the accompanying financial statements of the Village of Genoa, Ottawa 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present it's larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Genoa, Ottawa County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
October 25, 2006

VILLAGE OF GENOA
OTTAWA COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2005

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Receipts:					
Property and Other Local Taxes	\$ 81,326	\$ 53,081	-	-	\$ 134,407
Municipal Income Tax	-	756,122	-	-	756,122
Intergovernmental Receipts	98,501	106,870	-	\$ 125,584	330,955
KWH Tax	73,258	-	-	-	73,258
Charges for Services	680	18,485	-	-	19,165
Fines, Licenses, and Permits	19,150	-	-	-	19,150
Earnings on Investments	56,734	7,618	-	-	64,352
Miscellaneous	5,795	10,454	-	-	16,249
Total Receipts	335,444	952,630	-	125,584	1,413,658
Disbursements:					
Current:					
Security of Persons & Property	351,898	-	-	-	351,898
Public Health Services	6,768	-	-	-	6,768
Leisure Time Activities	-	60,008	-	-	60,008
Community Environment	4,810	30	-	-	4,840
Transportation	-	120,811	-	-	120,811
General Government	158,846	49,112	-	-	207,958
Capital Outlay	13,750	38,516	-	355,403	407,669
Debt Service:					
Retirement of Principal	-	-	\$ 166,151	19,875	186,026
Interest and Fiscal Charges	-	-	277,515	17,714	295,229
Total Cash Disbursements	536,072	268,477	443,666	392,992	1,641,207
Excess of Receipts Over/(Under) Disbursements	(200,628)	684,153	(443,666)	(267,408)	(227,549)
Other Financing Sources/(Uses):					
Transfers-In	349,653	20,000	449,873	355,806	1,175,332
Transfers-Out	(93,258)	(705,459)	-	-	(798,717)
Other Sources	16,375	-	-	-	16,375
Total Other Financing Sources/(Uses)	272,770	(685,459)	449,873	355,806	392,990
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	72,142	(1,306)	6,207	88,398	165,441
Fund Balance January 1, 2005	105,191	126,957	-	408,794	640,942
Fund Balance December 31, 2005	\$ 177,333	\$ 125,651	\$ 6,207	\$ 497,192	\$ 806,383
Reserve for Encumbrances, December 31, 2005	\$ 8,421	\$ 9,004	\$ -	\$ 7,619	\$ 25,044

See accompanying Notes to the Financial Statements.

VILLAGE OF GENOA
OTTAWA COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
For the Year Ended December 31, 2005

	Proprietary Fund Type
	Enterprise
Operating Receipts:	
Charges for Services	\$ 3,099,357
Special Assessments	9,173
Miscellaneous	2,275
	3,110,805
Total Operating Receipts	3,110,805
Operating Disbursements:	
Personal Services	807,445
Travel	3,349
Contractual Services	223,456
Supplies and Materials	1,240,743
Capital Outlay	658,781
	2,933,774
Total Operating Disbursements	2,933,774
Excess Operating Receipts Over/(Under)	
Operating Disbursements	177,031
Non-Operating Receipts:	
Miscellaneous	5,932
Reimbursements	13,679
	19,611
Total Non-Operating Receipts	19,611
Non-Operating Disbursements:	
Debt Service	
Retirement of Principal	(88,234)
Interest and Fiscal Charges	(72,945)
Other non-operating disbursements	(109,776)
	(270,955)
Total Non-Operating Disbursements	(270,955)
Excess of Receipts Over/(Under) Disbursements	
before Interfund Transfers	(74,313)
Transfers-In	73,258
Transfers-Out	(449,872)
	(450,927)
Net Revenues Over (Under) Expenses	(450,927)
Fund Balance January 1, 2005	2,280,009
Fund Balance December 31, 2005	\$ 1,829,082
Reserve for Encumbrances, December 31, 2005	\$ 5,085

See accompanying Notes to the Financial Statements.

VILLAGE OF GENOA
OTTAWA COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2004

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Receipts:					
Property and Other Local Taxes	\$ 79,712	\$ 61,245	-	-	\$ 140,957
Municipal Income Tax	-	740,970	-	-	740,970
Intergovernmental Receipts	102,109	104,308	-	\$ 17,296	223,713
KWH Tax	68,022	-	-	-	68,022
Charges for Services	1,690	12,703	-	-	14,393
Fines, Licenses, and Permits	20,820	-	-	-	20,820
Earnings on Investments	39,086	23,597	-	-	62,683
Miscellaneous	4,744	4,329	-	1,318	10,391
Total Receipts	316,183	947,152	-	18,614	1,281,949
Disbursements:					
Current:					
Security of Persons & Property	355,676	-	-	-	355,676
Public Health Services	5,610	-	-	-	5,610
Leisure Time Activities	-	50,329	-	-	50,329
Community Environment	3,224	-	-	-	3,224
Transportation	-	113,001	-	-	113,001
General Government	177,327	55,235	-	-	232,562
Capital Outlay	37,402	14,505	-	666,335	718,242
Debt Service:					
Retirement of Principal	-	-	\$ 52,686	18,648	71,334
Interest & Fiscal Charges	-	-	120,898	18,941	139,839
Total Cash Disbursements	579,239	233,070	173,584	703,924	1,689,817
Excess of Receipts Over/(Under) Disbursements	(263,056)	714,082	(173,584)	(685,310)	(407,868)
Other Financing Sources/(Uses):					
Sale of Bonds	-	-	5,720,000	-	5,720,000
Premium and Accrued Interest	-	-	90,119	-	90,119
Bond Issuance Costs	-	-	(244,293)	-	(244,293)
Deposit to Debt Reserve Fund	-	-	(402,370)	-	(402,370)
Transfers-In	368,221	60,000	173,584	360,522	962,327
Transfers-Out	(128,022)	(728,743)	(5,163,456)	-	(6,020,221)
Other Financing Sources	10,548	276	-	-	10,824
Total Other Financing Sources/(Uses)	250,747	(668,467)	173,584	360,522	116,386
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	(12,309)	45,615	-	(324,788)	(291,482)
Fund Balance January 1, 2004	117,500	81,342	-	733,582	932,424
Fund Balance December 31, 2004	\$ 105,191	\$ 126,957	-	\$ 408,794	\$ 640,942
Reserve for Encumbrances, December 31, 2004	\$ 3,895	\$ 5,085	-	\$ 14,718	\$ 23,698

See accompanying Notes to the Financial Statements.

VILLAGE OF GENOA
OTTAWA COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
For the Year Ended December 31, 2004

	Proprietary Fund Type
	Enterprise
Operating Receipts:	
Charges for Services	\$ 2,538,829
Intergovernmental Revenue	50,323
Special Assessments	8,769
Miscellaneous	4,805
	2,602,726
Total Operating Receipts	2,602,726
Operating Disbursements:	
Personal Services	721,710
Travel	5,528
Contractual Services	187,791
Supplies and Materials	939,451
Capital Outlay	402,646
	2,257,126
Total Operating Disbursements	2,257,126
Excess Operating Receipts Over/(Under) Operating Disbursements	345,600
Non-Operating Receipts:	
Sale of Bonds	800,000
Reimbursements	7,417
Miscellaneous	19,683
	827,100
Total Non-Operating Receipts	827,100
Non-Operating Disbursements:	
Debt Service	
Principal Retirement	(5,145,000)
Interest and Fiscal Charges	(119,279)
Other non-operating disbursements	(110,610)
	(5,374,889)
Total Non-Operating Disbursements	(5,374,889)
Excess of Receipts Over/(Under) Disbursements before Interfund Transfers	(4,202,189)
Transfers-In	5,231,478
Transfers-Out	(173,584)
	5,057,894
Net Revenues Over (Under) Expenses	855,705
Fund Balance January 1, 2004	1,424,304
Fund Balance December 31, 2004	\$ 2,280,009
Reserve for Encumbrances, December 31, 2004	\$ 39,787

See accompanying Notes to the Financial Statements.

VILLAGE OF GENOA
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Genoa is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government. Elected officials include council members and a mayor. The Village provides general government services, including maintenance of Village streets, police, sewer, water, utilities, and park operations.

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

B. BASIS OF ACCOUNTING

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

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

C. CASH AND INVESTMENTS

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

Certificates of deposit and repurchase agreements 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 of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF GENOA
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

2. **Special Revenue Funds**

To account for the proceeds of specific revenue sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village had the following significant special revenue funds:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax monies from the State of Ohio for construction and repair of Village streets.

State Highway Improvement Fund – This fund receives gasoline tax monies from the State of Ohio for maintenance and repair of state highways in the Village.

Parks and Recreation Fund- This fund receives local taxes and other revenues to provide leisure time activities to Village residents.

Permissive Motor Vehicle License Tax Fund- This fund receives motor vehicle license tax money to construct, maintain and repair Village roads.

Income Tax Fund- This fund receives income tax collections from the income tax levied on Village residents and individuals who work in the Village.

3. **Debt Service Fund**

This fund is used to accumulate resources for the payment of bond and note indebtedness. The Village had the following significant debt service funds:

Waterworks Bond Fund- This fund received transfers used to pay interest and principal on mortgage revenue bonds.

OWDA Water Washington Street Fund- This fund received transfers to pay interest and principal on an OWDA loan.

General Obligation Bonds Fund- This fund received transfers to pay interest and principal on general obligation bonds.

VILLAGE OF GENOA
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

4. **Capital Projects Funds**

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

Capital Improvement Fund - This fund received proceeds of grants and other funds to be used for capital improvements for the Village.

Sewer Capital Improvements Fund- This fund receives transfers in from the Local Income Tax Fund for various improvements to the Village's sewer system.

5. **Enterprise Funds**

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

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

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

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

Utility Deposit Fund- This fund receives security deposits required to be paid by customers in order to obtain utility services.

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

VILLAGE OF GENOA
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

E. **BUDGETARY PROCESS**

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

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and departmental 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 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.

A summary of 2004 and 2005 budgetary activity appears in Note 3.

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **ACCUMULATED LEAVE**

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

VILLAGE OF GENOA
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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 at December 31 was as follows:

	<u>2004</u>	<u>2005</u>
Demand Deposits	(104,439)	(164,186)
Repurchase Agreements	333,249	372,723
Certificates of Deposit	<u>2,692,141</u>	<u>2,426,928</u>
Total Deposits and Investments	<u>\$2,920,951</u>	<u>\$2,635,465</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

The negative demand deposits are caused by the temporary, overnight repurchase agreement investments.

3. BUDGETARY ACTIVITY

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

<u>2004 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General	\$ 690,255	\$ 694,952	\$ 4,697
Special Revenue	1,022,030	1,007,428	(14,602)
Debt Service	5,923,048	5,983,703	60,655
Capital Projects	632,574	379,136	(253,438)
Enterprise	<u>8,116,140</u>	<u>8,661,304</u>	<u>545,164</u>
Total	<u>\$ 16,384,047</u>	<u>\$ 16,726,523</u>	<u>\$ 342,476</u>

VILLAGE OF GENOA
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

3. **BUDGETARY ACTIVITY - (continued)**

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 759,175	\$ 711,156	\$ 48,019
Special Revenue	1,064,785	966,898	97,887
Debt Service	112,929	5,983,703	(5,870,774)
Capital Projects	1,005,938	718,642	287,296
Enterprise	10,010,315	7,845,386	2,164,929
Total	\$ 12,953,142	\$ 16,225,785	\$ (3,272,643)

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 705,880	\$ 701,472	\$ (4,408)
Special Revenue	988,275	972,630	(15,645)
Debt Service	533,944	449,873	(84,071)
Capital Projects	666,716	481,390	(185,326)
Enterprise	3,379,320	3,203,674	(175,646)
Total	\$ 6,274,135	\$ 5,809,039	\$ (465,096)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 785,295	\$ 637,751	\$ 147,544
Special Revenue	1,061,720	982,940	78,780
Debt Service	533,944	443,666	90,278
Capital Projects	950,041	400,611	549,430
Enterprise	4,403,962	3,659,686	744,276
Total	\$ 7,734,962	\$ 6,124,654	\$ 1,610,308

**VILLAGE OF GENOA
OTTAWA COUNTY, OHIO**
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

4. PROPERTY TAXES

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2005 is as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$ 688,987	6.32 - 6.58%
Water System G.O. Bond	820,696	4.25%
AMP-Ohio Electric System Improvements	5,532,500	1.30%
Mortgage Revenue Bonds	<u>745,000</u>	5%
Total	<u>\$ 7,787,183</u>	

The Ohio Water Development Authority Loans were used for wastewater and waterline improvements. The American Municipal Power Electric System Bonds relate to the construction and improvements of substations, electrical upgrades and electric generators which are, or will be used in the Village of Genoa's electric system. The Water Improvement General Obligation Bonds relate to Village of Genoa's water system improvements. Mortgage Revenue Bonds were used for waterworks improvements.

In 2004, as part of the AMP-Ohio bond refinancing, the Village was required to deposit \$402,370 into a Debt Service Reserve Fund to be held and maintained by the Trustee until the bond debt service payments are paid in full.

**VILLAGE OF GENOA
OTTAWA COUNTY, OHIO**
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

5. **DEBT** – (continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2005 are as follows:

<u>For The Year Ending 12/31</u>	<u>AMP Bonds</u>	<u>OWDA Loans</u>	<u>Water System Bonds</u>	<u>Mortgage Revenue Bonds</u>
2006	\$ 400,600	\$ 82,849	\$ 80,421	\$ 84,183
2007	397,412	82,849	80,421	84,183
2008	398,788	82,849	80,421	80,682
2009	399,610	82,849	80,421	83,458
2010	399,895	82,849	80,421	81,010
2011 - 2015	1,983,063	414,245	402,106	418,454
2016 - 2020	1,968,695	226,300	402,106	166,750
2021 - 2025	1,969,877	-	-	-
2026 - 2029	1,565,745	-	-	-
Total	<u>\$ 9,483,685</u>	<u>\$ 1,054,790</u>	<u>\$ 1,206,317</u>	<u>\$ 998,720</u>

6. **LOCAL INCOME TAX**

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency or business activities within the Village corporate limits as well as certain income of residents earned outside the Village corporate limits.

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

Seventy-five percent of the first one percent collected is credited to the General Fund. The remaining twenty-five percent is credited to the Capital Projects Fund. The remaining one-half percent is credited to the Sewer Capital Improvement Fund per Village ordinance.

**VILLAGE OF GENOA
OTTAWA COUNTY, OHIO**
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

7. RETIREMENT SYSTEMS

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost sharing, multiple employer public employee retirement system. OPERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees.

Contributions rates are prescribed by the Ohio Revised Code. The Village's OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% for 2004 and 2005 of participant's gross salaries. The Village has paid all contributions required through December 31, 2005.

Police officers of the Village are members of the Ohio Police and Fire Pension Fund (OP&F), a state operated, cost sharing, multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits to plan members and beneficiaries.

The Ohio Revised Code prescribes contributions. The Village's OP&F members contributed 10% of their gross salaries. The Village contributed an amount equal to 19.5% of the participant's gross salaries through December 31, 2004 and 2005 for police officers. The Village has paid all contributions required through December 31, 2005.

The Village does not have a fire department.

8. FUND TRANSFERS

The Village had numerous fund transfers during 2004 and 2005. In 2004, Money was transferred from the General Fund into the Street Fund for the purpose of meeting current expenses prior to the passage of the permanent budget. Money was transferred from the Electric Fund to the Debt Funds to meet interest and principal payments on bonds and notes. Money was also transferred from the Income Tax-Special Revenue Fund into the General Fund, the Capital Improvement Fund and to the Sewer Improvement Fund for the allocation of income tax receipts. Proceeds of the AMP-Ohio Bond issue were transferred from the Debt Service Fund to the Electric Fund to be used for Electric System Improvements.

In 2005, the Village transferred money from the General Fund to the Street Fund for the purpose of meeting expenses prior to the passage of permanent budget. The General Fund also transferred money to the Electric Fund for operating purposes. The Village transferred money from the Electric Fund into the Debt Service Funds to meet principal and interest payments on obligations during the year. Money was also transferred from the Income Tax-Special Revenue Fund into the General Fund, the Capital Improvement Fund and the Sewer Improvement Fund for the allocation of income tax receipts per ordinance.

All applicable requirements of the Ohio Revised Code regarding transfers of funds were met.

**VILLAGE OF GENOA
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

9. RISK MANAGEMENT

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

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

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

10. JOINT VENTURES

Ohio Municipal Electric Generation Agency Joint Venture 2

The Village is a participant with thirteen subdivisions within the State of Ohio in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. The Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2) was created for that purpose. On dissolution of the joint venture, the net assets of JV2 will be shared by the participants on a percentage basis. The JV2 is managed by AMP-Ohio who acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture. In accordance with the agreement, the Village remitted \$7,491 for the year 2004 and \$7,441 for the year 2005 to the joint venture. The Village's net investment and its share of operating results of JV2 ownership share of the project is .19 percent. Complete financial statements for JV2 can be obtained from AMP-Ohio at 2600 Airport Drive Columbus, Ohio 43219 or from the Village Administrator. The Village of Genoa's share of this debt service is as follows:

Year	Amount
2006	\$7,578
2007	7,580
2008	7,584
2009	7,582
2010	7,583
Subsequent	83,389
Total	\$121,296

**VILLAGE OF GENOA
OTTAWA COUNTY, OHIO**
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

10. JOINT VENTURES – (continued)

Ohio Municipal Electric Generation Agency Joint Venture 5

The Village is a participant along with forty-one other municipalities within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Ohio River at the Belleville Locks and Dam and receive electricity from its operation. The Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5) was created for that purpose. On the dissolution of the joint venture, the net assets of JV5 will be shared by the participants on a percentage basis. The JV5 is managed by AMP-Ohio who acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture and a portion of the \$153,415,000 certificates of beneficial interest debt that was issued to construct the fixed asset. In accordance with the agreement, the Village remitted \$66,264 for the year 2004 and \$72,230 for the year 2005 to the joint venture. The Village of Genoa's net investment and its share of the operating results of JV5 ownership share of the projects is .64 percent. The Village's net investment in OMEGA JV5 was \$59,651 at December 31, 2004 and \$ 64,046 at December 31, 2005. Complete financial statements for JV5 can be obtained from AMP-Ohio at 601 Dempsey Road, Westerville, Ohio 43081 or from the Village Administrator. Each member is required to make debt service payments for the project based on their percentage of ownership. Payments began in 1994. The Village issued refunding certificates for the debt in 2004. The Village of Genoa's share of this debt service is as follows:

Year	Amount
2006	\$ 62,877
2007	62,843
2008	62,872
2009	62,887
2010	62,767
Subsequent	879,758
Total	\$ 1,194,004

11. LEGAL COMPLIANCE

The Village did not properly certify the availability of funds for 33 of 60 non-payroll expenditures contrary to Section 5705.41 (D) of the Ohio Revised Code.

The Village was found to have appropriations exceeding estimated resources in the Electric Fund the year 2004, contrary to Section 5705.39 of the Ohio Revised Code.

The Village was found to have expenditures in excess of appropriations in the Bond Retirement Fund for the year 2004, contrary to Section 5705.41 (B) of the Ohio Revised Code.

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Charles E. Harris & Associates, Inc.
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**

Village of Genoa
Ottawa County
102 E. Sixth Street
Genoa, Ohio 43430

To Village Council:

We have audited the financial statements of the Village of Genoa, Ottawa County, Ohio (the Village) as and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 25, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated October 25, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2005-Genoa- 001 through 003. We also noted other matters involving compliance that do not require inclusion in this report that we have reported to management of the Village in a separate letter dated October 25, 2006.

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

Charles E. Harris & Associates, Inc.
October 25, 2006

**VILLAGE OF GENOA
SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number: 2005-Genoa-001

Ohio Revised Code Section 5705.41 (D), requires in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement state 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 – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 expenditure by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of 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.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer 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 current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**VILLAGE OF GENOA
SCHEDULE OF FINDINGS – (continued)
DECEMBER 31, 2005 AND 2004**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number: 2005-Genoa - 001 – (continued)

The Village did not properly certify the availability of funds for 33 of 60 non-payroll expenditures tested for the audit period. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances.

To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend the Clerk certify the availability of funds prior to the commitment for the expenditure of Village money. The Village should consider the use of blanket purchase orders and “then and now” certificates to assist in complying with the above requirement.

Management Response:

The majority of these occurrences were due to “Then and Now” not being attached to the voucher packages. Management will strive to improve monitoring of its expenditures and attach “Then and Now” certificates as needed.

Finding Number: 2005-Genoa - 002:

Sections 5705.39, Revised Code, state that appropriations from each fund shall not exceed the total estimated resources certified as available for expenditure by the county budget commission. The following fund was found to have appropriations in excess of the amount available for expenditure.

	<u>2004</u>		
<u>Fund Type-Fund</u>	<u>Total Estimated Resources</u>	<u>Total Appropriations</u>	<u>Variance</u>
Enterprise-Electric Fund	\$7,922,228	\$8,472,100	(\$549,872)

Management Response:

Management will implement procedures to monitor its budgetary process more carefully in future years.

VILLAGE OF GENOA
SCHEDULE OF FINDINGS – (continued)
DECEMBER 31, 2005 AND 2004

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number: 2005-Genoa - 003:

Expenditures Exceed Appropriations

Section 5705.41 (B), Revised Code, states that no subdivision shall make any expenditure of money unless it has been properly appropriated. The following fund was found to have expenditures exceeding appropriations:

2004

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>
Bond Retirement	-	\$5,918,276	(\$5,918,276)

Management Response:

Management will implement procedures to monitor its budgetary process more carefully in future years.

**VILLAGE OF GENOA
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: Per ADAM 2001-10-disclose the current year finding in this schedule
2003-001	Ohio Revised Code Section 5705. 41 (D)(1)- Failure to certify expenditures	No	Not Corrected. Reissued as Finding Number 2005-Genoa-001



Mary Taylor, CPA
Auditor of State

VILLAGE OF GENOA

OTTAWA 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
MARCH 13, 2007