

City of Geneva, Ohio

**Basic Financial Statements
December 31, 2010**



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Geneva, Ashtabula County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

August 22, 2011

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City of Geneva, Ohio

For the Year Ended December 31, 2010

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Geneva, Ohio, (the "City") as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General and Street Construction Maintenance and Repair Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

For 2010, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

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

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Cini & Parichi, Inc.

Cleveland, Ohio
June 30, 2011

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2010

The discussion and analysis of the City of Geneva's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

Financial Highlights

Key financial highlights for 2010 are as follows:

- ◆ Total assets of the City were \$36,058,861. Of this amount, \$21,130,234 was attributable to governmental activities and \$14,928,627 was from business-type activities.
- ◆ Total liabilities of the City were \$13,802,672. Governmental activities accounted for \$3,937,905, while business-type activities represented \$9,864,767 of the total.
- ◆ Total assets of the City exceeded its liabilities at the close of the year by \$22,256,189, a \$1,974,384 increase from the prior year.

Using this Annual Financial Report

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

Government-wide financial statements – Reporting the City of Geneva as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets presents information on all the City of Geneva's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decrease in net assets may serve as a useful indicator of whether the financial position of the City of Geneva is improving or deteriorating. However, in evaluating the overall position of the City, non-financial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered. Both the Statement of Net Assets and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

City of Geneva, Ohio

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

For the Year Ended December 31, 2010

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities: most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. Income tax, state and county taxes, licenses, permits and charges for services finance most of these activities.
- Business-type activities: the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer and water systems are reported here.

Fund Financial Statements - Reporting the City of Geneva's Most Significant Funds

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The City of Geneva, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Geneva can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all *other financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.

For the City's governmental funds, information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General fund, and other major funds.

The basic governmental fund financial statements can be found starting on page 16 of this report.

City of Geneva, Ohio

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

For the Year Ended December 31, 2010

Proprietary Funds

The City of Geneva maintains 2 different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its wastewater and water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found starting on page 22 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources are not available to support the City's own programs. The fiduciary fund financial statements can be found starting on page 26 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 27 of this report.

Government-wide Financial Analysis - City of Geneva as a Whole

As noted earlier, the Statement of Net Assets looks at the City as a whole and can prove to be a useful indicator of the City's financial position.

The Statement of Net Assets and the Statement of Activities are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Net Assets Beginning and End of Year

City of Geneva, Ohio

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

For the Year Ended December 31, 2010

Table 1 provides a summary of the City's net assets for 2010 as compared to 2009.

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other assets	\$ 5,096,871	\$ 5,592,463	\$ 2,160,361	\$ 2,047,815	\$ 7,257,232	\$ 7,640,278
Capital assets, net	<u>16,033,363</u>	<u>14,961,754</u>	<u>12,768,266</u>	<u>11,783,957</u>	<u>28,801,629</u>	<u>26,745,711</u>
<i>Total assets</i>	<u>21,130,234</u>	<u>20,554,217</u>	<u>14,928,627</u>	<u>13,831,772</u>	<u>36,058,861</u>	<u>34,385,989</u>
Liabilities:						
Current liabilities	851,434	896,678	185,415	126,582	1,036,849	1,023,260
Long-term liabilities						
Due within one year	449,444	435,827	681,274	613,491	1,130,718	1,049,318
Due in more than one year	<u>2,637,027</u>	<u>2,905,979</u>	<u>8,998,078</u>	<u>9,125,627</u>	<u>11,635,105</u>	<u>12,031,606</u>
<i>Total liabilities</i>	<u>3,937,905</u>	<u>4,238,484</u>	<u>9,864,767</u>	<u>9,865,700</u>	<u>13,802,672</u>	<u>14,104,184</u>
Net assets:						
Invested in capital assets,						
Net of related debt	13,113,176	12,365,695	3,107,020	2,060,893	16,220,196	14,426,588
Restricted for:						
Capital projects	348,020	200,572	-	-	348,020	200,572
Debt service	334,375	379,025	-	-	334,375	379,025
Other purposes	927,276	1,069,247	-	-	927,276	1,069,247
Unrestricted	<u>2,469,482</u>	<u>2,301,194</u>	<u>1,956,840</u>	<u>1,905,179</u>	<u>4,426,322</u>	<u>4,206,373</u>
<i>Total net assets</i>	\$ <u>17,192,329</u>	\$ <u>16,315,733</u>	\$ <u>5,063,860</u>	\$ <u>3,966,072</u>	\$ <u>22,256,189</u>	\$ <u>20,281,805</u>

The City's assets exceeded liabilities by \$22,256,189 at the close of the most recent fiscal year, which indicates an improvement in conditions over the prior year.

The largest portion of the City's net assets (72.88 percent) reflects the investments in capital assets less any related debt to acquire those assets that is still outstanding. These capital assets are used to provide services to the City's citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets for 2010 increased \$1,672,872 or 4.86 percent when compared to 2009. The increase in total assets was mainly due to an increase in capital assets of \$2,055,918 mainly due to the completion of the several road projects in 2010, including an ODOT contribution of \$538,523 for the North Eagle paving project.

The City has tried to make concerted efforts to maximize the return on investments of its cash and cash equivalents and use these funds to provide liquidity for planned future capital purchases. However, even though the State code allows for investments with maturities of five years or less, the City has not invested in any instrument with a maturity of more than one year in compliance with the City's investment policy.

City of Geneva, Ohio

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

For the Year Ended December 31, 2010

An additional portion of the City's net assets (7.23 percent) represents resources that have been restricted on how they may be used. The remaining balance of unrestricted net assets \$4,426,322 may be used to meet the government's on-going obligations to its citizens and creditors.

The net assets of the City's business-type activities increased in 2010. The City generally can only use these net assets to finance the continuing operations of the wastewater and water systems operations. The increase was mainly attributed to the increase in capital assets which can be attributed to the annual debt service payments.

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

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program revenues:						
Charges for services	\$ 500,305	\$ 511,193	\$ 2,868,087	\$ 3,165,460	\$ 3,368,392	\$ 3,676,653
Operating grants and contributions	397,803	144,705	14,249	-	412,052	144,705
Capital grants and contributions	<u>1,402,080</u>	<u>8,724,632</u>	<u>946,638</u>	<u>-</u>	<u>2,348,718</u>	<u>8,724,632</u>
Total program revenues	<u>2,300,188</u>	<u>9,380,530</u>	<u>3,828,974</u>	<u>3,165,460</u>	<u>6,129,162</u>	<u>12,545,990</u>
General revenues:						
Property taxes	552,649	547,379	-	-	552,649	547,379
Income taxes	2,559,755	2,590,328	-	-	2,559,755	2,590,328
Grants and entitlements	853,852	722,040	-	-	853,852	722,040
Investment earnings	9,777	12,742	4,401	5,958	14,178	18,700
Miscellaneous	<u>20,429</u>	<u>24,522</u>	<u>-</u>	<u>-</u>	<u>20,429</u>	<u>24,522</u>
Total general revenues	<u>3,996,462</u>	<u>3,897,011</u>	<u>4,401</u>	<u>5,958</u>	<u>4,000,863</u>	<u>3,902,969</u>
Total revenues	<u>6,296,650</u>	<u>13,277,541</u>	<u>3,833,375</u>	<u>3,171,418</u>	<u>10,130,025</u>	<u>16,448,959</u>
Program expenses:						
General government	900,936	1,033,282	-	-	900,936	1,033,282
Security of persons and property	2,470,297	2,148,267	-	-	2,470,297	2,148,267
Leisure time activities	85,647	407,837	-	-	85,647	407,837
Community development	641,780	517,544	-	-	641,780	517,544
Transportation	1,151,133	1,428,772	-	-	1,151,133	1,428,772
Interest and fiscal charges	145,589	132,461	-	-	145,589	132,461
Sewer	-	-	1,573,414	1,240,871	1,573,414	1,240,871
Water	-	-	<u>1,186,845</u>	<u>1,163,184</u>	<u>1,186,845</u>	<u>1,163,184</u>
Total program expenses	<u>5,395,382</u>	<u>5,668,163</u>	<u>2,760,259</u>	<u>2,404,055</u>	<u>8,155,641</u>	<u>8,072,218</u>
Increase (decrease) in net assets before transfers	901,268	7,609,378	1,073,116	767,363	1,974,384	8,376,741
Transfers	<u>(24,672)</u>	<u>(29,858)</u>	<u>24,672</u>	<u>29,858</u>	<u>-</u>	<u>-</u>
Change in net assets	876,596	7,579,520	1,097,788	797,221	1,974,384	8,376,741
Net assets at beginning of year	<u>16,315,733</u>	<u>8,736,213</u>	<u>3,966,072</u>	<u>3,168,851</u>	<u>20,281,805</u>	<u>11,905,064</u>
Net assets at end of year	\$ <u>17,192,329</u>	\$ <u>16,315,733</u>	\$ <u>5,063,860</u>	\$ <u>3,966,072</u>	\$ <u>22,256,189</u>	\$ <u>20,281,805</u>

City of Geneva, Ohio

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

For the Year Ended December 31, 2010

Governmental Activities

The City's largest revenue source is income tax. The City levies a municipal income tax of 1½ percent on all salaries, wages, commissions and other compensation, and net profits earned within the City, as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit of 1 percent of the tax paid to another municipality.

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

In 2010, City income tax proceeds received by the governmental activities were \$2,559,755. The decrease in income tax is the result of the overall state of the economy during 2010.

Property tax revenue received by the City for governmental activities is \$552,649, which remained fairly consistent with the prior year. The full voted tax rate for 2010 was 4.8 mills. A mill is \$8.70 for every \$1,000 of assessed valuation. The annual property tax is calculated using the taxable value (market value multiplied by 35 percent) of the property effective tax rate levied by the City of Geneva.

Capital grants and contributions decreased significantly from the prior year due to ODOT's contribution to the City's Austin Road Overpass Project in 2009.

Expenses are categorized by programs. The largest program, security of persons and property which includes police, fire and public safety was approximately 46 percent of governmental expenses and remained fairly consistent from the prior year due to management's effort to limit spending. Training plays a crucial role in keeping up with rapidly changing laws, practices and technology. Training among our employees is performed in-house, attending seminars/conferences, continuing education classes, practice drills and watching training videos. Transportation is composed of street construction and maintenance was approximately 21 percent of the governmental expenses. Decrease from the prior year mainly due to an increase in depreciation expense due to infrastructure additions. The third largest program is general government which is composed of the City Manager, Council, Finance, Law and general administration which is approximately 17 percent of the government expenses and remained consistent from the prior year.

Business-Type Activities

The Business-type activities of the City, which include the City's wastewater and water operations, increased the City's net assets by \$1,097,788. This increase is mainly due to charges for services and other revenues sufficiently covering the expenses to run the water and wastewater treatment systems.

The City's sanitary sewer and wastewater treatment system services not only the City, but a few surrounding communities. The water fund accounts for distribution of water to individuals and commercial users in various parts of the City.

City of Geneva, Ohio

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

For the Year Ended December 31, 2010

The City's Funds

Governmental Funds

Information about the City's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting.

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the year, the City's governmental funds reported combined ending fund balances of \$2,517,845. In 2010, unreserved fund balance, which is available for spending at the government's discretion, is at \$2,387,654. The fund balance of \$130,191 is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of prior periods and for a variety of other purposes.

The General Fund is the main operating fund of the City. At the end of 2010, total fund balance for the General Fund was \$1,735,020 of which \$1,712,004 was undesignated for financial reporting purposes.

General Fund Budgeting Highlights

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

For the General Fund, final budgeted basis revenues, including other financing sources were \$133,175 below the original estimate of \$3,924,884, primarily due to decreases in the estimate of collections for municipal income taxes.

The original appropriations, including other financing uses of \$4,518,341 were increased to \$4,715,607. Even with these adjustments, the actual charges to appropriations (expenditures) were \$763,292 below the final budgeted amount for the General Fund.

Business-Type Funds

The City's major Enterprise funds consist of the Wastewater Fund and Water Fund. The basic financial statements for the major funds are included in this report.

Proprietary Funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Wastewater and Water Funds. The basic proprietary fund financial statements can be found on page 22 through 25 of this report.

City of Geneva, Ohio

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

For the Year Ended December 31, 2010

Capital Assets and Debt Administration

Capital Assets

At the end of 2010, the City of Geneva had \$28,801,629 invested in a broad range of capital assets, including land, buildings, improvements, machinery and equipment, park facilities, furniture and fixtures and vehicles.

Table 3 shows fiscal 2010 balances of capital assets as compared to 2009:

Table 3
Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land and land improvements	\$ 1,381,697	\$ 1,205,821	\$ -	\$ -	\$ 1,381,697	\$ 1,205,821
Buildings	3,845,265	3,840,404	4,416,684	3,755,818	8,261,949	7,596,222
Machinery and equipment	1,400,246	1,474,212	661,482	659,416	2,061,728	2,133,628
Vehicles	1,811,377	1,811,377	289,390	289,390	2,100,767	2,100,767
Infrastructure	21,315,301	20,001,521	12,426,298	11,637,501	33,741,599	31,639,022
Construction in progress	509,995	167,758	138,323	251,447	648,318	419,205
Less: accumulated depreciation	<u>(14,230,518)</u>	<u>(13,539,339)</u>	<u>(5,163,911)</u>	<u>(4,809,615)</u>	<u>(19,394,429)</u>	<u>(18,348,954)</u>
Total capital assets	\$ <u>16,033,363</u>	\$ <u>14,961,754</u>	\$ <u>12,768,266</u>	\$ <u>11,783,957</u>	\$ <u>28,801,629</u>	\$ <u>26,745,711</u>

The major increase in governmental activities was due to ODOT's share of the N. Eagle paving project, completed in 2010. The major increase in business-type activities was mainly due to the disposal of bridges paid for in part with State funds. Increase in business-type activities capital assets was mainly due to the wastewater laboratory improvements.

More detailed information about the City's capital assets is presented in Note 7 to the financial statements.

City of Geneva, Ohio

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

For the Year Ended December 31, 2010

Debt

At December 31, 2010, the City of Geneva had \$12,765,823 in outstanding debt and compensated absences, of which \$2,000,103 was in general obligation bonds. Table 4 summarizes the outstanding obligations of the City.

Table 4
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 2,000,103	\$ 2,188,952	\$ -	\$ -	\$ 2,000,103	\$ 2,188,952
Special assessment Bonds	460,000	535,000	-	-	460,000	535,000
OPWC loans	179,263	114,768	91,659	45,000	270,922	159,768
OWDA loan	-	-	9,412,862	9,497,292	9,412,862	9,497,292
Capital leases	1,573	84,627	68,165	88,827	69,738	173,454
Compensated absences	166,284	129,067	18,106	16,054	184,390	145,121
Civic Development Corp loan	-	-	-	-	-	-
ODOT loan payable	279,248	289,392	-	-	279,248	289,392
Other loan	-	-	88,560	91,945	88,560	91,945
Total	\$ <u>3,086,471</u>	\$ <u>3,341,806</u>	\$ <u>9,679,352</u>	\$ <u>9,739,118</u>	\$ <u>12,765,823</u>	\$ <u>13,080,924</u>

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

More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

Current Related Financial Activities

The City's elected and appointed officials considered many factors when setting the fiscal year 2010 budget. One of those factors is the economy. With the uncertainty surrounding the economy, the City continues to face the challenge of economic recession. Basic operating costs continue to rise due to negotiated salary increases and higher benefit costs.

City of Geneva, Ohio

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

For the Year Ended December 31, 2010

The general fund's expenditures are expected to increase during 2011 mainly with respect to wages, benefits, fuel and utilities. The City recognizes that declining tax revenue coupled with the cost of inflation expenditure increases will require to further continue a pattern of cost containment while pursuing new revenue sources. New revenue sources include the City's participation in the Joint Economic Development District I and District II with Harpersfield Township. The City has also been successful in obtaining grants from various sources to aid in capital projects.

Contacting the City of Geneva's Finance Department

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

City of Geneva, Ohio

Statement of Net Assets

December 31, 2010

	Governmental Activities	Business- Type Activities	Total	Component Unit Community Improvement Corporation of Geneva
Assets:				
Equity in pooled cash and cash equivalents	\$ 2,268,976	\$ 942,148	\$ 3,211,124	\$ 38,924
Cash held with fiscal agent	-	-	-	59,949
Accounts receivable	239,764	998,706	1,238,470	9,577
Due from component unit	44,558	-	44,558	-
Materials and supplies inventory	13,449	23,666	37,115	-
Intergovernmental receivable	629,733	116,537	746,270	-
Prepays	103,914	13,801	117,715	-
Property taxes receivable	429,871	-	429,871	-
Income taxes receivable	656,000	-	656,000	-
Loans receivable	64,897	-	64,897	-
Special assessment receivable	645,709	65,503	711,212	-
Non-depreciable capital assets	1,891,692	138,323	2,030,015	512,600
Depreciable capital assets, net	<u>14,141,671</u>	<u>12,629,943</u>	<u>26,771,614</u>	<u>12,192</u>
Total assets	<u>21,130,234</u>	<u>14,928,627</u>	<u>36,058,861</u>	<u>633,242</u>
Liabilities:				
Accounts payable	222,480	112,996	335,476	377
Accrued wages and benefits	113,051	14,323	127,374	-
Funds held as fiscal agent	-	-	-	59,949
Intergovernmental payable	64,443	16,730	81,173	48,823
Unearned/deferred revenue	414,587	40,500	455,087	-
Accrued interest payable	36,873	866	37,739	-
Long term liabilities:				
Due within one year	449,444	681,274	1,130,718	-
Due in more than one year	<u>2,637,027</u>	<u>8,998,078</u>	<u>11,635,105</u>	<u>-</u>
Total liabilities	<u>3,937,905</u>	<u>9,864,767</u>	<u>13,802,672</u>	<u>109,149</u>
Net assets:				
Invested in capital assets, net of related debt	13,113,176	3,107,020	16,220,196	-
Restricted for:				
Capital projects	348,020	-	348,020	-
Debt service	334,375	-	334,375	-
Other purposes	927,276	-	927,276	-
Unrestricted	<u>2,469,482</u>	<u>1,956,840</u>	<u>4,426,322</u>	<u>524,093</u>
Total net assets	<u>\$ 17,192,329</u>	<u>\$ 5,063,860</u>	<u>\$ 22,256,189</u>	<u>\$ 524,093</u>

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Statement of Activities

For the Year Ended December 31, 2010

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Government activities:				
General government	\$ 900,936	\$ 143,019	\$ 5,650	\$ -
Security of persons and property	2,470,297	222,014	273,455	16,044
Leisure time activities	85,647	56,748	-	-
Community development	641,780	66,388	64,794	695,339
Transportation	1,151,133	12,136	53,904	690,697
Interest and fiscal charges	145,589	-	-	-
Total governmental activities	5,395,382	500,305	397,803	1,402,080
Business-type activities:				
Wastewater	1,573,414	1,493,121	14,249	946,638
Water	1,186,845	1,374,966	-	-
Total business-type activities	2,760,259	2,868,087	14,249	946,638
Total primary government	\$ 8,155,641	\$ 3,368,392	\$ 412,052	\$ 2,348,718
Component unit:				
Community Improvement Corporation of Geneva	\$ 48,083	\$ -	\$ 346,073	\$ -

General revenues:

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

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of these financial statements

<u>Net (Expense) Revenue and Changes in Net Assets</u>			
<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>	<u>Component Unit Community Improvement Corp. of Geneva</u>
\$ (752,267)	\$ -	\$ (752,267)	\$ -
(1,958,784)	-	(1,958,784)	-
(28,899)	-	(28,899)	-
184,741	-	184,741	-
(394,396)	-	(394,396)	-
<u>(145,589)</u>	<u>-</u>	<u>(145,589)</u>	<u>-</u>
<u>(3,095,194)</u>	<u>-</u>	<u>(3,095,194)</u>	<u>-</u>
-	880,594	880,594	-
<u>-</u>	<u>188,121</u>	<u>188,121</u>	<u>-</u>
<u>-</u>	<u>1,068,715</u>	<u>1,068,715</u>	<u>-</u>
<u>(3,095,194)</u>	<u>1,068,715</u>	<u>(2,026,479)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>297,990</u>
521,005	-	521,005	-
31,644	-	31,644	-
2,559,755	-	2,559,755	-
853,852	-	853,852	-
9,777	4,401	14,178	967
<u>20,429</u>	<u>-</u>	<u>20,429</u>	<u>-</u>
3,996,462	4,401	4,000,863	967
<u>(24,672)</u>	<u>24,672</u>	<u>-</u>	<u>-</u>
<u>3,971,790</u>	<u>29,073</u>	<u>4,000,863</u>	<u>967</u>
876,596	1,097,788	1,974,384	298,957
<u>16,315,733</u>	<u>3,966,072</u>	<u>20,281,805</u>	<u>225,136</u>
\$ <u>17,192,329</u>	\$ <u>5,063,860</u>	\$ <u>22,256,189</u>	\$ <u>524,093</u>

City of Geneva, Ohio

Balance Sheet Governmental Funds

December 31, 2010

	General	Street Construction, Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,480,095	\$ 71,993	\$ 716,888	\$ 2,268,976
Accounts receivable	228,331	10,186	1,247	239,764
Material and supplies inventory	-	13,449	-	13,449
Prepays	49,377	14,537	40,000	103,914
Due from component unit	-	-	44,558	44,558
Advances to other funds	-	-	26,000	26,000
Interfund receivable	71,599	-	-	71,599
Intergovernmental receivable	287,517	150,381	191,835	629,733
Loans receivable	-	-	64,897	64,897
Special assessments receivable	11,372	-	634,337	645,709
Income taxes receivable	656,000	-	-	656,000
Property taxes receivable	417,872	-	11,999	429,871
Total assets	<u>\$ 3,202,163</u>	<u>\$ 260,546</u>	<u>\$ 1,731,761</u>	<u>\$ 5,194,470</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 42,465	\$ 13,698	\$ 166,317	\$ 222,480
Accrued wages and benefits	102,795	9,592	664	113,051
Intergovernmental payable	54,322	9,110	1,011	64,443
Advances from other funds	-	26,000	-	26,000
Interfund payable	-	-	71,599	71,599
Deferred revenue	1,267,561	96,755	814,736	2,179,052
Total liabilities	<u>1,467,143</u>	<u>155,155</u>	<u>1,054,327</u>	<u>2,676,625</u>
Fund balances:				
Reserved for encumbrances	23,016	2,829	-	25,845
Reserved for inventory	-	13,449	-	13,449
Reserved for advances	-	-	26,000	26,000
Reserved for loans	-	-	64,897	64,897
Unreserved, reported in:				
General fund	1,712,004	-	-	1,712,004
Debt service fund	-	-	157	157
Capital projects funds	-	-	322,020	322,020
Special revenue funds	-	89,113	264,360	353,473
Total fund balances	<u>1,735,020</u>	<u>105,391</u>	<u>677,434</u>	<u>2,517,845</u>
Total liabilities and fund balances	<u>\$ 3,202,163</u>	<u>\$ 260,546</u>	<u>\$ 1,731,761</u>	<u>\$ 5,194,470</u>

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

December 31, 2010

Total Governmental Funds Balances \$ 2,517,845

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 16,033,363

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

Property and other taxes	\$ 15,284	
Municipal income taxes	401,073	
Charges for services	214,667	
Special assessments	645,709	
Intergovernmental	<u>487,732</u>	
Total		1,764,465

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (36,873)

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

General obligation bonds	(2,000,103)	
Special assessment bonds	(460,000)	
Capital leases payable	(1,573)	
ODOT loan payable	(279,248)	
OPWC loans	(179,263)	
Accrued compensated absences	<u>(166,284)</u>	
Total		<u>(3,086,471)</u>

Net Assets of Governmental Activities \$ 17,192,329

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

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

For the Year Ended December 31, 2010

	General	Street Construction, Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and other local taxes	\$ 523,272	\$ -	\$ 31,644	\$ 554,916
Municipal income taxes	2,588,397	-	-	2,588,397
Intergovernmental	342,577	325,460	883,490	1,551,527
Charges for services	275,207	-	8,250	283,457
Licenses, permits and fees	212,665	52,804	953	266,422
Special assessments	-	-	334,233	334,233
Investment income	6,169	-	3,608	9,777
Miscellaneous income	12,002	13,136	13,224	38,362
Total revenues	<u>3,960,289</u>	<u>391,400</u>	<u>1,275,402</u>	<u>5,627,091</u>
Expenditures:				
Current operations and maintenance:				
Security of persons and property	1,902,860	-	482,601	2,385,461
Leisure time activities	171,170	-	-	171,170
Community development	97,103	-	542,951	640,054
Transportation	-	619,772	-	619,772
General government	831,557	-	104,853	936,410
Capital outlay	-	-	992,795	992,795
Debt service:				
Principal retirement	1,047	63,443	345,856	410,346
Interest	358	8,417	138,144	146,919
Total expenditures	<u>3,004,095</u>	<u>691,632</u>	<u>2,607,200</u>	<u>6,302,927</u>
Excess of revenues over (under) expenditures	<u>956,194</u>	<u>(300,232)</u>	<u>(1,331,798)</u>	<u>(675,836)</u>
Other financing sources (uses):				
Issuance of loans	-	-	117,794	117,794
Transfers-in	-	327,150	585,597	912,747
Transfers-out	(816,197)	-	(121,222)	(937,419)
Total other financing sources (uses)	<u>(816,197)</u>	<u>327,150</u>	<u>582,169</u>	<u>93,122</u>
Net change in fund balances	139,997	26,918	(749,629)	(582,714)
Fund balances at beginning of year	<u>1,595,023</u>	<u>78,473</u>	<u>1,427,063</u>	<u>3,100,559</u>
Fund balances at end of year	\$ <u>1,735,020</u>	\$ <u>105,391</u>	\$ <u>677,434</u>	\$ <u>2,517,845</u>

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (582,714)

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

Governmental funds report capital outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay	\$ 1,864,425	
Depreciation	<u>(792,816)</u>	
Total		1,071,609

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

Property and other taxes	(2,267)	
Municipal income taxes	(28,642)	
Charges for services	(21,253)	
Special assessments	182,640	
Intergovernmental	<u>558</u>	
Total		131,036

Repayments of bond, note, loan and capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 410,346

Proceeds from debt issues and inceptions of capital leases are other financing sources in the funds, but debt issues and new leases increase long-term liabilities in the Statement of Net Assets (117,794)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued compensated absences	(37,217)	
Accrued interest on debt	<u>1,330</u>	
Total		<u>(35,887)</u>

Change in Net Assets of Governmental Activities \$ 876,596

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - General Fund

For the Year Ended December 31, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other local taxes	\$ 499,566	\$ 499,566	\$ 523,272	\$ 23,706
Municipal income taxes	2,601,050	2,443,453	2,601,355	157,902
Intergovernmental	313,589	306,749	328,932	22,183
Charges for services	279,588	273,489	293,267	19,778
Licenses, permits and fees	213,767	209,104	224,226	15,122
Investment income	5,977	5,846	6,269	423
Miscellaneous income	11,347	11,099	11,902	803
Total revenues	<u>3,924,884</u>	<u>3,749,306</u>	<u>3,989,223</u>	<u>239,917</u>
Expenditures:				
Current operations and maintenance:				
Security of persons and property	2,090,676	2,125,912	1,919,107	206,805
Leisure time activities	183,380	186,471	168,331	18,140
Community development	105,020	106,790	96,402	10,388
General government	957,881	974,026	879,274	94,752
Debt service	<u>1,531</u>	<u>1,556</u>	<u>1,405</u>	<u>151</u>
Total expenditures	<u>3,338,488</u>	<u>3,394,755</u>	<u>3,064,519</u>	<u>330,236</u>
Excess of revenues over (under) expenditures	<u>586,396</u>	<u>354,551</u>	<u>924,704</u>	<u>570,153</u>
Other financing sources (uses):				
Advances-in	-	42,403	42,403	-
Transfers-out	(979,853)	(1,020,852)	(816,197)	204,655
Advances-out	<u>(200,000)</u>	<u>(300,000)</u>	<u>(71,599)</u>	<u>228,401</u>
Total financing sources (uses):	<u>(1,179,853)</u>	<u>(1,278,449)</u>	<u>(845,393)</u>	<u>433,056</u>
Net change in fund balance	(593,457)	(923,898)	79,311	1,003,209
Prior year encumbrances appropriated	18,958	18,958	18,958	-
Fund balance at beginning of year	<u>1,345,154</u>	<u>1,345,154</u>	<u>1,345,154</u>	<u>-</u>
Fund balance at end of year	\$ <u>770,655</u>	\$ <u>440,214</u>	\$ <u>1,443,423</u>	\$ <u>1,003,209</u>

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - Street Construction, Maintenance and Repair Fund

For the Year Ended December 31, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 240,646	\$ 249,178	\$ 324,039	\$ 74,861
Licenses, permits and fees	114,933	116,323	52,804	(63,519)
Miscellaneous income	<u>6,421</u>	<u>6,499</u>	<u>2,950</u>	<u>(3,549)</u>
Total revenues	<u>362,000</u>	<u>372,000</u>	<u>379,793</u>	<u>7,793</u>
Expenditures:				
Current operations and maintenance:				
Transportation	775,178	785,178	652,448	132,730
Debt service	<u>78,600</u>	<u>78,600</u>	<u>75,110</u>	<u>3,490</u>
Total expenditures	<u>853,778</u>	<u>863,778</u>	<u>727,558</u>	<u>136,220</u>
Excess of revenues over (under) expenditures	(491,778)	(491,778)	(347,765)	144,013
Other financing sources (uses):				
Transfers-in	<u>464,654</u>	<u>464,654</u>	<u>327,150</u>	<u>(137,504)</u>
Net change in fund balance	(27,124)	(27,124)	(20,615)	6,509
Prior year encumbrances appropriated	27,124	27,124	27,124	-
Fund balance at beginning of year	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Fund balance at end of year	\$ <u>50,000</u>	\$ <u>50,000</u>	\$ <u>56,509</u>	\$ <u>6,509</u>

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Statement of Fund Net Assets Proprietary Funds

December 31, 2010

	Wastewater Fund	Water Fund	Business-Type Activities
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 543,133	\$ 399,015	\$ 942,148
Accounts receivable	806,473	192,233	998,706
Materials and supplies inventory	10,195	13,471	23,666
Intergovernmental receivable	113,029	3,508	116,537
Prepays	12,138	1,663	13,801
Special assessments receivable	49,084	16,419	65,503
Total current assets	<u>1,534,052</u>	<u>626,309</u>	<u>2,160,361</u>
Noncurrent assets:			
Non-depreciable capital assets	-	138,323	138,323
Depreciable capital assets, net	<u>6,248,871</u>	<u>6,381,072</u>	<u>12,629,943</u>
Total noncurrent assets	<u>6,248,871</u>	<u>6,519,395</u>	<u>12,768,266</u>
Total assets	<u>7,782,923</u>	<u>7,145,704</u>	<u>14,928,627</u>
Liabilities:			
Current liabilities:			
Accounts payable	81,300	31,696	112,996
Accrued wages and benefits	12,556	1,767	14,323
Intergovernmental payable	11,828	4,902	16,730
Unearned revenue	40,500	-	40,500
Accrued interest payable	866	-	866
Other loan payable	4,069	-	4,069
OPWC loan payable	2,583	5,000	7,583
OWDA loans payable	438,090	196,231	634,321
Capital leases payable	21,659	-	21,659
Accrued compensated absences	<u>13,642</u>	<u>-</u>	<u>13,642</u>
Total current liabilities	<u>627,093</u>	<u>239,596</u>	<u>866,689</u>
Long-term liabilities (net of current portion):			
Other loan payable	84,491	-	84,491
OPWC loan payable	49,076	35,000	84,076
OWDA loans payable	3,208,219	5,570,322	8,778,541
Capital leases payable	46,506	-	46,506
Accrued compensated absences	<u>4,464</u>	<u>-</u>	<u>4,464</u>
Total long-term liabilities	<u>3,392,756</u>	<u>5,605,322</u>	<u>8,998,078</u>
Total liabilities	<u>4,019,849</u>	<u>5,844,918</u>	<u>9,864,767</u>
Net assets:			
Invested in capital assets, net of related debt	2,394,178	712,842	3,107,020
Unrestricted	<u>1,368,896</u>	<u>587,944</u>	<u>1,956,840</u>
Total net assets	<u>\$ 3,763,074</u>	<u>\$ 1,300,786</u>	<u>\$ 5,063,860</u>

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

For the Year Ended December 31, 2010

	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Business-Type Activities</u>
Operating revenues:			
Charges for services	\$ 765,140	\$ 1,365,731	\$ 2,130,871
Sewer tap-in fees	670,214	6,865	677,079
Fines, licenses and permits	200	2,370	2,570
Miscellaneous income	<u>57,567</u>	<u>-</u>	<u>57,567</u>
Total operating revenues	<u>1,493,121</u>	<u>1,374,966</u>	<u>2,868,087</u>
Operating expenses:			
Personal services	495,906	198,390	694,296
Supplies and materials	94,092	46,666	140,758
Contractual services	573,110	529,369	1,102,479
Depreciation	<u>218,289</u>	<u>143,026</u>	<u>361,315</u>
Total operating expenses	<u>1,381,397</u>	<u>917,451</u>	<u>2,298,848</u>
Operating income	<u>111,724</u>	<u>457,515</u>	<u>569,239</u>
Non-operating revenues (expenses):			
Intergovernmental	960,887	-	960,887
Investment income	1,889	2,512	4,401
Interest and fiscal charges	<u>(192,017)</u>	<u>(269,394)</u>	<u>(461,411)</u>
Total non-operating revenues (expenses)	<u>770,759</u>	<u>(266,882)</u>	<u>503,877</u>
Income before transfers	882,483	190,633	1,073,116
Transfers-in	24,672	5,000	29,672
Transfers-out	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>
Change in net assets	902,155	195,633	1,097,788
Net assets at beginning of year	<u>2,860,919</u>	<u>1,105,153</u>	<u>3,966,072</u>
Net assets at end of year	\$ <u><u>3,763,074</u></u>	\$ <u><u>1,300,786</u></u>	\$ <u><u>5,063,860</u></u>

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Statement of Cash Flows Proprietary Funds

For the Year Ended December 31, 2010

	Wastewater Fund	Water Fund	Total
Increase in cash and cash equivalents:			
Cash flows from operating activities:			
Cash received from customers	\$ 1,488,740	\$ 1,360,874	\$ 2,849,614
Cash payments for personal services	(504,299)	(200,342)	(704,641)
Cash payments for contractual services	(521,290)	(525,646)	(1,046,936)
Cash payments for vendors for supplies and materials	(92,584)	(41,503)	(134,087)
Other operating revenues	4,471	-	4,471
Net cash provided by operating activities	<u>375,038</u>	<u>593,383</u>	<u>968,421</u>
Cash flows from non-capital financing activities:			
Transfers-in	24,672	5,000	29,672
Transfers-out	(5,000)	-	(5,000)
Net cash provided by non-capital financing activities	<u>19,672</u>	<u>5,000</u>	<u>24,672</u>
Cash flows from capital and related financing activities:			
Capital grant	960,887	-	960,887
Proceeds from OWDA loans	504,260	-	504,260
Proceeds from OPWC loan	51,659	-	51,659
Principal paid on OPWC loan	-	(5,000)	(5,000)
Principal paid on OWDA loans	(402,749)	(187,580)	(590,329)
Interest paid on OWDA loans	(184,022)	(269,394)	(453,416)
Principal paid on other loan	(3,385)	-	(3,385)
Interest paid on other loan	(3,900)	-	(3,900)
Principal paid on capital leases	(20,662)	-	(20,662)
Interest paid on capital leases	(4,287)	-	(4,287)
Acquisition of capital assets	(1,104,123)	(241,501)	(1,345,624)
Net cash used for capital and related financing activities	<u>(206,322)</u>	<u>(703,475)</u>	<u>(909,797)</u>
Cash flows from investing activities:			
Interest received	<u>1,889</u>	<u>2,512</u>	<u>4,401</u>
Net increase (decrease) in cash and cash equivalents	190,277	(102,580)	87,697
Cash and cash equivalents at beginning of year	<u>352,856</u>	<u>501,595</u>	<u>854,451</u>
Cash and cash equivalents at end of year	\$ <u>543,133</u>	\$ <u>399,015</u>	\$ <u>942,148</u>

(Continued)

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Statement of Cash Flows (continued) Proprietary Funds

For the Year Ended December 31, 2010

	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 111,724	\$ 457,515	\$ 569,239
Adjustments:			
Depreciation	218,289	143,026	361,315
Changes in assets/liabilities:			
Decrease in accounts receivable	(124,904)	(9,633)	(134,537)
Decrease (increase) in intergovernmental receivable	69,593	(2,427)	67,166
Increase in prepaids	(513)	(132)	(645)
Decrease in materials and supplies inventory	821	4,866	5,687
Decrease (increase) in special assessment receivable	41,150	(2,031)	39,119
Increase in accounts payable	49,065	2,428	51,493
Increase in accrued compensated absences	2,052	-	2,052
Increase in unearned revenue	14,250	-	14,250
Increase in intergovernmental payable	3,527	1,589	5,116
Decrease in accrued wages and benefits	<u>(10,016)</u>	<u>(1,818)</u>	<u>(11,834)</u>
Net cash provided by operating activities	\$ <u>375,038</u>	\$ <u>593,383</u>	\$ <u>968,421</u>
Noncash capital activities:			
Grant proceeds receivable	\$ <u>1,639</u>	\$ <u>-</u>	\$ <u>1,639</u>

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Statement of Fiduciary Assets and Liabilities
Fiduciary Funds

December 31, 2010

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ <u>21,652</u>
Liabilities:	
Accounts payable	\$ <u>21,652</u>

The accompanying notes are an integral part of these financial statements

City of Geneva, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

Note 1: The Reporting Entity

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

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Geneva, this includes police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation, wastewater, water distribution, and the community center.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes.

A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separated from the City.

The Community Improvement Corporation of Geneva (“CIC”) is a legally separate, non-profit organization, served by a fifteen-member board composed of City officials and community representatives. Charged with the responsibilities of advancing, encouraging and promoting the industrial, economic, commercial and civic development of the Geneva area, the CIC is empowered with the ability to carry out the actions they consider necessary to achieve these responsibilities. Due to the nature and significance of the CIC’s relationship to the City, the CIC is presented as a component unit of the City. Separately issued financial statements can be obtained from the City of Geneva.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component unit is presented in Note 20.

The City is associated with two jointly governed organizations, the Ashtabula County General Health District and the Geneva Union Cemeteries District. These organizations are presented in Note 19 to the basic financial statements.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies

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

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal activity is eliminated to avoid doubling up revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The Statement of Net Assets presents the financial condition of the governmental and business-type activities of the City at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used.

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

General Fund - The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City and/or the general laws of Ohio.

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

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

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

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

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

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has six agency funds: JEDD I District Board Fund, JEDD II District Board Fund, JEDD I Harpersfield Township Fund, JEDD II Harpersfield Township Fund, JEDD I Sanitary Sewer Fund and the Fire Fund. The JEDD I and II District Board Funds, JEDD I and II Harpersfield Township Funds, and JEDD I Sanitary Sewer Fund account for income tax collected by the City for these Joint Economic Development Districts. The Fire Fund accounts for the money insurance companies must deposit with the City for repair, removal or securing of buildings in the event of a fire. Once the project is complete, the funds are returned.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets, except for fiduciary funds. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Available period for the City is sixty days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned.

Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue/Unearned Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Expenses/Expenditures

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

E. Budgetary Process

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

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

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents

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

During 2010, investments were limited to non-negotiable certificates of deposits and STAROhio. Non-negotiable certificates of deposit are reported at cost. Investments are reported at fair value, which is based on quoted market price or current share.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2010.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2010 amounted to \$6,169, of which, \$389 was from other funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. Inventory

Inventories are stated at cost, on the first-in, first-out basis. At December 31, 2010, the Street Construction, Maintenance and Repair Fund, Wastewater Fund and Water Fund maintained the only significant inventory. The costs of governmental fund type inventories are recorded as expenditures in the fund when purchased. The reserve for inventory indicates that a portion of the fund balance is not available for future expenditures. For proprietary funds, inventory is expended when consumed.

H. Capitalization of Interest

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000. The City's infrastructure consists of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Improvements that add to the value of the asset or materially extend the life of an asset are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings/land improvements	50 years
Equipment	6-20 years
Vehicles	6-20 years
Infrastructure	50 years

K. Accrued Liabilities and Long-Term Obligations

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

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

L. Compensated Absences

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

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

The entire compensated absence liability is reported on the government-wide financial statements.

M. Fund Balance Reserves

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide Statement of Net Assets reports \$1,609,671 of restricted net assets, none of which is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for streets, grants, police and ambulance.

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

O. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivable/payable". Interfund loans which do not represent available expendable resources are offset by a fund balance. Interfund balance amounts are eliminated in the Statement of Net Assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sewer and water. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

Q. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

S. Estimates

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

T. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 30, 2011, the date the financial statements were available to be issued.

Note 3: Change in Accounting Principles

For 2010, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 3: Change in Accounting Principles (continued)

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by the state and local governments. This statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes to the financial statements.

Note 4: Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are identified as follows:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures/Expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental Funds, and note disclosure for Proprietary Funds (GAAP basis).

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 4: Budgetary Basis of Accounting (continued)

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

	<u>Net Change in Fund Balance</u>	
	<u>General</u>	<u>Street Construction Maintenance and Repair</u>
GAAP basis	\$ 139,997	\$ 26,918
Increase (decrease) due to:		
Revenue accruals	71,337	(11,607)
Expenditure accruals	(95,351)	(20,442)
Outstanding encumbrances	<u>(36,672)</u>	<u>(15,484)</u>
Budget basis	\$ <u>79,311</u>	\$ <u>(20,615)</u>

Note 5: Deposits and Investments

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are monies identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 5: Deposits and Investments (continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Investment grade obligations of state and local governments, and public authorities;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by eligible securities pledged to and deposited either within the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred and five percent of the deposits being secured.

At year-end, the carrying amount of the City's deposits was \$2,893,517 and the bank balance was \$3,103,266. Of the bank balance \$668,613 was covered by Federal depository insurance and \$2,434,653 was uninsured and collateralized with securities held by the pledging institution's trust department, not in the City's name.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 5: Deposits and Investments (continued)

Investments

Investments are reported at fair value. As of December 31, 2010, the city had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
STAROhio	\$ <u>339,259</u>	<u>N/A</u>

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk requiring that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The City's investment policy also limits security purchases to those that mature within five years unless specifically matched to a specific cash flow. To date, no investments have been purchased with a life greater than one year.

Custodial Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the City must meet a set of prescribed standards and be periodically reviewed.

Credit Risk is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that portfolio be diversified both by types of investment and issuer. All investments of the city are registered and carry a rating AAA by Standard & Poor's.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The City's investment policy places no limit on the amount the City may invest in one issuer.

Note 6: Receivables

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the state statute at 35 percent of appraised market value. Real property taxes are payable semiannually. The first payment is due in February with the remainder payable by June unless extended.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 6: Receivables (continued)

A. Property Taxes (continued)

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

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

The full tax rate for all City operations for the year ended December 31, 2010, was \$8.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Category:	
Real estate	\$ 97,260,530
Public utility	<u>1,872,800</u>
Total	<u>\$ 99,133,330</u>

B. Income Taxes

The City levies municipal income tax of 1½ percent on all salaries, wages, commissions and other compensation, and net profits earned within the City, as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit of 1 percent of the tax paid to another municipality.

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 6: Receivables (continued)

C. Intergovernmental Receivables

Receivables at December 31, 2010, primarily consisted of taxes, accounts (billings for user charged services), intergovernmental receivables, entitlement or shared revenues, special assessments and loans receivable. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

Governmental activities:

Homestead and rollback	\$ 29,869
Local government	154,350
Public utility and CAT tax reimbursements	12,125
Estate taxes	93,169
Court and drug fines	5,886
Auto registration and gasoline tax	144,512
Permissive tax	5,869
CHIP grants	3,595
Downtown grant	102,365
EPA grant	33,006
COPS grant	20,581
OPWC loans	2,955
OPWC grants	20,480
Miscellaneous reimbursements	971
Total governmental activities	<u>629,733</u>

Business-type activities:

Miscellaneous reimbursement	7,670
OPWC loans	1,639
OPWC grants	7,156
OWDA grants	47,656
Harpesfield Township reimbursement	52,416
Total business-type activities	<u>116,537</u>
Total	<u>\$ 746,270</u>

D. Loan Receivables

As part of the Economic Development Special Revenue Fund, the City maintains a revolving loan program, available to local businesses to encourage growth and development. The State of Ohio provides funding for the program. At December 31, 2010, there were two loans outstanding, totaling \$64,897.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 7: Capital Assets

Capital asset activity for government the year ended December 31, 2010, was as follows:

	<u>Balances</u> <u>12/31/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/10</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land/land improvements	\$ 1,205,821	\$ 175,876	\$ -	\$ 1,381,697
Construction in progress	<u>167,758</u>	<u>458,322</u>	<u>(116,085)</u>	<u>509,995</u>
Total non-depreciable capital assets	<u>1,373,579</u>	<u>634,198</u>	<u>(116,085)</u>	<u>1,891,692</u>
Capital assets being depreciated:				
Building/land improvements	3,840,404	4,861	-	3,845,265
Equipment	1,474,212	27,671	(101,637)	1,400,246
Vehicles	1,811,377	-	-	1,811,377
Infrastructure	<u>20,001,521</u>	<u>1,313,780</u>	<u>-</u>	<u>21,315,301</u>
Total capital assets being depreciated	<u>27,127,514</u>	<u>1,346,312</u>	<u>(101,637)</u>	<u>28,372,189</u>
Less: accumulated depreciation				
Building/land improvements	(1,752,093)	(87,578)	-	(1,839,671)
Equipment	(1,130,225)	(65,094)	101,637	(1,093,682)
Vehicles	(1,170,710)	(66,889)	-	(1,237,599)
Infrastructure	<u>(9,486,311)</u>	<u>(573,255)</u>	<u>-</u>	<u>(10,059,566)</u>
Total accumulated depreciation	<u>(13,539,339)</u>	<u>(792,816)</u>	<u>101,637</u>	<u>(14,230,518)</u>
Net capital assets being depreciated	<u>13,588,175</u>	<u>553,496</u>	<u>-</u>	<u>14,141,671</u>
Governmental activities capital assets, net	\$ <u>14,961,754</u>	\$ <u>1,187,694</u>	\$ <u>(116,085)</u>	\$ <u>16,033,363</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 7: Capital Assets (continued)

	<u>Balances</u> <u>12/31/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/10</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Construction in progress	\$ <u>251,447</u>	\$ <u>3,579</u>	\$ <u>(116,703)</u>	\$ <u>138,323</u>
Capital assets being depreciated:				
Buildings/land improvements	3,755,818	660,866	-	4,416,684
Equipment	659,416	9,085	(7,019)	661,482
Vehicles	289,390	-	-	289,390
Infrastructure	<u>11,637,501</u>	<u>788,797</u>	<u>-</u>	<u>12,426,298</u>
Total capital assets being depreciated	<u>16,342,125</u>	<u>1,458,748</u>	<u>(7,019)</u>	<u>17,793,854</u>
Less: accumulated depreciation				
Buildings/land improvements	(2,274,054)	(74,226)	-	(2,348,280)
Equipment	(508,846)	(24,971)	7,019	(526,798)
Vehicles	(116,271)	(11,946)	-	(128,217)
Infrastructure	<u>(1,910,444)</u>	<u>(250,172)</u>	<u>-</u>	<u>(2,160,616)</u>
Total accumulated depreciation	<u>(4,809,615)</u>	<u>(361,315)</u>	<u>7,019</u>	<u>(5,163,911)</u>
Net capital assets being depreciated	<u>11,532,510</u>	<u>1,097,433</u>	<u>-</u>	<u>12,629,943</u>
Total business-type activities capital assets, net	\$ <u>11,783,957</u>	\$ <u>1,101,012</u>	\$ <u>(116,703)</u>	\$ <u>12,768,266</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 83,141
Security of persons and property	70,718
Leisure time activities	11,558
Transportation	<u>627,399</u>
Total	\$ <u>792,816</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 8: Long-Term Obligations

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2010 was as follows:

	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/10</u>	<u>Due in One</u> <u>Year</u>
<i>Governmental activities:</i>					
General obligation bonds:					
4.99% 1995 Various purpose street lighting improvements, maturing 2015	\$ 90,000	\$ -	\$ (15,000)	\$ 75,000	\$ 15,000
4.51% 2005 Road improvements, maturing 2015	540,952	-	(88,849)	452,103	92,902
2-4% 2003 USDA rural development - fire truck, maturing 2015	358,000	-	(49,000)	309,000	53,000
5.25% 2009 Various purpose, maturing 2029	<u>1,200,000</u>	<u>-</u>	<u>(36,000)</u>	<u>1,164,000</u>	<u>40,000</u>
Total general obligation bonds	<u>2,188,952</u>	<u>-</u>	<u>(188,849)</u>	<u>2,000,103</u>	<u>200,902</u>
Special assessment bonds:					
4.99% 1995 Various purpose - subdivisions, maturing 2015	<u>535,000</u>	<u>-</u>	<u>(75,000)</u>	<u>460,000</u>	<u>80,000</u>
Other loans:					
0% Ohio Public Works Commission 2003 S. Broadway widening, maturing 2013	82,268	-	(23,505)	58,763	23,505
2006 Roosevelt Drive, maturing 2016	32,500	-	(5,000)	27,500	5,000
2010 E. Tibbits, maturing 2021	-	50,000	-	50,000	5,000
2010 Ansel, maturing 2032	-	43,000	-	43,000	-
3% 2010 ODOT loan payable	-	24,794	-	24,794	-
3% 2007 ODOT loan payable	<u>289,392</u>	<u>-</u>	<u>(34,938)</u>	<u>254,454</u>	<u>36,014</u>
Total other loans	<u>404,160</u>	<u>117,794</u>	<u>(63,443)</u>	<u>458,511</u>	<u>69,519</u>
Other long-term obligations:					
Capital leases payable	84,627	-	(83,054)	1,573	1,233
Accrued compensated absences	<u>129,067</u>	<u>58,082</u>	<u>(20,865)</u>	<u>166,284</u>	<u>97,790</u>
Total other long-term obligations	<u>213,694</u>	<u>58,082</u>	<u>(103,919)</u>	<u>167,857</u>	<u>99,023</u>
Total governmental long-term liabilities	<u>\$ 3,341,806</u>	<u>\$ 175,876</u>	<u>\$ (431,211)</u>	<u>\$ 3,086,471</u>	<u>\$ 449,444</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 8: Long-Term Obligations (continued)

	Balance <u>12/31/09</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/10</u>	Due in One <u>Year</u>
<i>Business-type activities:</i>					
Ohio Water Development Authority loans:					
4.56% OWDA, series 2004, maturing 2030	\$ 5,954,133	\$ -	\$ (187,580)	\$ 5,766,553	\$ 196,231
1% OWDA Elm Street sub-basin sewer rehabilitation maturing 2030	-	229,206	(5,607)	223,599	10,440
1% OWDA laboratory building maturing 2030	-	276,693	(7,429)	269,264	14,931
7% OWDA Phase I - nitrification tower, maturing 2013	258,377	-	(66,705)	191,672	72,355
7% OWDA Phase II - tertiary filters, maturing 2015	295,337	-	(50,451)	244,886	54,432
7% OWDA Phase III - Southerly sewer, maturing 2018	1,437,992	-	(127,195)	1,310,797	136,734
2.2% OWDA Phase IV - interceptor Old Orchard, maturing 2015	135,068	-	(23,364)	111,704	23,881
2.2% OWDA Phase V - Centennial, maturing 2015	140,047	-	(24,226)	115,821	24,762
2.2% OWDA Phase VI - filter press, maturing 2016	134,837	-	(21,262)	113,575	21,732
3% OWDA, series 2007, maturing 2022	<u>1,141,501</u>	<u>-</u>	<u>(76,510)</u>	<u>1,064,991</u>	<u>78,823</u>
Total Ohio Water Development Authority loans	<u>9,497,292</u>	<u>505,899</u>	<u>(590,329)</u>	<u>9,412,862</u>	<u>634,321</u>
Other long-term obligations:					
2006 Geneva-on-the-Lake sanitary sewer outfall, maturing 2026	91,945	-	(3,385)	88,560	4,069
2008 OPWC Nearing Circle, maturing 2019	45,000	-	(5,000)	40,000	5,000
2010 OPWC W. Liberty maturing 2031	-	51,659	-	51,659	2,583
Capital leases payable	88,827	-	(20,662)	68,165	21,659
Accrued compensated absences	<u>16,054</u>	<u>9,578</u>	<u>(7,526)</u>	<u>18,106</u>	<u>13,642</u>
Total other long-term obligations	<u>241,826</u>	<u>61,237</u>	<u>(36,573)</u>	<u>266,490</u>	<u>46,953</u>
Total business-type long-term obligations	<u>\$ 9,739,118</u>	<u>\$ 567,136</u>	<u>\$ (626,902)</u>	<u>\$ 9,679,352</u>	<u>\$ 681,274</u>

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2010 were as follows:

Year	Governmental Activities					
	General Obligation Bonds		OPWC Loans	Special Assessments		
	Principal	Interest	Principal	Principal	Interest	
2011	\$ 200,902	\$ 97,808	\$ 33,505	\$ 80,000	\$ 25,760	
2012	210,140	88,409	33,505	85,000	21,280	
2013	220,571	78,534	21,753	90,000	16,520	
2014	233,204	68,212	10,000	100,000	11,480	
2015	189,286	57,309	10,000	105,000	5,880	
2016-2020	275,000	220,710	27,500	-	-	
2021-2025	353,000	140,963	-	-	-	
2026-2030	<u>318,000</u>	<u>42,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	
	<u>\$ 2,000,103</u>	<u>\$ 794,575</u>	<u>\$ 136,263</u>	<u>\$ 460,000</u>	<u>\$ 80,920</u>	

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 8: Long-Term Obligations (continued)

Year	Governmental Activities			
	Other Loans		Total	
	Principal	Interest	Principal	Interest
2011	\$ 36,014	\$ 7,366	\$ 350,421	\$ 130,934
2012	37,103	6,277	365,748	115,966
2013	38,224	5,156	370,548	100,210
2014	39,379	4,000	382,583	83,692
2015	103,734	4,714	408,020	67,903
2016-2020	-	-	302,500	220,710
2021-2025	-	-	353,000	140,963
2026-2030	-	-	318,000	42,630
	<u>\$ 254,454</u>	<u>\$ 27,513</u>	<u>\$ 2,850,820</u>	<u>\$ 903,008</u>

Year	Business-Type Activities					
	OWDA Loans		Other Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 619,390	\$ 421,540	\$ 11,652	\$ 3,763	\$ 631,042	\$ 425,303
2012	653,163	393,104	11,837	3,578	665,000	396,682
2013	644,786	356,702	12,030	3,386	656,816	360,088
2014	634,977	324,277	12,232	3,183	647,209	327,460
2015	567,398	294,762	12,443	2,973	579,841	297,735
2016-2020	2,406,447	1,191,514	59,623	11,346	2,466,070	1,202,860
2021-2025	1,908,153	682,428	47,489	4,431	1,955,642	686,859
2026-2030	1,709,284	262,211	12,913	-	1,722,197	262,211
	<u>\$ 9,143,598</u>	<u>\$ 3,926,538</u>	<u>\$ 180,219</u>	<u>\$ 32,660</u>	<u>\$ 9,323,817</u>	<u>\$ 3,959,198</u>

General obligation bonds are direct obligations of the City and will be paid from the Debt Service Fund using property tax revenues. Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. Compensated absences will be paid from the fund from which the employees' salaries are paid. All OWDA loans are obligations of the Wastewater and Water funds, and will be paid from the operating revenue of those funds. See Note 10 for detail on capital leases. The City has six loans with the Ohio Public Works Commission (OPWC). The 2003, 2006 and 2010 loans are obligations of the Street Construction, Maintenance and Repair fund and are paid from transfers from the General Fund. The 2008 loan is an obligation of the Water Fund.

During 2010, the City obtained an OPWC loan for the Ansel Road improvements to be repaid in semi-annual principal payments of approximately \$11,525 beginning in July 2012 for an estimated 20 years. OPWC has authorized this loan up to \$461,000. The above represents the monies drawn down against this loan and as a result, the debt maturity schedules above do not reflect any amount for principal. When the loan is finalized, the principal will be included above.

During 2009, the City obtained an OWDA loan for the laboratory building to be paid in semi-annual principal and interest payments beginning in July 2010 for an estimated 20 years. OWDA has authorized this loan up to \$328,070. The above represents the monies drawn down against this loan and as a result, the debt maturity schedules above do not reflect any amount for principal. When the loan is finalized, the principal will be included above.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 9: Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of a phone system, heat pump system and various vehicles for the police, street and wastewater departments. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of its future minimum lease payments as of inception date.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Assets:		
Vehicles	\$ 256,684	\$ 155,132
Equipment	29,919	-
Less: accumulated depreciation	<u>(63,278)</u>	<u>(15,513)</u>
Total	<u>\$ 223,325</u>	<u>\$ 139,619</u>

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

<u>Year</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Operating Leases</u>
2011	\$ 1,404	\$ 24,948	\$ 8,196
2012	351	24,948	8,196
2013	<u>-</u>	<u>24,948</u>	<u>2,732</u>
Total minimum lease payments	1,755	74,844	19,124
Less: Amount representing interest	<u>(182)</u>	<u>(6,679)</u>	<u>-</u>
Present value of minimum lease payments	<u>\$ 1,573</u>	<u>\$ 68,165</u>	<u>\$ 19,124</u>

Lease payments are made from the General Fund, Vehicle and Major Equipment Fund, and the Wastewater Fund. The lease payment amounts will be paid with current, available resources that have accumulated in the fund for payment early in the following year. Rental expense related to operating leases for equipment totaled \$8,196 for the year ended December 31, 2010.

Note 10: Pension Plans

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 10: Pension Plans (continued)

A. Ohio Public Employees Retirement System (continued)

Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Plan Benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2010, the members of all three plans were required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The City contributed 14.0 percent of covered payroll.

The City's required contributions for pension obligations, excluding the health care portion, to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 were \$141,463, \$128,568, and \$105,304, respectively; 91.43 percent has been contributed for 2010 and 100 percent for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$11,631 made by the City of Geneva and \$8,308 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by state statute. The City's contributions to the OP&F for police and firefighters were \$124,507 and \$59,934, respectively, for the year ended December 31, 2010, \$119,678 and \$58,447, respectively, for the year ended December 31, 2009, and \$123,081 and \$55,244, respectively, for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. For 2010, 71.10 percent for police and 71.27 percent for firefighters has been contributed, with the remainder being reported as a liability.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 11: Postemployment Benefits

A. *Ohio Public Employees Retirement System*

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH, 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, the City contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of the post employment health care benefits. For 2010, the employer contribution allocated to the health care plan was 5.5 percent from January 1 through February 2010 and 5.0 percent from March 1 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 11: Postemployment Benefits (continued)

A. *Ohio Public Employees Retirement System*

The City's contributions for health care for the years ended December 31, 2010, 2009, and 2008 were \$80,507, \$92,117, and \$105,304, respectively; 91.68 percent has been contributed for 2010 and 100 percent for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1 of each year from 2006 to 2008, which allowed additional funds to be allocated to the health care plan.

B. *Ohio Police and Fire Pension Fund*

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

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

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 11: Postemployment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F for police and fire for the years ending December 31, 2010, 2009, and 2008 were \$124,507 and \$59,934, \$119,678 and \$58,447, and \$123,081 and \$55,244, respectively, of which \$43,079 and \$16,841, \$41,409 and \$16,424, and \$42,586 and \$15,524, respectively, was allocated to the healthcare plan. For 2009, 71.10 percent for police and 71.27 percent for firefighters has been contributed, with the remainder being reported as a liability. The full amount has been contributed for 2009 and 2008.

Note 12: Risk Management

The City is exposed to various risk of loss related to torts, theft, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage with private insurance carriers for real property, building contents, vehicle and general liability insurance, and police professional liability insurance.

The City continues to carry health insurance through a private carrier. There were no reductions in insurance coverage from the previous year, nor have settlements exceeded insurance coverage in any of the prior three fiscal years.

Note 13: Compensated Absences

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

Sick leave is earned at the rate of 10 hours to 14 hours for each month worked. The total amount of accumulated sick leave shall not exceed 960 hours to 1,344 hours, depending upon the employment contract. Each employee upon retirement, with fifteen years of employment, is paid a portion of the employee's earned unused sick leave balances.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 14: Contractual Commitments

The City has the following outstanding contractual commitments for various construction projects at December 31, 2010:

<u>Contractor</u>	<u>Contract</u>	<u>Amount Expended</u>	<u>Amount Remaining</u>
Ansel Road improvements	\$ 428,158	\$ -	\$ 428,158
Lockwood Street improvements	379,132	274,897	104,235
Brownfield Assessment grant	158,686	7,933	150,753
Wastewater Lab building	660,676	613,412	47,264

Note 15: Contingencies/Pending Litigation

A. Grants

The City has received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2010.

B. Litigation

Several claims and lawsuits are pending against the City. The amount of liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material effect on the overall financial position of the City at December 31, 2010.

Note 16: Interfund Transactions

A. Interfund Balances

Interfund receivables and payables for the year ended December 31, 2010 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	\$ <u>71,599</u>

Long-term interfund loans are classified as "advances to/from other funds" and consist of the following at December 31, 2010:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-Major Governmental Fund	Street Construction, Maintenance and Repair	\$ <u>26,000</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 16: Interfund Transactions (continued)

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2010, consisted of the following:

	Transfer from			Total
	General Fund	Other Governmental Funds	Wastewater Funds	
Transfer to:				
SCMR Fund	\$ 327,150	\$ -	\$ -	\$ 327,150
Other Governmental Funds	464,375	121,222	-	585,597
Wastewater Fund	24,672	-	-	24,672
Water Fund	-	-	5,000	5,000
	\$ 816,197	\$ 121,222	\$ 5,000	\$ 942,419

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The City had no transfers that either do not occur on a regular basis or were inconsistent with the purpose of the fund making the transfer. The \$20,040 transfer from the Street Lighting Fund to the Bond Retirement Fund was for the retirement of debt. The remaining \$101,182 were transfers from the Infrastructure Capital Projects Fund to West Liberty Covered Bridge Project Fund for \$40,000 and \$61,182 to the E. Tibbits Road Fund, which are in compliance with ORC 5705.13 (c).

Note 17: Related Party Transaction

In prior years, the City transferred two land parcels to the Community Improvement Corporation of Geneva (the "CIC"). The amount outstanding at December 31, 2010 is \$44,558. City management is confident that once the CIC itself sells the land to either a developer or business which wishes to locate or expand in Geneva, the City will receive compensation of the remaining balance.

Note 18: Accountability

There are deficits in the COPS SOS Fund, Downtown Revitalization Grant Fund, Chip Grant Fund, Brownfield Assessment Grant Fund and West Liberty Covered Bridge Project Fund of \$20,581, \$102,364, \$2,291, \$33,752 and \$18,340, respectively, caused by the application of generally accepted accounting principles to these funds. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 19: Jointly Governed Organizations

A. Ashtabula County General Health District

The Ashtabula County General Health District, a jointly governed organization, provides health services to the citizens with the County. The Board of Health which consists of a representative from each of the participating governments oversees the operation of the District. Twenty-seven townships, seven villages, and the City of Geneva participate in the District. The City contributed \$48,407 during 2010 for the operation of the District.

B. Geneva Union Cemeteries District

The Geneva Union Cemeteries District, a jointly governed organization is a political subdivision governed by a board of trustees, which possesses its own contracting and budgeting authority. The board of trustees consists of a representative from each of the participating governments: The City of Geneva, the Village of Geneva-on-the-Lake, and Geneva Township. The members serve staggered three-year terms. In 2010, .30 mills of the tax valuation was paid to the Cemetery.

Note 20: Component Unit

A. Summary of Significant Accounting Policies

Nature of Organization - The Community Improvement Corporation of Geneva ("CIC") was incorporated in July 1997 by the City under Sections 1724.01 et. seq. of the Ohio Revised Code. The CIC is a separate body politic having power to act as an individual entity to carry out powers given to it under State statute. The CIC is a legally separate, non-profit organization, served by a fifteen-member board composed of City officials and community representatives.

The CIC has qualified for a tax exemption under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for federal income tax has been recorded in the accompanying financial statements.

Financial Statement Presentation - The CIC has prepared financial statements in conformity with general accepted accounting principles (GAAP) as applied to not-for-profit organizations. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing accounting and financial reporting principles for not-for-profit organizations.

Classification of Net Assets - The CIC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions. The CIC does not have any temporarily restricted or permanently restricted net assets.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 20: Component Unit (continued)

A. Summary of Significant Accounting Policies (continued)

Accounts and Intergovernmental Receivables - Accounts receivables are derived from loans granted to local businesses. At December 31, 2010, accounts receivable were reported at \$9,577.

Capital assets - It is the CIC's policy to capitalize expenditures in excess of \$5,000 with an estimated life of more than one year. Capital asset accounts are stated at cost or donated value and are being depreciated using the straight-line method over their estimated useful lives of ten years. When sold, retired, or otherwise disposed of, the related cost and accumulated depreciation are removed from the applicable accounts and any gain or loss resulting there from is included in the Statement of Activities. Routine maintenance, repairs and renewals are charged to operating cost and expenses as incurred. Additions and expenditures which materially increase values or extend useful lives are capitalized. A summary of the component unit's capital assets at December 31, 2010, follows:

Land	\$	512,600
Equipment		27,330
Less: accumulated depreciation		<u>(15,138)</u>
Net	\$	<u>524,792</u>

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. Cash Equivalents and Cash on Hand

At year end the carrying amount of the CIC's deposits were \$98,873 and the bank balance was \$99,297, all of which was covered by the Federal Deposit Insurance Coverage (FDIC).

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Geneva, Ohio, (the “City”) as of and for the year ended December 31, 2010, which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 30, 2011, wherein we noted the City adopted GASB Statement Nos. 51, 53, and 58, as disclosed in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 30, 2011



Dave Yost • Auditor of State

CITY OF GENEVA

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 1, 2011