



Dave Yost • Auditor of State



**CITY OF GENEVA  
ASHTABULA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

City of Geneva  
Ashtabula County  
44 North Forest Street  
Geneva, Ohio 44041

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Geneva, Ashtabula County, Ohio (the City), as of and for the year ended December 31, 2011, 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 did not audit the financial statements of the Community Improvement Corporation of Geneva, which represent all of the *net assets*, and revenues of the for the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Geneva, Ashtabula County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund and the Street Construction Maintenance and Repair Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during 2011, the City adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

July 30, 2012

# City of Geneva, Ohio

## Management's Discussion and Analysis (Unaudited)

### For the Year Ended December 31, 2011

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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, 2011. 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 2011 are as follows:

- ◆ Total assets of the City were \$37,779,307. Of this amount, \$22,856,965 was attributable to governmental activities and \$14,922,342 was from business-type activities.
- ◆ Total liabilities of the City were \$14,181,656. Governmental activities accounted for \$4,714,081, while business-type activities represented \$9,467,575 of the total.
- ◆ Total assets of the City exceeded its liabilities at the close of the year by \$23,597,651, a \$1,341,462 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, 2011

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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 three categories: governmental, proprietary, and fiduciary 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, 2011

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#### *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, 2011

Table 1 provides a summary of the City's net assets for 2011 as compared to 2010.

|                             | Governmental Activities |                      | Business-Type Activities |                     | Total                |                      |
|-----------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
|                             | 2011                    | 2010                 | 2011                     | 2010                | 2011                 | 2010                 |
| <b>Assets:</b>              |                         |                      |                          |                     |                      |                      |
| Current and other assets    | \$ 5,179,039            | \$ 5,096,871         | \$ 1,951,932             | \$ 2,160,361        | \$ 7,130,971         | \$ 7,257,232         |
| Capital assets, net         | <u>17,677,926</u>       | <u>16,033,363</u>    | <u>12,970,410</u>        | <u>12,768,266</u>   | <u>30,648,336</u>    | <u>28,801,629</u>    |
| <i>Total assets</i>         | <u>22,856,965</u>       | <u>21,130,234</u>    | <u>14,922,342</u>        | <u>14,928,627</u>   | <u>37,779,307</u>    | <u>36,058,861</u>    |
| <b>Liabilities:</b>         |                         |                      |                          |                     |                      |                      |
| Current liabilities         | 1,038,453               | 851,434              | 156,632                  | 185,415             | 1,195,085            | 1,036,849            |
| Long-term liabilities       |                         |                      |                          |                     |                      |                      |
| Due within one year         | 586,755                 | 449,444              | 722,996                  | 681,274             | 1,309,751            | 1,130,718            |
| Due in more than one year   | <u>3,088,873</u>        | <u>2,637,027</u>     | <u>8,587,947</u>         | <u>8,998,078</u>    | <u>11,676,820</u>    | <u>11,635,105</u>    |
| <i>Total liabilities</i>    | <u>4,714,081</u>        | <u>3,937,905</u>     | <u>9,467,575</u>         | <u>9,864,767</u>    | <u>14,181,656</u>    | <u>13,802,672</u>    |
| <b>Net assets:</b>          |                         |                      |                          |                     |                      |                      |
| Invested in capital assets, |                         |                      |                          |                     |                      |                      |
| Net of related debt         | 14,188,099              | 13,113,176           | 3,680,233                | 3,107,020           | 17,868,332           | 16,220,196           |
| Restricted for:             |                         |                      |                          |                     |                      |                      |
| Capital projects            | 213,711                 | 348,020              | -                        | -                   | 213,711              | 348,020              |
| Debt service                | 296,135                 | 334,375              | -                        | -                   | 296,135              | 334,375              |
| Other purposes              | 948,102                 | 927,276              | -                        | -                   | 948,102              | 927,276              |
| Unrestricted                | <u>2,496,837</u>        | <u>2,469,482</u>     | <u>1,774,534</u>         | <u>1,956,840</u>    | <u>4,271,371</u>     | <u>4,426,322</u>     |
| <i>Total net assets</i>     | \$ <u>18,142,884</u>    | \$ <u>17,192,329</u> | \$ <u>5,454,767</u>      | \$ <u>5,063,860</u> | \$ <u>23,597,651</u> | \$ <u>22,256,189</u> |

The City's assets exceeded liabilities by \$23,597,651 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 (75.72 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 2011 increased \$1,720,446 or 4.77 percent when compared to 2010. The increase in total assets was mainly due to an increase in capital assets of \$1,846,707 mainly due to the completion of the several road projects in 2011, including an Ansel Road and Lockwood projects.

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, 2011

An additional portion of the City's net assets (6.18 percent) represents resources that have been restricted on how they may be used. The remaining balance of unrestricted net assets \$4,271,371 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 2011. 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                |                      |
|--|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
|  | 2011                    | 2010                 | 2011                     | 2010                | 2011                 | 2010                 |
| <b>Program revenues:</b>                           |                         |                      |                          |                     |                      |                      |
| Charges for services                               | \$ 729,033              | \$ 678,581           | \$ 2,649,568             | \$ 2,756,639        | \$ 3,378,601         | \$ 3,435,220         |
| Operating grants and contributions                 | 1,465,840               | 779,904              | -                        | 14,249              | 1,465,840            | 794,153              |
| Capital grants and contributions                   | <u>1,249,456</u>        | <u>1,017,127</u>     | <u>323,851</u>           | <u>1,058,086</u>    | <u>1,573,307</u>     | <u>2,075,213</u>     |
| Total program revenues                             | <u>3,444,329</u>        | <u>2,475,612</u>     | <u>2,973,419</u>         | <u>3,828,974</u>    | <u>6,417,748</u>     | <u>6,304,586</u>     |
| <b>General revenues:</b>                           |                         |                      |                          |                     |                      |                      |
| Property taxes                                     | 515,093                 | 552,649              | -                        | -                   | 515,093              | 552,649              |
| Income taxes                                       | 2,665,809               | 2,559,755            | -                        | -                   | 2,665,809            | 2,559,755            |
| Cable franchise tax                                | 68,435                  | 67,045               | -                        | -                   | 68,435               | 67,045               |
| Grants and entitlements                            | 332,251                 | 611,383              | -                        | -                   | 332,251              | 611,383              |
| Investment earnings                                | 8,858                   | 9,777                | 3,459                    | 4,401               | 12,317               | 14,178               |
| Miscellaneous                                      | <u>73,168</u>           | <u>20,429</u>        | <u>-</u>                 | <u>-</u>            | <u>73,168</u>        | <u>20,429</u>        |
| Total general revenues                             | <u>3,663,614</u>        | <u>3,821,038</u>     | <u>3,459</u>             | <u>4,401</u>        | <u>3,667,073</u>     | <u>3,825,439</u>     |
| Total revenues                                     | <u>7,107,943</u>        | <u>6,296,650</u>     | <u>2,976,878</u>         | <u>3,833,375</u>    | <u>10,084,821</u>    | <u>10,130,025</u>    |
| <b>Program expenses:</b>                           |                         |                      |                          |                     |                      |                      |
| General government                                 | 655,572                 | 900,936              | -                        | -                   | 655,572              | 900,936              |
| Security of persons and property                   | 2,276,770               | 2,470,297            | -                        | -                   | 2,276,770            | 2,470,297            |
| Leisure time activities                            | 167,546                 | 85,647               | -                        | -                   | 167,546              | 85,647               |
| Community development                              | 1,404,632               | 641,780              | -                        | -                   | 1,404,632            | 641,780              |
| Transportation                                     | 1,419,806               | 1,151,133            | -                        | -                   | 1,419,806            | 1,151,133            |
| Interest and fiscal charges                        | 136,585                 | 145,589              | -                        | -                   | 136,585              | 145,589              |
| Sewer  | -                       | -                    | 1,467,327                | 1,573,414           | 1,467,327            | 1,573,414            |
| Water  | -                       | -                    | <u>1,215,121</u>         | <u>1,186,845</u>    | <u>1,215,121</u>     | <u>1,186,845</u>     |
| Total program expenses                             | <u>6,060,911</u>        | <u>5,395,382</u>     | <u>2,682,448</u>         | <u>2,760,259</u>    | <u>8,743,359</u>     | <u>8,155,641</u>     |
| Increase (decrease) in net assets before transfers | 978,597                 | 901,268              | 294,430                  | 1,073,116           | 1,341,462            | 1,974,384            |
| Transfers  | <u>(96,477)</u>         | <u>(24,672)</u>      | <u>96,477</u>            | <u>24,672</u>       | <u>-</u>             | <u>-</u>             |
| Change in net assets                               | 950,555                 | 876,596              | 390,907                  | 1,097,788           | 1,341,462            | 1,974,384            |
| Net assets at beginning 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>    |
| Net assets at end of year                          | \$ <u>18,142,884</u>    | \$ <u>17,192,329</u> | \$ <u>5,454,767</u>      | \$ <u>5,063,860</u> | \$ <u>23,597,651</u> | \$ <u>22,256,189</u> |

# City of Geneva, Ohio

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

### For the Year Ended December 31, 2011

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#### *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 2011, City income tax proceeds received by the governmental activities were \$2,665,809. The increase in income tax is the result of the overall state of the economy during 2011 beginning to turn around.

Property tax revenue received by the City for governmental activities is \$515,093, which remained fairly consistent with the prior year. The full voted tax rate for 2011 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 increased from the prior year due to donations received by the City from various contractors.

Expenses are categorized by programs. The largest program, security of persons and property which includes police, fire and public safety was approximately 38 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 23 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 community development which is approximately 23 percent.

#### *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 \$390,907. 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, 2011

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#### 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 \$2,437,075. In 2011, unreserved fund balance, which is available for spending at the government's discretion, is at \$1,479,597.

The General Fund is the main operating fund of the City. At the end of 2011, total fund balance for the General Fund was \$1,713,157 of which \$1,607,724 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 \$443,496 above the original estimate of \$3,802,388, primarily due to increases in the estimate of collections for intergovernmental receipts.

The original appropriations, including other financing uses of \$4,482,062 were increased to \$5,414,316. Even with these adjustments, the actual charges to appropriations (expenditures) were \$960,502 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, 2011

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#### Capital Assets and Debt Administration

##### *Capital Assets*

At the end of 2011, the City of Geneva had \$30,648,336 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 2011 balances of capital assets as compared to 2010:

Table 3  
Capital Assets at December 31

|                                | Governmental Activities |                      | Business-Type Activities |                      | Totals               |                      |
|--------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|                                | 2011                    | 2010                 | 2011                     | 2010                 | 2011                 | 2010                 |
| Land and land improvements     | \$ 1,704,181            | \$ 1,381,697         | \$ -                     | \$ -                 | \$ 1,704,181         | \$ 1,381,697         |
| Buildings                      | 4,130,590               | 3,845,265            | 4,423,754                | 4,416,684            | 8,554,344            | 8,261,949            |
| Machinery and equipment        | 1,416,235               | 1,400,246            | 696,271                  | 661,482              | 2,112,506            | 2,061,728            |
| Vehicles                       | 1,746,059               | 1,811,377            | 309,793                  | 289,390              | 2,055,852            | 2,100,767            |
| Infrastructure                 | 22,940,100              | 21,315,301           | 12,940,553               | 12,426,298           | 35,880,653           | 33,741,599           |
| Construction in progress       | 521,124                 | 509,995              | 150,935                  | 138,323              | 672,059              | 648,318              |
| Less: accumulated depreciation | <u>(14,780,363)</u>     | <u>(14,230,518)</u>  | <u>(5,550,896)</u>       | <u>(5,163,911)</u>   | <u>(20,331,259)</u>  | <u>(19,394,429)</u>  |
| Total capital assets           | \$ <u>17,677,926</u>    | \$ <u>16,033,363</u> | \$ <u>12,970,410</u>     | \$ <u>12,768,266</u> | \$ <u>30,648,336</u> | \$ <u>28,801,629</u> |

The major increase in governmental activities was due to the completion of Ansel Road and Lockwood projects. Increase in business-type activities capital assets was mainly due to the completion of the Ansel project.

More detailed information about the City's capital assets is presented in Note 8 to the financial statements.

# City of Geneva, Ohio

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

### For the Year Ended December 31, 2011

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#### Debt

At December 31, 2011, the City of Geneva had \$12,986,571 in outstanding debt and compensated absences, of which \$2,154,201 was in general obligation bonds. Table 4 summarizes the outstanding obligations of the City.

Table 4  
Outstanding Debt at Year End

|                          | <u>Governmental Activities</u> |                     | <u>Business-Type Activities</u> |                     | <u>Totals</u>        |                      |
|--------------------------|--------------------------------|---------------------|---------------------------------|---------------------|----------------------|----------------------|
|                          | <u>2011</u>                    | <u>2010</u>         | <u>2011</u>                     | <u>2010</u>         | <u>2011</u>          | <u>2010</u>          |
| General obligation bonds | \$ 2,154,201                   | \$ 2,000,103        | \$ -                            | \$ -                | \$ 2,154,201         | \$ 2,000,103         |
| Special assessment Bonds | 380,000                        | 460,000             | -                               | -                   | 380,000              | 460,000              |
| OPWC loans               | 304,007                        | 86,263              | 335,076                         | 91,659              | 639,083              | 270,922              |
| OWDA loan                | -                              | -                   | 8,828,181                       | 9,412,862           | 8,828,181            | 9,412,862            |
| Capital leases           | 274,617                        | 1,573               | 46,506                          | 68,165              | 321,123              | 69,738               |
| Compensated absences     | 185,801                        | 166,284             | 20,425                          | 18,106              | 206,226              | 184,390              |
| Note payable school      | 121,500                        | -                   | -                               | -                   | 121,500              | -                    |
| ODOT loan payable        | 255,502                        | 279,248             | -                               | -                   | 255,502              | 279,248              |
| Other loan               | -                              | -                   | 80,755                          | 88,560              | 80,755               | 88,560               |
| Total                    | \$ <u>3,675,628</u>            | \$ <u>3,086,471</u> | \$ <u>9,310,943</u>             | \$ <u>9,679,352</u> | \$ <u>12,986,571</u> | \$ <u>12,765,823</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 Notes 9 and 10 to the financial statements.

#### Current Related Financial Activities

The City's elected and appointed officials considered many factors when setting the fiscal year 2011 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, 2011**

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The general fund's expenditures are expected to increase during 2012 mainly with respect to benefits, fuel and utilities. The City recognizes that declining tax revenue coupled with the cost of inflation and expenditure increases will require the City to 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, 2011**

|   | Governmental<br>Activities | Business-<br>Type<br>Activities | Total                | Component Unit<br>Community<br>Improvement<br>Corporation of<br>Geneva |
|---|----------------------------|---------------------------------|----------------------|--|
| <b>Assets:</b>                                  |                            |                                 |                      |  |
| Equity in pooled cash and cash equivalents      | \$ 2,314,049               | \$ 815,897                      | \$ 3,129,946         | \$ 31,662  |
| Cash held with fiscal agent                     | 134,058                    | -                               | 134,058              | 59,350   |
| Accounts receivable                             | 226,795                    | 974,924                         | 1,201,719            | 53,153   |
| Due from component unit                         | 44,558                     | -                               | 44,558               | -  |
| Materials and supplies inventory                | 12,519                     | 33,386                          | 45,905               | -  |
| Intergovernmental receivable                    | 557,062                    | 46,225                          | 603,287              | -  |
| Prepays   | 83,623                     | 13,831                          | 97,454               | -  |
| Property taxes receivable                       | 427,767                    | -                               | 427,767              | -  |
| Income taxes receivable                         | 711,641                    | -                               | 711,641              | -  |
| Loans receivable                                | 43,853                     | -                               | 43,853               | 7,054  |
| Special assessment receivable                   | 623,114                    | 67,669                          | 690,783              | -  |
| Non-depreciable capital assets                  | 2,225,305                  | 150,935                         | 2,376,240            | 107,600  |
| Depreciable capital assets, net                 | <u>15,452,621</u>          | <u>12,819,475</u>               | <u>28,272,096</u>    | <u>9,459</u>   |
| Total assets                                    | <u>22,856,965</u>          | <u>14,922,342</u>               | <u>37,779,307</u>    | <u>268,278</u>   |
| <b>Liabilities:</b>                             |                            |                                 |                      |  |
| Accounts payable                                | 386,150                    | 78,254                          | 464,404              | 144  |
| Accrued wages and benefits                      | 116,752                    | 16,299                          | 133,051              | -  |
| Funds held as fiscal agent                      | -                          | -                               | -                    | 59,350   |
| Intergovernmental payable                       | 80,157                     | 20,903                          | 101,060              | 48,043   |
| Unearned/deferred revenue                       | 415,546                    | 40,500                          | 456,046              | -  |
| Accrued interest payable                        | 39,848                     | 676                             | 40,524               | -  |
| <b>Long term liabilities:</b>                   |                            |                                 |                      |  |
| Due within one year                             | 586,755                    | 722,996                         | 1,309,751            | -  |
| Due in more than one year                       | <u>3,088,873</u>           | <u>8,587,947</u>                | <u>11,676,820</u>    | <u>-</u>   |
| Total liabilities                               | <u>4,714,081</u>           | <u>9,467,575</u>                | <u>14,181,656</u>    | <u>107,537</u>   |
| <b>Net assets:</b>                              |                            |                                 |                      |  |
| Invested in capital assets, net of related debt | 14,188,099                 | 3,680,233                       | 17,868,332           | -  |
| <b>Restricted for:</b>                          |                            |                                 |                      |  |
| Capital projects                                | 213,711                    | -                               | 213,711              | -  |
| Debt service                                    | 296,135                    | -                               | 296,135              | -  |
| Other purposes                                  | 948,102                    | -                               | 948,102              | -  |
| Unrestricted                                    | <u>2,496,837</u>           | <u>1,774,534</u>                | <u>4,271,371</u>     | <u>160,741</u>   |
| Total net assets                                | <u>\$ 18,142,884</u>       | <u>\$ 5,454,767</u>             | <u>\$ 23,597,651</u> | <u>\$ 160,741</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, 2011**

|  |              | Program Revenues        |  |  |
|--|--------------|-------------------------|--|--|
|  | Expenses     | Charges for<br>Services | Operating<br>Grants and<br>Contributions                       | Capital<br>Grants and<br>Contributions |
| Primary government:                            |              |                         |  |  |
| Government activities:                         |              |                         |  |  |
| General government                             | \$ 655,572   | \$ 75,620               | \$ 3,915   | \$ 463,101                             |
| Security of persons and property               | 2,276,770    | 502,834                 | 28,321   | 10,671                                 |
| Leisure time activities                        | 167,546      | 71,144                  | -  | -                                      |
| Community development                          | 1,404,632    | 72,927                  | 991,786  | 136,935                                |
| Transportation                                 | 1,419,806    | 6,508                   | 441,818  | 638,749                                |
| Interest and fiscal charges                    | 136,585      | -                       | -  | -                                      |
| Total governmental activities                  | 6,060,911    | 729,033                 | 1,465,840  | 1,249,456                              |
| Business-type activities:                      |              |                         |  |  |
| Wastewater                                     | 1,467,327    | 1,259,747               | -  | 181,134                                |
| Water  | 1,215,121    | 1,389,821               | -  | 142,717                                |
| Total business-type activities                 | 2,682,448    | 2,649,568               | -  | 323,851                                |
| Total primary government                       | \$ 8,743,359 | \$ 3,378,601            | \$ 1,465,840   | \$ 1,573,307                           |
| Component unit:                                |              |                         |  |  |
| Community Improvement Corporation<br>of Geneva | \$ 396,759   | \$ -                    | \$ 33,407  | \$ -                                   |
|  |              |                         | General revenues:  |  |
|  |              |                         | Property and other local taxes levied for:                     |  |
|  |              |                         | General purposes   |  |
|  |              |                         | Other purposes   |  |
|  |              |                         | Municipal income taxes levied for:                             |  |
|  |              |                         | General purposes   |  |
|  |              |                         | Cable franchise tax  |  |
|  |              |                         | Grants and entitlements not restricted to<br>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>Primary Government</u> |                     | <u>Component Unit</u>  |                   |
|  | <u>Governmental</u>       | <u>Business-</u>    | <u>Community</u>       |                   |
|  | <u>Activities</u>         | <u>Type</u>         | <u>Improvement</u>     |                   |
|  |                           | <u>Activities</u>   | <u>Corp. of Geneva</u> |                   |
|  |                           | <u>Total</u>        |                        |                   |
| \$   | (112,936)                 | \$ -                | \$ (112,936)           | \$ -              |
|  | (1,734,944)               | -                   | (1,734,944)            | -                 |
|  | (96,402)                  | -                   | (96,402)               | -                 |
|  | (202,984)                 | -                   | (202,984)              | -                 |
|  | (332,731)                 | -                   | (332,731)              | -                 |
|  | <u>(136,585)</u>          | <u>-</u>            | <u>(136,585)</u>       | <u>-</u>          |
|  | <u>(2,616,582)</u>        | <u>-</u>            | <u>(2,616,582)</u>     | <u>-</u>          |
|  | -                         | (26,446)            | (26,446)               | -                 |
|  | <u>-</u>                  | <u>317,417</u>      | <u>317,417</u>         | <u>-</u>          |
|  | <u>-</u>                  | <u>290,971</u>      | <u>290,971</u>         | <u>-</u>          |
|  | <u>(2,616,582)</u>        | <u>290,971</u>      | <u>(2,325,611)</u>     | <u>-</u>          |
|  | <u>-</u>                  | <u>-</u>            | <u>-</u>               | <u>(363,352)</u>  |
|  | 336,889                   | -                   | 336,889                | -                 |
|  | 178,204                   | -                   | 178,204                | -                 |
|  | 2,665,809                 | -                   | 2,665,809              | -                 |
|  | 68,435                    | -                   | 68,435                 | -                 |
|  | 332,251                   | -                   | 332,251                | -                 |
|  | 8,858                     | 3,459               | 12,317                 | -                 |
|  | <u>73,168</u>             | <u>-</u>            | <u>73,168</u>          | <u>-</u>          |
|  | 3,663,614                 | 3,459               | 3,667,073              | -                 |
|  | <u>(96,477)</u>           | <u>96,477</u>       | <u>-</u>               | <u>-</u>          |
|  | <u>3,567,137</u>          | <u>99,936</u>       | <u>3,667,073</u>       | <u>-</u>          |
|  | 950,555                   | 390,907             | 1,341,462              | (363,352)         |
|  | <u>17,192,329</u>         | <u>5,063,860</u>    | <u>22,256,189</u>      | <u>524,093</u>    |
| \$   | <u>18,142,884</u>         | \$ <u>5,454,767</u> | \$ <u>23,597,651</u>   | \$ <u>160,741</u> |

# City of Geneva, Ohio

## Balance Sheet Governmental Funds

**December 31, 2011**

|  | General             | Street<br>Construction,<br>Maintenance<br>and Repair | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--|--------------------------------|--------------------------------|
| <b>Assets:</b>                             |                     |  |                                |                                |
| Equity in pooled cash and cash equivalents | \$ 1,655,921        | \$ 62,495  | \$ 595,633                     | \$ 2,314,049                   |
| Cash with fiscal agent                     | -                   | -  | 134,058                        | 134,058                        |
| Accounts receivable                        | 222,774             | -  | 4,021                          | 226,795                        |
| Material and supplies inventory            | -                   | 12,519   | -                              | 12,519                         |
| Prepays                                    | 57,126              | 12,201   | 14,296                         | 83,623                         |
| Due from component unit                    | -                   | -  | 44,558                         | 44,558                         |
| Advances to other funds                    | -                   | -  | 22,750                         | 22,750                         |
| Interfund receivable                       | 5,351               | -  | -                              | 5,351                          |
| Intergovernmental receivable               | 262,838             | 149,667  | 144,557                        | 557,062                        |
| Loans receivable                           | -                   | -  | 43,853                         | 43,853                         |
| Special assessments receivable             | 27,789              | -  | 595,325                        | 623,114                        |
| Income taxes receivable                    | 711,641             | -  | -                              | 711,641                        |
| Property taxes receivable                  | 286,123             | -  | 141,644                        | 427,767                        |
| Total assets                               | <u>\$ 3,229,563</u> | <u>\$ 236,882</u>                                    | <u>\$ 1,740,695</u>            | <u>\$ 5,207,140</u>            |
| <b>Liabilities and fund balances:</b>      |                     |  |                                |                                |
| <b>Liabilities:</b>                        |                     |  |                                |                                |
| Accounts payable                           | \$ 154,477          | \$ 6,748   | \$ 224,925                     | \$ 386,150                     |
| Accrued wages and benefits                 | 106,132             | 9,980  | 640                            | 116,752                        |
| Intergovernmental payable                  | 66,740              | 11,561   | 1,856                          | 80,157                         |
| Advances from other funds                  | -                   | 22,750   | -                              | 22,750                         |
| Interfund payable                          | -                   | -  | 5,351                          | 5,351                          |
| Deferred revenue                           | 1,189,057           | 96,392   | 873,456                        | 2,158,905                      |
| Total liabilities                          | <u>1,516,406</u>    | <u>147,431</u>                                       | <u>1,106,228</u>               | <u>2,770,065</u>               |
| <b>Fund balances:</b>                      |                     |  |                                |                                |
| Nonspendable                               | 57,126              | 24,720   | 37,046                         | 118,892                        |
| Restricted                                 | -                   | 64,731   | 689,603                        | 754,334                        |
| Committed                                  | -                   | -  | 35,945                         | 35,945                         |
| Assigned                                   | 48,307              | -  | -                              | 48,307                         |
| Unassigned (deficit)                       | 1,607,724           | -  | (128,127)                      | 1,479,597                      |
| Total fund balances                        | <u>1,713,157</u>    | <u>89,451</u>  | <u>634,467</u>                 | <u>2,437,075</u>               |
| Total liabilities and fund balances        | <u>\$ 3,229,563</u> | <u>\$ 236,882</u>                                    | <u>\$ 1,740,695</u>            | <u>\$ 5,207,140</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, 2011**

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Total Governmental Funds Balances \$ 2,437,075

*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. 17,677,926

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

|                          |                |           |
|--------------------------|----------------|-----------|
| Property and other taxes | \$ 15,221      |           |
| Municipal income taxes   | 478,186        |           |
| Charges for services     | 183,500        |           |
| Special assessments      | 623,114        |           |
| Intergovernmental        | <u>443,338</u> |           |
| Total                    |                | 1,743,359 |

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (39,848)

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

|                              |                  |                    |
|------------------------------|------------------|--------------------|
| General obligation bonds     | (2,154,201)      |                    |
| Special assessment bonds     | (380,000)        |                    |
| Capital leases payable       | (274,617)        |                    |
| ODOT loan payable            | (255,502)        |                    |
| OPWC loans                   | (304,007)        |                    |
| Other long-term liabilities  | (121,500)        |                    |
| Accrued compensated absences | <u>(185,801)</u> |                    |
| Total                        |                  | <u>(3,675,628)</u> |

*Net Assets of Governmental Activities* \$ 18,142,884

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, 2011**

|  | General             | Street<br>Construction,<br>Maintenance<br>and Repair | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--|--------------------------------|--------------------------------|
| Revenues:                                    |                     |  |                                |                                |
| Property and other local taxes               | \$ 336,952          | \$ -   | \$ 178,204                     | \$ 515,156                     |
| Municipal income taxes                       | 2,588,696           | -  | -                              | 2,588,696                      |
| Intergovernmental                            | 443,236             | 317,356  | 1,226,156                      | 1,986,748                      |
| Charges for services                         | 363,696             | -  | 9,592                          | 373,288                        |
| Licenses, permits and fees                   | 220,347             | 54,116   | 2,195                          | 276,658                        |
| Special assessments                          | -                   | -  | 340,268                        | 340,268                        |
| Investment income                            | 5,526               | -  | 3,332                          | 8,858                          |
| Miscellaneous income                         | 12,220              | 6,508  | 7,924                          | 26,652                         |
| Total revenues                               | <u>3,970,673</u>    | <u>377,980</u>                                       | <u>1,767,671</u>               | <u>6,116,324</u>               |
| Expenditures:                                |                     |  |                                |                                |
| Current operations and maintenance:          |                     |  |                                |                                |
| Security of persons and property             | 2,016,950           | -  | 367,305                        | 2,384,255                      |
| Leisure time activities                      | 170,306             | -  | -                              | 170,306                        |
| Community development                        | 98,952              | -  | 1,246,472                      | 1,345,424                      |
| Transportation                               | -                   | 773,791  | 14,108                         | 787,899                        |
| General government                           | 1,097,252           | -  | 11,738                         | 1,108,990                      |
| Capital outlay                               | -                   | -  | 761,908                        | 761,908                        |
| Debt service:                                |                     |  |                                |                                |
| Principal retirement                         | 1,234               | 71,188   | 338,225                        | 410,647                        |
| Interest                                     | 170                 | 8,215  | 125,225                        | 133,610                        |
| Total expenditures                           | <u>3,384,864</u>    | <u>853,194</u>                                       | <u>2,864,981</u>               | <u>7,103,039</u>               |
| Excess of revenues over (under) expenditures | <u>585,809</u>      | <u>(475,214)</u>                                     | <u>(1,097,310)</u>             | <u>(986,715)</u>               |
| Other financing sources (uses):              |                     |  |                                |                                |
| Inception of capital lease                   | 30,403              | -  | 260,698                        | 291,101                        |
| Issuance of debt                             | 354,999             | 12,992   | 321,195                        | 689,186                        |
| Sale of capital assets                       | 16,450              | 5,685  | -                              | 22,135                         |
| Transfers-in                                 | -                   | 440,597  | 592,383                        | 1,032,980                      |
| Transfers-out                                | (1,009,524)         | -  | (119,933)                      | (1,129,457)                    |
| Total other financing sources (uses)         | <u>(607,672)</u>    | <u>459,274</u>                                       | <u>1,054,343</u>               | <u>905,945</u>                 |
| Net change in fund balances                  | (21,863)            | (15,940)   | (42,967)                       | (80,770)                       |
| Fund balances at beginning of year           | <u>1,735,020</u>    | <u>105,391</u>                                       | <u>677,434</u>                 | <u>2,517,845</u>               |
| Fund balances at end of year                 | \$ <u>1,713,157</u> | \$ <u>89,451</u>                                     | \$ <u>634,467</u>              | \$ <u>2,437,075</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, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (80,770)

*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 | \$ | 2,495,181        |           |
| Depreciation   |    | <u>(849,101)</u> |           |
| Total          |    |                  | 1,646,080 |

In the statement of activities, only the loss on the disposal of equipment and vehicles are reported, whereas, in the Governmental Funds, the proceeds from the disposal increase financial resources. Thus, the change in Net Assets differs from the Fund Balance by the cost of the equipment and vehicles. (1,517)

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 |  | (63)            |          |
| Municipal income taxes   |  | 77,113          |          |
| Charges for services     |  | (31,167)        |          |
| Special assessments      |  | (22,595)        |          |
| Intergovernmental        |  | <u>(44,394)</u> |          |
| Total                    |  |                 | (21,106) |

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. 410,647

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 (980,287)

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 |  | (19,517)       |                 |
| Accrued interest on debt     |  | <u>(2,975)</u> |                 |
| Total                        |  |                | <u>(22,492)</u> |

*Change in Net Assets of Governmental Activities* \$ 950,555

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, 2011**

|  | Budget            |                    | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------|--------------------|---------------------|---|
|  | Original          | Final              |                     |   |
| <b>Revenues:</b>                             |                   |                    |                     |   |
| Property and other local taxes               | \$ 352,415        | \$ 352,405         | \$ 336,952          | \$ (15,453)   |
| Municipal income taxes                       | 2,535,010         | 2,506,609          | 2,610,168           | 103,559   |
| Intergovernmental                            | 266,226           | 415,194            | 453,597             | 38,403  |
| Charges for services                         | 200,551           | 312,770            | 341,700             | 28,930  |
| Licenses, permits and fees                   | 130,257           | 203,143            | 221,933             | 18,790  |
| Investment income                            | 3,302             | 5,150              | 5,626               | 476   |
| Miscellaneous income                         | 7,172             | 11,185             | 12,220              | 1,035   |
| Total revenues                               | <u>3,494,933</u>  | <u>3,806,456</u>   | <u>3,982,196</u>    | <u>175,740</u>  |
| <b>Expenditures:</b>                         |                   |                    |                     |   |
| Current operations and maintenance:          |                   |                    |                     |   |
| Security of persons and property             | 1,831,114         | 2,198,589          | 2,002,244           | 196,345   |
| Leisure time activities                      | 168,821           | 200,236            | 171,166             | 29,070  |
| Community development                        | 96,962            | 115,005            | 98,309              | 16,696  |
| General government                           | 1,147,327         | 1,361,291          | 1,165,816           | 195,475   |
| Debt service                                 | <u>1,385</u>      | <u>1,642</u>       | <u>1,404</u>        | <u>238</u>  |
| Total expenditures                           | <u>3,245,609</u>  | <u>3,876,763</u>   | <u>3,438,939</u>    | <u>437,824</u>  |
| Excess of revenues over (under) expenditures | <u>249,324</u>    | <u>(70,307)</u>    | <u>543,257</u>      | <u>613,564</u>  |
| <b>Other financing sources (uses):</b>       |                   |                    |                     |   |
| Sale of capital assets                       | 9,655             | 15,057             | 16,450              | 1,393   |
| Issuance of debt                             | 208,357           | 324,943            | 354,999             | 30,056  |
| Inception of capital lease                   | 17,844            | 27,829             | 30,403              | 2,574   |
| Advances-in                                  | 71,599            | 71,599             | 71,599              | -   |
| Transfers-out                                | (1,036,453)       | (1,237,553)        | (1,009,524)         | 228,029   |
| Advances-out                                 | <u>(200,000)</u>  | <u>(300,000)</u>   | <u>(5,351)</u>      | <u>294,649</u>  |
| Total financing sources (uses):              | <u>(928,998)</u>  | <u>(1,098,125)</u> | <u>(541,424)</u>    | <u>556,701</u>  |
| Net change in fund balance                   | (679,674)         | (1,168,432)        | 1,833               | 1,170,265   |
| Prior year encumbrances appropriated         | 36,672            | 36,672             | 36,672              | -   |
| Fund balance at beginning of year            | <u>1,443,423</u>  | <u>1,443,423</u>   | <u>1,443,423</u>    | <u>-</u>  |
| Fund balance at end of year                  | \$ <u>800,421</u> | \$ <u>311,663</u>  | \$ <u>1,481,928</u> | \$ <u>1,170,265</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, 2011**

|  | Budget           |                  | Actual           | Variance with                          |
|--|------------------|------------------|------------------|--|
|  | Original         | Final            |                  | Final Budget<br>Positive<br>(Negative) |
| Revenues:                                    |                  |                  |                  |  |
| Intergovernmental                            | \$ 243,919       | \$ 301,651       | \$ 317,707       | \$ 16,056                              |
| Licenses, permits and fees                   | 119,777          | 129,611          | 54,116           | (75,495)                               |
| Miscellaneous income                         | <u>36,949</u>    | <u>39,983</u>    | <u>16,694</u>    | <u>(23,289)</u>                        |
| Total revenues                               | <u>400,645</u>   | <u>471,245</u>   | <u>388,517</u>   | <u>(82,728)</u>                        |
| Expenditures:                                |                  |                  |                  |  |
| Current operations and maintenance:          |                  |                  |                  |  |
| Transportation                               | 784,803          | 856,403          | 787,131          | 69,272                                 |
| Debt service                                 | <u>90,600</u>    | <u>90,600</u>    | <u>82,653</u>    | <u>7,947</u>                           |
| Total expenditures                           | <u>875,403</u>   | <u>947,003</u>   | <u>869,784</u>   | <u>77,219</u>                          |
| Excess of revenues over (under) expenditures | <u>(474,758)</u> | <u>(475,758)</u> | <u>(481,267)</u> | <u>(5,509)</u>                         |
| Other financing sources (uses):              |                  |                  |                  |  |
| Proceeds from sale of capital assets         | 5,685            | 5,685            | 5,685            | -                                      |
| Issuance of debt                             | 12,992           | 12,992           | 12,992           | -                                      |
| Transfers-in                                 | <u>440,597</u>   | <u>440,597</u>   | <u>440,597</u>   | <u>-</u>                               |
| Total other financing sources (uses)         | <u>459,274</u>   | <u>459,274</u>   | <u>459,274</u>   | <u>-</u>                               |
| Net change in fund balance                   | (15,484)         | (16,484)         | (21,993)         | (5,509)                                |
| Prior year encumbrances appropriated         | 15,484           | 15,484           | 15,484           | -                                      |
| Fund balance at beginning of year            | <u>56,509</u>    | <u>56,509</u>    | <u>56,509</u>    | <u>-</u>                               |
| Fund balance at end of year                  | \$ <u>56,509</u> | \$ <u>55,509</u> | \$ <u>50,000</u> | \$ <u>(5,509)</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, 2011**

|   | Wastewater<br>Fund  | Water<br>Fund       | Business-Type<br>Activities |
|---|---------------------|---------------------|-----------------------------|
| Assets:   |                     |                     |                             |
| Current assets:                                 |                     |                     |                             |
| Equity in pooled cash and cash equivalents      | \$ 320,458          | \$ 495,439          | \$ 815,897                  |
| Accounts receivable                             | 760,522             | 214,402             | 974,924                     |
| Materials and supplies inventory                | 16,409              | 16,977              | 33,386                      |
| Intergovernmental receivable                    | 46,225              | -                   | 46,225                      |
| Prepays   | 12,084              | 1,747               | 13,831                      |
| Special assessments receivable                  | 52,732              | 14,937              | 67,669                      |
| Total current assets                            | <u>1,208,430</u>    | <u>743,502</u>      | <u>1,951,932</u>            |
| Noncurrent assets:                              |                     |                     |                             |
| Non-depreciable capital assets                  | 4,117               | 146,818             | 150,935                     |
| Depreciable capital assets, net                 | 6,390,828           | 6,428,647           | 12,819,475                  |
| Total noncurrent assets                         | <u>6,394,945</u>    | <u>6,575,465</u>    | <u>12,970,410</u>           |
| Total assets                                    | <u>7,603,375</u>    | <u>7,318,967</u>    | <u>14,922,342</u>           |
| Liabilities:                                    |                     |                     |                             |
| Current liabilities:                            |                     |                     |                             |
| Accounts payable                                | 43,714              | 34,540              | 78,254                      |
| Accrued wages and benefits                      | 14,250              | 2,049               | 16,299                      |
| Intergovernmental payable                       | 14,786              | 6,117               | 20,903                      |
| Unearned revenue                                | 40,500              | -                   | 40,500                      |
| Accrued interest payable                        | 676                 | -                   | 676                         |
| Other loan payable                              | 4,254               | -                   | 4,254                       |
| OPWC loan payable                               | 17,833              | 2,300               | 20,133                      |
| OWDA loans payable                              | 461,669             | 205,281             | 666,950                     |
| Capital leases payable                          | 22,704              | -                   | 22,704                      |
| Accrued compensated absences                    | 8,955               | -                   | 8,955                       |
| Total current liabilities                       | <u>629,341</u>      | <u>250,287</u>      | <u>879,628</u>              |
| Long-term liabilities (net of current portion): |                     |                     |                             |
| Other loan payable                              | 76,501              | -                   | 76,501                      |
| OPWC loan payable                               | 271,243             | 43,700              | 314,943                     |
| OWDA loans payable                              | 2,796,190           | 5,365,041           | 8,161,231                   |
| Capital leases payable                          | 23,802              | -                   | 23,802                      |
| Accrued compensated absences                    | 11,470              | -                   | 11,470                      |
| Total long-term liabilities                     | <u>3,179,206</u>    | <u>5,408,741</u>    | <u>8,587,947</u>            |
| Total liabilities                               | <u>3,808,547</u>    | <u>5,659,028</u>    | <u>9,467,575</u>            |
| Net assets:                                     |                     |                     |                             |
| Invested in capital assets, net of related debt | 2,721,090           | 959,143             | 3,680,233                   |
| Unrestricted                                    | 1,073,738           | 700,796             | 1,774,534                   |
| Total net assets                                | <u>\$ 3,794,828</u> | <u>\$ 1,659,939</u> | <u>\$ 5,454,767</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, 2011**

|  | <u>Wastewater<br/>Fund</u> | <u>Water<br/>Fund</u> | <u>Business-Type<br/>Activities</u> |
|--|----------------------------|-----------------------|-------------------------------------|
| Operating revenues:                              |                            |                       |                                     |
| Charges for services                             | \$ 1,242,490               | \$ 1,384,229          | \$ 2,626,719                        |
| Sewer tap-in fees                                | 5,980                      | 3,840                 | 9,820                               |
| Miscellaneous income                             | <u>11,277</u>              | <u>1,752</u>          | <u>13,029</u>                       |
| Total operating revenues                         | <u>1,259,747</u>           | <u>1,389,821</u>      | <u>2,649,568</u>                    |
| Operating expenses:                              |                            |                       |                                     |
| Personal services                                | 532,803                    | 210,172               | 742,975                             |
| Supplies and materials                           | 74,038                     | 74,063                | 148,101                             |
| Contractual services                             | 457,214                    | 519,850               | 977,064                             |
| Depreciation                                     | <u>230,052</u>             | <u>150,293</u>        | <u>380,345</u>                      |
| Total operating expenses                         | <u>1,294,107</u>           | <u>954,378</u>        | <u>2,248,485</u>                    |
| Operating income (loss)                          | <u>(34,360)</u>            | <u>435,443</u>        | <u>401,083</u>                      |
| Non-operating revenues (expenses):               |                            |                       |                                     |
| Intergovernmental                                | 27,425                     | -                     | 27,425                              |
| Investment income                                | 1,723                      | 1,736                 | 3,459                               |
| Interest and fiscal charges                      | <u>(173,220)</u>           | <u>(260,743)</u>      | <u>(433,963)</u>                    |
| Total non-operating revenues (expenses)          | <u>(144,072)</u>           | <u>(259,007)</u>      | <u>(403,079)</u>                    |
| Income (loss) before transfers and contributions | (178,432)                  | 176,436               | (1,996)                             |
| Capital contribution                             | 153,709                    | 142,717               | 296,426                             |
| Transfers-in                                     | 96,477                     | 40,000                | 136,477                             |
| Transfers-out                                    | <u>(40,000)</u>            | <u>-</u>              | <u>(40,000)</u>                     |
| Change in net assets                             | 31,754                     | 359,153               | 390,907                             |
| Net assets at beginning of year                  | <u>3,763,074</u>           | <u>1,300,786</u>      | <u>5,063,860</u>                    |
| Net assets at end of year                        | \$ <u>3,794,828</u>        | \$ <u>1,659,939</u>   | \$ <u>5,454,767</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, 2011**

|   | Wastewater<br>Fund       | Water<br>Fund            | Total                    |
|---|--------------------------|--------------------------|--------------------------|
| Increase in cash and cash equivalents:                        |                          |                          |                          |
| Cash flows from operating activities:                         |                          |                          |                          |
| Cash received from customers                                  | \$ 1,369,498             | \$ 1,228,173             | \$ 2,597,671             |
| Cash payments for personal services                           | (514,292)                | (203,710)                | (718,002)                |
| Cash payments for contractual services                        | (530,868)                | (409,499)                | (940,367)                |
| Cash payments for vendors for supplies<br>and materials       | (78,662)                 | (47,408)                 | (126,070)                |
| Other operating revenues                                      | 21,616                   | 1,752                    | 23,368                   |
| Net cash provided by operating activities                     | <u>267,292</u>           | <u>569,308</u>           | <u>836,600</u>           |
| Cash flows from non-capital financing activities:             |                          |                          |                          |
| Transfers-in  | 96,477                   | -                        | 96,477                   |
| Transfers-out   | -                        | -                        | -                        |
| Net cash provided by non-capital<br>financing activities      | <u>96,477</u>            | <u>-</u>                 | <u>96,477</u>            |
| Cash flows from capital and related<br>financing activities:  |                          |                          |                          |
| Capital contributions and grants                              | 61,328                   | -                        | 61,328                   |
| Proceeds from OWDA loans                                      | 50,538                   | -                        | 50,538                   |
| Proceeds from OPWC loan                                       | 205,000                  | 46,000                   | 251,000                  |
| Principal paid on OPWC loan                                   | (7,583)                  | -                        | (7,583)                  |
| Principal paid on OWDA loans                                  | (438,988)                | (196,231)                | (635,219)                |
| Interest paid on OWDA loans                                   | (166,358)                | (260,742)                | (427,100)                |
| Principal paid on other loan                                  | (7,805)                  | -                        | (7,805)                  |
| Interest paid on other loan                                   | (3,763)                  | -                        | (3,763)                  |
| Principal paid on capital leases                              | (21,659)                 | -                        | (21,659)                 |
| Interest paid on capital leases                               | (3,289)                  | -                        | (3,289)                  |
| Acquisition of capital assets                                 | (255,588)                | (63,647)                 | (319,235)                |
| Net cash used for capital and related<br>financing activities | <u>(588,167)</u>         | <u>(474,620)</u>         | <u>(1,062,787)</u>       |
| Cash flows from investing activities:                         |                          |                          |                          |
| Interest received   | 1,723                    | 1,736                    | 3,459                    |
| Net increase (decrease) in cash and cash equivalents          | (222,675)                | 96,424                   | (126,251)                |
| Cash and cash equivalents at beginning of year                | <u>543,133</u>           | <u>399,015</u>           | <u>942,148</u>           |
| Cash and cash equivalents at end of year                      | \$ <u><u>320,458</u></u> | \$ <u><u>495,439</u></u> | \$ <u><u>815,897</u></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, 2011**

|   | <u>Wastewater<br/>Fund</u> | <u>Water<br/>Fund</u> | <u>Total</u>      |
|---|----------------------------|-----------------------|-------------------|
| Reconciliation of operating income (loss) to net cash provided by operating activities: |                            |                       |                   |
| Operating income (loss)   | \$ (34,360)                | \$ 435,443            | \$ 401,083        |
| Adjustments:  |                            |                       |                   |
| Depreciation  | 230,052                    | 150,293               | 380,345           |
| Changes in assets/liabilities:  |                            |                       |                   |
| Increase (Decrease) in accounts receivable  | 45,219                     | (22,169)              | 23,050            |
| Increase in intergovernmental receivable  | 66,804                     | 3,508                 | 70,312            |
| Increase (Decrease) in prepaids   | 54                         | (84)                  | (30)              |
| Increase in materials and supplies inventory  | (6,214)                    | (3,506)               | (9,720)           |
| Decrease (increase) in special assessment receivable                                    | (3,648)                    | 1,482                 | (2,166)           |
| (Decrease) increase in accounts payable   | (37,586)                   | 2,844                 | (34,742)          |
| Increase in accrued compensated absences  | 2,319                      | -                     | 2,319             |
| Increase in intergovernmental payable   | 2,958                      | 1,215                 | 4,173             |
| Increase in accrued wages and benefits  | <u>1,694</u>               | <u>282</u>            | <u>1,976</u>      |
| Net cash provided by operating activities   | \$ <u>267,292</u>          | \$ <u>569,308</u>     | \$ <u>836,600</u> |
| Non-cash capital financing activities:  |                            |                       |                   |
| Capital contributions   | \$ 120,538                 | \$ 142,717            | \$ 263,255        |
| Capital asset and related depreciation transferred to fund                              | 22,402                     | -                     | 22,402            |

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, 2011**

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|  | <u>Agency</u>    |
|--|------------------|
| Assets:                                    |                  |
| Equity in pooled cash and cash equivalents | \$ <u>15,119</u> |
| Liabilities:                               |                  |
| Accounts payable                           | \$ <u>15,119</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, 2011**

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### **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 21.

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 20 to the basic financial statements.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2011**

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### **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, 2011**

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### **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, 2011**

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### **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 seven 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, the Fire Fund, and Milwood Subdivision Phase II 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, 2011**

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### **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 7).

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, 2011, but which were levied to finance year 2012 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, 2011**

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### **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 for each fund may only be made by ordinance of the City Council.

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.

#### ***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".

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2011**

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#### **Note 2: Summary of Significant Accounting Policies (continued)**

##### ***F. Cash and Cash Equivalents (continued)***

During 2011, 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, 2011.

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 2011 amounted to \$5,526, of which, \$1,213 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, 2011, 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.

##### ***I. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2011, 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.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2011**

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***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, 2011**

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### **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***

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable:*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

***Restricted:*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City Council's Resolutions).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2011**

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### **M. Fund Balance (continued)**

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be re-deployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or a City official delegated that authority by the City Council.

**Unassigned:** Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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 \$1,579,048 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 fire.

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

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2011**

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***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.

#### ***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 2011.

#### ***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. Reclassification***

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2011**

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### *U. Subsequent Events*

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through **June 30, 2012**, the date the financial statements were available to be issued.

### **Note 3: Change in Accounting Principles**

For 2011, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Instruments Omnibus*.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

GASB Statement No. 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The City has no such investments and thus, the implementation of this Statement has no impact on the City's financial statements or disclosures.

### **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, 2011

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### **Note 4: Budgetary Basis of Accounting (continue)**

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<br/>Maintenance<br/>and Repair</u> |
| GAAP basis                  | \$ (21,863)                       | \$ (15,940)   |
| Increase (decrease) due to: |                                   |   |
| Revenue accruals            | 83,122                            | 10,537  |
| Expenditure accruals        | 114,567                           | (4,095)   |
| Outstanding encumbrances    | <u>(173,993)</u>                  | <u>(12,495)</u>   |
| Budget basis                | \$ <u>1,833</u>                   | \$ <u>(21,993)</u>  |

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2011

### Note 5: Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on a fund for the major governmental funds and all other governmental funds are presented below:

|                                     | <u>General</u>      | <u>Street<br/>Construction,<br/>Maintenance<br/>and Repair</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-------------------------------------|---------------------|--|---|---|
| Nonspendable:                       |                     |  |   |   |
| Inventory                           | \$ -                | \$ 12,519  | \$ -                                    | \$ 12,519                               |
| Prepays                             | 57,126              | 12,201   | 14,296                                  | 83,623                                  |
| Interfund loan                      | -                   | -  | 22,750                                  | 22,750                                  |
| Total nonspendable                  | <u>57,126</u>       | <u>24,720</u>  | <u>37,046</u>                           | <u>118,892</u>                          |
| Restricted:                         |                     |  |   |   |
| Streets and highways                | -                   | 64,731   | -                                       | 64,731                                  |
| Police                              | -                   | -  | 46,033                                  | 46,033                                  |
| Law enforcement trust and education | -                   | -  | 48,669                                  | 48,669                                  |
| Community development               | -                   | -  | 227,618                                 | 227,618                                 |
| Recycling center                    | -                   | -  | 9,093                                   | 9,093                                   |
| Street lighting                     | -                   | -  | 194,879                                 | 194,879                                 |
| Debt service                        | -                   | -  | 6,941                                   | 6,941                                   |
| Capital projects                    | -                   | -  | 156,370                                 | 156,370                                 |
| Total restricted                    | <u>-</u>            | <u>64,731</u>  | <u>689,603</u>                          | <u>754,334</u>                          |
| Committed:                          |                     |  |   |   |
| Capital projects                    | -                   | -  | 35,945                                  | 35,945                                  |
| Assigned:                           |                     |  |   |   |
| Other purposes                      | <u>48,307</u>       | <u>-</u>   | <u>-</u>                                | <u>48,307</u>                           |
| Unassigned (deficit)                | <u>1,607,724</u>    | <u>-</u>   | <u>(128,127)</u>                        | <u>1,479,597</u>                        |
| Total fund balances                 | <u>\$ 1,713,157</u> | <u>\$ 89,451</u>   | <u>\$ 634,467</u>                       | <u>\$ 2,437,075</u>                     |

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2011**

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#### **Note 6: 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;
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.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2011

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### **Note 6: Deposits and Investments (continued)**

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 \$2,938,173 and the bank balance was \$3,041,568. Of the bank balance \$820,365 was covered by Federal depository insurance and \$2,221,203 was uninsured and collateralized with securities held by the pledging institution's trust department, not in the City's name. At December 31, 2011, they City had \$1,500 in cash on hand.

#### ***Investments***

Investments are reported at fair value. As of December 31, 2011, the city had the following investments:

|          | <u>Fair Value</u> | <u>Weighted<br/>Average<br/>Maturity<br/>(Days)</u> |
|----------|-------------------|---|
| STAROhio | \$ <u>339,450</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.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2011

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### **Note 6: Deposits and Investments (continued)**

*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 7: 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.

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, 2011, was \$8.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

|                | <u>Assessed Value</u> |
|----------------|-----------------------|
| Category:      |                       |
| Real estate    | \$ 97,199,160         |
| Public utility | <u>1,759,450</u>      |
| Total          | <u>\$ 98,958,610</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, 2011

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#### Note 7: Receivables (continued)

##### C. Intergovernmental Receivables

Receivables at December 31, 2011, 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                    | \$ | 29,933         |
| Local government                          |    | 144,918        |
| Public utility and CAT tax reimbursements |    | 4,121          |
| Estate taxes                              |    | 87,973         |
| Court and drug fines                      |    | 2,865          |
| Auto registration and gasoline tax        |    | 143,296        |
| Permissive tax                            |    | 6,371          |
| CHIP grants                               |    | 12,658         |
| COAF grant                                |    | 112,202        |
| OPWC grants                               |    | 8,070          |
| Liquor permits                            |    | 1,793          |
| Miscellaneous reimbursements              |    | <u>2,862</u>   |
| Total governmental activities             |    | <u>557,062</u> |

##### *Business-type activities:*

|                                     |    |                |
|-------------------------------------|----|----------------|
| Miscellaneous reimbursement         |    | 4,292          |
| Harpersfield Township reimbursement |    | <u>41,933</u>  |
| Total business-type activities      |    | <u>46,225</u>  |
| Total                               | \$ | <u>603,287</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, 2011, there were two loans outstanding, totaling \$43,853.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2011

### Note 8: Capital Assets

Capital asset activity for government the year ended December 31, 2011, was as follows:

|   | <u>Balances</u><br><u>12/31/10</u> | <u>Additions</u>    | <u>Deletions</u>    | <u>Balances</u><br><u>12/31/11</u> |
|---|------------------------------------|---------------------|---------------------|------------------------------------|
| <i>Governmental activities:</i>             |                                    |                     |                     |                                    |
| Capital assets not being depreciated:       |                                    |                     |                     |                                    |
| Land/land improvements                      | \$ 1,381,697                       | \$ 322,484          | \$ -                | \$ 1,704,181                       |
| Construction in progress                    | <u>509,995</u>                     | <u>521,124</u>      | <u>(509,995)</u>    | <u>521,124</u>                     |
| Total non-depreciable capital assets        | <u>1,891,692</u>                   | <u>843,608</u>      | <u>(509,995)</u>    | <u>2,225,305</u>                   |
| Capital assets being depreciated:           |                                    |                     |                     |                                    |
| Building/land improvements                  | 3,845,265                          | 285,325             | -                   | 4,130,590                          |
| Equipment                                   | 1,400,246                          | 85,053              | (69,064)            | 1,416,235                          |
| Vehicles                                    | 1,811,377                          | 166,391             | (231,709)           | 1,746,059                          |
| Infrastructure                              | <u>21,315,301</u>                  | <u>1,624,799</u>    | <u>-</u>            | <u>22,940,100</u>                  |
| Total capital assets being depreciated      | <u>28,372,189</u>                  | <u>2,161,568</u>    | <u>(300,773)</u>    | <u>30,232,984</u>                  |
| Less: accumulated depreciation              |                                    |                     |                     |                                    |
| Building/land improvements                  | (1,839,671)                        | (91,321)            | -                   | (1,930,992)                        |
| Equipment                                   | (1,093,682)                        | (66,991)            | 69,064              | (1,091,609)                        |
| Vehicles                                    | (1,237,599)                        | (69,237)            | 230,192             | (1,076,644)                        |
| Infrastructure                              | <u>(10,059,566)</u>                | <u>(621,552)</u>    | <u>-</u>            | <u>(10,681,118)</u>                |
| Total accumulated depreciation              | <u>(14,230,518)</u>                | <u>(849,101)</u>    | <u>299,256</u>      | <u>(14,780,363)</u>                |
| Net capital assets being depreciated        | <u>14,141,671</u>                  | <u>1,312,467</u>    | <u>(1,517)</u>      | <u>15,452,621</u>                  |
| Governmental activities capital assets, net | \$ <u>16,033,363</u>               | \$ <u>2,156,075</u> | \$ <u>(511,512)</u> | \$ <u>17,677,926</u>               |

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2011

### Note 8: Capital Assets (continued)

|  | <u>Balances</u><br><u>12/31/10</u> | <u>Additions</u>  | <u>Deletions</u> | <u>Balances</u><br><u>12/31/11</u> |
|--|------------------------------------|-------------------|------------------|------------------------------------|
| <i>Business-type activities:</i>                   |                                    |                   |                  |                                    |
| Capital assets not being depreciated:              |                                    |                   |                  |                                    |
| Construction in progress                           | \$ <u>138,323</u>                  | \$ <u>12,612</u>  | \$ <u>-</u>      | \$ <u>150,935</u>                  |
| Capital assets being depreciated:                  |                                    |                   |                  |                                    |
| Buildings/land improvements                        | 4,416,684                          | 7,070             | -                | 4,423,754                          |
| Equipment  | 661,482                            | 48,552            | (13,763)         | 696,271                            |
| Vehicles   | 289,390                            | 22,403            | (2,000)          | 309,793                            |
| Infrastructure                                     | <u>12,426,298</u>                  | <u>514,255</u>    | <u>-</u>         | <u>12,940,553</u>                  |
| Total capital assets being depreciated             | <u>17,793,854</u>                  | <u>592,280</u>    | <u>(15,763)</u>  | <u>18,370,371</u>                  |
| Less: accumulated depreciation                     |                                    |                   |                  |                                    |
| Buildings/land improvements                        | (2,348,280)                        | (77,534)          | -                | (2,425,814)                        |
| Equipment  | (526,798)                          | (21,311)          | 13,763           | (534,346)                          |
| Vehicles   | (128,217)                          | (34,349)          | 2,000            | (160,566)                          |
| Infrastructure                                     | <u>(2,160,616)</u>                 | <u>(269,554)</u>  | <u>-</u>         | <u>(2,430,170)</u>                 |
| Total accumulated depreciation                     | <u>(5,163,911)</u>                 | <u>(402,748)</u>  | <u>15,763</u>    | <u>(5,550,896)</u>                 |
| Net capital assets being depreciated               | <u>12,629,943</u>                  | <u>189,532</u>    | <u>-</u>         | <u>12,819,475</u>                  |
| Total business-type activities capital assets, net | \$ <u>12,768,266</u>               | \$ <u>202,144</u> | \$ <u>-</u>      | \$ <u>12,970,410</u>               |

Depreciation expense was charged to governmental activities as follows:

|                                  |                   |
|----------------------------------|-------------------|
| General government               | \$ 97,887         |
| Security of persons and property | 67,158            |
| Leisure time activities          | 12,811            |
| Transportation                   | <u>671,245</u>    |
| Total                            | \$ <u>849,101</u> |

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2011

### Note 9: Long-Term Obligations

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2011 was as follows:

|  | <u>Balance</u><br><u>12/31/10</u> | <u>Additions</u>    | <u>Deletions</u>    | <u>Balance</u><br><u>12/31/11</u> | <u>Due in One</u><br><u>Year</u> |
|--|-----------------------------------|---------------------|---------------------|-----------------------------------|----------------------------------|
| <i>Governmental activities:</i>  |                                   |                     |                     |                                   |                                  |
| General obligation bonds:  |                                   |                     |                     |                                   |                                  |
| 4.99% 1995 Various purpose street lighting improvements, maturing 2015 | \$ 75,000                         | \$ -                | \$ (15,000)         | \$ 60,000                         | \$ 15,000                        |
| 4.51% 2005 Road improvements, maturing 2015                            | 452,103                           | -                   | (92,902)            | 359,201                           | 97,140                           |
| 2-4% 2003 USDA rural development - fire truck, maturing 2015           | 309,000                           | -                   | (53,000)            | 256,000                           | 57,000                           |
| 5.25% 2009 Various purpose, maturing 2029                              | 1,164,000                         | -                   | (40,000)            | 1,124,000                         | 41,000                           |
| 4.00% 2011 Municipal facility improvement, maturing 2021               | <u>-</u>                          | <u>355,000</u>      | <u>-</u>            | <u>355,000</u>                    | <u>25,000</u>                    |
| Total general obligation bonds   | <u>2,000,103</u>                  | <u>355,000</u>      | <u>(200,902)</u>    | <u>2,154,201</u>                  | <u>235,140</u>                   |
| Special assessment bonds:  |                                   |                     |                     |                                   |                                  |
| 4.99% 1995 Various purpose - subdivisions, maturing 2015               | <u>460,000</u>                    | <u>-</u>            | <u>(80,000)</u>     | <u>380,000</u>                    | <u>85,000</u>                    |
| Other loans:   |                                   |                     |                     |                                   |                                  |
| 0% Ohio Public Works Commission  |                                   |                     |                     |                                   |                                  |
| 2003 S. Broadway, maturing 2013  | 58,763                            | -                   | (23,505)            | 35,258                            | 23,505                           |
| 2006 Roosevelt Drive, maturing 2016                                    | 27,500                            | -                   | (5,000)             | 22,500                            | 5,000                            |
| 2010 E. Tibbitts, maturing 2021  | 50,000                            | -                   | (5,000)             | 45,000                            | 5,000                            |
| 2010 Ansel, maturing 2032  | 43,000                            | 145,907             | -                   | 188,907                           | 9,445                            |
| 2011 Lockwood, maturing 2033   | -                                 | 12,992              | (650)               | 12,342                            | 1,300                            |
| 3% 2007 ODOT loan payable  | 254,454                           | 13,287              | (37,033)            | 230,708                           | 39,186                           |
| 3% 2010 ODOT loan payable  | <u>24,794</u>                     | <u>-</u>            | <u>-</u>            | <u>24,794</u>                     | <u>-</u>                         |
| Total other loans  | <u>458,511</u>                    | <u>172,186</u>      | <u>(71,188)</u>     | <u>559,509</u>                    | <u>83,436</u>                    |
| Other long-term obligations:   |                                   |                     |                     |                                   |                                  |
| Capital leases payable   | 1,573                             | 291,101             | (18,057)            | 274,617                           | 71,652                           |
| Note payable to school   | -                                 | 162,000             | (40,500)            | 121,500                           | 40,500                           |
| Accrued compensated absences   | <u>166,284</u>                    | <u>51,484</u>       | <u>(31,967)</u>     | <u>185,801</u>                    | <u>71,027</u>                    |
| Total other long-term obligations                                      | <u>167,857</u>                    | <u>504,585</u>      | <u>(90,524)</u>     | <u>581,918</u>                    | <u>183,179</u>                   |
| Total governmental long-term liabilities                               | \$ <u>3,086,471</u>               | \$ <u>1,031,771</u> | \$ <u>(442,614)</u> | \$ <u>3,675,628</u>               | \$ <u>586,755</u>                |

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2011

### **Note 9: Long-Term Obligations (continued)**

|  | Balance<br><u>12/31/10</u> | <u>Additions</u>  | <u>Deletions</u>    | Balance<br><u>12/31/11</u> | Due in One<br><u>Year</u> |
|--|----------------------------|-------------------|---------------------|----------------------------|---------------------------|
| <i>Business-type activities:</i>                                   |                            |                   |                     |                            |                           |
| Ohio Water Development Authority loans:                            |                            |                   |                     |                            |                           |
| 4.56% OWDA, series 2004,<br>maturing 2030                          | \$ 5,766,553               | \$ -              | \$ (196,231)        | \$ 5,570,322               | \$ 205,281                |
| 1% OWDA Elm Street sub-basin sewer<br>rehabilitation maturing 2030 | 223,599                    | -                 | (11,299)            | 212,300                    | 9,307                     |
| 1% OWDA laboratory building<br>maturing 2030                       | 269,264                    | 50,538            | (14,970)            | 304,832                    | 15,024                    |
| 7% OWDA Phase I - nitrification tower,<br>maturing 2013            | 191,672                    | -                 | (72,355)            | 119,317                    | 78,485                    |
| 7% OWDA Phase II - tertiary filters,<br>maturing 2015              | 244,886                    | -                 | (54,432)            | 190,454                    | 58,727                    |
| 7% OWDA Phase III - Southerly sewer,<br>maturing 2018              | 1,310,797                  | -                 | (136,734)           | 1,174,063                  | 146,990                   |
| 2.2% OWDA Phase IV - interceptor<br>Old Orchard, maturing 2015     | 111,704                    | -                 | (23,881)            | 87,823                     | 24,409                    |
| 2.2% OWDA Phase V - Centennial,<br>maturing 2015                   | 115,821                    | -                 | (24,762)            | 91,059                     | 25,309                    |
| 2.2% OWDA Phase VI - filter press,<br>maturing 2016                | 113,575                    | -                 | (21,732)            | 91,843                     | 22,213                    |
| 3% OWDA, series 2007, maturing 2022                                | <u>1,064,991</u>           | <u>-</u>          | <u>(78,823)</u>     | <u>986,168</u>             | <u>81,205</u>             |
| Total Ohio Water Development<br>Authority loans                    | <u>9,412,862</u>           | <u>50,538</u>     | <u>(635,219)</u>    | <u>8,828,181</u>           | <u>666,950</u>            |
| Other long-term obligations:                                       |                            |                   |                     |                            |                           |
| 2006 Geneva-on-the-Lake sanitary sewer<br>outfall, maturing 2026   | 88,560                     | -                 | (7,805)             | 80,755                     | 4,254                     |
| 2008 OPWC Nearing Circle, maturing 2019                            | 40,000                     | -                 | (5,000)             | 35,000                     | 5,000                     |
| 2010 OPWC W. Liberty maturing 2031                                 | 51,659                     | -                 | (2,583)             | 49,076                     | 2,583                     |
| 2010 OPWC Ansel – WW   | -                          | 205,000           | -                   | 205,000                    | 10,250                    |
| 2010 OPWC Ansel – Water  | -                          | 46,000            | -                   | 46,000                     | 2,300                     |
| Capital leases payable   | 68,165                     | -                 | (21,659)            | 46,506                     | 22,704                    |
| Accrued compensated absences                                       | <u>18,106</u>              | <u>7,709</u>      | <u>(5,390)</u>      | <u>20,425</u>              | <u>8,955</u>              |
| Total other long-term obligations                                  | <u>266,490</u>             | <u>258,709</u>    | <u>(42,437)</u>     | <u>482,762</u>             | <u>56,046</u>             |
| Total business-type long-term<br>obligations                       | \$ <u>9,679,352</u>        | \$ <u>309,247</u> | \$ <u>(677,656)</u> | \$ <u>9,310,943</u>        | \$ <u>722,996</u>         |

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2011

### Note 9: Long-Term Obligations (continued)

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2011 were as follows:

| Year      | Governmental Activities  |                   |                   |                   |                     |  |
|-----------|--------------------------|-------------------|-------------------|-------------------|---------------------|--|
|           | General Obligation Bonds |                   | OPWC Loans        |                   | Special Assessments |  |
|           | Principal                | Interest          | Principal         | Principal         | Interest            |  |
| 2012      | \$ 235,140               | \$ 100,321        | \$ 44,250         | \$ 85,000         | \$ 21,280           |  |
| 2013      | 250,571                  | 91,734            | 32,497            | 90,000            | 16,520              |  |
| 2014      | 263,204                  | 80,212            | 20,745            | 100,000           | 11,480              |  |
| 2015      | 224,286                  | 68,109            | 20,745            | 105,000           | 5,880               |  |
| 2016      | 85,000                   | 59,065            | 18,245            | -                 | -                   |  |
| 2017-2021 | 489,000                  | 231,073           | 73,073            | -                 | -                   |  |
| 2022-2026 | 363,000                  | 122,430           | 47,227            | -                 | -                   |  |
| 2027-2030 | 244,000                  | 25,935            | 47,225            | -                 | -                   |  |
|           | <u>\$ 2,154,201</u>      | <u>\$ 778,879</u> | <u>\$ 304,007</u> | <u>\$ 380,000</u> | <u>\$ 55,160</u>    |  |

| Year      | Governmental Activities |                  |                     |                   |
|-----------|-------------------------|------------------|---------------------|-------------------|
|           | Other Loans             |                  | Total               |                   |
|           | Principal               | Interest         | Principal           | Interest          |
| 2012      | \$ 79,686               | \$ 6,630         | \$ 444,076          | \$ 128,231        |
| 2013      | 88,891                  | 6,150            | 461,959             | 114,404           |
| 2014      | 90,353                  | 4,680            | 474,302             | 96,372            |
| 2015      | 51,360                  | 3,166            | 401,391             | 77,155            |
| 2016      | 44,143                  | 1,673            | 147,388             | 60,738            |
| 2017-2021 | 22,569                  | 339              | 584,642             | 231,412           |
| 2022-2026 | -                       | -                | 410,227             | 122,430           |
| 2027-2030 | -                       | -                | 291,225             | 25,935            |
|           | <u>\$ 377,002</u>       | <u>\$ 22,638</u> | <u>\$ 3,215,210</u> | <u>\$ 856,677</u> |

| Year      | Business-Type Activities |                     |                   |                  |                     |                     |
|-----------|--------------------------|---------------------|-------------------|------------------|---------------------|---------------------|
|           | OWDA Loans               |                     | Other Loans       |                  | Total               |                     |
|           | Principal                | Interest            | Principal         | Interest         | Principal           | Interest            |
| 2012      | \$ 666,950               | \$ 397,942          | \$ 24,387         | \$ 3,578         | \$ 691,337          | \$ 401,520          |
| 2013      | 660,039                  | 361,565             | 24,580            | 3,386            | 684,619             | 364,951             |
| 2014      | 650,383                  | 328,880             | 24,782            | 3,183            | 675,165             | 332,063             |
| 2015      | 582,958                  | 297,318             | 24,993            | 2,973            | 607,951             | 300,291             |
| 2016      | 560,318                  | 270,068             | 25,213            | 2,752            | 585,531             | 272,820             |
| 2017-2021 | 2,368,539                | 971,506             | 114,743           | 10,082           | 2,483,282           | 981,588             |
| 2022-2026 | 1,965,587                | 528,204             | 104,051           | 2,942            | 2,069,638           | 531,146             |
| 2027-2030 | 1,373,407                | 105,196             | 73,082            | -                | 1,446,489           | 105,196             |
|           | <u>\$ 8,828,181</u>      | <u>\$ 3,260,679</u> | <u>\$ 415,831</u> | <u>\$ 28,896</u> | <u>\$ 9,244,012</u> | <u>\$ 3,289,575</u> |

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2011

### Note 9: Long-Term Obligations (continued)

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 seven 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 Wastewater Fund. The 2011 loan is an obligation from SCMR, Water and Wastewater Funds.

### Note 10: 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<br/>Activities</u> | <u>Business-Type<br/>Activities</u> |
|--------------------------------|------------------------------------|-------------------------------------|
| Assets:                        |                                    |                                     |
| Vehicles                       | \$ 210,629                         | \$ 155,132                          |
| Equipment                      | 35,153                             | -                                   |
| Less: accumulated depreciation | <u>(2,602)</u>                     | <u>(15,513)</u>                     |
| Total                          | <u>\$ 243,180</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<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Operating<br/>Leases</u> |
|---|------------------------------------|-------------------------------------|-----------------------------|
| 2012                                    | \$ 82,196                          | \$ 24,948                           | \$ 1,800                    |
| 2013                                    | 82,538                             | 24,948                              | 1,800                       |
| 2014                                    | 64,059                             | -                                   | -                           |
| 2015                                    | 36,598                             | -                                   | -                           |
| 2016                                    | 36,598                             | -                                   | -                           |
| 2017                                    | <u>693</u>                         | <u>-</u>                            | <u>-</u>                    |
| Total minimum lease payments            | 302,682                            | 49,896                              | 3,600                       |
| Less: Amount representing interest      | <u>(28,065)</u>                    | <u>(3,390)</u>                      | <u>-</u>                    |
| Present value of minimum lease payments | <u>\$ 274,617</u>                  | <u>\$ 46,506</u>                    | <u>\$ 3,600</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, 2011.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2011**

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#### **Note 11: 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.

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 2011, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2011, 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, 2011, 2010, and 2009 were \$165,000, \$141,463, and \$128,568, respectively; 91.94 percent has been contributed for 2011 and 100 percent for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$12,178 made by the City of Geneva and \$8,699 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.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2011**

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#### **Note 11: Pension Plans (continued)**

##### ***B. Ohio Police and Fire Pension Fund (continued)***

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 \$127,471 and \$60,920, respectively, for the year ended December 31, 2011, \$124,507 and \$59,934, respectively, for the year ended December 31, 2010, and \$119,678 and \$58,447, respectively, for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. For 2011, 72.72 percent for police and 75.10 percent for firefighters has been contributed, with the remainder being reported as a liability.

#### **Note 12: 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 2011, 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.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2011**

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#### **Note 12: Postemployment Benefits (continued)**

##### **A. *Ohio Public Employees Retirement System (continued)***

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 2011, the employer contribution allocated to the health care plan was 4.0 percent during calendar year 2011. 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.

The City's contributions for health care for the years ended December 31, 2011, 2010, and 2009 were \$65,995, \$80,507, and \$92,117, respectively; 91.94 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

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.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2011**

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#### **Note 12: Postemployment Benefits (continued)**

##### ***B. Ohio Police and Fire Pension Fund (continued)***

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.

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, 2011, 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, 2011, 2010, and 2009 were \$127,471 and \$60,920, \$124,507 and \$59,934, and \$119,678 and \$58,447, respectively, of which \$44,105 and \$17,119, \$43,079 and \$16,841, and \$41,409 and \$16,424, respectively, was allocated to the healthcare plan. For 2009, 72.72 percent for police and 75.10 percent for firefighters has been contributed, with the remainder being reported as a liability. The full amount has been contributed for 2010 and 2009.

#### **Note 13: 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.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2011**

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### **Note 14: 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.

### **Note 15: Contractual Commitments**

The City has the following outstanding contractual commitments for various construction projects at December 31, 2011:

| <u>Contractor</u>                    | <u>Contract</u> | <u>Amount Expended</u> | <u>Amount Remaining</u> |
|--------------------------------------|-----------------|------------------------|-------------------------|
| WCC Roof Replacement                 | \$ 95,100       | \$ -                   | \$ 95,100               |
| WCC Masonry Restoration              | 89,770          | 60,232                 | 29,538                  |
| Brownfield Assessment grant          | 196,915         | 191,893                | 5,022                   |
| COAF I (Clean Ohio Assistance Fund)  | 232,116         | 184,830                | 47,286                  |
| COAF II (Clean Ohio Assistance Fund) | 229,907         | 42,439                 | 187,468                 |

### **Note 16: 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, 2011.

#### **B. Litigation**

The City has one outstanding lawsuit at the end of December 31, 2011. 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, 2011.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2011

### Note 17: Interfund Transactions

#### A. Interfund Balances

Interfund receivables and payables for the year ended December 31, 2011 consisted of the following:

| <u>Receivable Fund</u> | <u>Payable Fund</u>          | <u>Amount</u>   |
|------------------------|------------------------------|-----------------|
| General Fund           | Non-Major Governmental Funds | \$ <u>5,351</u> |

Long-term interfund loans are classified as "advances to/from other funds" and consist of the following at December 31, 2011:

| <u>Receivable Fund</u>      | <u>Payable Fund</u>                         | <u>Amount</u>    |
|-----------------------------|---|------------------|
| Non-Major Governmental Fund | Street Construction, Maintenance and Repair | \$ <u>22,750</u> |

#### B. Interfund Transfers

Interfund transfers for the year ended December 31, 2011, consisted of the following:

|                          | <u>Transfer from</u> |                                 |                         | <u>Total</u>        |
|--------------------------|----------------------|---------------------------------|-------------------------|---------------------|
|                          | <u>General Fund</u>  | <u>Other Governmental Funds</u> | <u>Wastewater Funds</u> |                     |
| Transfer to:             |                      |                                 |                         |                     |
| SCMR Fund                | \$ 440,597           | \$ -                            | \$ -                    | \$ 440,597          |
| Other Governmental Funds | 489,956              | 102,427                         | -                       | 592,383             |
| Wastewater Fund          | 78,971               | 17,506                          | -                       | 96,477              |
| Water Fund               | -                    | -                               | 40,000                  | 40,000              |
|                          | <u>\$ 1,009,524</u>  | <u>\$ 119,933</u>               | <u>\$ 40,000</u>        | <u>\$ 1,169,457</u> |

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 \$19,200 transfer from the Street Lighting Fund to the Bond Retirement Fund was for the retirement of debt. The remaining \$83,227 were transfers from the Infrastructure Capital Projects Fund to West Liberty Covered Bridge Project Fund for \$34,385 and \$48,842 to the Chestnut Culvert Fund, which are in compliance with ORC 5705.13 (c).

### Note 18: 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, 2011 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.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2011**

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#### **Note 19: Accountability**

There are deficits in the CDBG 2011 Grant Fund, COAF I Grant, COAF II Grant, Brownfield Assessment Grant Fund and Monument Park Fund of \$12,658, \$97,800, \$14,402, \$2,863, and \$404, 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.

#### **Note 20: 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 \$48,698 during 2011 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 2011, .30 mills of the tax valuation was paid to the Cemetery.

##### ***C. Northeast Ohio Public Energy Council***

The City is a member of the Northeast Ohio Public Energy Council (NOPEC), a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens.

The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and natural gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Geneva did not contribute to NOPEC during 2011. Financial information can be obtained by contacting 31320 Solon Road, Suite 20, Solon, Ohio 44139.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2011

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### **Note 21: 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.

*Accounts and Loans Receivables* - Loans receivables are derived from loans granted to local businesses which were reported at \$7,054. At December 31, 2011, accounts receivable which represents amounts owed to the CIC for the sale of property was \$53,153.

*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, 2011, follows:

|                                |    |                |
|--------------------------------|----|----------------|
| Land                           | \$ | 107,600        |
| Equipment                      |    | 27,330         |
| Less: accumulated depreciation |    | (17,871)       |
| Net                            | \$ | <u>117,059</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.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2011**

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#### **Note 21: Component Unit (continued)**

##### ***B. Cash Equivalents and Cash on Hand***

At year end the carrying amount of the CIC's deposits were \$91,012 and the bank balance was \$92,303, all of which was covered by the Federal Deposit Insurance Coverage (FDIC).

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**CITY OF GENEVA  
ASHTABULA COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

| Federal Grantor/<br>Pass Through Grantor<br>Program Title         | Grant/Pass<br>Through<br>Number | Federal<br>CFDA<br>Number | Expenditures                   |
|---|---------------------------------|---------------------------|--------------------------------|
| <b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>    |                                 |                           |                                |
| <i>Passed Through Ohio Department of Development:</i>             |                                 |                           |                                |
| Community Development Block Grants - State Program:               |                                 |                           |                                |
| Community Housing Improvement Program 2009                        | A-C-09-2BS-1                    | 14.228                    | \$24,602                       |
| Community Housing Improvement Program 2011                        | A-C-11-2BS-1                    |                           | 1,795                          |
| Community Housing Improvement Program Downtown                    | A-T-08-2BS-1                    |                           | 225,656                        |
| <i>Passed Through Ashtabula County:</i>                           |                                 |                           |                                |
| Formula Allocation Program  | B-F-10-1AD-1                    | 14.228                    | <u>37,000</u>                  |
| Sub-Total - CFDA Number 14.228                                    |                                 |                           | 289,053                        |
| <i>Passed Through Ohio Department of Development:</i>             |                                 |                           |                                |
| HOME Investment Partnership Program                               | A-C-09-107-2                    | 14.239                    | <u>289,377</u>                 |
| Total U.S. Department of Housing and Urban Development            |                                 |                           | <u>578,430</u>                 |
| <b><u>U.S. Department of Justice</u></b>                          |                                 |                           |                                |
| <i>Direct funding:</i>  |                                 |                           |                                |
| COPS SOS Grant  | 2009CKWX0737                    | 16.710                    | <u>7,740</u>                   |
| <b><u>U.S. Environmental Protection Agency</u></b>                |                                 |                           |                                |
| <i>Direct Funding:</i>  |                                 |                           |                                |
| ARRA Brownfields Assessment and Cleanup<br>Cooperative Agreements | 2B-00E89101-1                   | 66.818                    | <u>146,015</u>                 |
| <b>Totals</b>   |                                 |                           | <b><u><u>\$732,185</u></u></b> |

*The accompanying notes to this schedule are an integral part of this schedule.*

**CITY OF GENEVA  
ASHTABULA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the City of Geneva's (the City) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property.

Activity in the CDBG revolving loan fund during 2011 is as follows:

|   |          |
|---|----------|
| Beginning loans receivable balance as of January 1, 2011                | \$63,666 |
| Loans made  | 0        |
| Loan principal repaid   | 19,813   |
| Ending loans receivable balance as of December 31, 2011                 | \$43,853 |
|   |          |
| Cash balance on hand in the revolving loan fund as of December 31, 2011 | \$98,740 |
| Administrative costs expended during 2011                               | 5,060    |

**NOTE C - HOME REVOLVING LOAN PROGRAM**

The City has a revolving HOME loan fund program to provide zero-interest loans to persons of low-moderate income households. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as an expenditure on the Schedule. Most loans are 80% to 85% forgiven over a five to ten year period, and will be repaid upon transfer of the real estate to a new owner. Proceeds of loans repaid are used to make additional loans or for other eligible HOME expenses. Subsequent loans are subject to certain compliance requirements imposed by HUD as the initial loans. The program has outstanding loans of \$932,906 as of December 31, 2011.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Geneva  
Ashtabula County  
44 North Forest Street  
Geneva, Ohio 44041

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Geneva, Ashtabula County, (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 30, 2012 wherein we noted the City adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our report refers to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of the Community Improvement Corporation of Geneva, the discretely presented component unit, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that the auditors separately reported.

### 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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

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 material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated July 30, 2012.

We intend this report solely for the information and use of management, the City Council, and federal awarding agencies and pass-through entities, and others within the City. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

July 30, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

City of Geneva  
Ashtabula County  
44 North Forest Street  
Geneva, Ohio 44041

To the City Council:

### Compliance

We have audited the compliance of the City of Geneva, Ashtabula County, Ohio (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the City of Geneva's major federal programs for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the City's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with these requirements.

In our opinion, the City of Geneva complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

### Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the management, City Council, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

July 30, 2012

**CITY OF GENEVA  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |  |  |
|---------------------|--|--|
| <i>(d)(1)(i)</i>    | Type of Financial Statement Opinion  | Unqualified                                |
| <i>(d)(1)(ii)</i>   | Were there any material control weaknesses reported at the financial statement level (GAGAS)?                  | No   |
| <i>(d)(1)(ii)</i>   | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No   |
| <i>(d)(1)(iii)</i>  | Was there any reported material noncompliance at the financial statement level (GAGAS)?                        | No   |
| <i>(d)(1)(iv)</i>   | Were there any material internal control weaknesses reported for major federal programs?                       | No   |
| <i>(d)(1)(iv)</i>   | Were there any significant deficiencies in internal control reported for major federal programs?               | No   |
| <i>(d)(1)(v)</i>    | Type of Major Programs' Compliance Opinion   | Unqualified                                |
| <i>(d)(1)(vi)</i>   | Are there any reportable findings under § .510(a)?   | No   |
| <i>(d)(1)(vii)</i>  | Major Programs (list):<br>Community Development Block Grant<br>Home Investment Partnership Program             | CFDA Number 14.228<br>CFDA Number 14.239   |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs  | Type A: > \$ 300,000<br>Type B: all others |
| <i>(d)(1)(ix)</i>   | Low Risk Auditee?  | No   |

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# 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  
OCTOBER 2, 2012**