

**CITY OF GENEVA, OHIO  
ASHTABULA COUNTY**

**AUDIT REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2006**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Geneva, Ashtabula County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 10, 2007

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**CITY OF GENEVA, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Members of City Council  
City of Geneva, Ohio

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, Ohio as of and for the year ended December 31, 2006, 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 of Geneva's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Geneva, Ohio, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, Street Construction, Maintenance and Repair Special Revenue Fund and Community Development Special Revenue Fund thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2007, on our consideration of the City of Geneva, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

August 15, 2007

**CITY OF GENEVA, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
Unaudited**

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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, 2006. The intent of the discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

***FINANCIAL HIGHLIGHTS***

Key financial highlights for 2006 are as follows:

- Total assets of the City were \$24,326,210. Of this amount, \$13,366,131 were attributable to governmental activities and \$10,960,079 were from business-type activities.
- Total liabilities of the City were \$14,188,823. Governmental activities accounted for \$4,233,931, while business-type activities represented \$9,954,892 of the total.
- Total assets of the City exceeded its liabilities at the close of the year by \$10,137,387.

***USING THIS ANNUAL REPORT***

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

**Government-wide Statements**

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

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

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

The government-wide financial statements can be found on pages 12-13 of this report.

**Fund Financial Statements**

The fund financial statements are used to report additional and detailed information about the City. These statements focus on major funds of the City. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

The basic governmental fund financial statements can be found on pages 14-17 of this report.

***Proprietary Funds*** - The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and solid waste collection. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and waste disposal. The water and wastewater enterprise funds are considered to be major funds of the City.

**CITY OF GENEVA, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
Unaudited**

The basic proprietary fund financial statements can be found on pages 21-23 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. The resources of fiduciary funds are not available to support City programs.

**Notes to the Financial Statements**

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

The notes to the financial statements can be found on pages 25-58 of this report.

**THE CITY AS A WHOLE**

**Government-Wide Financial Analysis**

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

**Table 1 - Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005 *	2006	2005 *	2006	2005 *
<b><u>Assets</u></b>						
Current and Other Assets	\$ 4,379,771	\$ 4,174,022	\$ 1,254,388	\$ 1,196,050	\$ 5,634,159	\$ 5,370,072
Capital Assets	8,986,360	7,615,245	9,705,691	9,626,682	18,692,051	17,241,927
<b>Total Assets</b>	<b>13,366,131</b>	<b>11,789,267</b>	<b>10,960,079</b>	<b>10,822,732</b>	<b>24,326,210</b>	<b>22,611,999</b>
<b><u>Liabilities</u></b>						
Long-Term Liabilities	2,663,852	2,637,189	9,826,767	10,121,174	12,490,619	12,758,363
Other Liabilities	1,570,079	1,667,938	128,125	143,748	1,698,204	1,811,686
<b>Total Liabilities</b>	<b>4,233,931</b>	<b>4,305,127</b>	<b>9,954,892</b>	<b>10,264,922</b>	<b>14,188,823</b>	<b>14,570,049</b>
<b><u>Net Assets</u></b>						
Invested in Capital Assets,						
Net of Debt	5,367,013	3,644,201	0	0	5,367,013	3,644,201
Restricted	2,132,596	1,790,785	0	0	2,132,596	1,790,785
Unrestricted	1,632,591	2,049,154	1,005,187	557,810	2,637,778	2,606,964
<b>Total Net Assets</b>	<b>\$ 9,132,200</b>	<b>\$ 7,484,140</b>	<b>\$ 1,005,187</b>	<b>\$ 557,810</b>	<b>\$10,137,387</b>	<b>\$ 8,041,950</b>

\* 2005 has been restated

The City's assets exceeded liabilities by \$10,137,387 at the close of the most recent fiscal year.

The largest portion of the City's net assets (53 percent) reflects its investments in capital assets (e.g. land, buildings/improvements, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to citizens, therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF GENEVA, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
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An additional portion of the City's net assets (21 percent) represents resources that have been restricted on how they may be used. The remaining balance of unrestricted net assets \$2,637,778 may be used to meet the government's on-going obligations to its citizens and creditors.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year.

**Table 2 - Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005 *	2006	2005 *	2006	2005 *
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 571,459	\$ 898,284	\$ 2,515,680	\$ 2,504,805	\$ 3,087,139	\$ 3,403,089
Operating Grants and Contributions	212,714	141,930	0	0	212,714	141,930
Capital Grants and Contributions	1,337,116	1,569,519	0	0	1,337,116	1,569,519
General Revenues:						
Property Taxes	562,457	926,712	0	0	562,457	926,712
Income Taxes	2,121,037	1,901,061	0	0	2,121,037	1,901,061
Grants and Entitlements	1,112,774	72,975	0	0	1,112,774	72,975
Investments Earnings	82,185	38,536	58,917	32,797	141,102	71,333
Miscellaneous	41,505	28,220	0	0	41,505	28,720
Gain on Sale of Capital Assets	20,564	6,686	0	0	20,564	6,686
<b>Total Revenues</b>	<b>6,061,811</b>	<b>5,584,423</b>	<b>2,574,597</b>	<b>2,537,602</b>	<b>8,636,408</b>	<b>8,122,025</b>
<b>Expenses</b>						
Security of Persons and Property						
Property	2,008,599	1,705,366	0	0	2,008,599	1,705,366
Public Health and Welfare	0	10,183	0	0	0	10,183
Leisure Time Activities	117,489	187,651	0	0	117,489	187,651
Community Development	370,704	217,900	0	0	370,704	217,900
Transportation	977,804	1,041,617	0	0	977,804	1,041,617
General Government	806,218	698,427	0	0	806,218	698,427
Interest and Fiscal Charges	136,937	112,608	0	0	136,937	112,608
Wastewater	0	0	1,131,253	929,053	1,131,253	929,053
Water	0	0	991,967	1,197,263	991,967	1,197,263
<b>Total Expenses</b>	<b>4,417,751</b>	<b>3,973,752</b>	<b>2,123,220</b>	<b>2,126,316</b>	<b>6,540,971</b>	<b>6,100,068</b>
Increase in Net Assets						
before Transfers	1,644,060	1,610,671	451,377	411,286	2,095,437	2,021,957
Transfers	4,000	9,774	(4,000)	(9,774)	0	0
Change in Net Assets	1,648,060	1,620,445	447,377	401,512	2,095,437	2,021,957
Net Assets Beginning of Year, as Restated						
	7,484,140	5,863,695	557,810	156,298	8,041,950	6,019,993
<b>Net Assets End of Year</b>	<b>\$ 9,132,200</b>	<b>\$ 7,484,140</b>	<b>\$ 1,005,187</b>	<b>\$ 557,810</b>	<b>\$ 10,137,387</b>	<b>\$ 8,041,950</b>

\*2005 has been restated.

**CITY OF GENEVA, OHIO  
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**Governmental Activities**

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

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

In the 2006, City income tax proceeds received by the governmental activities were \$2,121,037. The increase in income tax is the result of the City's effort to more aggressively collect income taxes from non-filers.

There is a 100 percent credit for income taxes paid to another community subject to a cap of 1 percent. This represented a slight decrease from the prior year. Property tax revenue received by the City for governmental activities was \$562,456. The full voted tax rate for 2006 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. During 2006 the property tax collected was \$562,457. There was a moderate decrease compared to the prior year.

Expenses are categorized by programs. The largest program, security of persons and property which includes police, fire, and public safety was around 45 percent of governmental expenses. The police department is made up of one chief, 11 full-time officers, 9 part-time officers, 3 full-time dispatchers, 6 part-time dispatchers, and one secretary. The fire department is composed of one full-time chief, two full-time firefighters, one full-time fire fighter/paramedic, and 27 part-time firefighters. Within the part-time firefighters there are numerous paramedics and EMTs. Training plays a crucial role in keeping up with rapidly changing laws, practices, and technology. Training among our employees is performed in-house, attending seminars/conferences, continuing education classes, practice drills, and watching training videos. The second largest program is transportation which is composed of street construction and maintenance and was around 22 percent of the governmental expenses. Close in third is general government, which is composed of the City Manager, Council, Finance, Law, building and general administration which approximated at 18 percent of the governmental expenses.

**Business-Type Activities**

Business-type activities are principally accounted for in the City's enterprise funds. The City operates two principal enterprise funds which include a wastewater treatment plant fund and a water fund. The operating results of these two enterprise funds are discussed below.

The City's sanitary sewer and wastewater treatment system services not only the City, but a few surrounding communities.

**CITY OF GENEVA, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Total net assets of the business-type activity increased by \$447,377. This increase is mainly due to increases in charges for services over expenses in 2006 in the wastewater fund and water fund.

The water fund accounts for distribution of water to individuals and commercial users in various parts of the City.

***THE CITY'S FUNDS***

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

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

As of the end of the year, the City's governmental funds reported combined ending fund balances of \$1,531,297. In 2006, unreserved fund balance, which is available for spending at the government's discretion is at \$1,259,144. The fund balance of \$272,153 is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of prior period(s), to pay debt service, and for a variety of other purposes.

The Community Development Fund has a deficit fund balance of \$710,461. The City issued a general obligation note for \$766,000 to finance land and land improvements for economic development, parks and recreation.

***GENERAL FUND BUDGETARY HIGHLIGHTS***

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

For the general fund, budgeted basis revenue, including advances in, was \$429,885 above the original budget estimate of \$3,362,627 primarily due to increases in collections for intergovernmental revenue, interest, and advances in.

The original appropriation, including those for transfers out and advances out of \$3,736,781 was increased to \$4,268,009. Even with these adjustments, the actual charges to appropriations (expenditures) were \$757,493 below the final budgeted amount for the general fund.

**Street Construction, Maintenance and Repair Budgetary Highlights**

The actual expenditures of \$646,947 were approximately \$134,365 below the final amended appropriation measure. The actual revenues, including transfers in and sale of fixed assets, were approximately \$104,563 below final amended revenues.

**CITY OF GENEVA, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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**GENERAL FUND BUDGETARY HIGHLIGHTS** (Continued)

**Community Development Fund Budgetary Highlights**

The actual expenditures of \$944,298 were approximately \$123,807 below the final amended appropriation measure. The actual revenues, including transfers in, were approximately \$118,998 below the final amended revenues.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

At the end of 2006, the City had \$18,692,051 (net of accumulated depreciation) invested in a broad range of capital assets, including land, buildings, improvements, machinery and equipment, park facilities, furniture and fixtures, and vehicles.

**Table 3 - Capital Assets at December 31, 2006 (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005 *	2006	2005 *	2006	2005 *
Land	\$ 1,413,749	\$ 1,341,166	\$ 0	\$ 0	\$ 1,413,749	\$ 1,341,166
Construction in Progress	152,512	138,376	247,564	0	400,076	138,376
Buildings/Land Improvements	1,997,431	792,143	1,700,835	1,780,226	3,698,266	2,572,369
Equipment	1,035,734	1,008,101	161,610	175,227	1,197,344	1,183,328
Infrastructure	4,386,934	4,335,459	7,595,682	7,671,229	11,982,616	12,006,688
<b>Total</b>	<u>\$ 8,986,360</u>	<u>\$ 7,615,245</u>	<u>\$ 9,705,691</u>	<u>\$ 9,626,682</u>	<u>\$18,692,051</u>	<u>\$17,241,927</u>

\*2005 has been restated

The major addition in governmental activities was made to Buildings and Land Improvement of approximately \$1,256,067, which included the donation of the community center and human services buildings, which includes related debt of \$5,916.

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

**Debt**

The City had \$12,339,291 in outstanding debt at the year-end 2006 as shown in Table 4.

**Table 4 - Outstanding Debt at December 31**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005 *	2006	2005 *	2006	2005 *
General Obligation Bonds	\$ 1,396,912	\$ 1,517,953	\$ 0	\$ 0	\$ 1,396,912	\$ 1,517,953
Special Assessment Bonds	740,000	800,000	0	0	740,000	800,000
OPWC Loans	200,284	177,037	0	0	200,284	177,037
OWDA Loans	0	0	9,699,605	10,099,974	9,699,605	10,099,974
Capital Leases	194,311	20,310	0	0	194,311	20,310
Other Loans	5,153	0	103,026	0	108,179	0
<b>Total</b>	<u>\$ 2,536,660</u>	<u>\$ 2,515,300</u>	<u>\$ 9,802,631</u>	<u>\$10,099,974</u>	<u>\$12,339,291</u>	<u>\$12,615,274</u>

\*2005 has been restated.

**CITY OF GENEVA, OHIO  
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The City paid \$121,041 on principal for general obligation bonds for the street lighting improvements, street repairs and fire truck purchase. In 2006, the City received a new OPWC loan for \$50,000 for road improvements, as well as entering into an agreement with Geneva-on-the-Lake and Ashtabula county to share the cost of a sanitary sewer outfall.

The City paid \$60,000 on principal for special assessment bonds for various subdivision projects.

The City paid \$400,369 on principal for OWDA loans for sewer development projects and water company acquisition.

The City paid \$26,753 on principal for OPWC loans for various street and sewer repair projects.

In addition, the City paid \$866,000 in principal to retire the Various Purchase Improvement Note, Series 2005. To fund the retirement of the above notes, the City issued \$766,000 which is made up by a Various Purchase Improvement Note, Series 2006.

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

Other obligations include capital lease payable, and compensated absences. More detailed information about the City's long-term liabilities is presented in Note 9 and Note 21 to the financial statements.

***ECONOMIC FACTORS AND NEXT YEAR'S BUDGET***

The City's elected and appointed officials considered many factors when setting the fiscal year 2007 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.

The general fund's actual expenditures in 2006 were \$3,510,516, including other financing uses, and are expected to increase during 2007 mainly with respect to wages, benefits, fuel, and utilities. The City recognizes that relatively flat tax revenue coupled with cost of inflation expenditure increases will require to further continue a pattern of cost containment while pursuing new revenue sources.

**CITY OF GENEVA, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
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***CONTACTING THE CITY'S FINANCIAL MANAGEMENT***

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

**CITY OF GENEVA, OHIO**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2006**

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	Community Improvement Corporation of Geneva
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,811,657	\$ 870,475	\$ 2,682,132	\$ 86,165
Cash Held as Fiscal Agent	48,959	0	48,959	20,299
Receivables:				
Income Taxes	662,538	0	662,538	0
Real and Other Taxes	518,448	0	518,448	0
Accounts	30,819	318,175	348,994	3,000
Loans	139,571	0	139,571	0
Special Assessments	606,806	27,706	634,512	0
Due from Component Unit	47,953	0	47,953	0
Due from Other Governments	448,998	13,221	462,219	0
Prepays	55,609	11,203	66,812	0
Materials and Supplies Inventory	8,413	13,608	22,021	0
Nondepreciable Capital Assets	1,566,261	247,564	1,813,825	0
Depreciable Capital Assets, Net	7,420,099	9,458,127	16,878,226	404,025
<b>Total Assets</b>	<b>13,366,131</b>	<b>10,960,079</b>	<b>24,326,210</b>	<b>513,489</b>
<b>Liabilities</b>				
Accounts Payable	73,742	80,089	153,831	0
Accrued Wages and Benefits	68,740	10,952	79,692	0
Funds Held as Fiscal Agent	0	0	0	20,299
Unearned Revenue	477,732	0	477,732	0
Due to Other Governments	79,813	19,844	99,657	47,953
Accrued Interest Payable	10,262	0	10,262	0
Pension Obligation Payable	93,790	17,240	111,030	0
General Obligation Notes Payable	766,000	0	766,000	0
Long-Term Liabilities:				
Due Within One Year	320,537	434,465	755,002	
Due In More than One Year	2,343,315	9,392,302	11,735,617	0
<b>Total Liabilities</b>	<b>4,233,931</b>	<b>9,954,892</b>	<b>14,188,823</b>	<b>68,252</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	5,367,013	0	5,367,013	0
Restricted for:				
Capital Projects	620,196	0	620,196	0
Debt Service	582,533	0	582,533	0
Other Purposes	929,867	0	929,867	0
Unrestricted (Deficit)	1,632,591	1,005,187	2,637,778	445,237
<b>Total Net Assets</b>	<b>\$ 9,132,200</b>	<b>\$ 1,005,187</b>	<b>\$10,137,387</b>	<b>\$ 445,237</b>

See accompanying notes to the basic financial statements.

**CITY OF GENEVA, OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Community Improvement Corp of Geneva
<b>Primary Government</b>								
<b>Governmental Activities:</b>								
Security of Persons and Property	\$ 2,008,599	\$ 150,308	\$ 0	\$ 0	\$ (1,858,291)	\$ 0	\$(1,858,291)	\$ 0
Leisure Time Activities	117,489	82,254	0	1,289,642	1,254,407	0	1,254,407	0
Community Development	370,704	73,487	0	0	(297,217)	0	(297,217)	0
Transportation	977,804	0	212,714	47,474	(717,616)	0	(717,616)	0
General Government	806,218	265,410	0	0	(540,808)	0	(540,808)	0
Interest and Fiscal Charges	136,937	0	0	0	(136,937)	0	(136,937)	0
<b>Total Governmental Activities</b>	<b>4,417,751</b>	<b>571,459</b>	<b>212,714</b>	<b>1,337,116</b>	<b>(2,296,462)</b>	<b>0</b>	<b>(2,296,462)</b>	<b>0</b>
<b>Business-Type Activities:</b>								
Wastewater	1,131,253	1,320,689	0	0	0	189,436	189,436	0
Water	991,967	1,194,991	0	0	0	203,024	203,024	0
<b>Total Business-Type Activities</b>	<b>2,123,220</b>	<b>2,515,680</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>392,460</b>	<b>392,460</b>	<b>0</b>
<b>Total Primary Government</b>	<b>\$ 6,540,971</b>	<b>\$ 3,087,139</b>	<b>\$ 212,714</b>	<b>\$ 1,337,116</b>	<b>(2,296,462)</b>	<b>392,460</b>	<b>(1,904,002)</b>	<b>0</b>
<b>Component Unit</b>								
Community Improvement Corporation of Geneva	\$ 45,091	\$ 0	\$ 66,737	\$ 0	0	0	0	21,646
<b>General Revenues:</b>								
Property Taxes Levied for:								
General Purposes					534,717	0	534,717	0
Special Revenue					27,740	0	27,740	0
Municipal Income Taxes Levied for:								
General Purposes					2,121,037	0	2,121,037	0
Grants and Entitlements not Restricted to Specific Programs					1,112,774	0	1,112,774	0
Gain on Sale of Capital Assets					20,564	0	20,564	0
Investment Earnings					82,185	58,917	141,102	513
Miscellaneous					41,505	0	41,505	1,050
<b>Total General Revenues</b>					<b>3,940,522</b>	<b>58,917</b>	<b>3,999,439</b>	<b>1,563</b>
Transfers					4,000	(4,000)	0	0
<b>Total General Revenues and Transfers</b>					<b>3,944,522</b>	<b>54,917</b>	<b>3,999,439</b>	<b>1,563</b>
Change in Net Assets					1,648,060	447,377	2,095,437	23,209
Net Assets (Deficit), Beginning of Year, as Restated					7,484,140	557,810	8,041,950	422,028
<b>Net Assets (Deficit) End of Year</b>					<b>\$ 9,132,200</b>	<b>\$ 1,005,187</b>	<b>\$10,137,387</b>	<b>\$ 445,237</b>

See accompanying notes to the basic financial statements.

**CITY OF GENEVA, OHIO**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2006**

	General Fund	Street Construction, Maintenance and Repair Fund	Community Development Fund	Other Governmental Funds	Total Governmental Funds
<b><u>Assets and Other Debits</u></b>					
Equity in Pooled Cash and Cash Equivalents	\$ 845,271	\$ 87,862	\$ 7,644	\$ 870,879	\$ 1,811,656
Cash with Fiscal Agents	0	0	0	48,959	48,959
Receivables (Net of Allowances for Uncollectibles):					
Income Taxes	662,538	0	0	0	662,538
Real and Other Taxes	492,526	0	0	25,922	518,448
Accounts	29,964	0	376	481	30,821
Loans	0	0	0	139,571	139,571
Special Assessments	95	0	0	606,711	606,806
Advances to Other Funds	0	0	0	72,250	72,250
Due from Component Unit	0	0	47,953	0	47,953
Due from Other Funds	164,534	0	0	33,750	198,284
Due from Other Governments	196,561	155,101	0	97,336	448,998
Prepays	43,570	12,039	0	0	55,609
Material and Supplies Inventory	0	8,413	0	0	8,413
<b>Total Assets and Other Debits</b>	<u>2,435,059</u>	<u>263,415</u>	<u>55,973</u>	<u>1,895,859</u>	<u>4,650,306</u>
<b><u>Liabilities and Fund Balances</u></b>					
<b><u>Liabilities</u></b>					
Accounts Payable	38,758	19,717	125	15,142	73,742
Accrued Wages and Benefits	59,146	9,594	0	0	68,740
Advances from Other Funds	0	72,250	0	0	72,250
Deferred Revenue	1,028,717	103,995	0	633,678	1,766,390
Due to Other Funds	0	0	0	198,284	198,284
Due to Other Governments	66,447	12,210	163	993	79,813
Pension Obligation Payable	82,165	10,549	146	930	93,790
General Obligation Notes Payable	0	0	766,000	0	766,000
<b>Total Liabilities</b>	<u>1,275,233</u>	<u>228,315</u>	<u>766,434</u>	<u>849,027</u>	<u>3,119,009</u>
<b><u>Fund Balances</u></b>					
Reserved for Inventory	0	8,413	0	0	8,413
Reserved for Encumbrances	989	16,398	2,519	32,013	51,919
Reserved for Advances	0	72,250	0	0	72,250
Reserved for Loans	0	0	0	139,571	139,571
Unreserved, Undesignated, Reported in:					
General Fund	1,158,837	0	0	0	1,158,837
Special Revenue Funds	0	(61,961)	(712,980)	571,117	(203,824)
Debt Service Funds	0	0	0	955	955
Capital Projects	0	0	0	303,176	303,176
<b>Total Fund Balances (Deficit)</b>	<u>1,159,826</u>	<u>35,100</u>	<u>(710,461)</u>	<u>1,046,832</u>	<u>1,531,297</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,435,059</u>	<u>\$ 263,415</u>	<u>\$ 55,973</u>	<u>\$ 1,895,859</u>	<u>\$ 4,650,306</u>

See accompanying notes to the basic financial statements.

**CITY OF GENEVA, OHIO  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2006**

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**Total Governmental Fund Balances** \$ 1,531,297

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

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

Nondepreciable Capital Assets	1,566,261
Depreciable Capital Assets	7,420,099

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

Property Taxes	\$ 40,716	
Grants and Entitlements	103,189	
Income Tax	418,833	
Fines, Licenses and Permits	119,113	
Special Assessments	606,806	
Total		1,288,657

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

General Obligation Bonds	(1,396,912)	
Special Assessment Bonds	(740,000)	
Capital Leases Payable	(194,311)	
Other Loans	(5,153)	
OPWC Loans	(200,284)	
Compensated Absences	(127,192)	
Accrued Interest Payable	(10,262)	
Total		(2,674,114)

**Net Assets of Governmental Activities** \$ 9,132,200

**CITY OF GENEVA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	General Fund	Street Construction, Maintenance and Repair Fund	Community Development Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Municipal Income Tax	\$ 2,094,728	\$ 0	\$ 0	\$ 0	\$ 2,094,728
Property and Other Taxes	454,379	81,651	0	26,590	562,620
Charges for Services	248,461	0	0	77,505	325,966
Licenses, Permits, and Fees	167,135	54,175	0	3,248	224,558
Special Assessments	0	0	0	300,712	300,712
Intergovernmental	419,648	238,901	0	474,826	1,133,375
Investment Income	73,739	0	0	14,737	88,476
Other	12,543	0	4,172	24,790	41,505
<b>Total Revenues</b>	<u>3,470,633</u>	<u>374,727</u>	<u>4,172</u>	<u>922,408</u>	<u>4,771,940</u>
<b>Expenditures</b>					
Security of Persons and Property	1,762,069	0	0	131,931	1,894,000
Leisure Time Activities	112,179	0	0	0	112,179
Community Development	67,769	0	0	302,730	370,499
Transportation	0	566,607	0	10,658	577,265
General Government	658,149	0	45,327	52,730	756,206
Capital Outlay	11,228	0	0	623,826	635,054
Debt Service:					
Principal Retirement	763	39,255	0	255,307	295,325
Interest and Fiscal Charges	0	0	30,310	115,607	145,917
<b>Total Expenditures</b>	<u>2,612,157</u>	<u>605,862</u>	<u>75,637</u>	<u>1,492,789</u>	<u>4,786,445</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>858,476</u>	<u>(231,135)</u>	<u>(71,465)</u>	<u>(570,381)</u>	<u>(14,505)</u>
<b>Other Financing Uses (Sources)</b>					
Sale of Fixed Assets	5,464	5,500	0	0	10,964
Loan Proceeds	0	0	0	50,000	50,000
Capital Lease Proceeds	0	0	0	260,770	260,770
Transfers In	0	220,572	159,722	345,850	726,144
Transfers Out	(704,255)	0	0	(17,889)	(722,144)
<b>Total Other Financing Sources (Uses)</b>	<u>(698,791)</u>	<u>226,072</u>	<u>159,722</u>	<u>638,731</u>	<u>325,734</u>
Net Change in Fund Balances	159,685	(5,063)	88,257	68,350	311,229
Fund Balances (Deficit) Beginning of Year	<u>1,000,141</u>	<u>40,163</u>	<u>(798,718)</u>	<u>978,482</u>	<u>1,220,068</u>
<b>Fund Balance (Deficit) at End of Year</b>	<u>\$ 1,159,826</u>	<u>\$ 35,100</u>	<u>\$ (710,461)</u>	<u>\$ 1,046,832</u>	<u>\$ 1,531,297</u>

See accompanying notes to the basic financial statements.

**CITY OF GENEVA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

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**Net Change in Fund Balances - Total Governmental Funds** \$ 311,229

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 1,371,115

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

Delinquent Property Taxes	\$	163	
Grants and Entitlements		2,821	
Income Tax		26,310	
Special Assessments		<u>(39,553)</u>	
Total			(10,259)

Proceeds from debt issues and leases are an other financing source in the funds, but a debt issue and lease increases long-term liabilities in the statement of net assets. (316,686)

Repayment of bond principal and capital lease payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 295,326

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds an interest expenditure is reported when due. 2,638

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

Compensated Absences		<u>(5,303)</u>	
Total			<u>(5,303)</u>

**Change in Net Assets of Governmental Activities** \$ 1,648,060

**CITY OF GENEVA, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Municipal Income Tax	\$ 1,985,000	\$ 2,070,000	\$ 2,071,353	\$ 1,353
Property and Other Taxes	424,200	453,900	456,185	2,285
Intergovernmental	426,300	413,032	419,883	6,851
Charges for Services	214,127	260,827	261,571	744
Fines, Licenses, and Permits	161,500	167,500	160,553	(6,947)
Interest Income	17,000	71,600	73,739	2,139
Miscellaneous	<u>7,500</u>	<u>7,500</u>	<u>8,054</u>	<u>554</u>
<b>Total Revenues</b>	<u>3,235,627</u>	<u>3,444,359</u>	<u>3,451,338</u>	<u>6,979</u>
<b><u>Expenditures</u></b>				
Security of Persons and Property	1,896,333	1,941,316	1,768,708	172,608
Leisure Time Activities	97,137	120,394	105,402	14,992
Community Development	67,100	100,553	92,891	7,662
General Government	<u>799,286</u>	<u>801,386</u>	<u>682,103</u>	<u>119,283</u>
<b>Total Expenditures</b>	<u>2,859,856</u>	<u>2,963,649</u>	<u>2,649,104</u>	<u>314,545</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>375,771</u>	<u>480,710</u>	<u>802,234</u>	<u>321,524</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Sale of Fixed Assets	2,000	2,000	5,464	3,464
Transfers Out	(751,925)	(979,360)	(704,255)	275,105
Advances In	125,000	346,153	21,153	(325,000)
Advances Out	<u>(125,000)</u>	<u>(325,000)</u>	<u>(157,157)</u>	<u>167,843</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(749,925)</u>	<u>(956,207)</u>	<u>(834,795)</u>	<u>121,412</u>
Net Change in Fund Balances	(374,154)	(475,497)	(32,561)	442,936
Fund Balance at Beginning of Year	800,471	800,471	800,471	0
Prior Year Encumbrances, Appropriated	<u>37,478</u>	<u>37,478</u>	<u>37,478</u>	<u>0</u>
<b>Fund Balance (Deficit) at Year End</b>	<u>\$ 463,795</u>	<u>\$ 362,452</u>	<u>\$ 805,388</u>	<u>\$ 442,936</u>

See accompanying notes to the basic financial statements.

**CITY OF GENEVA, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL -**  
**STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Other Taxes	\$ 81,000	\$ 81,000	\$ 81,891	\$ 891
Intergovernmental	230,000	230,000	244,269	14,269
Charges for Services	500	500	0	(500)
Licenses, Permits, and Fees	<u>55,000</u>	<u>55,000</u>	<u>54,175</u>	<u>(825)</u>
<b>Total Revenues</b>	<u>366,500</u>	<u>366,500</u>	<u>380,335</u>	<u>13,835</u>
<b><u>Expenditures</u></b>				
Transportation	<u>726,559</u>	<u>781,312</u>	<u>646,947</u>	<u>134,365</u>
<b>Total Expenditures</b>	<u>726,559</u>	<u>781,312</u>	<u>646,947</u>	<u>134,365</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(360,059)</u>	<u>(414,812)</u>	<u>(266,612)</u>	<u>148,200</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Sale of Fixed Assets	1,000	1,000	5,500	4,500
Transfers In	<u>319,606</u>	<u>343,470</u>	<u>220,572</u>	<u>(122,898)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>320,606</u>	<u>344,470</u>	<u>226,072</u>	<u>(118,398)</u>
Net Change in Fund Balances	(39,453)	(70,342)	(40,540)	29,802
Fund Balance at Beginning of Year	90,541	90,541	90,541	0
Prior Year Encumbrances, Appropriated	<u>39,453</u>	<u>39,453</u>	<u>39,453</u>	<u>0</u>
<b>Fund Balance (Deficit) at Year End</b>	<u>\$ 90,541</u>	<u>\$ 59,652</u>	<u>\$ 89,454</u>	<u>\$ 29,802</u>

See accompanying notes to the basic financial statements.

**CITY OF GENEVA, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL -**  
**COMMUNITY DEVELOPMENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Miscellaneous	\$ 1,875	\$ 3,800	\$ 4,170	\$ 370
<b>Total Revenues</b>	<u>1,875</u>	<u>3,800</u>	<u>4,170</u>	<u>370</u>
<b><u>Expenditures</u></b>				
General Government	71,471	73,205	47,988	25,217
Capital Outlay	0	98,500	0	98,500
Debt Service:				
Principal Retirement	866,000	866,000	866,000	0
Interest and Fiscal Charges	<u>30,400</u>	<u>30,400</u>	<u>30,310</u>	<u>90</u>
<b>Total Expenditures</b>	<u>967,871</u>	<u>1,068,105</u>	<u>944,298</u>	<u>123,807</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(965,996)</u>	<u>(1,064,305)</u>	<u>(940,128)</u>	<u>124,177</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Proceeds of Sale of Notes	766,000	766,000	766,000	0
Transfers In	<u>180,590</u>	<u>279,090</u>	<u>159,722</u>	<u>(119,368)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>946,590</u>	<u>1,045,090</u>	<u>925,722</u>	<u>(119,368)</u>
Net Change in Fund Balance	(19,406)	(19,215)	(14,406)	4,809
Fund Balance at Beginning of Year	19,406	19,406	19,406	0
Prior Year Encumbrances, Appropriated	<u>1,541</u>	<u>1,541</u>	<u>1,541</u>	<u>0</u>
<b>Fund Balance at Year End</b>	<u>\$ 1,541</u>	<u>\$ 1,732</u>	<u>\$ 6,541</u>	<u>\$ 4,809</u>

See accompanying notes to the basic financial statements.

**CITY OF GENEVA, OHIO**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2006**

	Business-Type Activities		
	Wastewater	Water	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 487,253	\$ 383,222	\$ 870,475
Receivables:			
Accounts	152,920	165,255	318,175
Special Assessments	9,815	17,891	27,706
Due from Other Governments	13,221	0	13,221
Inventory	13,608	0	13,608
Prepaid Items	10,731	472	11,203
Nondepreciable Capital Assets	155,596	91,968	247,564
Depreciable Capital Assets, Net	<u>3,117,313</u>	<u>6,340,814</u>	<u>9,458,127</u>
<b>Total Assets</b>	<u>3,960,457</u>	<u>6,999,622</u>	<u>10,960,079</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable	49,824	30,265	80,089
Accrued Wages and Benefits	9,275	1,677	10,952
Pension Obligation Payable	12,518	4,722	17,240
Compensated Absences	7,782	0	7,782
Due to Other Governments	14,572	5,272	19,844
Other Loans Payable	3,531	0	3,531
OWDA Loans	<u>259,304</u>	<u>163,848</u>	<u>423,152</u>
Total Current Liabilities	<u>356,806</u>	<u>205,784</u>	<u>562,590</u>
<b>Non Current Liabilities:</b>			
OWDA Loans	2,971,605	6,304,848	9,276,453
Other Loans	99,495	0	99,495
Compensated Absences	<u>16,354</u>	<u>0</u>	<u>16,354</u>
Total Non Current Liabilities	<u>3,087,454</u>	<u>6,304,848</u>	<u>9,392,302</u>
<b>Total Liabilities</b>	<u>3,444,260</u>	<u>6,510,632</u>	<u>9,954,892</u>
<b>Net Assets</b>			
Unrestricted	<u>516,197</u>	<u>488,990</u>	<u>1,005,187</u>
<b>Total Net Assets</b>	<u>\$ 516,197</u>	<u>\$ 488,990</u>	<u>\$ 1,005,187</u>

See accompanying notes to the basic financial statements.

**CITY OF GENEVA, OHIO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Business-Type Activities		
	Wastewater	Water	Total
<b><u>Operating Revenues</u></b>			
Charges for Services	\$ 926,102	\$ 1,172,608	\$ 2,098,710
Sewer Tap-in Fees	154,000	7,615	161,615
Fines, Licenses, and Permits	236,619	14,476	251,095
Miscellaneous	3,968	292	4,260
<b>Total Operating Revenues</b>	<b><u>1,320,689</u></b>	<b><u>1,194,991</u></b>	<b><u>2,515,680</u></b>
<b><u>Operating Expenses</u></b>			
Personal Services	246,336	88,528	334,864
Materials and Supplies	111,255	23,327	134,582
Contractual Service	394,554	440,588	835,142
Depreciation	161,216	139,176	300,392
<b>Total Operating Expenses</b>	<b><u>913,361</u></b>	<b><u>691,619</u></b>	<b><u>1,604,980</u></b>
Net Income from Operations	<u>407,328</u>	<u>503,372</u>	<u>910,700</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Interest and Fiscal Charges	(215,426)	(300,348)	(515,774)
Investment Earnings	30,908	28,009	58,917
Loss on Disposal of Fixed Assets	(2,466)	0	(2,466)
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>(186,984)</u></b>	<b><u>(272,339)</u></b>	<b><u>(459,323)</u></b>
Income (Loss) before Transfers	<u>220,344</u>	<u>231,033</u>	<u>451,377</u>
<b><u>Transfers</u></b>			
Transfers In	50,250	13,000	63,250
Transfers Out	(54,250)	(13,000)	(67,250)
<b>Total Transfers</b>	<b><u>(4,000)</u></b>	<b><u>0</u></b>	<b><u>(4,000)</u></b>
Change in Net Assets	216,344	231,033	447,377
Net Assets at Beginning of Year	<u>299,853</u>	<u>257,957</u>	<u>557,810</u>
<b>Net Assets at End of Year</b>	<b><u>\$ 516,197</u></b>	<b><u>\$ 488,990</u></b>	<b><u>\$ 1,005,187</u></b>

See accompanying notes to the basic financial statements.

**CITY OF GENEVA, OHIO  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Business-Type Activities		
	Wastewater	Water	Total
<b><u>Cash Flows from Operating Activities</u></b>			
Receipts from Customers and Users	\$ 1,658,024	\$ 1,271,157	\$ 2,929,181
Payments to Suppliers	(473,646)	(561,385)	(1,035,031)
Payments to Employees	(410,036)	(148,067)	(558,103)
<b>Net Cash Provided by Operating Activities</b>	<u>774,342</u>	<u>561,705</u>	<u>1,336,047</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Transfers In	50,250	13,000	63,250
Transfers Out	(54,250)	(13,000)	(67,250)
<b>Net Cash Used in Noncapital Financing Activities</b>	<u>(4,000)</u>	<u>0</u>	<u>(4,000)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Proceeds from Sale of Capital Assets	1,810	0	1,810
Proceeds from Contributions and Donations	0	28,009	28,009
Acquisition of Capital Assets	(179,804)	(97,470)	(277,274)
Principal Payments for Other Loans	(3,377)	0	(3,377)
Principal Payments for OWDA Notes	(243,744)	(156,625)	(400,369)
Interest Expense Paid on Debt	(215,426)	(300,348)	(515,774)
<b>Cash Flows from Capital and Related Financing Activities</b>	<u>(640,541)</u>	<u>(526,434)</u>	<u>(1,166,975)</u>
<b><u>Cash Flows from Investing Activities</u></b>			
Interest Income	30,908	0	30,908
<b>Total Cash Flows from Investing Activities</b>	<u>30,908</u>	<u>0</u>	<u>30,908</u>
Net Increase in Cash and Cash Equivalents	160,709	35,271	195,980
Cash and Cash Equivalents - January 1, 2006	326,544	347,951	674,495
<b>Cash and Cash Equivalents - December 31, 2006</b>	<u>\$ 487,253</u>	<u>\$ 383,222</u>	<u>\$ 870,475</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u></b>			
Operating Income	\$ 407,328	\$ 503,372	\$ 910,700
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	161,216	139,176	300,392
Decrease (Increase) in Operating Assets and Increase (Decrease) in Operating Liabilities:			
Accounts Receivable	157,531	(21,304)	136,227
Inventory	1,081	0	1,081
Prepays	806	(472)	334
Accounts Payable	44,364	(59,929)	(15,565)
Accrued Wages and Benefits	(251)	253	2
Due to Governments	(1,624)	42	(1,582)
Pension Obligation	955	567	1,522
Accrued Compensated Absences	2,936	0	2,936
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 774,342</u>	<u>\$ 561,705</u>	<u>\$1,336,047</u>

See accompanying notes to the basic financial statements.

**CITY OF GENEVA, OHIO  
STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
DECEMBER 31, 2006**

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	<u>Agency</u>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 23,717
<b>Total Assets</b>	<u>\$ 23,717</u>
<b><u>Liabilities</u></b>	
Due to Other	\$ 23,717
<b>Total Liabilities</b>	<u>\$ 23,717</u>

See accompanying notes to the basic financial statements.

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

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**NOTE 1: DESCRIPTION OF THE CITY**

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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

A. **Reporting Entity** (Continued)

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

**Discretely Presented Component Unit**

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

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

**Jointly Governed Organizations**

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

**Ashtabula County General Health District**

The Ashtabula County General Health District, a jointly governed organization, provides health services to the citizens within the County. The Board of Health, which consists of a representative from each of the participating governments, oversees the operation of the District. Twenty-seven townships, seven villages, and the City of Geneva participate in the District. The City contributed \$48,611 during 2006 for the operation of the District.

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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

A. **Reporting Entity** (Continued)

**Jointly Governed Organizations** (Continued)

**The Geneva Union Cemeteries District**

The Geneva Union Cemeteries District, a jointly governed organization, is a political subdivision governed by a board of trustees, which possesses its own contracting and budgeting authority. The board of trustees consists of a representative from each of the participating governments: the City of Geneva, the Village of Geneva-on-the-Lake, and Geneva Township. The members serve staggered three-year terms. In 2006, .64 mills of the tax valuation was paid to the Cemetery.

B. **Basis of Presentation**

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

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

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

Program revenues include charges paid by the recipient of the goods, and services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each government program or business activity is self-financing or draws from the general revenues of the City.

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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

B. **Basis of Presentation** (Continued)

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

C. **Fund Accounting**

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

*Governmental Funds* Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

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

Street Construction, Maintenance and Repair Fund - Required by the Ohio Revised Code to account for that portion of the state gasoline tax and motor vehicle registration fees for maintenance of streets within the City.

Community Development Fund - To account for monies received from the sale of City owned properties. Money is also transferred in from the income tax fund to cover community development projects.

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

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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

C. **Fund Accounting** (Continued)

***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.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investments trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has three agency funds consisting the Jedd I fund, the Jedd II fund, and the Fire fund.

D. **Measurement Focus**

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

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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

D. **Measurement Focus** (Continued)

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

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

E. **Basis of Accounting**

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

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

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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

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

***Revenues - Exchange and Nonexchange Transactions*** (Continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (Note 5). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes, for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance year 2007 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**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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

E. **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.

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

F. **Budgetary Data**

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

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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

F. **Budgetary Data** (Continued)

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

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

Note 14 provides a reconciliation between the budgetary basis and GAAP basis of accounting.

G. **Cash and Investments**

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

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

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of December 31, 2006:

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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

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

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

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

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

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

STAROhio is an investment pool professionally managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. The fund follows all state statutes from the Ohio Revised Code under the Uniform Depository Act. The fund is audited by the State of Ohio to ensure compliance with these laws. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2006.

Following Ohio statutes, the City has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$73,739, which includes \$27,271 assigned from other funds.

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

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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

**H. Inventory**

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

**I. Prepaid Items**

Prepayments for governmental funds represent cash disbursements, which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**J. Capital Assets**

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

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

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

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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

J. **Capital Assets** (Continued)

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

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

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

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

L. **Fund Balance Reserves**

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

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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

**M. Net Assets**

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

**N. Interfund Balances**

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

An analysis of interfund transactions is presented in Note 4.

**O. Compensated Absences**

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

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

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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

**P. Statement of Cash Flows**

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

**Q. Estimates**

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

NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**A. Primary Government**

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents, and investments. In addition, investments are separately held by a number of individual funds. Statutes require the classification of funds held by the City into three categories:

“Active” funds are those funds required to be kept in “cash” or “near cash” status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts or in money market deposit accounts.

“Inactive” funds are those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no 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.

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

A. **Primary Government** (Continued)

“Interim” funds are those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts. 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 or 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. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio or Ohio local governments;
6. No-load money market mutual funds consisting exclusively of obligations described in the first two sections and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasury Asset Reserve of Ohio (STAROhio); and
8. Bankers’ acceptances and commercial paper, if training requirements have been met.

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

A. **Primary Government** (Continued)

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. Investments may only be made through specified dealers and institutions.

The following disclosure is based on the criteria described in GASB Statement No. 40, *Deposits and investments Risk Disclosures*.

**Deposits**

At year end, the carrying amount of the City's deposits was \$2,392,466 and the bank balance was \$2,491,799. The Federal Deposit Insurance Corporation (FDIC) covered \$400,000 of the bank balance and \$2,091,799 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$2,091,799</u>
Total Balance	<u>\$2,091,799</u>

Investment earnings of \$27,271 earned by other funds were credited to the General Fund as required by state statute.

**Cash and Investments**

The City's cash and investments as of December 31, 2006 are summarized below:

	<u>Fair Value</u>	<u>Credit Rating*</u>	<u>Investment Maturities (in Years)</u>
STAROhio	\$ 313,383	AAA	\$ 313,383
Carrying Amount of Deposits	2,392,466		2,392,466
Cash with Fiscal Agent	<u>48,959</u>		<u>48,959</u>
Total	<u>\$2,754,808</u>		<u>\$2,754,808</u>

\*Standard and Poor's

*Interest Rate Risk* - The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

*Concentration of Credit Risk* - The City places no limit on the amount the City may invest in one issuer.

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

A. **Primary Government** (Continued)

**Reconciliation of Cash, Cash Equivalents, and Investments**

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

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

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,754,808	\$ 0
Investments in the Cash Management Pool:		
Investment in STAROhio	(313,383)	313,383
Certificates of Deposit (greater than 3 months)	<u>100,000</u>	<u>(100,000)</u>
GASB Statement No. 3	<u>\$ 2,541,425</u>	<u>\$ 213,383</u>

B. **Component Unit**

At year-end, the carrying amount of the CIC's deposits was \$106,464 and bank balance was \$106,464. \$106,464 of the bank balance was covered by Federal depository insurance.

NOTE 4: **INTERFUND BALANCES AND TRANSFERS**

A. Interfund balances at December 31, 2006, consist of the following individual fund receivables and payables which are long-term in nature (outstanding greater than one year):

	<u>Advances From Other Funds</u>	<u>Advances To Other Funds</u>
<b><u>Governmental Activities</u></b>		
Streets, Construction, Maintenance and Repair Fund	\$ 72,250	\$ 0
Nonmajor Governmental Funds	<u>0</u>	<u>72,250</u>
Total Long-Term Interfund Balances	<u>\$ 72,250</u>	<u>\$ 72,250</u>

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

NOTE 4: **INTERFUND BALANCES AND TRANSFERS** (Continued)

B. Interfund balances at December 31, 2006, consist of the following individual fund receivables and payables:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b><u>Governmental Activities</u></b>		
General Fund	\$ 164,534	\$ 0
Nonmajor Governmental Funds	33,750	198,284
Total Due From/Due to Other Funds	<u>\$ 198,284</u>	<u>\$ 198,284</u>

C. The following is a summarized breakdown of the City's transfers for 2006:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b><u>Governmental Activities</u></b>		
General Fund	\$ 0	\$ 704,255
Street, Construction, Maintenance and Repair Fund	220,572	0
Community Development Fund	159,722	0
Nonmajor Governmental Funds	345,850	17,889
Total Governmental Activities	<u>726,144</u>	<u>722,144</u>
<b><u>Business-Type Activities</u></b>		
Water	13,000	13,000
Wastewater	50,250	54,250
Total Business-Type Activities	<u>63,250</u>	<u>67,250</u>
Totals	<u>\$ 789,394</u>	<u>\$ 789,394</u>

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

NOTE 5: **TAXES**

A. **Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of the preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every three years. The last revaluation was completed in 2002. Real property taxes are payable annually or semi-annually. If paid annually, the payment is due February 28; if paid semi-annually, the first payment is due February 28 with the remainder payable by June 20, unless extended.

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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NOTE 5: **TAXES** (Continued)

A. **Property Taxes** (Continued)

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

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

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

The full tax rate for all City operations for the year ended December 31, 2006 was \$8.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property for 2005 upon which 2006 property tax receipts were collected as follows:

Real Property	\$ 86,830,830
Public Utility	2,654,710
Tangible Personal Property	<u>8,233,940</u>
Total Valuation	<u>\$ 97,719,480</u>

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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NOTE 5: **TAXES** (Continued)

**B. Income Taxes**

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

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

Income tax proceeds are received by the general fund.

NOTE 6: **INTERGOVERNMENTAL RECEIVABLES**

Receivables at December 31, 2006, primarily consisted of taxes, accounts (billings for user charged services), intergovernmental receivables, entitlement or shared revenues, special assessments, loans receivable, and interest on investments. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

<u>Primary Government</u>	<u>Amount</u>
Homestead and Rollback	\$ 11,279
Local Government	173,520
County Area Court	11,684
Gasoline Tax	122,134
Auto Registration	27,087
Permissive Tax	5,880
Liquor Licenses	1,092
CHIP Home Grant	85,855
ODOT Reimbursement	<u>10,467</u>
<b>Total Intergovernmental Receivables</b>	<b><u>\$ 448,998</u></b>

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

**NOTE 7: LOANS RECEIVABLE**

As part of the Economic Development special revenue fund, the City maintains a revolving loan program, available to local businesses to encourage growth and development. The State of Ohio provides funding for the program. At December 31, 2006, there were two loans outstanding, totaling \$139,571.

**NOTE 8: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006, was as follows:

	Restated Balance <u>12/31/2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2006</u>
<b><u>Governmental Activities</u></b>				
<i>Capital Assets Not Being Depreciated</i>				
Land/Land Improvements	\$ 1,341,166	\$ 72,583	\$ 0	\$ 1,413,749
Construction in Progress	<u>138,376</u>	<u>84,712</u>	<u>(70,576)</u>	<u>152,512</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,479,542</u>	<u>157,295</u>	<u>(70,576)</u>	<u>1,566,261</u>
<i>Capital Assets Being Depreciated</i>				
Building/Land Improvements	2,262,834	1,256,067	0	3,518,901
Equipment	2,895,082	231,684	(107,066)	3,019,700
Infrastructure	<u>12,023,113</u>	<u>472,831</u>	<u>0</u>	<u>12,495,944</u>
<i>Total Capital Assets Being Depreciated</i>	<u>17,181,029</u>	<u>1,960,582</u>	<u>(107,066)</u>	<u>19,034,545</u>
Less Accumulated Depreciation:				
Building/Land Improvements	(1,470,691)	(50,779)	0	(1,521,470)
Equipment	(1,886,981)	(203,574)	106,589	(1,983,966)
Infrastructure	<u>(7,687,654)</u>	<u>(421,356)</u>	<u>0</u>	<u>(8,109,010)</u>
<i>Total Accumulated Depreciation</i>	<u>(11,045,326)</u>	<u>(675,709)</u>	<u>106,589</u>	<u>(11,614,446)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>6,135,703</u>	<u>1,284,873</u>	<u>(477)</u>	<u>7,420,099</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 7,615,245</u>	<u>\$ 1,442,168</u>	<u>\$ (71,053)</u>	<u>\$ 8,986,360</u>

\* Depreciation expense was charged to governmental functions as follows:

General Governments	\$ 63,722
Security of Persons and Property	136,281
Public Health and Welfare	245
Transportation	469,114
Leisure Time Activities	<u>6,347</u>
<b>Total</b>	<u>\$ 675,709</u>

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

NOTE 8: **CAPITAL ASSETS** (Continued)

	Restated Balance <u>12/31/2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2006</u>
<b><u>Business-Type Activities</u></b>				
<i>Capital Assets Not Being Depreciated</i>				
Construction in Progress	\$ 0	\$ 247,564	\$ 0	\$ 247,564
<i>Total Capital Assets Not Being Depreciated</i>	<u>0</u>	<u>247,564</u>	<u>0</u>	<u>247,564</u>
<i>Capital Assets Being Depreciated</i>				
Building/Land Improvements	3,735,823	0	0	3,735,823
Equipment	686,056	29,710	(17,087)	698,679
Infrastructure	<u>8,749,494</u>	<u>106,403</u>	<u>0</u>	<u>8,855,897</u>
<i>Total Capital Assets Being Depreciated</i>	<u>13,171,373</u>	<u>136,113</u>	<u>(17,087)</u>	<u>13,290,399</u>
Less Accumulated Depreciation:				
Building/Land Improvements	(1,955,597)	(79,391)	0	(2,034,988)
Equipment	(510,829)	(39,051)	12,811	(537,069)
Infrastructure	<u>(1,078,265)</u>	<u>(181,950)</u>	<u>0</u>	<u>(1,260,215)</u>
<i>Total Accumulated Depreciation</i>	<u>(3,544,691)</u>	<u>(300,392)</u>	<u>12,811</u>	<u>(3,832,272)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>9,626,682</u>	<u>(164,279)</u>	<u>(4,276)</u>	<u>9,458,127</u>
<b>Total Business-Type Capital Assets, Net</b>	<u>\$ 9,626,682</u>	<u>\$ 83,285</u>	<u>\$ (4,276)</u>	<u>\$ 9,705,691</u>

\* Depreciation expense was charged to business functions as follows:

Wastewater	\$ 161,216
Water	<u>139,176</u>
Total	<u>\$ 300,392</u>

<u>Capital Assets, Net</u>	
Wastewater	\$ 3,272,909
Water	<u>6,432,782</u>
Total Depreciable Capital Assets	<u>\$ 9,705,691</u>

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

**NOTE 9: LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the City during 2006 were as follows:

	Maturity Date	Balance 01/01/06	Additions	(Reductions)	Balance 12/31/06	Due Within One Year
<b>Governmental Activities</b>						
<i>General Obligation Bonds</i>						
1995 - 4.99% Various Purpose - Street Lighting	2015	\$ 135,000	\$ 0	\$ (10,000)	\$ 125,000	\$ 10,000
2005 4.51% Road Improvement	2015	858,953	0	(74,041)	784,912	77,721
2003 - USDA Rural Development - Fire Truck	2015	<u>524,000</u>	<u>0</u>	<u>(37,000)</u>	<u>487,000</u>	<u>40,000</u>
<i>Total General Obligation Bonds</i>		<u>1,517,953</u>	<u>0</u>	<u>(121,041)</u>	<u>1,396,912</u>	<u>127,721</u>
<i>Special Assessment Bonds</i>						
1995 - 4.99% Various Purpose - Subdivisions	2015	<u>800,000</u>	<u>0</u>	<u>(60,000)</u>	<u>740,000</u>	<u>65,000</u>
<i>OPWC Loans</i>						
1996 - 0% OPWC Loan - Erie Street 913	2006	747	0	(747)	0	0
2003 - 0% OPWC Loan - S. Broadway Widening	2013	176,290	0	(23,506)	152,784	23,506
2006 - 0% OPWC Loan - Roosevelt Drive	2016	<u>0</u>	<u>50,000</u>	<u>(2,500)</u>	<u>47,500</u>	<u>5,000</u>
<i>Total OPWC Loans</i>		<u>177,037</u>	<u>50,000</u>	<u>(26,753)</u>	<u>200,284</u>	<u>28,506</u>
<i>Other Loans</i>						
2006 - 0% Civic Development Cor. Loan	2009	<u>0</u>	<u>5,916</u>	<u>(763)</u>	<u>5,153</u>	<u>2,290</u>
<i>Other Liabilities</i>						
Capital Leases Payable		20,310	260,770	(86,769)	194,311	62,484
Compensated Absences		<u>121,889</u>	<u>32,915</u>	<u>(27,612)</u>	<u>127,192</u>	<u>34,536</u>
<i>Total Other Liabilities</i>		<u>142,199</u>	<u>293,685</u>	<u>(114,381)</u>	<u>321,503</u>	<u>97,020</u>
<b>Total Governmental Activities</b>		<u>2,637,189</u>	<u>349,601</u>	<u>(322,938)</u>	<u>2,663,852</u>	<u>320,537</u>
<b>Business-Type Activities</b>						
<i>Ohio Water Development Authority Loans</i>						
4.56% OWDA, Series 2004	2030	6,625,321	0	(156,625)	6,468,696	163,848
7.00% OWDA Phase I - Nitrification Tower 1579	2013	477,020	0	(48,186)	428,834	52,268
7.00% OWDA Phase II - Tertiary Filters 1580	2015	462,847	0	(37,233)	425,614	40,172
7.00% OWDA Phase III - Southerly Sewer 1582	2018	1,864,008	0	(95,243)	1,768,765	102,387
2.20% OWDA Phase IV - Interceptor Old Orchard 228	2015	223,577	0	(21,406)	202,171	21,880
2.20% OWDA Phase V - Centennial 301	2015	231,819	0	(22,196)	209,623	22,686
2.20% OWDA Phase VI - Filter Press 289	2016	<u>215,382</u>	<u>0</u>	<u>(19,480)</u>	<u>195,902</u>	<u>19,911</u>
<i>Total Ohio Water Development Authority Loans</i>		<u>10,099,974</u>	<u>0</u>	<u>(400,369)</u>	<u>9,699,605</u>	<u>423,152</u>
<i>Other Loans</i>						
2006 Geneva-on-the-Lake Sanitary Sewer Outfall	2026	<u>0</u>	<u>106,403</u>	<u>(3,377)</u>	<u>103,026</u>	<u>3,531</u>
<i>Other Liabilities</i>						
Compensated Absences		<u>21,200</u>	<u>10,718</u>	<u>(7,782)</u>	<u>24,136</u>	<u>7,782</u>
<b>Total Business-Type Activities</b>		<u>10,121,174</u>	<u>117,121</u>	<u>(411,528)</u>	<u>9,826,767</u>	<u>434,465</u>
<b>TOTAL LONG-TERM LIABILITIES</b>		<u>\$12,758,363</u>	<u>\$ 466,722</u>	<u>\$ (734,466)</u>	<u>\$12,490,619</u>	<u>\$ 755,002</u>

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

**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 benefitted 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.

The City has two loans with the Ohio Public Works Commission (OPWC). One was issued in 2003 to finance the repair and widening of South Broadway. The other was issued in 2006 to finance the repair of Roosevelt Drive. The 2003 loan and 2006 loan are obligations of the Street Maintenance and Repair fund and are paid from transfers from the Income Tax fund.

See Note 21 for detail on capital leases.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2006 are as follows:

Due In	Governmental Activities					
	General Obligation Bonds		Special Assessment Bonds		Ohio Public Works Commission	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 127,721	\$ 62,205	\$ 65,000	\$ 41,212	\$ 28,506	\$ 0
2008	134,266	56,488	70,000	37,800	28,505	0
2009	145,973	50,343	70,000	33,880	28,505	0
2010	152,849	43,673	75,000	29,960	28,505	0
2011	160,902	36,698	80,000	25,760	28,505	0
2012-2016	675,201	69,812	380,000	55,160	57,758	0
2017-2021	0	0	0	0	0	0
2022-2032	0	0	0	0	0	0
Total	<u>\$1,396,912</u>	<u>\$ 319,219</u>	<u>\$ 740,000</u>	<u>\$ 223,772</u>	<u>\$ 200,284</u>	<u>\$ 0</u>

  

Year	Other Loans		Total	
	Principal	Interest	Principal	Interest
2007	\$ 2,290	\$ 0	\$ 223,517	\$ 103,417
2008	2,290	0	235,061	94,288
2009	573	0	245,051	84,223
2010	0	0	256,354	73,633
2011	0	0	269,407	62,458
2012-2016	0	0	1,112,959	124,972
2017-2021	0	0	0	0
2022-2032	0	0	0	0
Total	<u>\$ 5,153</u>	<u>\$ 0</u>	<u>\$2,342,349</u>	<u>\$ 542,991</u>

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

NOTE 9: **LONG-TERM OBLIGATIONS** (Continued)

Due In	Business-type Activities					
	Ohio Water Development Authority		Other Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 423,152	\$ 489,767	\$ 3,531	\$ 4,587	\$ 426,683	\$ 494,354
2008	447,411	467,146	3,691	4,426	451,102	471,572
2009	473,251	443,076	3,859	4,259	477,110	447,335
2010	500,783	417,456	4,034	4,084	504,817	421,540
2011	530,127	390,177	4,217	3,900	534,344	394,077
2012-2016	2,559,815	1,513,445	24,137	16,450	2,583,952	1,529,895
2017-2021	1,730,457	904,830	30,137	10,450	1,760,594	915,280
2022-2032	<u>3,034,609</u>	<u>621,181</u>	<u>29,420</u>	<u>3,049</u>	<u>3,064,029</u>	<u>624,230</u>
Total	<u>\$ 9,699,605</u>	<u>\$5,247,078</u>	<u>\$ 103,026</u>	<u>\$ 51,205</u>	<u>\$ 9,802,631</u>	<u>\$ 5,298,283</u>

NOTE 10: **NOTES PAYABLE**

In 2006, the City issued Various Purpose Improvement Note, Series 2005, for \$766,000. This note was used to pay off the principal for the Various Purpose Improvement Note, Series 2005.

**Short Term Debt - Notes Payable**

	Balance 01/01/2006	Additions	Reductions	Balance 12/31/2006
<i>Governmental Activities:</i>				
Various Purpose Improvement Note, Series 2005	\$ 866,000	\$ 0	\$ (866,000)	\$ 0
Various Purpose Improvement Note, Series 2006	0	766,000	0	766,000
<i>Total Governmental Activities</i>	<u>866,000</u>	<u>766,000</u>	<u>(866,000)</u>	<u>766,000</u>
<b>Total Notes Payable</b>	<u>\$ 866,000</u>	<u>\$ 766,000</u>	<u>\$ (866,000)</u>	<u>\$ 766,000</u>

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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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 5 years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of annual covered salaries. The employer contribution rate for pension benefits for 2006 was 13.70 percent of covered payroll, of which 9.20 percent was used to fund the pension and 4.5 percent was used to fund health care.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$105,715, \$118,963, and \$108,074, respectively; 71.65 percent has been contributed for 2006 and 100 percent for 2005 and 2004. Contributions to the member directed plan for 2006 were \$9,839 made by the City and \$6,463 made by the plan members.

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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NOTE 11: **PENSION PLANS** (Continued)

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police and 16.25 percent for firefighters. The City's contributions to the OP&F for police and firefighters were \$62,396 and \$44,644, respectively, for the year ended December 31, 2006, \$67,939 and \$37,367, respectively, for the year ended December 31, 2005, \$82,828 and \$40,106 for the year ended December 31, 2004. The full amount has been contributed for 2005 and 2004. 65.05 percent for police and 80.03 percent for firefighters, respectively, have been contributed for 2006.

NOTE 12: **POST-EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member directed plan do not qualify for post-employment health care coverage. The health care provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2006 employer contribution rate was 13.70 percent of covered payroll; 4.5 percent was the portion that was used to fund health care for 2006.

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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NOTE 12: **POST-EMPLOYMENT BENEFITS** (Continued)

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

The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2005. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets, not to exceed a 12 percent corridor. The investment assumption for 2005 was 6.5 percent. An annual increase of 4 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4 percent base increase, were assumed to range from 0.5 percent to 6.3 percent. Health care costs were assumed to increase at the projected wage inflation rate of 4.0 percent annually plus an additional factor ranging from 0.5 percent to 6 percent for the next 9 years. In subsequent years (10 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

OPEBs are advanced-funded on an actuarially determined basis. The number of active contributing participants in the Traditional Pension and Combined plans totaled 369,214 as of December 31, 2006. The number of active contributing participants for both plans used in December 31, 2005, actuarial valuation was 358,804. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2005 was \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefits recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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NOTE 12: **POST-EMPLOYMENT BENEFITS** (Continued)

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

In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

B. **Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a two-thirds basis. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll.

The Ohio Revised Code provides statutory authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75 percent of covered payroll in 2005 and 2006. In addition, since 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2005 (the latest actuarial valuation available), was 13,922 for police and 10,537 for firefighters. The portion of the City's contributions that was used to pay post-employment benefits was \$41,155 for police and \$21,297 for firefighters. The OP&F had total health care expenses for the year ended December 31, 2005, the date of the last actuarial valuation available, of \$108,039,449, which was net of member contributions of \$55,271,881.

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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**NOTE 13: COMPENSATED ABSENCES**

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

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

**NOTE 14: BUDGETARY BASIS OF ACCOUNTING**

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and the Major Special Revenue Funds.

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

NOTE 14: **BUDGETARY BASIS OF ACCOUNTING** (Continued)

	Net Change in Fund Balances		
	General Fund	S.C.M.R.	Community Development Fund
GAAP Basis	\$ 159,685	\$ (5,063)	\$ 88,257
Net Adjustment for Revenue Accruals	1,858	5,608	(2)
Net Adjustment for Expenditure Accruals	(154,437)	(3,223)	(100,017)
Net Adjustment for Encumbrances	<u>(39,667)</u>	<u>(37,862)</u>	<u>(2,644)</u>
Budgetary Basis	<u>\$ (32,561)</u>	<u>\$ (40,540)</u>	<u>\$ (14,406)</u>

NOTE 15: **CONTRACTUAL COMMITMENTS**

The City had the following outstanding material contractual commitments as of December 31, 2006:

	<u>Amount</u>
C.T. Consultants - CHIP Grant Coordinator	\$ 31,376
Ohio Department of Transportation - Austin Road Overpass	425,000
Ashtabula County Department of Environmental Services - CDBG - Blaine Street Improvements - Wastewater Project	13,000
Ohio Public Works Commission - Centennial Issue II Project	86,900
Gledhill Road Machinery Co. - customize new dump truck	48,889
Brobst Tree and Stump Service	<u>14,800</u>
Total	<u>\$ 619,965</u>

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

**NOTE 16: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the City contracted with insurers for various types of full coverage commercial insurance as follows:

<u>Company</u>	<u>Coverage</u>	<u>Deductible</u>	<u>Limits of Coverage</u>	
CNA Insurance Company/ American Alternative	Property	\$ 5,000	\$10,390,991	
	General Liability	0	1,000,000/2,000,000	
	Employee Benefits Liability	1,000	1,000,000	
	Inland Marine	1,000	374,572	
	Boilers and Machinery	1,000	10,390,996	
	Vehicles - Liability	0	1,000,000/2,000,000	
	Comprehensive	200	ACV	
	Collision	200	ACV	
	Fire Errors and Omissions	0	1,000,000	
	Umbrella Liability	10,000	5,000,000	
		(retainage)	per occurrence/ annual aggregate	
		Law Enforcement and Liability	10,000	1,000,000
				per occurrence/ annual aggregate
	Public Officials Liability	10,000	1,000,000	
			per occurrence/ annual aggregate	

**NOTE 17: RELATED PARTY TRANSACTIONS**

In prior years, the City transferred two land parcels to the Community Improvement Corporation of Geneva (Note 2). The amount outstanding at December 31, 2006 is \$47,953. City management is confident that once the CIC itself sells the land to either a developer or business which wishes to locate or expand in Geneva, the City will receive compensation of the remaining balance.

**NOTE 18: CONTINGENCIES**

**Federal and State Grants**

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

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

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NOTE 18: **CONTINGENCIES** (Continued)

**Litigation**

There are a few lawsuits pending in which the City is involved. City management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

NOTE 19: **CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY**

**A. Changes in Accounting Principles**

For fiscal year 2006, the City implemented GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. This statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

The implementation of GASB Statement No. 46 did not have an effect on the financial statements of the City.

**B. Restatement of Prior Year's Net Assets**

Net assets of governmental activities were restated as follows:

Net Assets, December 31, 2005	\$ 6,894,396
Capital Assets, Understated	<u>589,744</u>
Net Assets, December 31, 2005, as Restated	<u>\$ 7,484,140</u>

Governmental activities' net assets were restated due to understated capital assets.

**Net assets of Business-Type Activities**

	<u>Water</u>	<u>Waste Water</u>
Net Assets, December 31, 2005	\$ 525,767	\$ 276,573
Restatement Adjustment	<u>(267,810)</u>	<u>23,280</u>
Net Assets, December 31, 2005, as Restated	<u>\$ 257,957</u>	<u>\$ 299,853</u>

Business-type activities' net assets were restated due to an error in calculation of capital assets in prior years.

**CITY OF GENEVA, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(CONTINUED)**

**NOTE 20: COMPLIANCE AND ACCOUNTABILITY**

The fund deficit at December 31, 2006, of \$710,461 in the Community Development Fund was created from recording notes payable amounts in the individual fund balance sheets. Deficits do not exist under the cash basis of accounting. The General Fund provides operating transfers when cash is required, not when accruals occur.

**NOTE 21: CAPITAL LEASES**

The City has entered into a lease agreement as lessee for financing the acquisition of various vehicles for the Street Department. The assets acquired through capital leases are as follows:

<u>Assets</u>	<u>Governmental Activities</u>
Equipment	\$ 260,770
Less: Accumulated Depreciation	<u>(2,667)</u>
Total	<u>\$ 258,103</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2006 were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2007	\$ 71,352
2008	71,352
2009	35,546
2010	<u>35,546</u>
Total Minimum Lease Payments	213,796
Less: Amount Representing Interest	<u>(19,485)</u>
Present Value of Minimum Lease Payments	<u>\$ 194,311</u>

**NOTE 22: SUBSEQUENT EVENT**

The City passed an ordinance on July 23, 2007, providing for the issuance and sale of \$666,000 of notes in anticipation of the issuance of bonds to pay costs incurred for municipal purposes and costs of acquiring real property for municipal purposes, including park and recreational purposes.

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
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Garfield Hts., Ohio 44125

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Members of City Council  
City of Geneva, Ohio

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, Ohio, as of and for the year ended December 31, 2006, which collectively comprise the City of Geneva, Ohio's basic financial statements and have issued our report thereon dated August 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Geneva, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Geneva, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the City of Geneva, Ohio's internal control. We consider the deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: Item 2006-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Geneva, Ohio's internal control.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Geneva, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City of Geneva, Ohio, in a separate letter dated August 15, 2007.

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

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

August 15, 2007

**CITY OF GENEVA, OHIO**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**DECEMBER 31,2006**

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**Item 2006-1: Capital Assets**

Condition/Criteria

In 2005, it was noted that the City had not tagged their property for several years. We also noted that the City does not have a detailed listing of all capital assets; however, a manual list of new acquisitions was prepared. The preparation of a detailed listing of capital assets aided in the accounting of assets and caused the capital assets to be restated for governmental and business-type financial statements.

Effect

Capital assets were reported in error in the 2005 financial statements.

Cause

The City did not have software for capitalization of capital assets.

Recommendation

In 2006 the City acquired software that enabled management to track assets by tag number, location, amount, and description. The City then was able to reconcile the assets listed in the software system with those physically on hand. We recommend that the City continue to take a physical inventory of all capital assets to ensure proper recording of all capital assets.

Corrective Action Plan

The City has taken a physical inventory and did implement the 2006 audit recommendation. The City has also implemented new software to record capital assets, which will give the City a more uniform treatment of property and equipment.

**CITY OF GENEVA, OHIO  
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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The prior audit report as of December 31, 2005, included management letter recommendations which have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



**Mary Taylor, CPA**  
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  
NOVEMBER 8, 2007**